THE CHARTERED INSTITUTE OF BUILDING

THE VALUE OF CONSTRUCTION: NORTH WEST

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Introduction

The quality of our built environment affects every member of society. It influences productivity and wellbeing at home and at work.

The official figures suggest that the construction industry accounts for approximately 6.1% of total GVA to the UK economy. At about £111 billion annually, that is huge. But this figure grossly underestimates the true reach of the economy. Official figures only include 'on-site' construction activity, ignoring a significant chunk of industry work that is carried out 'off-site' such as design and consulting, planning, surveying, self-build, plant and equipment hire and the manufacturing of construction products.

The value added by most architects, engineering consultants, quantity surveyors and other professionals working directly within what we might think of as the construction sector is counted within services. And those making the materials and components comes under manufacturing.

A wider view of the sector, which incorporates these roles and more, is estimated to contribute around 10-15% towards GVA.

Construction is in a unique position compared to other industries in that it continues to employ large numbers of skilled and semi-skilled workers, while employment in other non-service industries dwindles. Construction truly provides a route to a solid career from both academic and non-academic backgrounds. Professional bodies, such as the Chartered Institute of Building (CIOB), enable those in trade roles to progress through to professional status as Chartered Construction Managers.

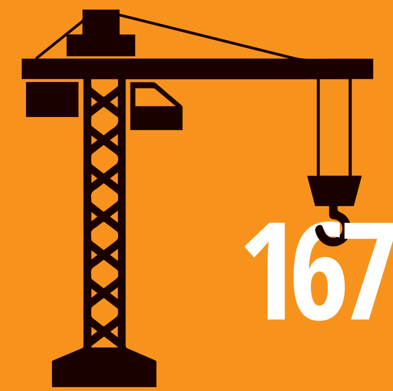
Innovative technologies are also transforming the construction sector, revolutionising daily tasks on-site and in the office. Companies increasingly need to recruit a new breed of worker, strong in digital and data management skills and able to collaborate across several technical disciplines. This rapidly modernising image presents a powerful opportunity to attract a more diverse workforce, bringing in expertise from other industries.

The challenge is ensuring that we have a construction industry that's fit for the future. The Construction Industry Training Board's (CITB) Construction Skills Network 2018-22 refers to this indicating that construction output is expected to grow by 1.3% over the next five years, with 158,000 jobs to be created.

To show just how important the sector is, we have provided a snapshot of the activity taking place in the North West.

UK CONSTRUCTION FIGURES

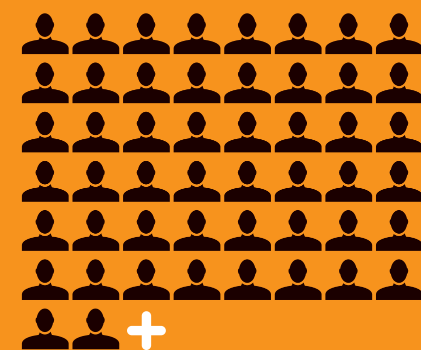
6.1% of total GVA
to the economy



£167 billion of output

2.3 million jobs
(6.5% of total employment)

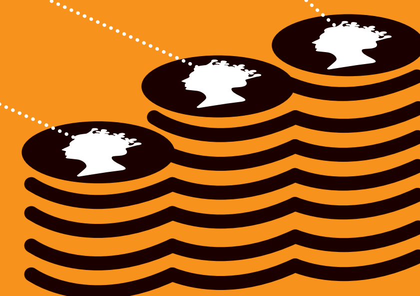
Over 331,000 businesses
with 2,360 employing 50 or more



£7 billion in PAYE

£6.6 billion in VAT

£4.4 billion in corporation tax



NORTH WEST CONSTRUCTION FIGURES

North West Construction GVA, worth **£10.3 billion to the economy**.

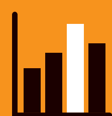
Between 2013 and 2017 there was more than a **23% increase in GVA** directly attributable to the construction sector. Since 2015, construction has been one of the fastest growing sectors in the region, with forecasts predicting this will continue for the next few years.

