

Cross-Party Group Annual Report

Cross Party Group Details:

Cross Party Group Title:	Construction
Group membership and office holders:	
Name of Group Chair:	Joyce Watson MS
Names of other Members of the Senedd:	Mike Hedges MS Jenny Rathbone MS Mabon ap Gwynfor MS Huw Irranca-Davies MS Mark Iserwood MS David Rees MS
Name of Secretary and Organisation:	CITB
Names of other external members and organisations represented:	Community Housing Cymru CITB CEW Dave Kleft Welsh Government CECA Bouygues UK FMB ICE HBF SEC group WRW RTPI RICS

Other meetings of the Group since the last AGM

Meeting 1	
Date of Meeting:	29.11.21
Attendees:	<p>Joyce Watson MS (JW) Mike Hedges MS (MH) Jenny Rathbone MS (JR) Mabon ap Gwynfor MS (MAG) Huw Irranca-Davies MS (HID) Nitesh Patel, Support Staff (NP) Ryland Doyle – Support Staff (RD) Mark Bodger – CITB (MB) Alex Rawlins (CITB) (AR) Ken Pearson - Bluestone Builders (KP) Ed Evans – CECA (EE) Keith Jones – ICE (KJ) Rob Davies – CITB (RD) Ken Evans (KE) Antonia John – Encon Construction (AJ) Gareth W Evans (GWE) Ifan Glyn, FMB (IG) Leigh Hughes – Bouygues (LB) Catherine Williams - CEW (CW) Jim McKirdle (JM) Christopher Hare (CH) Mark Harris – HBF (MH) Jill Fairweather (JF) David Harding (DH) Malcolm Davies (MD)</p>
Summary of the issues discussed:	
<p>Meeting started at 09:32am. JW welcomed and thanked members for attending the meeting.</p> <p>JW introduced herself as the Chair of the Cross-Party Group. JW said that over the years regular meetings have been held yearly with experts and stakeholders in the Construction and Engineering sector providing evidence. The meetings have always been lively with a focus over the past few years around skills shortages, including increasing representation within the industry, and procurement.</p> <p>JW said that it's clear that the Covid pandemic, together with the impact of Brexit, has had significant impacts on the industry not just in Wales, but across the UK. A 2021 survey from the Federation of Master Builders (FMB) found that nine out of ten builders in Wales have reported having to delay jobs due to a lack of materials or skilled tradespeople. In the same survey, 97% of builders have also reported skyrocketing material prices, with 78% passing this increased cost on to the consumer. According to a report by the Royal Institution of Chartered Surveyors (RICS), a growing</p>	

shortage of building workers, including bricklayers and carpenters, is also holding back firms as they struggle to keep up with demand for new housing and infrastructure. A forecast by CITB has estimated that by 2025, Welsh construction will need to recruit an additional 9,250 new workers just to meet demand.

JW said the hope in this meeting today is for us all to find some solutions on how the industry can be helped during these difficult times.

JW said that before inviting speakers to deliver their presentations, the formalities for the AGM meeting have to be followed, including the election of the Chair and Secretariat.

JW was nominated as Chair by Mike Hedges MS and seconded by Mabon ap Gwynfor MS. JW nominated CITB to be Secretariat and seconded by Mabon ap Gwynfor MS. No objections were raised.

JW introduced MB, LH and AJ as speakers.

MB delivered a presentation to the meeting.

MB outlined the current construction context in Wales and Forecasts for Annual Recruitment Requirement (ARR), Workforce, Output, and Challenges, stating the following:

- Construction output declined by record levels in 2020 due to the impacts from Covid-19: Wales 20% and UK 14%. Industry has bounced back quickly since the first national lockdown, mainly driven by pent up demand and return to normality. Strong output growth is expected going forward.
- In Wales we expect to see pre-pandemic output by 2024 (compared with 2022 across the UK)
- Annual average growth rate in Wales is 2.9 in Wales (compared with 3.3% across the UK)
- As output recovers, the shortage of workers is increasing. There are currently 3,100 construction vacancies in Wales, this is 38% above 2019 levels, although not as high as the 2014 peak of 3,800. Plumbers, bricklayers, carpenters and civil engineers in particular are in high demand.
- Crucially to us, Q2 apprenticeship 2020/21 starts are about 15% lower than average from earlier years at same point in time.
- One of the key messages from our CSN publication is the annual recruitment requirement (ARR). In Wales, it is about 2% per year on top of natural change. This shows the industry needs to recruit an additional 2,500 workers in Wales each year over the coming five years to meet industry demand for works. Given CSN is a five-year forecast, a total of 12,500 workers need to be recruited.
- Due to growth in the Private Housing and R&M, the ARR is particularly high for certain occupations for example:
 - Bricklayers (430)
 - Electrical trades and installation (380)

