



CIOB

The Chartered
Institute of Building

Building Up Ireland:

professional insights
from the construction
sector in 2023

CIOB Policy & Research
May 2023

Introduction

Ireland's emergence from the 2008 financial crisis has been a long process. Consecutive years of cuts to public spending and increases in income and other taxes depressed economic activity in the crisis' aftermath. The construction sector was the hardest hit of all, concurrently reeling from the effects of a burst housing bubble. A massive shedding of jobs led to a major loss of skills and experience. People with knowledge built up from years of training and working in the sector could no longer find employment, and many emigrated. Unsurprisingly, when the economy eventually began to recover the sector had a hard time in meeting the demands that were being placed on it (TASC & CIOB, 2021).

The picture for construction in Ireland in 2023 is quite different. With the sector having experienced a resurgence over the last decade and a remarkable bounce back since COVID-19, there is once again high demand for construction, driven largely by infrastructure and non-residential building. Dovetailing with Ireland's *National Development Plan*, the continual demand for housing and infrastructure means the Government has an opportunity to put in place a long-term pipeline of projects to secure an historically economically cyclical

sector. It is, therefore, essential that working in construction remains an attractive career path. In a world of declining manufacturing employment and the increase of often precarious and poorly paid service jobs, construction work offers a path to improved living standards. At a macro level, it facilitates social mobility. Despite advances elsewhere in the world of work, women remain a minority group in the sector, and the latest year of data shows a considerable drop compared to the previous year (CSO, 2021). However, in 2019, the sector recorded the highest share of women in construction in at least two decades at 7% of workers compared to 4% in 2000. With the world much changed since 2008, and the likelihood of an even more different one post-Covid, the future path of construction work is yet to be tread.



Executive Summary

This report begins with an economic snapshot of Ireland and Northern Ireland's construction sectors using data sets from the Central Statistics Office (CSO), the Office of National Statistics, and Eurostat. While the data suggests the sector is on a secure footing in both Ireland and Northern Ireland, the industry may face contrasting fortunes in each country based on the overall state of Ireland and Northern Ireland's economies. Following that, expert views gathered during a roundtable discussion with senior members of the CIOB covering short, medium, and long-term challenges facing the construction sector are presented. Themes arising include viability, the policy environment, the pool of labour, and the need for diversity in the sector.



National Overview

Construction activity across the island of Ireland is strong. Much of the growth is fuelled by a combination of a long-term national development plan, a relatively strong economy, rapid population growth in Ireland, and foreign direct investment. For context, the level of activity on a per capita basis in Ireland is comparable with that seen in London. In contrast, Northern Ireland's construction activity is weaker; indeed, the data suggests it is among the weakest in the UK on a per capita basis.

A mobile workforce

The fluidity of the Ireland and Northern Ireland border creates complexity not only in measuring performance but also in assessing the effects of a high level of cross-border activity. Brexit inevitably adds to this complexity. Also, the Common Travel Area gives UK and Irish citizens the right to live and work in either jurisdiction. This has created strong interrelationships within the construction industry between Ireland and Northern Ireland, and between Ireland and the rest of the United Kingdom.

The existence of the Common Travel Area and the geography of the island of Ireland would suggest that significant numbers of workers operate across the border. However, providing reliable numbers for this cross-border mixing of workers is difficult. Nevertheless, UK employment figures suggest there are up to 3% more construction workers living in Northern Ireland than working there (ONS, 2022). This points to a net movement to Ireland for work. Meanwhile, statistics for Ireland show the share of non-Irish construction workers growing rapidly in recent years to around 16%, close to levels seen in the 2000s (Department of Further and Higher Education, Research, Innovation and Science, 2022).

Contrasting economic fortunes

In the five years before the pandemic, Ireland enjoyed remarkable economic growth. This was in large part driven by its attractiveness to tax-sensitive foreign direct investment (FDI), which accounts for a large and increasing slice of national economic activity. There has been a huge national economic dividend from FDI. In 2023 Ireland posted a budget surplus of €10bn, or 3.5% of national income, meaning the state will collect €10bn more in taxes than it spends. That is not expected to be a one-off; the annual surplus is forecast to be more than €20bn by 2026 (Department of Finance, 2023). Over the same period, Northern Ireland saw far slower growth, albeit its economy expanded faster than the UK average (NIRSA, 2023).