23%
GVA increase

In the North West, a full-time male employee in the middle of the earning scale in construction has average annual earnings of **£32,600** and can expect to be **11% better off** than median-earning full-time males across the North West economy who earn £29,400 a year.

11%
better off

240,000
employees



30,800 businesses
with 280 businesses employing
50+ employees

The construction sector in the North West will need to recruit more workers than any of the other regions or devolved nations. According to the CITB's Construction Skills Network, the sector needs **5,500 new recruits annually between 2018 and 2022**. With annual employment growth forecast at 1.9% annually, the construction workforce is expected to expand by almost 27,000.

5,500
new recruits

The North West in Focus

The North West has enjoyed a sustained recovery in construction since 2013, underpinned by a tripling in the amount of new build housing, which in 2018 accounted for more than 30% of construction in the region, compared with less than 14% in 2013.

The buoyancy of construction has been underpinned by broad-based economic growth in previous years, with the manufacturing base expanding solidly in 2016 and 2017.

Between 2013 and 2017 there was more than a 23% rise in gross value added by the construction sector in the region, which was slower than the UK overall at 26%. But the pace has quickened and, since 2015, it has been among the faster growing regions for construction and current forecasts suggest this will continue for the next few years.

This acceleration of growth has meant construction has increased its share of regional GVA, up from 5.4% to 6.1%, while the share of employment rose from 6.4% to 6.6% between 2013 and 2018.

Construction growth in the region over the next few years is expected to be broad based, with all sectors expanding except for non-residential public building. The biggest driver is forecast to be infrastructure.

The industry in the region will need to recruit more workers than any of the other regions or devolved nations. According to the CITB's Construction Skills Network, which provides market intelligence and insight for the UK construction industry, it needs about 5,500 new recruits annually between 2018 and 2022. With annual employment growth forecast at 1.9% annually, the construction workforce is expected to expand by almost 27,000. A significant element of the expansion is expected to be among professionals, with non-construction professionals high on the list.

Naturally the uncertainty over Brexit clouds any forecast. But at present the growth in workload appears more balanced, if not slightly tilted away from London and the greater south east of England, which has for so long been the driver of growth.

Looking at current rates of pay, the average male construction employee in the region at £32,600 earns about 11% more a year than the average across all industries. This gap has increased from around 9% ten years ago making the industry more financially attractive to those looking for a career.

Key Projects

Selected projects pulled from the database of Barbour ABI highlight how construction is enhancing the regional economy. Among those offering the greatest potential impact is the £1 billion transformation programme at Manchester Airport. This will more than double capacity at Terminal 2 and boost the status of the airport and region internationally.

In line with expanding Manchester's status as a world city, the £350 million Trafford Park line will add six new tram stops to the Metrolink system by 2020. Also, work on the Sir Henry Royce Institute of advance material science on the University of Manchester's Engineering Campus is progressing and close to completion along with related residential and commercial work nearby. This is all part of creating an innovation hub of global standing.

Looking outside the urban development, there are also plenty of homes being built, with Kier's Preston Road schemes at Longbridge near Preston among the larger. It is down to deliver 256 homes, with a neighbourhood centre and shops over the next five years. The North West will continue to see significant power-related projects and, as home to Sellafield, the region will continue to see large amounts of work related to the nuclear decommissioning for some years yet.

