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‘Hard’ Brexit to see British construction miss out on 215,000 workers, warns Arcadis

- UK construction could lose out on equivalent population of Luton under hard Brexit
- Soft Brexit could see drop of 135,000 workers, equivalent to population of Ipswich
 - Arcadis calls for urgent focus on retraining and modernisation

(30 November 2016) British construction stands to lose out on almost 215,000 workers – the equivalent of the entire population of Luton – from house building and infrastructure in the event of a ‘hard’ Brexit, warns Arcadis. Even with a ‘soft’ Brexit, the industry stands to miss out on as many as 135,000 workers at a time when the nation’s skills gap is becoming more acute.

Arcadis believes that a potential ‘hard’ Brexit scenario – for instance, extending the points-based system currently in place for non-EU migrants – could see the number of EU construction workers entering the UK fall at the rate of attrition. This would mean that those EU nationals leaving the industry cannot be replaced at the same rate by new EU workers. If this were to play out we estimate that 214,000 fewer people from the EU would enter the infrastructure and house building sectors between now and 2020*.

Meanwhile, even in the event of a ‘soft’ Brexit the construction workforce could again see a steady reduction in numbers. Arcadis has estimated a scenario whereby, for instance, rigid quotas are introduced or policies implemented on a sector-by-sector basis, allowing for a degree of EU migration into the sector. Under this scenario we estimate that approximately 135,000 fewer European nationals would relocate to British construction – a number equivalent to the population of Ipswich.

Unlike, for instance, the financial services industry, construction is heavily reliant on unskilled or semi-skilled workers. A points-based system could, therefore, prove problematic in terms of bringing in the required labour from overseas, potentially seeing costs rise and the homes and infrastructure projects currently on the table delayed or even cancelled. Furthermore, with construction such a margin-sensitive industry, controlling post-Brexit labour and resource costs will prove critical if we are to ensure housebuilding and infrastructure projects remain viable.

Regardless of the outcome of the eventual negotiations, restricting EU migration to the UK will add significantly to the administrative burden associated with satisfying visa requirements. This will both slow the recruitment process and increase costs for construction employers, potentially seeing further lags in building the homes and infrastructure the UK needs.

Given the extremely tight timescales in which the industry now needs to adapt, if British construction is to keep its head above water in the short- to medium-term it will need to rapidly modernise and accelerate use of technology and off-site manufacturing to plug the

leak. Arcadis is currently looking into the impact of the skills gap on housebuilding and infrastructure in regions across the UK and will publish the findings early next year.

James Bryce, Arcadis Director of Workforce Planning, explains:

“What started as a skills gap could soon become a skills gulf. The British construction sector has been built on overseas labour for generations, and restrictions of any sort – be it hard or soft Brexit – will hit the industry. Missing out on over 200,000 people entering the workforce could mean rising costs for business, and much needed homes and transport networks being delayed. In recent decades, there has been a massive push towards tertiary education which has seen a big drop in the number of British people with the specific skills we need. If we cannot import the right people, we will need to quickly ramp up training and change the way we build.

“Be it hard or soft Brexit, we need to take back control of the construction industry. The likes of robotics and off-site manufacturing have never been taken as seriously as they should, but they could well prove the difference. So, too, could training. Working with schools and colleges is one way of taking control but this takes time. In the short term retraining and turning to the unemployed and underemployed could be a significant benefit to an industry under significant pressure.”

Net drop in EU migration to British housebuilding and infrastructure construction

	Hard Brexit	Range	Soft Brexit
2017	23,847	5,777	18,071
2018	40,970	14,498	26,472
2019	66,708	25,174	41,534
2020	83,016	33,012	50,004
Total	214,541	78,461	136,081

*Based an assumed 2016 house building and infrastructure workforce of 1.5m

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Notes to editors:

*Based on an assumed 2016 infrastructure and housebuilding workforce 1.5 million

ONS 2015 population estimates :
 Luton – 214,700
 Ipswich – 135,600

Methodology:

Our estimated impact on net migration in the construction industry covers the next four years and assumes an Article 50 trigger date of Q1 2017. Whilst the recent High Court ruling has called this into question, currently the government’s stated policy is to pursue this timeline. Our ‘hard’ and ‘soft’ Brexit scenarios assume that the migrant element of the construction workforce will generally change in accordance with the total construction workforce and we have estimated future changes in construction workforce numbers based upon future construction output forecasts (central scenario) published by the Construction Products Association

Under the 'hard' Brexit scenario we assume that the stock of EU workers in the construction sector decreases at the rate of attrition. That is to say that we assume that any new resource requirements will need to be mostly sourced from UK nationals (or non-EU migrants).

Under the 'soft' Brexit scenario EU workers would continue to enter the UK but at a slower rate of growth. Under this scenario it is assumed that the need for EU migrant labour is recognised and allowed for in the final Brexit deal.

The counterfactual to both our 'hard' and 'soft' Brexit scenarios is a 'no Brexit' scenario. This assumes that the referendum had never happened and that the number of EU migrants in the construction sector workforce, therefore, would have increased faster than the overall construction sector workforce; as a strong UK construction sector would have continued to absorb increasing numbers of EU migrant labour, leading to further increases in their share. Our estimate does not account for any unpredictable events such as a potential surge in migration from the EU prior to conclusion of the Brexit negotiations and the UK's formal exit. The research was conducted for Arcadis by the Centre for Economics and Business Research (Cebr).

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About Arcadis

Arcadis is the leading **global design & consultancy firm for natural and built assets**. Applying our deep market sector insights and collective design, consultancy, engineering, project and management services we work in partnership with our clients to deliver **exceptional and sustainable outcomes** throughout the lifecycle of their natural and built assets. We are 27,000 people active in over 70 countries that generate €3.4 billion in revenues. We support UN-Habitat with knowledge and expertise to improve the quality of life in rapidly growing cities around the world. **Arcadis. Improving quality of life.**