



Department for  
Business, Energy  
& Industrial Strategy

## CONSULTATIVE COMMITTEE ON CONSTRUCTION INDUSTRY STATISTICS

Minutes of meeting held on Thursday 24<sup>th</sup> January 2019

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

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## **Attendees**

Frances Pottier	Department for Business, Energy and Industrial Strategy
Oliver Wright	Department for Business, Energy and Industrial Strategy
Fergus Harradence	Department for Business, Energy and Industrial Strategy
John Allcoat	Office for National Statistics
Jacob Hamblin-Pike	Office for National Statistics
Craig McLaren	Office for National Statistics
Sarah Coates	Office for National Statistics
Ceri Lewis	Office for National Statistics
Neil Higgins	Ministry of Housing, Communities and Local Government
Sandy Stewart	Scottish Government
Sree Vinayak	Invennt
Jane Tarver	AMA Research
Les Ruddock	
Noble Francis	Construction Products Association
Ian Pegg	Royal Institute of Chartered Surveyors
Brian Green	Brickonomics
James Hastings	Experian
Allen Wilén	Glenigan
Aurelie Delannoy	Mineral Products Association
Steve Shelley	Barbour ABI
Adam Valentine	Barbour ABI
Alex Murray	Infrastructure and Projects Authority
Marco Yu	University College London
Stephen Gruneberg	University College London

## **Apologies**

Ole Black	Office for National Statistics
Marc John	Office for National Statistics
Robert Davis	Glenigan

## **1. Welcome, introductions and apologies (chair)**

Frances Pottier welcomed everyone to the meeting and invited people to introduce themselves.

Apologies from the meeting were; Ole Black, Marc John and Robert Davis

## **2. Minutes from last meeting and actions taken.**

Minutes for the previous meeting were not available prior to this meeting. Frances apologised for this and said that they would be circulated shortly. There were no actions.

## **3. ONS construction statistics update**

- Ceri Lewis gave a presentation describing updates to ONS construction statistics.

Ceri outlined the improvements to Construction statistics made to date. These included:

- Improvements to the construction output price indices (OPIs) used to deflate the nominal data collected via the survey, which were first published in September 2017. Although ONS will continue to review them as part of continual development plans, the Construction OPIs are no longer considered to be an interim solution.
- Improvements made to address the upward bias in the output data collected via the early survey estimates, which was achieved by improving the imputation methodology to estimate for those who have yet to respond to the survey and implementing a bias adjustment facility to address any remaining bias. These changes were implemented in June 2018 along with an article explaining the changes and impact. It is still early days but revisions performance that we have seen to date has been promising and certainly an improvement on previous methods. ONS will continue to review going forward.
- Improvements to the model used to estimate regional and lower sector level output estimates by improving the assumptions used using project-level data sourced from Barbour ABI. These changes were implemented for the first time in June 2018, again alongside an article highlighting the changes and impact. The model now used produces regional and lower sector level data that are more reflective of what is actually happening within the economy.
- Analysis to improve understanding of the uses of and coherence between ONS construction output and new orders data. An article was published in October 2018 highlighting the work done in this area. There is scope to do more analysis, but a lot will depend on priorities over the coming months.
- The members were reminded that VAT turnover data have been used to supplement construction output survey data since first implemented in Dec 2017. This is part of the transformation of short-term output indicators to make more use of administrative data to help inform the estimates. Use of VAT turnover data will be explored further

as part of the wider short-term statistics transformation programme (work is currently progressing on other industries).

The Office for Statistics Regulation (OSR) is currently in the process of re-assessing the National Statistic status for construction statistics: Output, New orders and Price indices. ONS will notify members of news on the assessment via email correspondence (via BEIS) when information is available.

