CIC Response to the Migration Advisory Committee’s Call for Evidence on EEA workers in the UK labour market

October 2017

Context for our submission:

- The Construction Industry Council welcomes the opportunity to respond to the Migration Advisory Committee’s Call for Evidence on EEA workers in the UK labour market.

- The Construction Industry Council (CIC) is the representative forum for professional bodies, research organisations and specialist business associations across the construction industry. We provide a single collective voice for the 500,000 individual professionals and more than 30,000 firms of construction consultants represented by our 33-member bodies, a full list of which can be found at the end of this document.

- The CIC membership is diverse and represents the full range of the built environment professions.

- The CIC provides the secretariat for the All Party Parliamentary Group for Excellence in the Built Environment, which last July published a report *Building on Brexit* which looked at the impact of Brexit on the construction industry and how it could increase home-grown talent and increase productivity. Many of our member organisations provided evidence for the report, which can be found here: [http://cic.org.uk/services/brexit-skills/](http://cic.org.uk/services/brexit-skills/)

Key points made in our submission:

- As well as providing site skills and labour, migrants fill highly qualified jobs across the professions making up for skills shortages in the domestic workforce. Migrants play a critical role, particularly in London and the South-east where in the construction industry as a whole, including on site trades, they make up half the workforce.

- Because of an ageing workforce we are facing a scenario where more people are leaving the industry than entering it – even without taking into consideration the impact of Brexit. Nearly 200,000 people working in construction are from the EU, which is the equivalent workforce for building 16 Crossrails.
• Many consultancy firms are concerned that if there was no easy access to qualified architects, engineers and other professionals the UK would not have the capacity to deliver its £500bn infrastructure pipeline, including new homes, rail and energy projects and export services would also be jeopardised.

• EEA worker numbers and qualification levels are such that they cannot realistically all be replaced domestically in the short to medium term. It takes five to 10 years in some cases to become professionally qualified.

• Our members believe there is a strong case for adding professions from the built environment to the Shortage Occupations List for a transitional period and tier 2 visa applications simplified. At the moment, only two very specialist engineering roles are on this list – geotechnical engineer and tunnelling engineer. The CIC would be able to work with its members and MAC to put forward a comprehensive list. From our work so far, this is likely to include, architects, quantity surveyors and civil engineers, by way of example.

• The professions and employers are working together to increase the numbers of people from the UK that they attract, train and retain. This includes engaging with education; providing work experience and mapping out career paths; launching diversity initiatives; and developing new higher-level apprenticeships.

• Government can also improve how it supports industry to improve its efforts to recruit, retain and train its workforce. It can do this by:

  - Accelerating the adoption of construction apprenticeship standards, ensuring that the new Technical levels are deliverable by further education and meet construction’s skill needs.
  - Providing a consistent forward pipeline of work, in its role as client. This will provide industry with assurance that investments in skills will yield returns in the long run.
  - Promoting careers in construction on a national level through a concentrated careers campaign designed to attract young people to the sector, and through the continued improved provision of careers advice and guidance.
  - One of the recommendations of the APPG for Excellence in the Built Environment report was the setting up of a pan-industry careers body that would champion both the professions and trades, which we would wholly support.

• The CIC provides an excellent conduit for the MAC to liaise with the built environment professions collectively and will be happy to facilitate that liaison.
Our submission in full:

EEA migration trends

Question: Please provide evidence on the characteristics (e.g. types of jobs migrants perform; skill levels, etc.) of EEA migrants in your particular sector/local area/region. How do these differ from UK workers? And from non-EEA workers?

Question: To what extent are EEA migrants seasonal; part-time; agency-workers; temporary; short-term assignments; intra-company transfers; self-employed? What information do you have on their skill levels? To what extent do these differ from UK workers and non-EEA workers?

According to Labour Force Survey (LFS) data, 2.1 million people aged 16 to 64 worked in construction in 2015. The bulk of this workforce was UK-born: one in eight, or 12.6%, of the total was born outside the UK; 5.7% were born in EU Accession countries.

The professions we represent come from across all sectors of the built environment and include: architects, architectural technologists, civil and structural engineers, services engineers, chartered building professionals, landscape architects, interior designers, fire engineers, town planners and quantity surveyors.

