

CONSTRUCTION SKILLS NETWORK

Labour Market Intelligence Report



Northern Ireland

5-year outlook 2022-2026

NORTHERN IRELAND

The volume of construction work in Northern Ireland will grow, slightly below the UK forecast of 3.2%, by an annual average rate of approximately

↑ **2.5%**

Fastest sector rate of growth expected for

↑ **Repair and Maintenance**

Strongest recruitment requirement levels

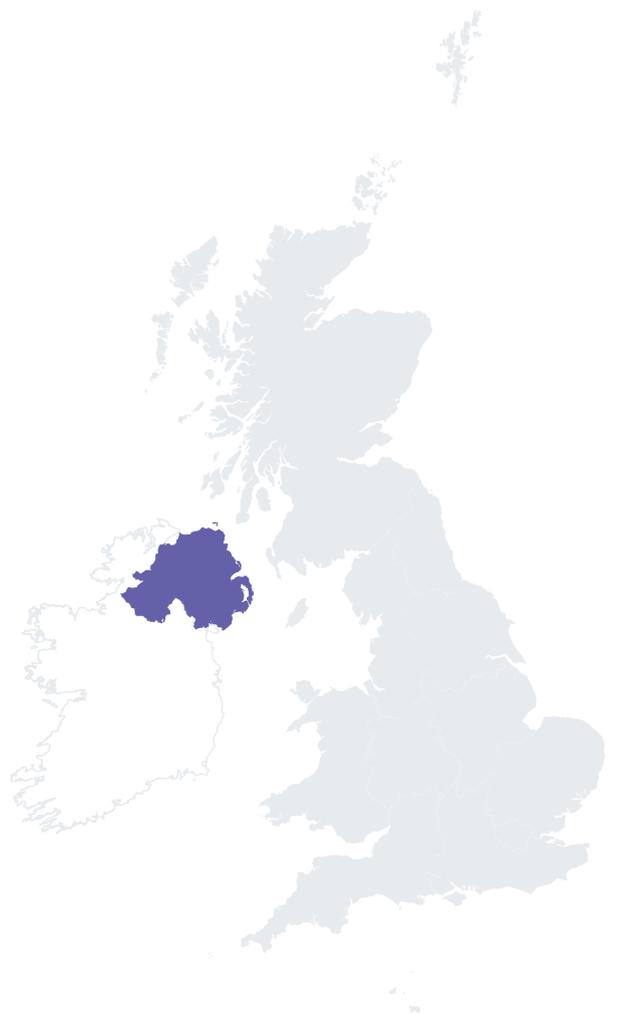
↑ **Non-construction professional, technical, IT, and other office-based staff** (270 per year)
Wood trades and interior fit out (200 per year)
Electrical trades (170 per year)

Belfast Transport Hub will begin construction in 2022 providing 400 jobs and will cost

+ **£208m**

KEY INFORMATION

The annual recruitment requirement in Northern Ireland of 1.8% per year, means an extra 5,650 workers will be needed from 2022 to 2026.



UK Macroeconomic backdrop

In 2020 and 2021, the UK went through several lockdowns in response to the spread of the Covid-19 virus.

The adverse impact on the economy was more severe in 2020 when Gross Domestic Product (GDP) contracted by nearly 10%, but the rollout of the Covid-19 vaccination programme, which started in late 2020 together with progressively less restrictive lockdown measures has meant that 2021 was a period of relative growth and improved confidence.

Macroeconomic indicators suggested that the economy would face a mixed start to 2022 as growth weakened towards the end to 2021 in response to the rapidly increasing numbers of Covid-19 cases associated with the Omicron variant and a fall in consumer confidence and retail activity. The major purchase index also fell and consumers' views on the economy and on their personal finances also worsened, driven by concerns over the higher cost of living and the prospect of looming interest rate increases. However, the impact of the Omicron variant appears to have passed without significant economic damage and economic forecasts at the start of 2022 had an average of over 4% GDP growth for the year, after allowing for the expected squeeze on real incomes and household consumption.

While supply chain issues that initially emerged in 2021 continued to blight the construction industry, leading to associated rise in input costs, there were signs that this had started to ease slightly

by the end of the year. In January 2022 GB monthly construction output had increased by 1.6% to £14.6bn, which was the highest monthly output figure since February 2020. The IHS Markit/CIPS UK Construction PMI® Total Activity Index increased from 56.3 in January 2022 to 59.1 in February, pointing towards an increase in construction activity.