- Wood trades and interior fit out (390)
 - Roofers (100)
- Also demand for technical roles, including:
 - Architects (170)
 - Civil Engineers (150)
 - Steel erector/structural fabrication (120)
- The total UK construction workforce is expected to rise from 116,000 in 2021 to 124,000 in 2026. The Welsh construction workforce was not significantly impacted by Covid-19, particularly with Government wage support schemes cushioning the blow to job losses. However, 2020 data is subject to revision and the true employment impact of wage support schemes expiring will be seen early next year. 2026 levels are still below 2008 peak. Skilled trades and technical occupations forecasted to have some of the strongest growth across the forecast period.
- Industry expected to achieve pre-Covid-19 levels in 2024 in Wales, with specific sector growth rates ranging from 2.0% to 4.1%. All sectors expected to fully recover by 2026, except infrastructure, (see alarming graph on the slide there) commercial, public housing and industrial. Latter two sectors are small, infra isn't enjoying a major project during the time period while commercial is impacted by long-term uncertainty from an growing trend towards wfh and online shopping that impacts demand for office and retail space. Growing contribution to come from repair, maintenance and improvement work, with growth at 2.2%, as retrofitting existing buildings to meet net zero emissions targets becomes more important. R&M accounts for c.40% of total construction output and is expected to exceed 2019 levels by 21% in 2026. Private housing annual average growth of 3.7% that is driven by home building ambitions and government stimulus we saw last year, e.g., stamp duty holiday and the extension of help-to-buy. This is also supported by the Government drive and commitment to targets on house building, including the £2bn Garden City development in Cardiff, which involves 7,000 homes being built by 2023. Private housing accounts for c.20% of total construction output and is expected to exceed 2019 levels by 15% in 2026. Public non-housing annual average growth of 3.6%, including strong demand for hospital works. 2026 forecasted to exceed pre-Covid-19 levels by 30%, but still below its 2018 levels. Sector works in Wales involves the 'Next wave of 21st Century Schools' project to deliver £1.5 billion worth of schools and colleges over next 10 years.
- There are some big risks could dampen recovery:
 - Rising materials prices – Both demand and supply issues have led to rising material prices, including cement, steel and timber. This has a greater impact on SMEs that struggle to bear the brunt of rising costs. Material prices are expected to rise by 10% over the next year (source: RICS), especially due to the UK leaving the EU, which could create uncertainty for businesses' costs and profits and in turn negatively impact their investment, recruitment, and training levels.
 - Labour shortages/competition for workers – Self-employment in construction fell by 13% in Q2 2021 compared to pre-Covid-19 levels, mainly due to self-employed workers leaving construction. Given 40% of the industry is self-employed, this issue contributes towards labour

shortages, particularly in skilled trades. Over the long-term, we are also seeing construction workers leaving due to strict immigration laws.

- Mismatch of labour demand and supply – Record numbers of construction vacancies as well as a mismatch. The demand is currently for skilled trades and technical roles, such as plumbers and civil engineers, but the skills of the current available labour supply might not meet this demand. Also, some of the available supply that have completed FE courses might not be work ready compared to those who completed apprenticeships. There are a lot of solutions (albeit some quite small in size) in the UK – Kickstart, sector specific traineeship, (green) skills bootcamps etc but not so many coming from WG. Similarly, this may mean the courses and qualifications on offer aren't quite right – work the colleges and RSPs are constantly considering – we know that some colleges have waiting lists for apprenticeships for example.
- Pipeline of infrastructure work – cover either here or in slide 5
- Net zero pipeline – in Wales, this is consistent but still relatively small, with certainty of only 4-5 years at a time. There is not yet a plan in place for net zero construction skills, though CITB is working with WG and WG is setting the ORP skills group various jobs to do.
- Covid-19 developments – looking less likely, but rise in Covid cases could result in the return of social distancing and potentially workers on sick leave, which impacts construction works. At the very least, Covid is impacting on the numbers of apprenticeships being offered – this issue will become particularly pointed next year / in 2023 when the large numbers of FE learners on the new construction and built environment qualifications complete their studies and don't have a clear pathway of where to go.
- Insolvencies – More than doubled for construction companies in England and Wales combined in the 12 months to August 2021. Insolvencies are expected to rise due to SMEs struggling to cope with industry challenges and large companies and major projects appearing to absorb the impact and continue operating
- MB ended presentation by outlining some questions and discussion points.
 - Everything starts with the pipeline of work. What more can we do to influence it?
 - Where will future construction workers come from to meet demand? How do we ensure the labour supply is from more able and more diverse cohorts?
 - Do we currently have the qualifications, training courses and apprenticeships we need?
 - How do we better ensure work readiness and site readiness?
 - What about green jobs and skills?