Because of increased workloads in construction, housing and infrastructure, some professions are relying extensively upon EU professionals to fill roles. There is less reliance on oversea workers from non-EU states because of complicated procedures in applying for visas and the difficulty of being successful.

Non-UK professionals are not employed for seasonal work, or contract work or necessarily for specific projects. On the whole they are recruited as full-time members of staff who may work on one specific project or across a number of projects because there are not enough fully qualified domestic professionals to fill the roles.

Many of our member organisations provided evidence for a report on the impact of Brexit published in July 2017 by the All Party Parliamentary Group for Excellence in the Built Environment.¹ In this evidence presented to the APPG, we were told that:

- 25% of the 35,000 registered architects in the UK are from the EU and that many of these were recent newcomers, evidenced by the fact that about 50% of new registrants on the ARB register in 2016 were EU nationals.

- Engineering UK reported that we need 182,000 new engineers and technicians a year until 2022.² One of the UK’s largest contracting and engineering companies reported

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that 10% of its workforce is from Europe and that it regularly recruits engineers from Greece and Portugal. In 2016 it recruited 100 engineers from these countries to work on major infrastructure projects.

- The pipeline of major infrastructure projects will also create demand for a wider range of professions, not just those designing the infrastructure. For example, it was pointed out that HS2 would require a huge input from compulsory purchase surveyors, yet the RICS said it had already identified a massive shortfall of people able to carry out that work.

**Question:** Have you made any assessment of the impact of a possible reduction in the availability of EEA migrants (whether occurring naturally or through policy) as part of your workforce?

The impact of Brexit on the sector is already being felt. The RICS’s 2017 Q2 construction market survey revealed that 55% of those surveyed felt that a skills shortage was a constraint on growth. Indeed, RICS’s Construction Market Surveys regularly indicate a decrease in the availability of skilled workforce, but increases in workloads.

Any changes to the free movement of labour could have a negative impact on the construction sector’s capacity to build the housing and infrastructure that the UK needs. If immigration is limited, particularly for skilled workers, the UK will witness higher project expenditures where labour demand outstrips supply.

Furthermore, over 30% of the construction workforce is aged over 50, meaning the industry is also facing a retirement “cliff edge”. Figures suggest that up to 430,000 construction workers are set to retire within the next decade.3

Even without the impact of Brexit we are already facing a scenario where more people are due to retire from the industry than enter it. In a review published in October 2016 and commissioned by the Department of Communities and Local Government, Mark Farmer, the CEO of Cast Consultancy, claims that for the housebuilding sector alone, nearly five times more workers exited than entered it in 2016.4 At that rate, by 2020, housebuilding alone would have a deficit of 200,000 workers. The additional impact of Brexit could see access denied to an estimated 194,000 workers that currently come from the EU 27.5 That’s the equivalent to the workforce needed to build 16 Crossrails.

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5 ONS figures Q1 2016 (194,000) of the construction workforce in the UK were EU nationals (based on workforce of 2.3 million) or around 9%.
Recruitment practices, training and skills

Question: What are the advantages and disadvantages of employing EEA workers? Have these changed following the Brexit referendum result?

Non-UK workers can add flexibility, speed of response to skills needs, and are often happy to pick up extra work.

Firms also told us that it also helps bring new ideas and increase diversity. Giving evidence to the APPG, one engineering consultancy, BWB, said that 7% of its workforce were from the EU – and most of them were women, which was helping to tackle the long-standing gender imbalance in engineering.

In addition, consultancies in the built environment are increasingly global entities and their business models rely on staff moving around the world to deal with the peaks and troughs of specialised workloads and harness opportunities.

Employing overseas workers can also help build connections in other countries which can then help UK practices win work. The UK’s export market for architecture was valued at £451m in 2014, for example.

Question: To what extent has EEA and non-EEA migration affected the skills and training of the UK workers

The construction industry has always been committed to training domestically. However, the cyclical nature of the construction industry has meant that it is often difficult for employers to confidently invest significant enough sums in skills over the long-term. The industry also suffers from an image problem and can struggle to attract high calibre individuals into the sector.

There is a recognition that professions could do more to attract and train and are fully behind the apprenticeship levy as a way of doing this. However, there is widespread frustration that consultancies are unable to spend the money they are paying into the levy because the industry is still awaiting approval for apprenticeship courses. Of the 64 developed, only 23 have been approved for use, with key courses such as quantity surveying and building services engineering amongst them waiting for approval.

