

Issues

Despite significant efforts, the UK does not produce school leavers with suitable STEM-related skills in sufficient numbers. The legacy of this problem is reflected in a similar gap in the general workforce and, in particular, a lack of high quality entrants to the construction and infrastructure industry. This lack of suitably qualified new entrants has been exacerbated by a poor industry image and a significant loss of skilled workers to other industries during the recent extended recession.

Over the same period, the competitive and cyclical nature of the infrastructure and construction markets has forced down long-term direct employment amongst Tier 1 general contractors, with a direct impact on higher level skills training and personal development amongst employees. Much of the training effort expended by Tier 1 contractors has focused on compliance training, rather than upskilling. In such a highly competitive, low-margin market, the benefits of long-term sustainable employment and training practice are rarely recognised.

For Tier 2 specialist contractors, the picture is somewhat different. This group is responsible for the largest contingent of long-term direct employees in the industry and is focused on high quality skills development as a fundamental part of their business model, something that is true both for professionals and skilled/semi-skilled operatives. This is evidenced through, amongst other things, a strong trade association culture and support for industry-specific apprenticeships and post-graduate specialism through bursary awards and targeted industry placements (such as those provided by the FPS).

However, the overall cyclical business pattern of construction and infrastructure has served to limit the scale of direct employment amongst Tier 2 specialists to that required to meet 'troughs' in demand. Because of a lack of transparency in the work pipeline, coupled with volatile activity levels and low industry margins, speculative investment in skills and innovation is not encouraged. Quite logically, specialist contractors have prioritised business stability and sustainability over growth during times of uncertainty.

In summary,

- There are insufficient UK STEM-skilled entrants to meet the requirements of industry at the 'trough' level of activity, and there is a lead time of 5 – 8 years post-secondary education to reach the minimum level of specialist skill, whether as a graduate or as a skilled plant operator. The EU cohort filling the current UK skills gap cannot be replaced by suitably qualified and experienced domestic workers in a shorter timescale.
- Low margin UK construction businesses are struggling to invest in long-term employment and upskilling without predictable near-term revenue streams to support this investment. This will continue to suppress the intake of new long-term employees (domestic or otherwise) beyond a minimum level.
- The mobile, short-term skilled resource required to manage significant demand peaks in the UK (recent major infrastructure projects, for example) does not, as the most recent recession showed, function at individual nation-scale level. Mobility over multiple economies is required to allow businesses to respond efficiently to market phasing. There is no realistic prospect of being able to source peak-level resources from a uniquely domestic pool in a way that would be both affordable and sustainable.
- The increasingly complex nature of the skilled and semi-skilled roles in specialist contracting is such that employees are selected individually for aptitude and attitude. Simply growing the headcount of domestic STEM-trained school leavers will not, in itself, guarantee that sufficient, suitable, employable, high quality candidates will emerge to replace the skilled EU long-term and mobile employees.

Non-UK employees support the UK specialist contracting industry in two direct ways: i) as long-term direct employees, filling the UK skills gap of STEM-trained workers, ii) as mobile temporary employees to resource the demand peaks of the market, often as short-term intra-company transfers.

Less directly, international employees bring a valuable educational, technical and cultural diversity to specialist contractors, strengthening our businesses beyond simple numbers and accelerating change and productivity improvement. For some *very* specialist techniques there is no continuity of work in any individual country and cross-border mobility of employees and equipment is the only route to making these techniques available in domestic markets. As the developers and owners of some of these techniques, UK specialists are able to generate significant export benefit from such arrangements.

Finally, policymakers should acknowledge that there is not a pool of domestic skilled and semi-skilled workers waiting to be employed if non-UK workers leave, and there is no prospect of this circumstance changing within a timescale of 5 to 8 years. A sudden scarcity in the availability of skilled and semi-skilled workers in the UK will have an obvious and direct effect on construction wage inflation and, by extension, the affordability of infrastructure and construction projects.

Suggested Action

- Immediately secure permanent right to residence and work for existing EU nationals employed in construction – we need these people, and neither employers nor employees can afford a period of uncertainty or a sudden loss of capacity.
- Halt the introduction of the Immigration Levy as it will directly increase payroll costs (particularly administration costs) without changing the fundamental drivers of UK indigenous construction employment. Alternatively, ring-fence the Immigration Levy income from construction businesses to support construction-related skills training and employment initiatives.
- Secure reciprocal access to work arrangements for EU/UK construction professionals and skilled/semi-skilled operatives. Intra-company transfers are now an integral part of the business model of specialists and reciprocal access without introducing burdensome bureaucracy is essential.
- Ensure that training and apprenticeships levies on construction and infrastructure businesses are rational, ring-fenced and deployed for industry-specific training and development.
- Improve public sector procurement practice to reward construction businesses for responsible training and employment practices. Direct employment and investment in long-term skills training are not valued in a way that makes a material difference to competition outcomes.
- Work with trade associations and industry bodies such as Build UK and CIC to improve the visibility, continuity and predictability of public sector infrastructure workload.
- Continue to prioritise STEM subjects to improve the employability of UK school leavers.

It is acknowledged that 'UK Construction plc' has a central role to play in transforming the perception and working practices of construction to support domestic employment post-brexite. In this respect, specialist contracting businesses and trade associations continue to improve and explain the attractiveness of careers in what is a technically engaging and personally rewarding industry.