

**One million  
NEETs aged 16-24**

**182,000  
construction  
jobs to be  
filled by 2018**

**Yet just 7,280  
completed a  
construction  
apprenticeship  
last year**

**We have to  
do better**

**No more lost generations**

**Creating construction jobs for young people**

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# Foreword

By Rt Hon Nick Raynsford MP  
and Lord Richard Best OBE,  
joint chairs of the inquiry

**T**his report summarises the work, findings and recommendations of our inquiry into one of the most important challenges of our time. That is: how to make better use of the massive opportunities presented by our country's very substantial construction programme, worth £100bn-plus a year, to secure training and work for the unacceptably large number of young people in Britain currently neither in employment nor education and training. As the construction industry recovers from recession, we ought to see a significant growth in training and employment opportunities for young people. Instead we hear increasingly dire warnings of looming skill shortages, amid expectations that vacancies are most likely to be filled by migrants from other European countries.

The five parliamentarians who conducted this inquiry all share the same conviction that it is simply unacceptable to allow this pattern to be repeated. We cannot tolerate continuing mass unemployment among young people in Britain, when there is such scope for increasing training, apprenticeships and employment in our construction industry. The inquiry set out to identify and examine the barriers standing in the way of the common-sense outcome we want to see – namely, a step change in both the quantity and quality of training and a consequent expansion in employment opportunities for young people seeking work in one of our country's largest and most important industries.

We took evidence from a variety of different organisation and individuals with a wealth of experience in construction and training. We are very grateful to all those who took the time and trouble to give us the benefit of their expertise and their ideas. While inevitably this evidence exposed many of the difficulties and obstacles that currently prevent us from doing better, it did not lead us to pessimistic



Rt Hon Nick Raynsford MP



Lord Richard Best OBE

conclusions. On the contrary, it demonstrated clearly that we already possess the necessary ideas, enthusiasm and expertise to make transformational changes in how we link employment opportunities in construction with the pool of unemployed young people in need of training and work.

There are many inspired initiatives already under way in various parts of the country. But, sadly, their limited scale and geographical coverage mean they can have only a limited effect on the number of young people being helped into work. The challenge, we believe, is to build on the experience of what is working and to scale this up to the point where it is making a real impact on the problem of youth unemployment.

There is no single magic bullet: a number of different strategies will be required. We have to improve an understanding in schools of the hugely exciting and varied opportunities available for those who want to make a career in construction. The range is enormous: from traditional craft skills, through a range of organisational, logistics and management roles, to sophisticated design and IT opportunities. We have to make it easier for youngsters to find an appropriate route into the industry, whether through apprenticeships or degree-level qualifications. We need to ensure that training programmes are better linked to the nature of the jobs that are likely to be available and to reduce the

## We cannot tolerate continuing mass unemployment among young people in Britain, when there is such scope for increasing training, apprenticeships and employment in our construction industry

drop-out rate from apprenticeships and other training courses. We have to use the levers available through public-sector procurement and the planning system to require of employers both realistic and effective training and employment commitments. We need to secure much greater commitment and buy-in from industry leaders to implementing the step change that is needed in the numbers of youngsters helped to secure worthwhile employment in construction.

No one has any doubt that at its best the British construction industry is world-class. The huge success of the 2012 London Olympics provided a high-profile showcase for the industry, which not only delivered all the stadiums and sites on time and in budget, but did so without any construction fatalities – the first time this had been achieved in any comparable international event. We hope that this report will help motivate Government and industry leaders to aspire to match that performance in training and employment for the industry. We are some way from that target at present, but it is not unattainable. With political will and commitment across the industry, we can raise the bar and deliver much better opportunities for our unemployed youngsters, and stop them becoming another lost generation.

### MEMBERS OF THE COMMISSION

**Rt Hon Nick Raynsford MP** (Labour) (joint chair)  
**Lord Richard Best OBE** (Independent) (joint chair)  
**Peter Aldous MP** (Conservative)  
**Annette Brooke MP** (Liberal Democrat)  
**Baroness Angela Smith MP** (Labour)  
**Denise Chevin** (commission secretary and report author)

# Executive summary

**T**he purpose of this inquiry was twofold: to investigate the barriers to training and employment of our young people in the construction industry; and to find ways to ensure investment in the sector leaves a lasting legacy for our communities and creates a sustainable, better-skilled industry. With £100bn or more of investment in the sector every year, we believe the industry has the capacity to do more to train and employ young people.

The structure and culture of the industry – in which nearly four in 10 of the two million workforce are self-employed – and the uncertainty over workload have produced a situation wherein training of local people has given way to a reliance on migrant labour, particularly from eastern Europe.

The downturn in the economy had a devastating effect on construction, with 400,000 job losses and one of the highest redundancy rates of any sector. The impact was particularly felt on recruitment of young people, where apprenticeships have plummeted. For 2013 the number of construction apprentices completing their apprenticeship in England fell to just 7,280, half the figure for 2008/09, while employment forecasts show that more than 182,000 construction jobs are set to be created in the next four years.