Ceri then highlighted upcoming changes:

- As part of the work to improve dissemination of our data, the low-level type of work and regional data currently published in Tables 5 and 6 of the standard construction output tables will be published separately from the main dataset from March 2019 onwards. They will not be considered for re-badging as National Statistics as part of the assessment.
- Work has also been progressing within ONS on the development of quarterly regional output indicators to cover the whole economy. Along with the existing quarterly indicators produced by the devolved administrations of Scotland, Wales and Northern Ireland, the English region measures are planned to be published in the first half of 2019, which will be published as experimental statistics. Some sort of public consultation will run alongside the release.
- Constant price new orders data will be re-referenced to 2016=100 from the current 2005=100 basis in March 2019.

Work priorities over the next 12 months will be dependent on the outcome of the assessment, but potential analytical work includes an article to highlight conceptual and methodological differences between private housing construction output and GFCF private sector dwellings, a review of revisions performance to assess the new imputation / bias adjustment methodology, an investigation into coherence and differences between construction output data and construction estimates obtained via the Annual Business Survey and further investigation into the difference between construction output and new orders. In addition, the ONS transformation program is progressing and will improve how ONS compile short term statistics. Plans include an update to the questionnaire design and mode of collection as well as continuing to improve use of administrative data. ONS would welcome feedback and suggestions for development priorities from members either during the meeting or via email.

- Following the presentation, the questions/issues arising from it were discussed.

Brian Green mentioned conflicts relating to outputs, stemming from the method currently used to associate projects to outputs and suggested that the use of VAT data may be helpful. Ceri clarified that the conflict is between GVA in region and modelled construction output in regions. She highlighted that a separate team in ONS were currently exploring options for the best way to produce regional estimates across all industries covered by the short-term indicator publications and construction will be reviewed as part of this.

Stephen Gruneberg pointed to other potential conflicts in the data, notably that the monthly survey data includes materials, and so represents gross output. He asked if there was a GVA output for construction. Ceri responded that ONS are looking to improve their estimates of GVA at the moment. Currently, estimates of GVA are proxied using output, but this is

currently under review and improved estimates of GVA are expected as part of the Blue Book 2019 publication.

Noble Francis raised the issue of implicit assumptions made in ABS construction and construction outputs and suggested various improvements that could be made. Ceri highlighted that while some work had progressed in this area, there was still more to be done, and depending on timing, ONS would like to present their analysis to the steering group giving members the opportunity to provide feedback and suggestions before any plans to publish an article are announced.

Stephen asked whether capital formation data is an expenditure method and whether this includes everything going into construction. Ceri responded that the issue is being addressed, adding that an article addressing conceptual methodological differences between the two will be published in the future.

John Allcoat drew attention to a 2013 article dealing with similar issue (link [here](#)).

#### **4. ONS migrant labour in construction sector**

- Sarah Coates described a pair of ad hoc articles (Migrant labour force within the construction industry: [June 2018](#) and [August 2018](#)) released by ONS, part of a larger body of work ONS is conducting looking at migration's impact on UK industry.

Points discussed in the presentation included:

The ONS data sources on which the publications were based; the Annual Population Survey and Longitudinal Survey.

That 90% of UK construction industry workers are UK nationals. Of the remainder 7% are EU nationals, 3% other nationals.

That a relatively high proportion of younger age construction industry workers are migrants, implying that migration could help resolve industry issues stemming from the UK's aging construction industry workforce.

That 1 in 5 of the self-employed work in construction, with high levels of self-employment among all nationalities of those working in construction.

That there is a higher proportion on non-UK nationals working in the construction industry in England than in other UK countries.

That 54% of migrant construction workers are based in London.

That the construction workforce based in London is relatively less mobile than that based in other parts of the UK and that EU, and non-EU national show a higher level of mobility than UK nationals, implying that construction workers are more likely to move from other areas to work in London than vice-versa.

That non-UK nationals account for 13% of those working in the “construction of buildings” sector and that 21% of all construction workers in this sector are based in London.

Looking forwards, Sarah suggested the need for more detailed understanding of migrant labour in the construction industry than is currently available from official data sources. She also suggested better coordination of available data related to the issue and the desirability of utilizing alternative and/or new data sources, such as administrative data.