The mix of construction work

In Northern Ireland there has been a shift in the mix of construction work, with growth over the past five years in the shares of infrastructure, both new and repair, maintenance, and improvement (RMI) work, and new housing. In Ireland, between mid-2017 and mid-2022 construction volumes increased by more than 15% (Government of Ireland, 2022). But there was a shift in the mix with a fall of around 5% in residential work, growth of around 5% in infrastructure, and a big rise of more than 20% in non-residential building (ibid).

The prospects for growth in the Ireland are good. The Euroconstruct forecast conference in November 2022 put Ireland top of the growth list for new construction work across Europe and solidly above average for growth in renovation work. Northern Ireland is less promising.

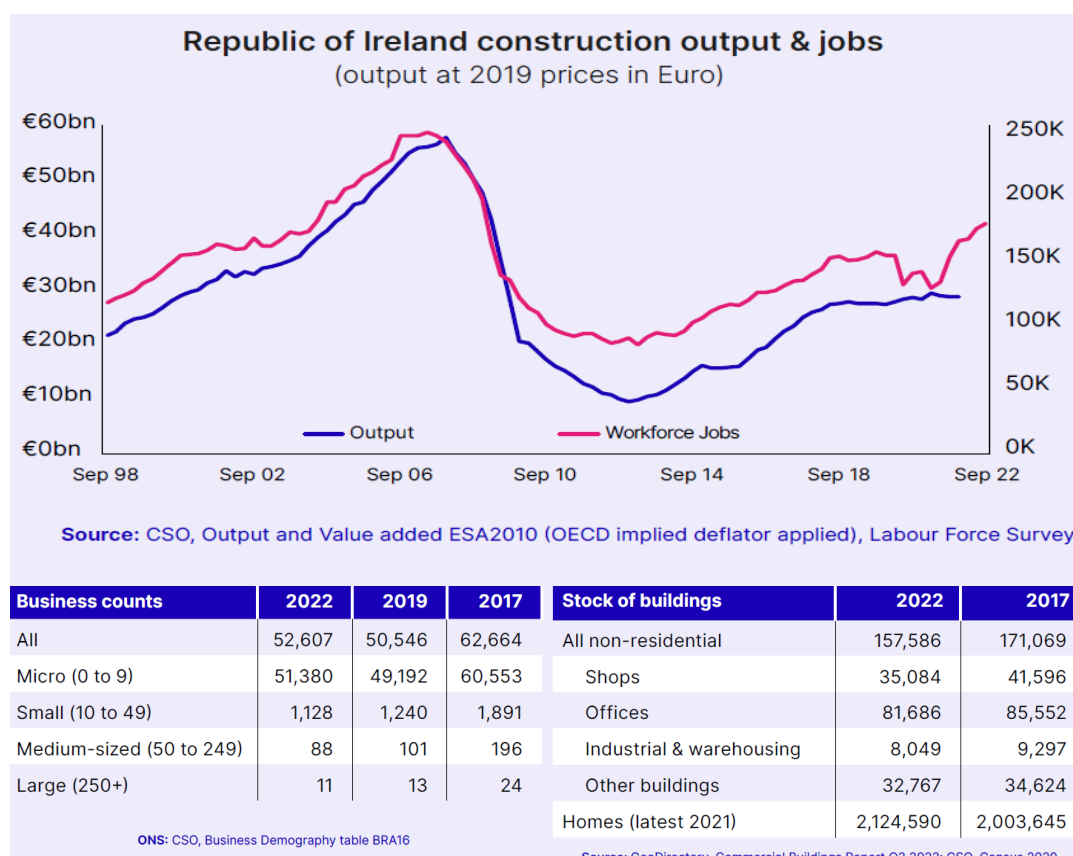
CITB's Construction Skills Network (CSN) forecast sees a 1.2% dip in work in 2023 which should be recovered in 2024, with some growth lifting to 2.4% in 2027, with infrastructure the strongest sector. While the CSN report sees little change in the numbers of construction workers in Northern Ireland, it does see a need to replenish the workforce to make up for those leaving. It estimates the required annual recruitment rate at 890 people each year. However, many workers in Northern Ireland will inevitably be drawn to Ireland given the more promising sectoral outlook.

Pay

Comparisons can be awkward to make, but based on male earnings only, construction workers in Northern Ireland earn below the UK average but above the average across all industries in Northern Ireland. In Ireland, construction workers' wages are above the UK average (CSO, 2022) and significantly higher than in Northern Ireland. However, they are lower than average earnings across all sectors of the Irish economy (CSO, 2022). This suggests an incentive for workers in Northern Ireland to seek jobs in Ireland (CSO, 2016).