JR asked why MB was not more positive about the infrastructure work and workforce that will be needed in the future in light of the latest Hendry report and the metro development in South East Wales.

MB said that only firmed up plans can be put into the forecast and once those developments are confirmed, they will be added to the forecast.

HID asked if there was a regional analysis underneath the national picture and how it feels like in the next 5 years.

MB said there is a regional take. They are seeing strong demand for Apprenticeships across Wales.

KJ said the sector is struggling with larger schemes, a lack of confidence, and demand for civil engineers in the sector.

EE said collaboration between the private sector and the public is vital. There is a way forward but we must move past positive PR and the industry needs to see details before moving forward.

KP said there's a lot of talk on potential developments but not definite plans. Planning is everything. If the industry knows what it needs then SME's can grow. On the training side the new City & Guilds for Construction will be good if we can involve the SMEs at the level they should be involved at.

MB agreed for the involvement of companies and said the theme for the discussion so far has been certainty of the pipeline and the funding associated with it to allow the development and investment of skills.

LH introduced himself and said that the RCPs are in the process of coming to their three-year plan for the Senedd, looking at the short, medium and long term horizons in the construction sector. FE and HE are actively involved with the industry.

LH said to HID that regional plans will be taking places by the priority sector groups within the four regional skills partnerships.

AJ introduced the work of Encon Construction and said there is nothing concrete for pipelines at the moment to plan for the future. It's difficult for the industry to plan with uncertainty.

EE developed presentation focussing on Procurement and how the industry reacted during the Covid period, engaging with politicians successfully. An action plan was developed during the period of Covid and focussing on 6 key themes. During the difficult period a good working relationship was developed between private and public sector.

AJ said during the beginning Covid lockdown period, their sites were closed for 2-3 weeks, restarting in May 2020. Towards the end of Summer 2020 staff were brought back from furlough. Visibility of pipelines has been difficult to predict and to plan

forward for employing apprentices. What SME's need is visibility of pipelines and for them to come out on the date expected.

EE said we need to get far smarter on this issue of pipelines and the industry getting certainty.

KP said there are issues with planning moving forward and being held up in, for example, local authorities. Construction should be continuing throughout the period of the crisis.

AJ said the way social value is being measured currently is very ad-hoc.

JW said the construction industry is highly skilled and will become more technical going forward. JW used example of highly-skilled jobs at Airbus. People's perceptions need to change on this to reinforce the high skills involved to work in the industry.

GE agreed that pipelines need to be certain and it's important to follow a learners journey.

KP said one size does not fit all. A firm link has to be made with schools to ensure young people are not lost in the system. We need registered apprentice employers with the Welsh Government to provide this information to schools to give young people the options if they are not academically minded. Training needs improving in the industry to avoid issues like Grenfell.

MB summarised the meeting.

EE reemphasised the importance of knowing the pipelines.

JW ended the meeting.

Professional lobbyists, voluntary organisations and charities the Group have met during the previous year.

[names of lobbyists/organisations/charities should be included as follows, e.g.]

Name of Organisation:	Name of Group:

Cross-Party Group Annual Financial Statement

Annual Financial Statement:

Cross Party Group Title:	Construction	
Date:	23/12/21	
Name of Chair:	Joyce Watson MS	
Name of Secretary and Organisation:	CITB	
Group's Expenses.	None.	£0.00
Costs of all goods.	No goods bought	£0.00
Benefits received by the group or individuals members from external bodies.	No benefits received.	£0.00
Any financial support or other support.	No financial support was received.	£0.00
<p>Services provided to the Group, such as hospitality.</p> <p>All hospitality paid for [include the name of the group/organisation].</p>		
Date	Description and name of provider	Costs
		£0.00
Total costs		£0.00