The cautious optimism at the start of 2022 would have also been helped by the easing of Covid-19 restrictions across the UK. However, increasing supply chain costs and inflation were brought firmly back into focus following Russia's invasion of Ukraine at the end of February, which subsequently led to the introduction of economic sanctions on Russia that have exacerbated already rising global commodity prices, especially oil and gas, food, and raw materials for industrial production. As a result, economic forecasts are now being revised down for the UK in 2022 and 2023 as higher energy and food prices drive up inflation and squeeze the cost of living for many.

Although the macroeconomic pressures will undoubtedly have an impact on construction work as aggregate demand weakens in the short to medium-term, we still see the greatest challenge the construction industry faces over the next five years being the recruitment of sufficient numbers of people to fill the growing number of vacancies.

The UK economy is in the grip of the tightest labour market for several decades and going into 2022, construction vacancies were nearly double the level seen in 2019. This shows little sign of easing, even with a weakening of demand, which points towards growing competition in the job market. Recruiting workers will be a major task and means construction employers will need to refresh the way they recruit. Employing fully skilled workers is unlikely to meet the expected shortfall because, to put it bluntly, the workers aren't available; they have left industry through retirement, emigration, or choice.

To prepare for growth, the industry must consider recruiting from a wider and more varied range of sources while approaches to recruitment need to adapt to help construction companies attract from as wide a base of potential workers as possible. Without the workers and skills required, industry will be unable to capitalise on the growth opportunities that are identified in the 2022-2026 Outlook to build the volume of homes the country needs, construct the infrastructure to ensure the economy thrives and retrofit our built environment to meet net zero targets.

Early indicators suggest that the economy will face a mixed start to 2022.

Structure

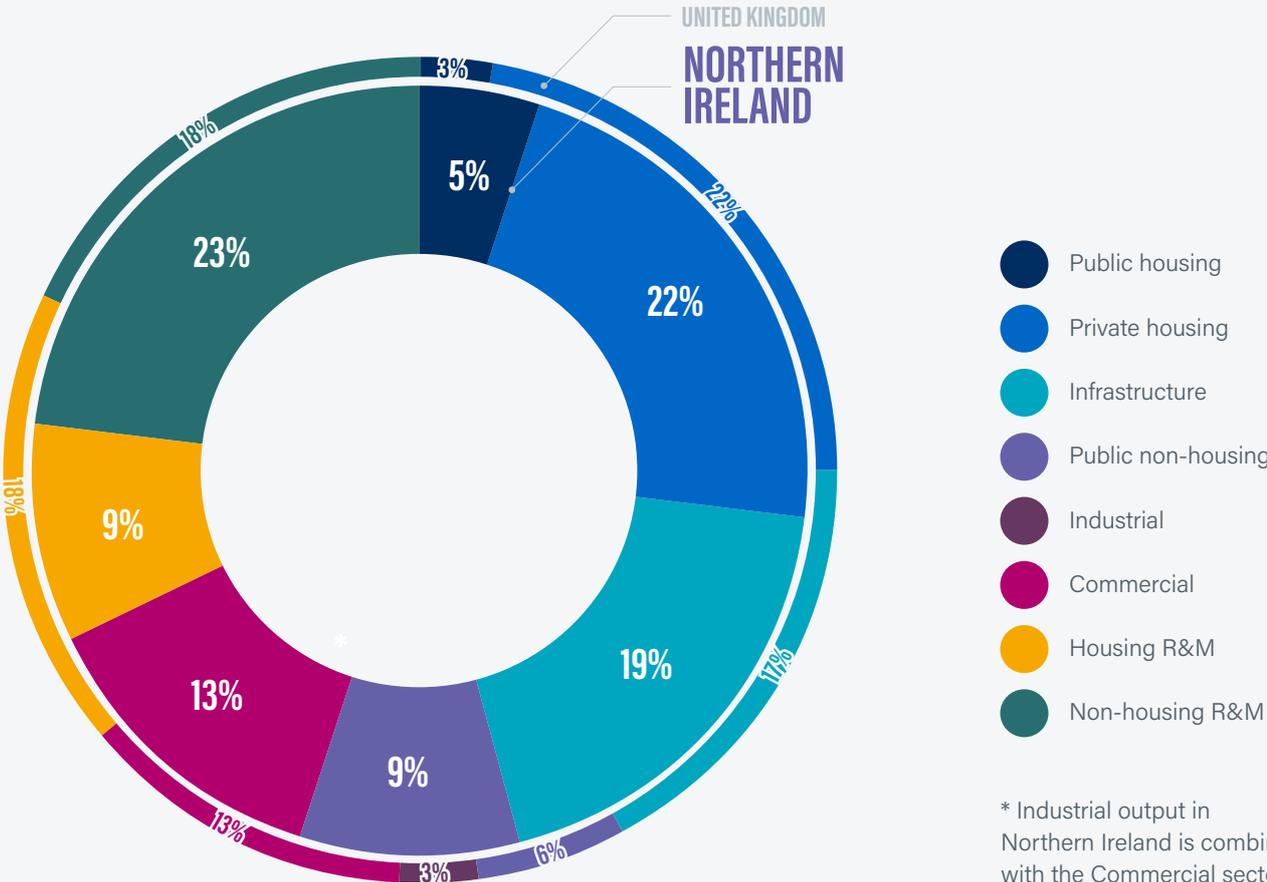
The construction industry in Northern Ireland continues to have some variation in structure when compared to the UK view.