CIOB research (CIOB and TASC, 2021) finds that pay in the Irish construction industry is, on average, good. Pay is close to but somewhat below the national average wage. This puts Ireland around but slightly above most other EU countries. There is, though, much variation between the occupational groups. Professional/managerial roles are very well-paid, whereas trades are somewhat below EU norms. There are a multitude of forces at play that push wages in different directions, including labour market institutions, productivity performance, and demand.

Ireland



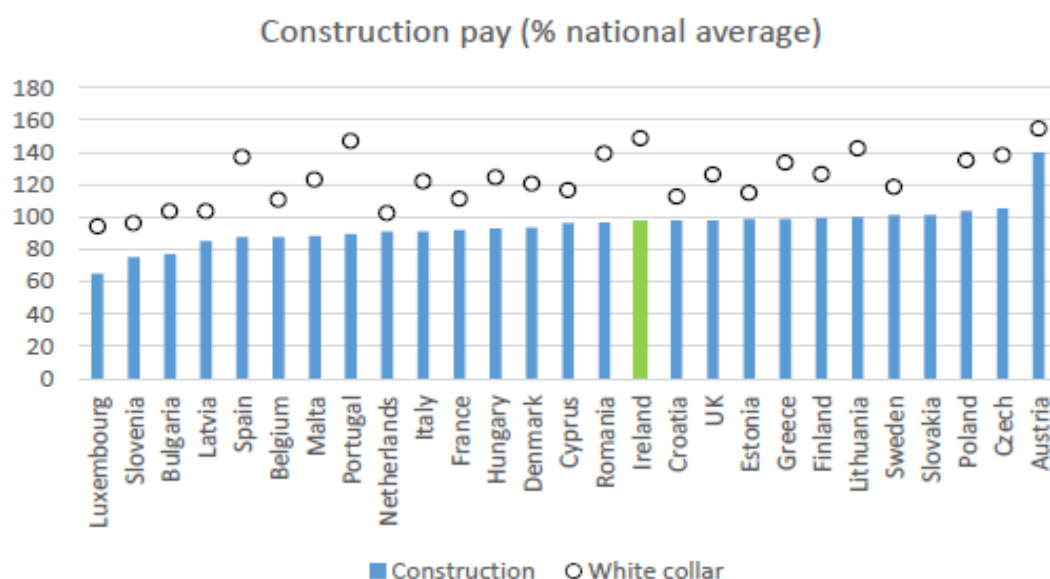
Employment by sector	2021	Share	2016	Share	Change
Agriculture, mining, energy & water	119,425	5.2%	130,175	6.2%	-10,750
Manufacturing	248,650	10.8%	235,400	11.2%	13,250
Construction	138,600	6.0%	118,350	5.6%	20,250
Wholesale & retail	305,800	13.3%	296,675	14.1%	9,125
Transport & communication	235,350	10.2%	198,250	9.4%	37,100
Accommodation & food service	139,825	6.1%	156,250	7.4%	-16,425
Finance & real estate	131,225	5.7%	108,050	5.1%	23,175
Professional & technical	156,650	6.8%	128,700	6.1%	27,950
Admin & support	93,375	4.0%	89,425	4.3%	3,950
Public admin, defence, education & health	644,000	27.9%	516,850	24.6%	127,150
Other	94,000	4.1%	124,075	5.9%	-30,075

Source: CSO, Labour Force Survey table QES01

Annual earnings	2022		2012		Change 2012 - 2022	
(Full-time male)	Median	Mean	Median	Mean	Median	Mean
Construction	42,353	49,142	34,873	39,178	21.4%	25.4%
All industries	44,105	56,171	36,860	45,452	19.7%	23.6%
Difference	-4.0%	-12.5%	-5.4%	-13.8%	-	-

ONS: CSO, Earning Analysis using Administrative Data Sources table NSA94

Note: Annual earnings are in Euros(€)

