



Department for
Business, Energy
& Industrial Strategy

CONSULTATIVE COMMITTEE ON CONSTRUCTION INDUSTRY STATISTICS

Minutes of the meeting held on Thursday 22nd June 2017

Venue:

Conference Centre,
Department for Business, Energy and Industrial Strategy
1 Victoria Street,
London.
SW1H 0ET

*If you have any queries regarding the
Consultative Committee on Construction
Industry Statistics, please contact:*

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Attendees

Frances Pottier	Department for Business, Energy and Industrial Strategy
Vicky Goodright	Department for Business, Energy and Industrial Strategy
Ole Black	Office for National Statistics
Kate Davies (via phone)	Office for National Statistics
Mincho Roshlev	Office for National Statistics
Marc John	Office for National Statistics
Ceri Lewis	Office for National Statistics
Frederick Haynes	Office for National Statistics
Steve Shelley	Barbour ABI
Adam Valentine	Barbour ABI
Robert Davis	Glenigan
Noble Francis	Construction Products Association
Jim Meikle	University College London
James Hastings	Experian
Neil Higgins	Department for Communities and Local Government
Susan White	Royal Institution of Chartered Surveyors
Allan Wilén	Glenigan
Kelly Forest	Core Five
Kirsty Woolsey	CITB

Apologies

Alex Murray	University College London
Aurélie Delannoy	Mineral Products Association
Lee Bryer	Construction Industry Training Board
Noble Francis	Construction Products Association
Ian Pegg	Royal Institution of Chartered Surveyors
Neil Thompson	Innovate UK
Stephen Gruneberg	University of Westminster

1. Welcome, introductions and apologies (Chair)

Frances Pottier welcomed everyone to June's meeting and apologised for the meeting having to be rearranged due to Election Purdah. Following this the attendees introduced themselves.

Apologies from the meeting were: Alex Murray, Noble Francis, Lee Bryer, Ian Pegg, Neil Thompson, Brian Lane and Stephen Gruneberg.

2. Minutes of last meeting and actions taken (Chair)

No attendees raised queries regarding the minutes from last meeting.

There was an action from last summer's Meeting, for ONS to investigate the gap between output and new orders that is outstanding still.

Last meeting's update on actions:

- The action on James Hastings and Kate Davies to investigate and present the findings on gross output will be rolled over to next meeting after the two agreed to jointly complete this action after last meeting.
- The list of construction data sources has been shared with the group although is not updated on the ONS website.
- Noble Francis was not here to report on the outcome of his requested actions from last time. There was an action on the group to contact him to provide information relating to leaving the European Union; specifically the effect on currency exchange rates on construction business, and the formation of a market intelligence group.

3. Update on the Construction Development Programme

3.1 Marc explained that the construction development programme Construction Development Programme has been working on improvements to Construction statistics, for implementation in the 2017 Blue Book

3.2 There will be a published article on the ONS website; this will help explain to users the improvement processes.

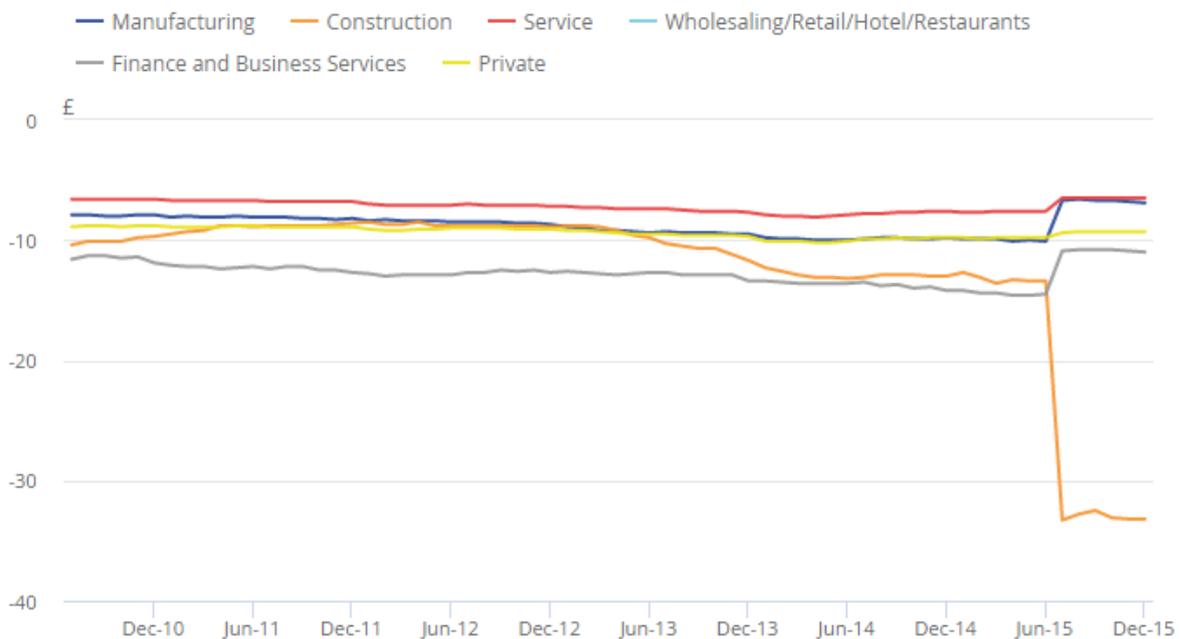
3.3 Each improvement was presented and explained. The focus of improvements has been five components of the Construction price indices: labour, materials, plant, plant, labour & materials ratio and profit mark up.