Non-housing repair & maintenance (R&M), infrastructure and public non-housing all having slightly larger shares, whereas housing R&M has a smaller share. Note: data on the industrial sector in Northern Ireland is not produced. Although there is a variation in underlying industry structure, infrastructure, housing and R&M work are still the main sectors for construction work that are important to both Northern Ireland and the UK.

Non-housing R&M total output

23%

CONSTRUCTION INDUSTRY STRUCTURE 2021 NORTHERN IRELAND VS UK



2021 view

Total annual output 2021

£3.2bn

Total estimated output 2022

£3.3bn



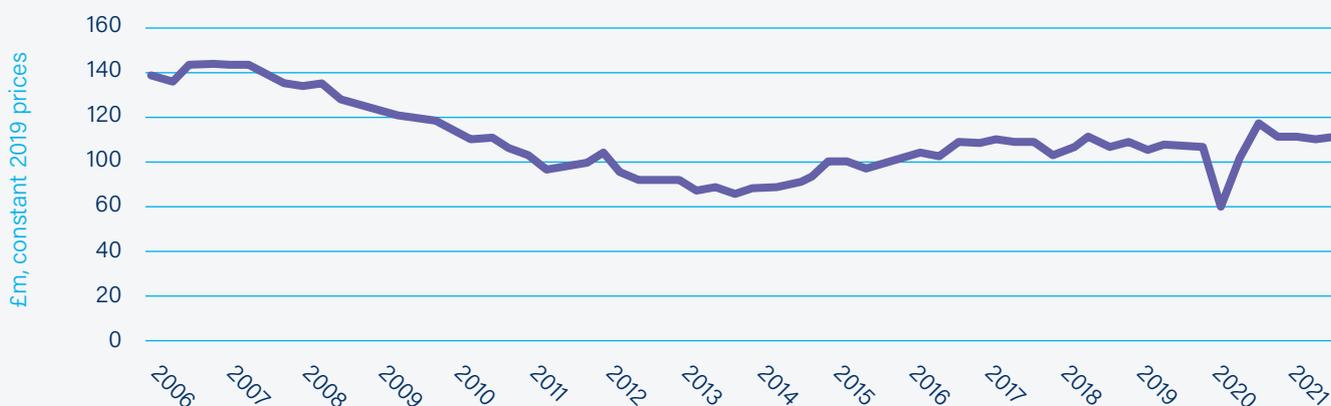
2021 has seen a strong pick up in construction output **with estimates for the end of year 12% up on 2020**, and total annual output set to be higher than what was seen in 2019.

2021 view

While 2020 was a difficult year, with construction output in Northern Ireland dropping by over 6%, this was less than the 15% drop in output recorded in Great Britain, and in Q4 2020 there were signs that work in Northern Ireland was picking up. 2021 has indeed seen a strong pick up in construction output with estimates for the end of year 12% up on 2020, and total annual output set to be higher than what was seen in 2019. We expect this growth to continue into 2022 and beyond, although as the chart shows, there is still ground to be made up for work to get back to levels seen before the 2008 financial crash.