Greater Manchester Construction

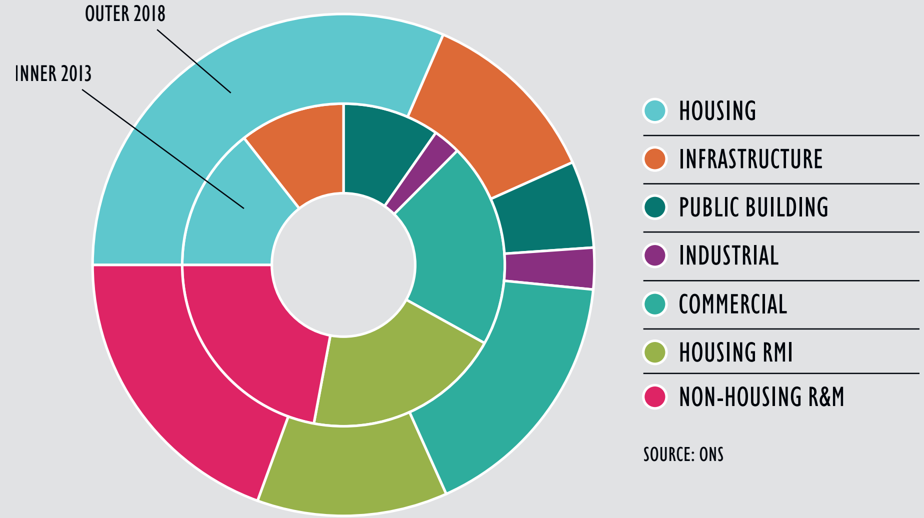
Construction GVA (2017)
£3.8 billion

Construction employment (2018)
nearly 100,000 employees

Construction businesses (2018)
11,600 businesses

Construction output by sector

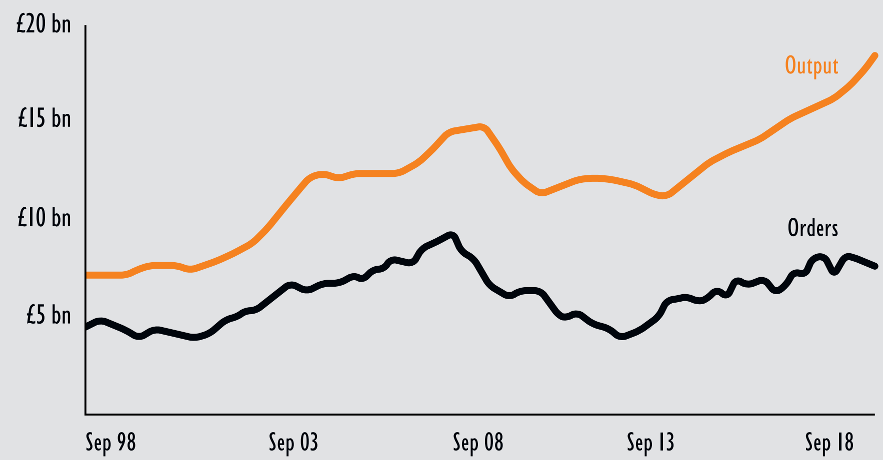
2013 (inner) to 2018 (outer)



SOURCE: ONS

Regional construction and orders

(current prices, four quarter moving total)



SOURCE: ONS, CONSTRUCTION OUTPUT AND NEW ORDERS FOR CONSTRUCTION

Key Projects (further details)

Stock of buildings

↓	2017
All non-residential	266,120
Shops	71,400
Offices	49,540
Industrial and warehousing	63,080
Other	82,100
Homes	3,272,710

Workforce jobs in construction

↓	2018	2013	2008
Employee Jobs	166,705	144,123	175,476
Self-employed Jobs	84,582	77,594	91,764
Government Supported Trainees	495	2	1,357
Total Jobs	251,782	221,719	268,597

Employment by sector

↓	2018	SHARE	2013	SHARE	CHANGE
Agri., mining, energy & water	145,488	(1.9%)	132,994	(1.9%)	12,494
Manufacturing	704,978	(9.3%)	643,934	(9.4%)	61,044
Construction	503,564	(6.6%)	443,438	(6.4%)	60,126
Wholesale, retail, accomm. & food	1,656,464	(21.8%)	1,506,332	(21.9%)	150,132
Transport & communications	669,550	(8.8%)	534,512	(7.8%)	135,038
Finance & real estate	325,626	(4.3%)	337,254	(4.9%)	-11,628
Professional & technical	579,588	(7.6%)	545,760	(7.9%)	33,828
Admin and support	679,296	(8.9%)	540,348	(7.9%)	138,948
Public admin, education & health	1,909,795	(25.1%)	1,851,565	(26.9%)	58,230
Arts, ents. & other services	434,414	(5.7%)	341,060	(5.0%)	93,354