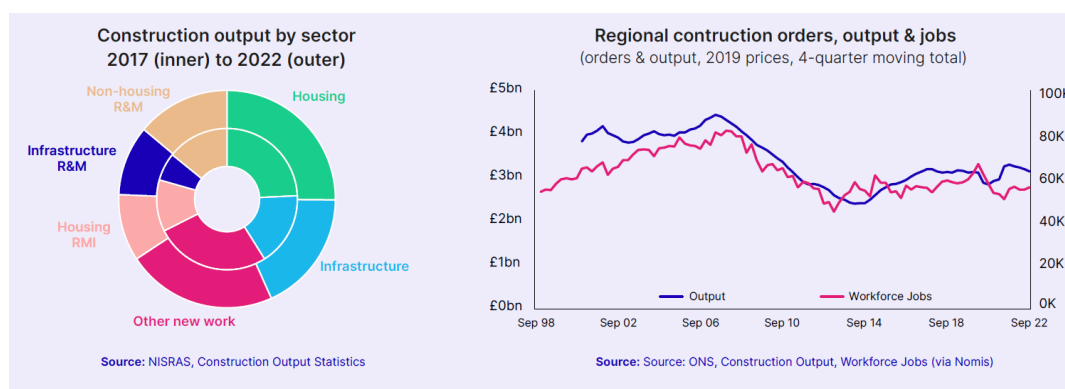


Source: EU-SILC 2018 microdata cited in CIOB and TASC, 2021

Northern Ireland

Business counts	2022	2019	2017	Stock of buildings	2022	2017
All	11,195	10,520	9,685	All non-residential	74,879	73,817
Micro (0 to 9)	10,550	9,865	9,030	Shops	n/a	n/a
Small (10 to 49)	550	575	585	Offices	n/a	n/a
Medium-sized (50 to 249)	90	75	65	Industrial & warehousing	n/a	n/a
Large (250+)	5	5	5	Other buildings	n/a	n/a
ONS: UK business counts (via Nomis)				Homes (latest 2021)	822,000	783,000

Source: Department for Finance, Summary of Valuation lists; Department of Communities, Northern Ireland Housing Statistics 2021-22



Employment by sector	2021	Share	2016	Share	Change
Agriculture, mining, energy & water	34,600	4.5%	35,200	4.1%	600
Manufacturing	84,800	11.0%	76,400	9.0%	-8,400
Construction	60,100	7.8%	63,200	7.4%	3,100
Wholesale & retail	110,600	14.3%	110,300	12.9%	-300
Transport & communication	44,100	5.7%	56,100	6.6%	12,000
Accommodation & food service	44,800	5.8%	38,300	4.5%	-6,500
Finance & real estate	25,700	3.3%	38,200	4.5%	12,500
Professional & technical	44,000	5.7%	54,800	6.4%	10,800
Admin & support	37,800	4.9%	31,600	3.7%	-6,200
Public admin, defence, education & health	236,900	30.7%	298,100	35.0%	61,200
Other	49,300	6.4%	50,800	6.0%	1,500

Source: Annual Population Survey (LFS) (via Nomis)

CITB CSN 2022 to 2027		Annual earnings		2022		2012		Change 2012 - 2022	
Change in employment to 2022-27	300	(Full-time male)	Median	Mean	Median	Mean	Median	Mean	
Recruits needed annually	890	Construction	29,550	33,915	20,691	24,684	42.8%	37.4%	
Employment growth 2022-27	0.2%	All industries	27,211	31,995	21,925	25,971	24.1%	23.2%	
Source: CITB, Construction Skills Network, forecasts 2022 to 2027		Difference	8.6%	6.0%	-5.6%	-5.0%	-	-	

ONS: NISRA: ASHE, Annual pay - Gross (£) Male

Major Projects

Project Ireland 2040 is the Irish government's long-term overarching strategy to provide national infrastructure projects. The strategy seek to ensure the alignment of investment plans with the stated National Strategic Objectives for 2040 in a cohesive manner. The National Planning Framework (NPF) and the National Development Plan (NDP) 2021-2030 combine to form Project Ireland 2040. The NPF sets the vision and strategy for the development of Ireland to 2040 and the NDP provides the enabling investment to implement that strategy (Government of Ireland, 2018). Some of the major infrastructure projects in the NDP include:

