
UK CONSTRUCTION



PEOPLE REALLY ARE
THE MOST VALUABLE ASSET

Enabling growth, managing risk

BACKGROUND

At a recent round table, CIL Management Consultants brought a group of CEOs from the construction and building products sector together with investors and advisers to discuss some of the challenges and opportunities they saw over the coming years.

While investors and advisers talked about cyclical risks in the context of Brexit, all the industry leaders were focused on two things: skills shortages and productivity challenges.

There may have been a London versus rest of UK dimension to this split. Construction in the capital – where most advisers and investors are based – has had a good run over the past few years, with a sharp rebound after the financial crisis and strong investment in commercial property, infrastructure and housing. London is now experiencing something of a mid-cycle correction, particularly in the market for luxury apartments, while

much of the UK only started to recover from the last recession in 2013. There is now a strong outlook in areas such as affordable housing and infrastructure outside London.

Cyclical risk is ever present in the construction sector, and is something that industry leaders and advisers must live with and prepare for. Rather than seeking to call the next crash, this paper focuses on the skills shortage faced by the industry. It is based around a survey of 140 construction firms covering a wide range of skills, locations and sectors.



KEY MESSAGES FOR INDUSTRY LEADERS AND INVESTORS

Commercial outcomes are driven by skilled and engaged teams.

Engaging with employees leads to growth

Companies taking market share consistently reported a more engaged employee base compared with those who are losing ground

Our employees are highly engaged

Strongly agree



Sub-contractor relationships are vital

Working collaboratively with sub-contractors is a common feature of growing businesses

We have loyal subcontractors

Strongly agree



Embracing technology allows businesses to win

Those firms most willing to engage with technology and new building practices are able to drive efficiencies and increase sales

Our on-site processes are becoming much more efficient

Strongly agree



Much of UK construction and infrastructure is growing robustly and there is an increasing shortage of skills to meet demand. For this reason, companies that are taking market share are winning the war for talent, maintain a loyal sub-contractor base and are driving productivity growth.

While not often seen as a 'human capital' industry, many construction businesses are reliant on employees with a high level of skill. For white-collar employees such as engineers, architects and surveyors, degree level training and professional qualifications are essential.

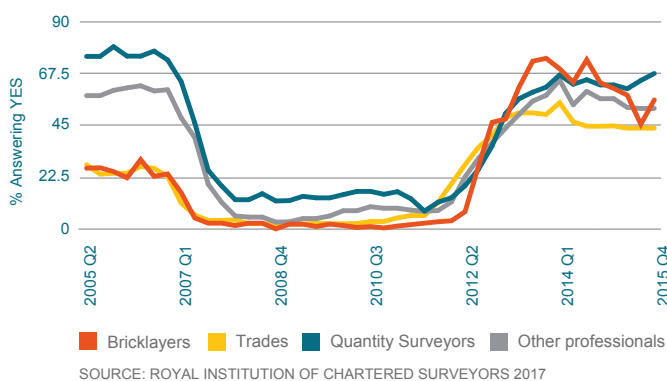
Similarly, specialist technical skills are much sought-after among those working on-site or in manufacturing environments. These skills are often in short supply.

This means that executives and investors need to take KPIs around team engagement seriously. For every initiative around technology, order book, sales pipeline, operations and productivity there needs to be an equivalent emphasis on recruitment, diversity, career development and retention.

UK CONSTRUCTION SKILLS SHORTAGE

With a strong labour market and record numbers in employment, many industries are struggling to fill skilled posts – construction has a particular problem in this regard.

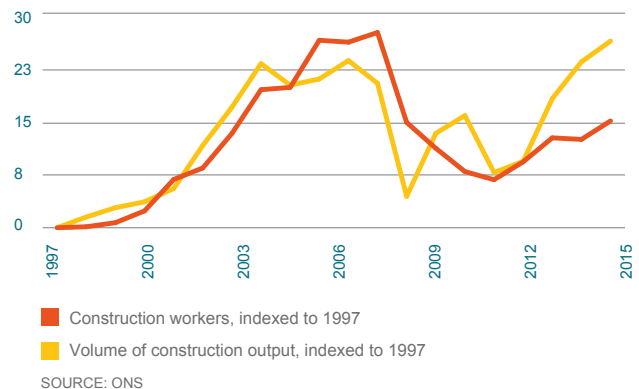
Do you have difficulty in recruiting workers from the following professions?



In a 2017 survey by the Royal Institution of Chartered Surveyors, over 50% of respondents had found it difficult to recruit skilled bricklayers, quantity surveyors and other professionals.

This crisis is not new. Outside of the recession years, there has been a consistent undersupply of skilled workers in the construction industry – a trend that goes back to the beginning of RICS records in 1998. This looks set to continue into the foreseeable future as the number of workers in the construction industry is still 200,000 below its 2008 peak, while trainee numbers continue to fall.

This shortage is likely to get worse after Brexit. Recent jobs have often been filled by immigrants, with many of these coming from the European Union; indeed, 9% of construction workers are EU citizens versus 7% in the wider UK economy.