Construction firms' performance in North West

£m	Turnover	Purchases	Employ. costs
2013	18,184	11,389	3,673
2014	21,307	13,667	4,006
2015	22,886	14,843	4,650
2016	23,471	14,249	4,324

Annual earnings

↓	2018		2008		Change 2008 - 18	
(Full-time male)	mean	median	mean	median	mean	median
Construction	35,447	32,631	30,913	28,313	14.7%	15.3%
All industries	35,598	29,401	30,893	25,915	15.2%	13.5%
Difference	-0.4%	11.0%	0.1%	9.3%		

Liverpool City Region Construction

Construction GVA (2017)
£1.3 billion

Construction employment (2018)
nearly 54,000 employees

Construction businesses (2018)
5,400 businesses

Recommendations

Construction innovation and excellence hubs: In the Northern Powerhouse, the Government should seek to promote 'clusters' of construction-related businesses, each to act as a hub for excellence. Local Enterprise Partnerships (LEPs) could be a fundamental vehicle to achieve this.

These hubs would be strategically located near universities and educational institutions with a strong tradition in construction and engineering. They would operate in a similar way to existing science parks, helping to cluster a range of construction-related businesses, including architects, engineers, contractors, surveyors and other specialists. Close physical proximity through this would mean that training and support could be delivered more efficiently and effectively.

The aim would be to stimulate innovation, create greater opportunities for networking and sharing of ideas, and open up greater scope for collaboration. This would make regional firms more effective in their local market and more attractive in the wider-UK and overseas economies.

Tie public investment to training and job creation: Investment made in the built environment should be geared to the long-term aim of developing skilled young people who will be retained by the industry. This means not just training, but high-level apprenticeship schemes and mentoring that is developed and/or accredited by professional bodies and top employers.

Better measures of construction to support better measures of construction productivity: Construction, as defined statistically, covers just part of the process of delivering the built environment. This can lead to misunderstanding and consequently poor policy. Furthermore, if you cannot robustly measure progress, it is difficult to measure the impact of policy.

A more complete and consistent set of data measuring the entire delivery and maintenance of the built environment would provide significantly better understanding of how construction in its entirety delivers value. It would better capture the impact of the industry as a whole and enable more informed and holistic policy making.

We recommend that satellite accounts, similar to those that have been produced for tourism, are compiled by the ONS for the delivery and maintenance of the built environment. These would capture inputs from the construction-related professions, materials suppliers, plant and machinery suppliers, as well as other related sectors. This will not be an easy task and support would be needed from Government, the industry, its information providers, academia and the ONS itself.

Find out more

The Chartered Institute of Building – At the heart of a management career in construction

The CIOB is the world's largest and most influential professional body for construction management. We have over 45,000 members worldwide – two thirds of whom are based in the UK – drawn from a wide range of professional disciplines within the built environment, including clients, consultants, contractors and educationalists.

Our members have led, or taken senior positions, on some of the UK's most high-profile projects including The Shard, The Glasgow Commonwealth Games, The Olympic Park, Crossrail, Heathrow Terminal 2, as well as thousands of smaller commercial and residential schemes in both the public and private sectors.

Come talk to us about:

- How to maximise value from construction projects
- Improving quality in the built environment
- Our campaign to tackle modern slavery and improve ethical behaviour
- The changing nature of construction and ensuring we have the skills for the future

CIOB
THE CHARTERED INSTITUTE OF BUILDING

The Chartered Institute of Building,
1 Arlington Square,
Downshire Way,
Bracknell,
RG12 1WA, UK
Tel: +44 (0) 1344 630700

Registered Charity No.
(England and Wales)
280795 and (Scotland) SCO41725

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