- The National Children's Hospital in Dublin is currently under construction and due to open in 2024. The cost of the project was estimated last year to have risen to above €1.7bn.
- Among the biggest projects in the pipeline is the €9.5bn MetroLink project, which will bring a metro to Dublin.
- The rollout of the National Broadband Plan (NBP) commenced in 2020, with delivery planned to be completed by 2027. The plan seeks to connect over 544,000 premises not covered by commercial operators with high-speed broadband, including almost 100,000 businesses and farms and 700 schools
- The Water Supply Project – Eastern and Midlands Region will abstract water from the lower River Shannon at Parteen Basin in Tipperary, with water treatment at Birdhill, and carry the water to a reservoir in Peamount, Dublin in order to connect water supply to the Greater Dublin Area and beyond.
- Road projects continue apace in Ireland, and among the plans is the N/M20 Cork Limerick motorway scheme. The scheme was at the design and environmental evaluation stage in early 2023. The intention is to construction 80km motorway costing around €1bn.
- Revitalising the electricity grid on the island of Ireland to make it compatible with the expanding use of renewables is another priority. In line with this are plans for a North-South Interconnector to connect the electricity grids of Northern Ireland and Ireland. Plans are well progressed on the project, which is estimated to cost around €350m. In addition, the Celtic Interconnector is the proposed 700MW electricity interconnector between Brittany, France and east Cork, which will have an annual transmission capacity of 6.1 TWh. The project, which is being developed by Ireland's Transmission System Operator, EirGrid and France's Réseau de Transporte d'Électricité, is expected to be completed in 2026 and will be Ireland's largest electricity interconnector.

In Northern Ireland, there are plans under the heading Tribeca Belfast to invest £500m to regenerate 12 acres of Belfast City Centre. Meanwhile, in 2020, Finance Minister Conor Murphy announced over £700m of new funding for infrastructure, regeneration, and tourism projects for the Belfast Region. Work is underway on the £200m Belfast Transport Hub, which has opened the way for the £300m Weavers Cross regeneration scheme, which will be built on adjacent land.

Roundtable Discussion

Senior CIOB members gathered for a roundtable discussion on the challenges facing the construction sector in Ireland and Northern Ireland in March 2023. The roundtable was comprised of members from industry, academia, and consultancy. The discussion is summarised below.

Viability, Policy Consistency, and a Shrinking Pool of Talent

Based on the roundtable discussion, the challenges faced by the construction sector (the sector) in Ireland broadly divide into three categories: recent challenges, such as inflation and supply chain issues; medium-term challenges, such as difficulties filling roles; and long-term challenges, such as attracting the next generation of employees, diversifying the workforce, and mental health. Participants also flagged issues arising due to Ireland's unstable policy environment, such as emerging restrictions on renewable energy, regulations acting antagonistically to the adoption of Modern Methods of Construction (MMC), and the uncertainty around the new planning bill. Exacerbating this is the lack of resourcing of the various public authorities (at both a local and national level) that have a role in the construction process.

Recent Challenges: *'Spec offices are no longer being built, and many projects are being mothballed'*

Recent challenges in Ireland's construction sector are proving to be wicked problems (Head and Alford, 2015). For example, participants were unanimous in saying that supply chain instability is resulting in tenders being delayed, which is leading to projects becoming unviable due to the rate of inflation. In fact, such is the pace of inflation that even if projects are not delayed, tenders are not being progressed. Inflation is rising so rapidly within the standard lead-in times that by the time a project comes to commencement, it is no longer viable. Participants involved in the residential sector pointed out that there has been a massive slowdown due to these viability challenges, particularly in building apartments – the housing typology national policy is trying to incentivise. Furthermore, participants involved in office building pointed out that the commercial property sector has become a problematic environment post-Covid and has dropped off almost entirely in Ireland's cities. Spec offices are no longer being built, and many projects are being mothballed.

In terms of renewables and energy, one participant made the point that the recent government announcement that offshore wind projects will be restricted to two specific areas in the country has led to over 50 projects being discarded. Nevertheless, there was general agreement that there remains a huge opportunity for renewables in Ireland. Several participants argued that, if the Government takes the opportunity, Ireland could be a net generator of energy. However, the need for energy sobriety means data centres are also stalled, particularly around Dublin.

Medium-term challenges: *'the Government needs to have clear messaging on immigration – we need people!'*

There was general agreement that attracting staff is a medium-term problem that has been exacerbated by changed work practices post-pandemic. What employees are looking for has changed; it is no longer all about money. Flexibility and location are now prioritised. Several participants pointed out that the recruitment environment is such that companies are now actively seeking graduates rather than vice versa. Graduates are being recruited while still in college, often working part-time while studying.