It can take at least five to 10 years after entering the industry at 18, or at degree level to become fully chartered and qualified. If we are to continue to compete on the world stage as an industry and provide capacity to meet the £500bn infrastructure pipeline, we need government to help by unblocking this training logjam.
It would also help recruitment and training across construction professions if the apprenticeship levy could be used to train non-cognate graduates - for example, pay for someone with a humanities degree to take a post-graduate qualification in a vocational subject, like quantity surveying. This can cost firms £30,000 which is prohibitive for smaller companies.

However, across our membership a great deal is being done to sell our industry to students and school children, particularly diversity initiatives. For example, in September 2017, RICS launched a formalised volunteering programme of visits to schools and careers events, with the aim of achieving 2020 face to face hours inspiring young people into a surveying career by 2020. RICS is also developing a Virtual Reality careers app showcasing surveying careers and the innovative projects that entrants could work on.

In terms of diversity initiatives, the RICS has seen an increase in the number of females enrolling onto RICS’s Assessment of Professional Competence (APC), now at 24% (up from 11%). Since the launch of its Inclusive Employer Quality Mark in 2015, over 130 firms have looked carefully at their employment practices to ensure they have inclusivity at the heart of what they do, and have become signatories.

**Question:** How involved are universities and training providers in ensuring that the UK workforce has the skills needed to fill key roles/roles in high demand in your sector? Do you have plans to increase this involvement in the future?

Universities and training providers, alongside industry and government, play a key role in proving the UK construction workforce with the skills it needs. One of the roles of the CIC is acting as a conduit between universities and the professions.

Universities are also gearing up to deliver the educational aspect for the higher-level apprenticeships and are frustrated by the slow progress.

**Question:** How well aware are you of current UK migration policies for non-EEA migrants? If new immigration policies restrict the numbers of low-skilled migrants who can come to work in the UK, which forms of migration into low-skilled work should be prioritised? For example, the current shortage occupation list applies to high skilled occupations; do you think this should be expanded to cover lower skill levels?

Our members are concerned that professions in the built environment are absent from the skilled shortages list. Again, in taking evidence for the *Building on Brexit* report a number of witnesses pointed out the difficulty of employing any staff from outside the EU because their skills were not on the shortages list. So, whilst Balfour Beatty employs 10% of its professional workforce from the UK, only 0.2% comes from countries outside the UK because of the difficulty and time it takes to get visas. It was pointed out during evidence gathering for *Building on Brexit* that criteria for gaining visas can be unrealistic, demanding
for example, salary levels for migrants that are higher than comparable UK salaries and that gaining visas for dependents is even more difficult.

Without access to EU workers, industry and government will need to ensure steps are taken to address skills pinch points and shortages in the short to medium term, while also putting in place clear measures to address these issues in the long term.

One such short term measure may well be the inclusion of additional occupations on the Shortage Occupation List to reflect the roles that are currently adequately resourced but which may experience shortages immediately following a change in migration rules. Currently just geotechnical engineer and tunnelling engineer are on this list from construction.

The CIC would be well placed to work with Government to advise which professions should be considered to be added to the skills shortages list. But it is likely these would architects, engineers and civil engineers.

Our members envisage that there needs to be a transitional period of between five and 10 years, during which the migration system provides more flexibility to allow domestic skills to increase.

Our members would like to see greater opportunity for employing qualified people from other non-EU countries. Giving evidence to Building on Brexit, the Institution of Professional Engineers in New Zealand told us that it was very difficult for its members to be able to come and work in the UK, even though many would see this as a good opportunity for widening their experience.

Employers need a system which is streamlined, does not add to costs and which is not as unwieldy as the current Tier 2 visa system. The £2,000 fee being proposed to charge employers for employing migrants will be passed through to increased construction costs.

Offering non-UK construction students, the opportunity to remain and work in the sector for a period of time following the completion of studies would also provide a good short-term measure to allay the skills shortages.

We would also urge that the appropriate salary requirements for Tier 2 visas need to be reviewed as they are often higher than those paid in the domestic market.