CONSTRUCTION OUTPUT 2006 - 2021 NORTHERN IRELAND

Source: Northern Ireland Statistics and Research Agency (NISRA)



Output forecast 2022 - 2026

Northern Ireland average growth rate

We expect the volume of construction to grow by an annual average rate of about 2.5% in Northern Ireland, which is below the UK forecast of 3.2%. In a change to previous patterns of work the forecast has slightly better growth in the repair and maintenance sectors, rather than new work.

The strong growth in output seen in 2021 was over several sectors, therefore we expect to see this continue over the forecast with non-housing R&M (3.6%) contributing the most to future growth, followed by private housing and infrastructure. While housing R&M also has a strong growth rate (3.7%) it has a lower share of total output and public non-housing sector work is likely to have quite flat performance over the forecast.

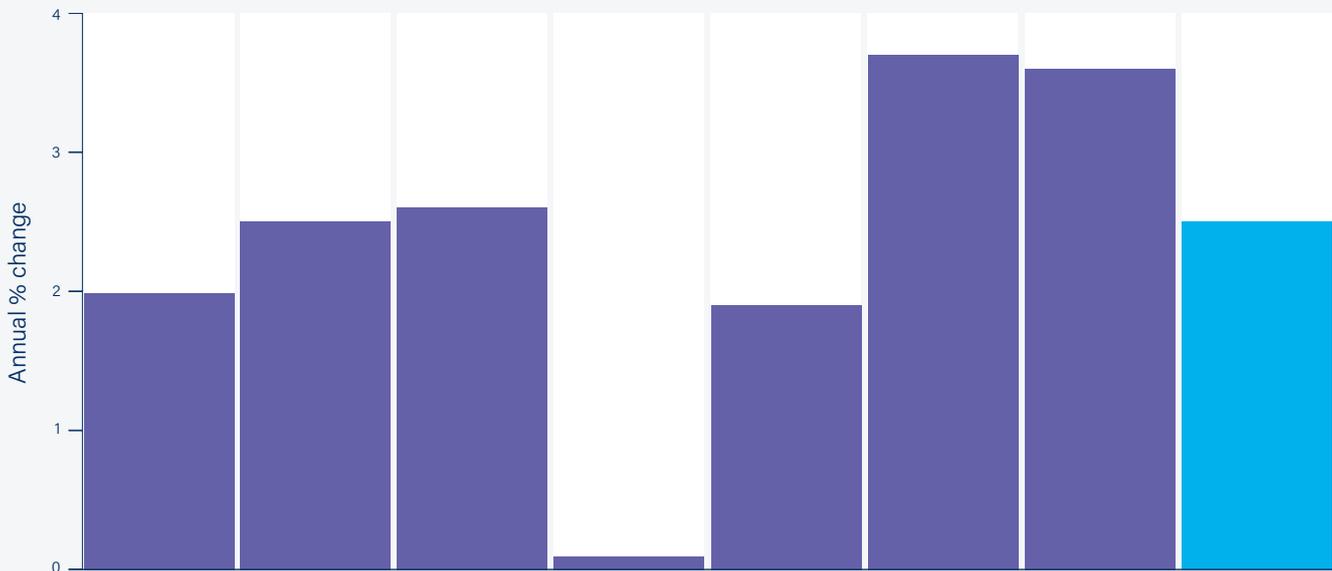
2.5%

Forecast

ANNUAL AVERAGE OUTPUT GROWTH BY SECTOR 2022-2026 NORTHERN IRELAND

Source: Experian
Ref: CSN Explained, Section 4, Note 2

Public housing	Private housing	Infrastructure	Public non-housing	Commercial	Housing R&M	Non-housing R&M	Total work
1.9%	2.5%	2.6%	0.1%	1.9%	3.7%	3.6%	2.5%



CONSTRUCTION OUTPUT - NORTHERN IRELAND (£ MILLION, 2019 PRICES)