- The following points arose in discussion of the presentation

James Hastings recommended co-ordinating with CITB, pointing out they have already conducted research on migration, for example in examining employer attitudes to migrant workers.

Brian suggested that use of LFS data may cause underestimates in migrant construction worker data – as many such workers live in communal establishments. Allen Wilén suggested that since those working less than 3 months are not picked up in the survey data this could also contribute to underestimates. Sarah agreed, adding that the LFS was not designed to measure migration. Brian and James Hastings mentioned various other factors that may skew data relating to migrant construction workers, such as worker movements across the Irish border.

Frances added that differences in the age profile of UK national and non-UK national workers employed in the construction industry may (at least partially) account for differences in the movement of foreign and UK based construction workers.

Aurelie Delannoy expressed concern that dual-nationals may bias the data, asking how they are accounted for in the publications Sarah described.

There was also some discussion, initiated by Aurelie, about the need to look at projected migration trends and the uncertainty surrounding them due to the Brexit process.

Finally, Allen Wilén suggested adding questions relating to migrant labour to the Build UK quarterly survey.

## **5. Glenigan Key Performance Indicators 2018**

- Allen described Glenigan’s [KPI 2018](#) report, the latest in a series spanning 17 years.

He suggested that, overall, the KPI data paints an encouraging picture, with underlying trends positive, if slightly weaker compared to last year. Given the current economic uncertainties he suggested there was scope for disruption moving forwards.

At a more detailed level, he noted mixed performance on measures relating to the environment. Whilst energy efficiency and water usage on site are improving, material waste has increased.

Staff turnover increased in 2018, though firms are keen to hold onto staff and develop their skills, suggesting concerns about a possible future skills shortage.

- In discussion of the presentation, the following issues were raised.

The correlation between construction output figures and GDP (mentioned in the presentation) was questioned. Noble suggested that “mega-projects” may influence output. Brian wondered whether housebuilding subsidies such as the “right to buy” scheme might also have an effect.

Noble also suggested that some of the data in the KPI should be broken down by sector.

Brian and others also asked questions about environmental data – especially the increasing material waste trend, which Brian found puzzling.

Brian asked how drops in the proportion of self-employed construction industry workers in the South East, East and London could be explained. Alex Murray suggested this might be due to increasing awareness of tax savings associated with self-employment in regions outside of those mentioned above.

Alex also asked about sample sizes for profitability and productivity data. Allen responded that the data sample includes all “large” contractors and a sample of smaller ones, adding that there may be a “survival bias” for profitability data, as it only includes those companies still in business.

Noble asked if the KPI include data on gender, as other data indicates the proportion of women working in construction seems to be falling. Allen responded that such data is included, and that the proportion of women working in construction has remained stable at around 12% for some time.

## 6. Any other business

- Alex Murray supplied [links](#) to work carried out by the Institute for Fiscal Studies that uses administrative data to investigate increase in numbers of individuals working for their own businesses, the characteristics of such individuals and their responses to the tax system.
- Stephen briefly described a book he has written - A strategic approach to the UK Construction Industry – recently published by Routledge that covers government policy regarding the construction industry. It is a response to reports published since the Simon Report in 1944 and covering up to the Construction Sector Deal in 2018 and is based on an economic analysis of the way construction firms actually operate and signals a way forward for the industry. Organised by the Smith Institute, a meeting in Portcullis House is planned for the afternoon of the 19<sup>th</sup> March to discuss the book. All interested parties are welcome. If you would like to attend, please let Stephen know by email at [s.gruneberg@ucl.ac.uk](mailto:s.gruneberg@ucl.ac.uk).
- Noble also described a recently published book he and Stephen had co-authored - [“The Economics of Construction](#) - that analyses how construction markets operate, how firms collaborate, and how their business models work. It is available directly from the publisher, [Agenda](#), or from [Amazon](#).