Many respondents to the survey are already experiencing a decline in immigration from EU countries as well as a shortage of young British people entering the industry.

BEST IN RECRUITMENT

Against a backdrop of a tight labour market and strong demand in many sectors, companies that are able to recruit and retain talent are best-placed to succeed.

Offering apprenticeships

Many employers are reluctant to offer apprenticeships, as they can be costly and difficult to deliver. Yet our survey suggests the effort is worth it, with outperforming companies offering greater training opportunities to school leavers.

We have a well-structured apprenticeship scheme

Strongly agree

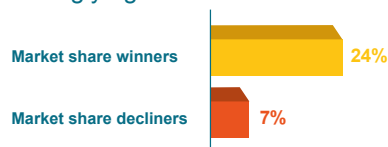


Graduates

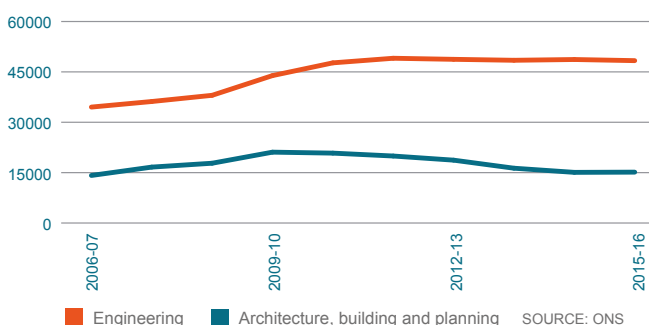
Universities are another key source of talent. The overall number of graduates from architecture, building and planning degrees has been falling since 2010, while construction activity is increasing. Those firms that have been able to keep up their graduate recruitment are growing faster than their competitors.

We recruit from Higher Education Institutions

Strongly agree

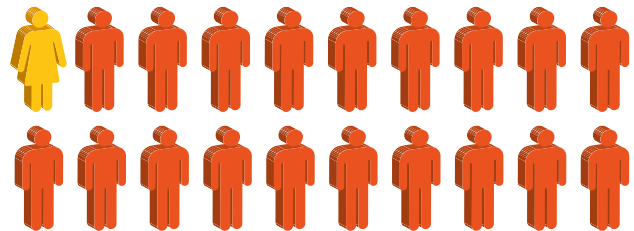


University Graduates



Engaging with women

Just under 1 in 20 construction workers are women, compared with a near even split in the UK labour market as a whole. Many women have negative perceptions of the construction workplace and are often right to do so. The fact is that many sites and firms do not create the right environment for them. Our survey suggests those employers confronting these issues have enjoyed greater growth than those who are not willing to engage.



We are actively working to improve the work environment for women

Strongly agree



“

I've done internships at three different engineering companies. The last one I did was smaller than the other two, but they did more to make me feel welcome as a woman and that's where I'm going to try and work. In many companies there are few female role models, so male managers need to take the lead.

Susie McAllister

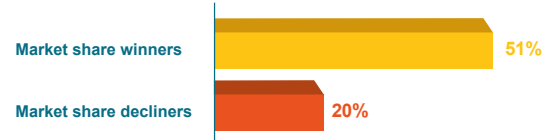
Construction engineering undergraduate
Imperial College London

TRAINING IS KEY

Recruitment is only half the battle. Training is crucial to ensure that employees have the right expertise for the task at hand. It is crucial for driving up productivity. Offering workers the chance to learn and develop their skills is also important for career development and retention.



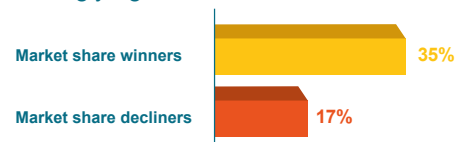
We provide regular on-site training Strongly agree



We provide qualifications based training Strongly agree



We provide regular off-site training Strongly agree



Final Thought

Cyclicalities are an inherent feature of construction. Who knows what Brexit will bring? What we do know is that in a more difficult market companies that have got engaging leadership backed by an engaged team are more likely to win the available contracts.

METHODOLOGY

CIL and Barbour ABI conducted a survey of 140 companies in the UK construction industry during the summer of 2017. Respondents were based across the UK and ranged from architects and other professional services firms to a broad range of skilled trades and contractors.

We were most interested in the differences between the share winners and share decliners, which highlight the critical areas of focus for any management team in the coming years.

The respondents were separated into three categories:

Share winners: Business with sales growth of more than 5% p.a.

Share decliners: Business with declining sales

Share neutral: Businesses with sales growth of 0-5% p.a.

Barbour ABI

CIL Construction Team



Sebastian Chambers

schambers@cil.com

+44 20 3829 2810



James de La Salle

jdelasalle@cil.com

+44 20 3829 2755



MANAGEMENT
CONSULTANTS

Enabling growth, managing risk

30 King Street, London, EC2V 8EH

T. +44 20 3829 2700

W. cil.com