Main points from the indices discussed.

- The labour index. Average weekly earnings (AWE) caused discussion due to results of the method improvements. The estimation and the seasonal adjustment were reviewed and this led to changes in methodology of the earnings from 2000. The time series plot showed that construction notably decreased compared to the other sectors (see below), this led to questions after the presentation about the validity of the data.
- Plant, labour and materials obtain its data from the annual business survey. The new approach uses MBS data to only select the ABS data from appropriate companies. I.e. use data from companies who only do Infrastructure work, for the Infrastructure ratio.
- Profit mark up. Frederick Haynes talked through the implementation of the mark-up. Xuxin Mao from UCL has helped to improve the index by using a mark-up method; to improve on

the existing assumption of no (zero) mark-up. There are three aspects that the new method addressed: data, choice of profit and transformation of data.

Figure 1: The nominal change in the levels of regular pay for the industry sectors of AWE



3.4 The rationale of a survey redesign is to harmonise the different data collection methods: non survey, survey, modularised and digital.

3.5 A question was asked about when the improvement programme will be completed. Due to the substantial improvements being conducted there is no set date.

3.6 James Hastings expressed concern that the labour average graph, see figure 1, showed a contradictory trend from the 2015 results that there was a lack of supply in labour. This has been contributed to a change in the methodology at ONS, where this corrected data accounts for the previous method errors.

3.7 James expressed his belief that the operation and plant are may not be hired together and Allan Wilen agreed that operations may be sub contracted out. Marc responded to requests to know what variables were measured to capture the data; plant series used is the Services Producer Price Index (SPPI).

3.8 As ONS move progressively towards online questionnaires there were reservations expressed that this method would receive sufficient submittals. Individual opinion was varied as to the best option however the facts were that there was a bias in SME submittal – 15% electronic return rate. Kate added that the best reminder system in practise was email.

4. Type of work conducted by type of construction business

4.1 Mincho Roshlev presented the results of his analysis. This uses monthly business survey as source data for the presentation. The factors that were under investigation were: 2 digits SIC code levels, type of work and size of business. The time period used was 2012 – 2016.

4.2 Looking at how many different types of work firms have done depending on their SIC, the picture is broadly the same across 41, 42 and 43. However, looking at the size of a firm and how many

different types of work it has reported, small firms seem to mostly report one, whereas medium and large firms are more evenly split.

4.3 James questioned the proportions of infrastructure work attributed to the different SIC codes. He wondered whether the reclassification of services support would affect the proportions. SIC 41 & 42 entails service contractors while SIC 43 contains trade contractors.

4.4 Jim Miekle requested whether the SIC 43 will include main contractors, to which there was no definitive response.

4.5 Susan asked about how the current construction development work will inform the splits. Marc responded that the scatter plots presented are similar to the analysis used for the plant, labour and materials ratios.

5. Occupational Survey

5.1 Kirsty presented her two page summary on the CITB survey relating to the high level factors of employment in the different occupations and their employment status: employees, trainees and self-employed. SIC codes included were SIC 41 – 43, 71 & 74. Kirsty provided explanation to the different factors and influences that may affect the results.

5.2 Questions were raised about the discrepancy between the results of this data and the Labour Force survey. James raised the point that the self-employed were under represented, however Kirsty realises this and has to balance with the number of appropriate reminders. As IDBR is the source this sources data using PAYE and VAT, and self-employment will not register on these two metrics. Labour force survey measures the self-employed population as 33%. The general consensus was that it is difficult to measure the self-employed in any method of collection.

6. KPI Result Summary

6.1 Allan Wilen reported on the KPI results 2016, he gave an overview of the circumstance that the 2016 data was collected from. He highlighted there was political disruption and that projects were priced prior.

6.2 The market dynamics have changed, during 2016 pre the referendum vote there was positive activity, although afterwards there is reduced activity contributed to uncertainty following the vote.

6.3 He noted a subsiding of profitability in recent years and in future years the FAME dataset will be used. There has been a marked improvement in productivity reflecting the workforce working harder as less people were employed in the construction sector.

6.4 It was noted the workforce composition and the levels that are recruited from outside the UK are likely to change.

7. AOB

There was no business to discuss.