One participant working in academia claimed that – jobs market-wise – graduates have never had it better. Conversely, industry representatives agreed that it is a challenge to find anyone to fill any roles these days across different skillsets. There was broad agreement that – like the rest of the economy – the sector needs to adapt to homeworking if it is going to attract new recruits. Participants also flagged emigration as a factor, with many in the sector that left Ireland not returning due to housing and cost of living challenges in contemporary Ireland. Participants agreed that to make up for this loss of talent, ‘the Government needs to have clear messaging on immigration – we need people!’.

Long-term challenges: *‘No one body should own this - it needs to be a collective effort as it ultimately impacts the whole sector’.*

Longer term, participants unanimously agreed that the sector needs to engage with schools and attract children early. At the moment, there is engagement with secondary schools, but it is too late at that point. Several participants made the point that young children often have a natural aptitude and interest in construction activities, and professional bodies should seize on it. In this context, the suggestion was made that the notion of continuous professional development (CPD) could be extended into engagement activities locally, and professionals should be asked as part of the process, ‘what have you done to support outreach in your local community?’

Culture will play its part in attracting and retaining the right people. One participant argued that there is work to be done to retain the women the sector does have, let alone attract new entrants. Participants agreed that there is a lot of talking in the EDI space, but the prevailing feeling was that we now need joined-up action from the Government, all professional bodies, and industry. ‘No one body should own this – it needs to be a collective effort as it ultimately impacts the whole sector’.

Participants agreed that companies have taken mental health seriously and taken steps to embed it in the work culture as an ongoing conversation. For example, several firms represented at the roundtable have brought well-being into weekly meetings and have a ‘mental health’ quick chat every Friday. There was agreement that this is progress, as even 10 years ago, mental health simply was not discussed. In terms of the causes of the sector’s mental health epidemic, the boom-bust [economic] cycle of the sector in Ireland was identified by participants. Economic cyclicality leads people to make difficult financial decisions in a downturn, having overextended themselves in the good times. Generally, there was agreement that it has been a hard exercise across the sector to start talking about mental health, more so than in other sectors, because it is a male-dominated industry, and ‘men simply do not want to talk about themselves’.

The policy environment

One participant who is an expert in Modern Methods of Construction (MMC), argued that while there is work being done in the area significant barriers still exist, particularly the limited supply chain for MMC materials in Ireland, and the lack of a significant pipeline of activity. Unfortunately, this means it still makes more financial sense to stick to traditional build. There was agreement that industry must move to MMC but investment from the Government is needed. At the very least there needs to be a modernisation of policy because, as it stands, the policy and tax environment act antagonistically to the Government’s stated goals for innovation in the sector. For example, fire regulations are not compatible with timber frame construction.

Recommendations

In recent years the construction sector has been negatively impacted by global events beyond the control of government. Nevertheless, based on the data presented in this report, there are policy actions that can be taken to put the sector on a secure economic footing, such that it can deliver in Ireland and Northern Ireland's significant housing and infrastructure ambitions:

Create a stable policy environment.

Ireland and Northern Ireland have each seen a lot of change in built environment policy over the last decade. Building regulations, housing standards, planning policy, and energy policy have each been in a state of flux. The sector is clear that in order to plan and invest for the future, a period of policy stability across the built environment is required.

Adequately resource public authorities involved in the construction process.

Our members are unanimous in saying that all projects involving public authorities – water, electricity, local and national planning authorities to name a few – stall when they reach the relevant authority for action. This is partly because Ireland's National Development Plan and Housing for All Strategy have not been accompanied by an adequate resourcing strategy for public authorities involved in the construction process.

We are sceptical as to the efficacy of setting housing and infrastructure targets without addressing the structural challenges facing the construction sector. Chief among these is ensuring that there are sufficient resources available for all stages of the construction process in public authorities such as Uisce Éireann. This will require a coordinated, long-term strategy, and accompanying resourcing plan. Isolated regulations and market incentives alone will not be enough to address the scale of the challenge.

Regulatory alignment with emerging innovations in construction

MMC and digital work practices are now firmly embedded in the construction process. In order to avoid creating perverse incentives toward traditional build and inefficient processes, policy makers need to ensure that building regulations are responsive to rather than obstructive to these innovations.

Ensure joined up thinking between immigration messaging and the needs of the construction sector

Ireland and Northern Ireland's infrastructure ambitions currently outstrip the number of people working in the sector. Immigration has and will continue to provide a source of much needed labour for the construction sector. The Government needs to ensure that messaging around immigration reflects the need that exists within the sector for more people.

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