	Actual	Forecast (Annual % change, real terms)					Annual average
	2021	2022	2023	2024	2025	2026	2022-2026
Public housing	155	0.6%	2.1%	2.6%	2.2%	2.2%	1.9%
Private housing	703	-2.0%	4.4%	5.1%	2.7%	2.6%	2.5%
Infrastructure	627	1.1%	0.4%	2.8%	4.7%	4.0%	2.6%
Public non-housing	290	-6.6%	2.3%	4.1%	0.0%	1.0%	0.1%
Commercial	410	-4.4%	4.3%	4.3%	2.9%	2.5%	1.9%
New work	2,186	-2.1%	2.7%	4.0%	2.9%	2.7%	2.0%
Housing R&M	309	10.6%	3.6%	2.3%	0.6%	1.6%	3.7%
Non-housing R&M	751	9.3%	3.5%	1.0%	2.7%	1.7%	3.6%
Total R&M	1,060	9.7%	3.5%	1.4%	2.0%	1.7%	3.6%
Total work	3,246	1.7%	3.0%	3.1%	2.6%	2.4%	2.5%

The annual average growth rate is the rate of growth between the end of 2021 and the end of 2026, i.e., five-year period.

Source: Experian Ref: CSN Explained, Section 4, Note 2

A new £208m Belfast Transport Hub has been granted planning approval, providing 400 jobs during construction.

A lack of infrastructure, in particular sewage systems, may hold up new private house building, adding downward pressures to our forecasts in the near term. However, work is underway on the site close to Newry train station, which will consist of 65 semi-detached and 15 detached properties with the provision of garages for around half of the new homes.

For Public housing, the amount of funding allocated to the Social Housing Development Programme was set at £162m in 2021/22 for social housing new builds. This would equate to around 1,900 starts and is slightly higher than in 2020/21 where £136m had been allocated to meet social housing targets. Planning permission had most recently been granted for 255 social housing units on a greenfield site at Craigmore Way.

A new £208m Belfast Transport Hub has been granted planning approval, providing 400 jobs during construction. Work is due to begin in 2022 and complete in 2025 and will help provide growth in the infrastructure sector. Plans for the York Street Interchange in Belfast could also be of benefit, however, this has been subject to review.

In terms of commercial projects, plans for the second phase of work on Kings Hall 'Wellbeing Park' in South Belfast have been approved with the project valued at £100m.

Construction work from the Belfast Region City Deal, signed in December 2021 with planned investment of more than £850m, would provide a boost to the forecast if it progresses as planned.

Phase 2 of Kings Hall Wellbeing Park valued at

+ **£100m**

Social Housing Development Programme was funded with

+ **£162m**

Workforce forecast

The level of output growth in Northern Ireland gives an annual average increase of 0.5% in the construction workforce, slightly lower than the UK-wide equivalent at 0.8%. Northern Ireland didn't show the workforce reduction between 2019 and 2020, which was seen in other areas of the UK, hence the slightly lower growth rate for the forecast. The 62,600 construction workforce in place during 2020 is set to stay about the same (62,100) in 2021 and into 2022 (62,700), then increase to 64,000 by 2026.

TOTAL WORKFORCE BY OCCUPATION - NORTHERN IRELAND

	Actual	Estimate	Forecast	
	2020	2021	2022	2026
Senior, executive and business process managers	3,600	3,400	3,400	3,500
Construction project managers	1,100	1,100	1,100	1,100
Other construction process managers	4,900	4,700	4,700	4,800
Non-construction professional, technical, IT and other office-based staff	9,000	9,900	9,900	9,900
Construction trades supervisors	900	800	900	900
Wood trades and interior fit-out	7,800	7,400	7,300	7,600
Bricklayers	2,200	2,400	2,300	2,300
Building envelope specialists	900	900	900	1,000
Painters and decorators	2,800	2,700	2,700	2,700
Plasterers	2,300	2,300	2,400	2,600
Roofers	900	1,000	1,000	1,100
Floorers	300	300	300	300
Glaziers	600	600	600	600
Specialist building operatives nec*	700	800	800	800
Scaffolders	200	200	200	200
Plant operatives	1,500	1,400	1,500	1,600
Plant mechanics/fitters	800	700	800	800
Steel erectors/structural fabrication	200	200	200	200
Labourers nec*	4,400	4,200	4,200	4,100
Electrical trades and installation	4,500	4,300	4,400	4,500
Plumbing and HVAC Trades	3,500	3,300	3,300	3,100
Logistics	500	400	400	500
Civil engineering operatives nec*	400	400	400	400
Non-construction operatives	200	200	300	300
Total (SIC 41-43)	54,100	53,500	54,000	54,800
Civil engineers	2,100	2,000	2,100	2,200
Other construction professionals and technical staff	4,000	4,300	4,300	4,500
Architects	1,500	1,400	1,300	1,600
Surveyors	900	800	900	1,000
Total (SIC 41-43, 71.1, 74.9)	62,600	62,100	62,700	64,000