**Economic, social and fiscal impacts**

Question: What are the economic, social and fiscal costs and benefits of EEA migration to the UK economy? What are the impacts of EEA migrants on the labour market, prices, public services, net fiscal impacts (e.g. taxes paid by migrants; benefits they receive), productivity, investment, innovation and general competitiveness of UK industry?
As mentioned earlier, the impact of Brexit on the sector is already being felt. The RICS’ 2017 Q2 construction market survey revealed that 55% of those surveyed felt that a skills shortage was a constraint on growth. Indeed, RICS’ Construction Market Surveys regularly indicate a decrease in the availability of skilled workforce, but increases in workloads.

To tackle the skills shortages, developers and construction firms have been looking to skilled workers from other EU member states to fill the gap.

This is illustrated by the Labour Force Survey statistics which indicate that 12.6% of construction workers were born outside the UK and 5.7% were born in EU accession countries (Eastern European countries who joined after 2004). London, in particular, has become reliant on importing skilled labour; at 50%, London and the South East have a higher dependency on the EU national workforce than anywhere else in the UK.

Furthermore, over 30% of the construction workforce is aged over 50, meaning the industry is also facing a retirement “cliff edge”. Figures suggest that up to 430,000 construction workers are set to retire with in the next decade.

Do these impacts differ at national, regional or local level?

The largest concentration of migrant labour in the construction sector is in London, which accounts for half of all migrant workers, compared with migrants making up about 12% of the construction workforce overall. Giving evidence to the APPG in the Built Environment, housebuilder Barratt said that 70% of its workforce in London were from outside the UK.

Even if sector participants establish a significant training drive in 2017 - which obtains the required 230,000 new recruits - there will be a continued shortage during, as a minimum, the immediate years following Brexit. At present, the UK is only recruiting 20-25,000 a year through the apprenticeship programme. This is evidently not enough to meet the UK’s skills needs.

With Construction output in the UK exceeding £110 billion per year, and contributing 7% of GDP (as indicated in the Government’s Construction Strategy), the retention of these EU and non-EU workers is of critical importance to a valuable sector of the UK economy.

It is imperative that attracting migrant workers is the Government’s short to mid-term approach, with the longer term looking at attracting and training home-grown talent. To make this work and deliver the Government’s ambitious infrastructure and housebuilding programme, employers need greater flexibility to attract skilled professionals in the built environment workers from around the world.
This report has been developed by and on behalf of the following organisations:

ACA  Association of Consultant Architects
ACAI  Association of Consultant Approved Inspectors
ACE  Association for Consultancy and Engineering
APM  Association for Project Management
APS  Association for Project Safety
BCS  British Computing Society the Chartered Institute for IT
BID  British Institute of Interior Design
BIFM  British Institute of Facilities Management
BRE  Building Research Establishment
BSRIA  Building Services Research and Information Association
CABE  Chartered Association of Building Engineers
CIAT  Chartered Institute of Architectural Technologists
CIBSE  Chartered Institution of Building Services Engineers
CICES  Chartered Institution of Civil Engineering Surveyors
CIH  Chartered Institute of Housing
CIHT  Chartered Institution of Highways & Transportation
CIOB  Chartered Institute of Building
CIPHE  Chartered Institute of Plumbing and Heating Engineering
CIRIA  Construction Industry Research and Information Association
GF  Ground Forum
ICE  Institution of Civil Engineers
ICWCI  Institute of Clerks of Works and Construction Inspectorate
IET-BES  Institution of Engineering and Technology - Built Environment Sector
IIRSM  International Institute of Risk & Safety Management
ISSE  Institute of Specialist Surveyors and Engineers
IstructE  Institution of Structural Engineers
LABC  Local Authority Building Control
Li  Landscape Institute
NHBC  National House-Building Council
RIBA  Royal Institute of British Architects
RICS  Royal Institution of Chartered Surveyors
RTPI  Royal Town Planning Institute
SAFed  The Safety Assessment Federation

ADJ SOC  Adjudication Society
BACH  British Association of Construction Heads
BBA  British Board of Agreement
BSI  British Standards Institute
CCS  Considerate Constructors Scheme
CIMCIG  Chartered Institute of Marketing (Construction Industry Group)
CIPR  Chartered Institute of Public Relations
KCL  King’s College London Centre of Construction Law and Dispute Resolution
LCI-UK  Lean Construction Institute
SCL  Society of Construction Law
UCEM  University College of Estate Management