Workforce covers construction contracting, SIC 41, 42 & 43 along with supporting technical and professional workers in SIC 71 and 74.9

* Not elsewhere classified

Source: ONS, CSN, Experian
Ref: CSN Explained, Section 4, Notes 5 and 6

Annual Recruitment Requirement (ARR)

Northern Ireland's annual recruitment requirement is set to average 1.8% per year, based on 2021 workforce levels, slightly lower than the UK figure of 2.0%. This means the construction industry would have to increase current recruitment by 1,130 new workers each year to deliver the expected work between the start of 2022 and end of 2026.

The following occupations have some of the strongest recruitment requirement levels:

- **Non-construction professional, technical, IT, and other office-based staff** (270 per year)
- **Wood trades and interior fit out** (200 per year)
- **Electrical trades** (170 per year).

However, there would also be pressure on civil engineers and labourers where demand is high compared to their workforce level. For occupations that have no ARR value on the table, indication is that recent levels of recruitment will be able to meet future need if they are maintained.

ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION - NORTHERN IRELAND

	ARR as % of 2021 workforce	ARR value per year
Senior, executive, and business process managers	-	-
Construction project managers	-	-
Other construction process managers	-	-
Non-construction professional, technical, IT, and other office-based staff	2.7%	270
Construction trades supervisors	-	<50
Wood trades and interior fit-out	2.7%	200
Bricklayers	-	-
Building envelope specialists	-	<50
Painters and decorators	-	<50
Plasterers	-	-
Roofers	-	<50
Floorers	-	<50
Glaziers	-	-
Specialist building operatives nec*	-	-
Scaffolders	-	<50
Plant operatives	-	-
Plant mechanics/fitters	-	<50
Steel erectors/structural fabrication	-	-
Labourers nec*	3.1%	130
Electrical trades and installation	3.9%	170
Plumbing and HVAC Trades	1.5%	50
Logistics	-	<50
Civil engineering operatives nec*	-	<50
Non-construction operatives	-	-
Total (SIC 41-43)		820
Civil engineers	3.9%	80
Other construction professionals and technical staff	1.2%	50
Architects	-	<50
Surveyors	-	<50
Total (SIC 41-43, 71.1, 74.9)	1.8%	1,130

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Note: values may not sum to totals due to rounding

Source: ONS, CSN, Experian
Ref: CSN Explained, Section 4, Notes 5 and 6

When looking at the workforce and ARR forecast it is important to note that in 2021, Northern Ireland, like other areas of the UK has seen a strong increase in construction job vacancies, with companies having difficulty in finding suitably skilled workers.

This has led to skills shortages being reported over a range of occupations and wage rates increasing as companies look to attract workers. While there are indications of a drop in construction vacancies towards the end of 2021 and into 2022 for Northern Ireland, levels are still slightly higher than what was seen before the impact of Covid-19.

The ARR was developed to give a forward-looking view of where extra recruitment demand is needed, therefore it takes account of existing trends, such as the movement of people into and out of the construction industry that we'd expect to happen, although on an annual basis. Recruitment to fill vacancies would be one aspect of movement of workers into the industry, however companies can look to fill this through a number of routes.

Companies can:

- **Attract skilled workers who are already working elsewhere** in the construction industry, although this obviously moves existing workers around rather than meet overall industry need
- **Attract skilled workers who have left the industry** back into construction. This would be either those who have left to work in other industries or those that have become unemployed/inactive
- **Attract and train new entrants into the workforce** from those leaving school, further education, or higher education
- **Improve the retention of workers** within the industry
- **Look at how productivity can be improved.**

3 MONTH MOVING AVERAGE OF CONSTRUCTION VACANCIES, NORTHERN IRELAND

Source: Burning Glass, construction vacancies, Northern Ireland



The response to skills shortages is likely to be a mix of these options, however, there are some challenges. The strength of the jobs market, certainly in the short to medium term, and relatively low levels of unemployment means that there will be increased competition for workers. Companies that are able to understand and meet what workers value the most are the ones that are more likely to be successful at attracting and retaining new staff. That could range from being able to offer long-term career opportunities with support to help development, through to good levels of pay, or flexible working to have a positive work/life balance

Construction companies in Northern Ireland will be facing similar issues to those identified in CITB's recently published *Rethinking Recruitment*, which

highlights some of the challenges and how to support construction companies in overcoming them.

There are also recent trends in training to consider, with a CITB survey showing a drop in employer training, which was expected with the impact of Covid-19, along with recent figures on apprenticeship starts and wider vocational training around 12% - 14% lower at the end of 2020/21 compared to 2018/19.

However, in Northern Ireland the trends for construction training have been different with both apprenticeship starts and vocational qualification achievement data showing only a slight dip in 2020 and then a strong increase in 2021. The chart below illustrates construction apprenticeship framework starts in

Northern Ireland increasing in 2020/21 compared to either electrical or plumbing frameworks.

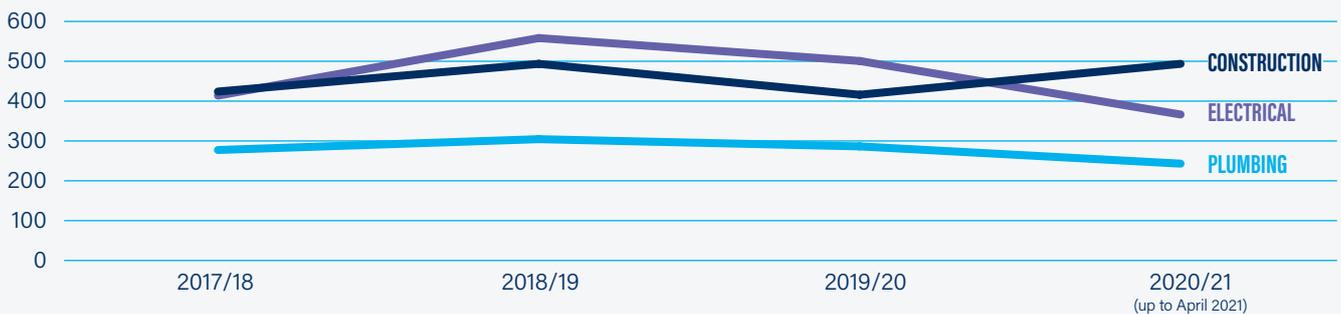
A similar pattern is also seen when looking across the range of construction sector qualification achievements that are published by the Council for the Curriculum, Examinations & Assessment (CCEA).

The chart covers achievements for all regulated qualifications such as NVQs, BTECs, Certificates and Diplomas for learners going through full-time further education, apprenticeships and those in work who are taking training qualifications.

Both charts show a positive trend of increased volumes of construction training in Northern Ireland.

NORTHERN IRELAND, APPRENTICESHIP STARTS PER YEAR, SELECTED FRAMEWORKS, 2017 - 2021

Source: CITB-NI, Northern Ireland Department for the Economy



LEVEL 2+ QUALIFICATION ACHIEVEMENTS, CONSTRUCTION SECTOR, NORTHERN IRELAND 2016/17 TO 2020/21

Source: CCEA Regulation, Construction Sector Subject Area, excluding electrical qualifications.



CITB support to industry in Northern Ireland

CITB NI will continue to support the industry with several initiatives.

CITB NI will continue to support the industry with several initiatives. CITB offers financial support in the form of employment and qualification grants for companies who employ apprentices. The recently introduced Adopt a School programme provides opportunities for employers to engage with post primary schools in either their local or work areas. Companies can engage with prospective employees and their influencers and provide job sampling opportunities and advise of the benefits of a career

in construction. The simulated construction site project is due to be launched in 2022 and will offer the industry a simulated and controlled real world working example, of a typical building site. Training providers will be able to use this facility for training and development in areas such as on-site health and safety through to formal training in the likes of bricklaying.

However, overcoming skills shortages in a more competitive labour market with increasing demand for construction

workers will require combined action from CITB NI, construction companies and government. Without this, the construction industry will not be able to capitalise on the growth opportunities identified in the 2022-2026 Outlook to build the volume of homes the country needs, the infrastructure to ensure the economy thrives and retrofit our built environment to meet net zero targets.

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