So, as construction comes back into growth, there is already the spectre of looming skills shortages potentially holding back house-building. Meanwhile, insufficient skills in the new technologies increasingly being adopted by the industry (such as building information modelling) and expertise in green construction could further hamper construction growth.

Yet the number of young people in the UK who are not in employment, education or training (NEET) remains stubbornly high, at just under one million. Construction employs a lower proportion of younger people than does the UK economy as

a whole. Only about 10% of those working in the industry are aged between 19 and 24, with 1-2% aged between 16 and 18.

Our view is that we must capitalise on the upturn in the sector and skill up a generation of people who could otherwise face a bleak future. The task is particularly pressing, considering that all the major parties are looking to promote employment as an alternative to benefits for those under 25.

Encouragingly, during our inquiry we came across many construction firms and individuals who were passionate about providing good career pathways to young people and were prepared to overcome the hurdles this may involve. We highlight some of these initiatives in the report.

But we need the pace of cultural change to pick up if we are to avoid more “lost generations” in the construction industry, as it turns to migrant workers to cope with growth. The engineering sector has already begun a push to get 100,000 new engineering technician apprentices on board – some of whom will find a career in construction. Construction organisations need to be equally ambitious.

## **There is no single solution. A number of different strategies will be required:**

- We have to improve an understanding in schools of the exciting and varied opportunities for those who want a career in construction, from traditional crafts, to management, to computer-based modelling.
- We have to make it easier for young people to find an appropriate route into the industry, whether through apprenticeships or degree-level qualifications.
- We need to ensure that training programmes are better linked to the nature of the jobs that are likely to be available and to reduce the drop-out rate from apprenticeships and other training courses.

## **ABOUT THE INQUIRY**

With the support of the Chartered Institute of Building and the Construction Industry Training Board, the Rt Hon Nick Raynsford MP and Lord Richard Best jointly chaired a group of parliamentarians comprising Peter Aldous (Conservative), Annette Brooke (Liberal Democrat) and Baroness Angela Smith (Labour) to look into how construction investment could be used to generate more training and jobs for young people. The inquiry was also supported by the Construction Youth Trust, the Youth Build Trust, Youth Build UK, and the Prince's Trust. Written and oral evidence was obtained from a wide range of those in the construction industry and from local government, the social housing sector and educational establishments.

The report was researched and written by Denise Chevin. Support was provided by David Barnes, Marie Kirk, Kate Myronidis and Ian Woodcroft. Sub-editing was by Kate Ahira and design by Mark Bergin.

- We have to use the levers available through public-sector procurement and the planning system to require realistic and effective training and employment commitments from employers. But raising aspirations will need committed support from Government, social landlords and local authorities too. Although local authorities and social landlords are increasingly using these levers to push for training, success is patchy.

- We need to secure much greater commitment and buy-in from industry leaders in securing the step change that is needed to help young people secure worthwhile employment in construction, and in doing so lay the foundations for a sustainable and modern industry.

## **Specific actions we would like to see to bring about some of these improvements include:**

- *A training summit:* The Construction Industry Training Board (CITB) and the Department for Business, Innovation & Skills, with backing from the Construction Leadership Council, should convene a high-level summit with contractors and specialist contractors and house-builders, local authorities and social landlords to get momentum behind Construction Jobs for Young People. This echoes a similar summit for industry leaders back in 2001 on the theme of safety: by raising the profile of that issue, huge progress has been made on construction sites to reduce significantly fatalities and accidents.
- *A revitalised apprenticeship strategy:* A refreshed CITB should spearhead a new apprenticeship strategy that would include an overarching vision for apprenticeship training, setting out plans to increase numbers, simplify funding arrangements, and ensure qualifications match the changing needs of the industry.
- *Local authorities to leverage planning obligations:* Local authorities should help

create more opportunities by mandating an appropriate and effective level of training and employment of young people through planning obligations and then ensuring the requirements are properly monitored. We have seen that such a strategy works best when there is buy-in from the very top of councils..

- *Leadership from social landlords and public bodies:* We regret obligations from the HCA have been dropped but we believe it is vital that organisations like housing associations and councils should routinely leverage their investment in construction work in order to set out appropriate and realistic demands for training and employment opportunities for young people as part of the procurement process. Again, it is vital this is in partnership with their contractors and properly enforced.

- *A step change in careers advice:* The quality and standards of career advice must be made to attract a wider breadth of young people to work in construction. It may be worthwhile for the sector, via the Construction Industry Council and the CITB, to come together to explore whether a comprehensive careers service – or at the very least a careers portal for construction – could be established to provide a gateway into the built environment. This could encompass more imaginative career tools (an Xbox game for construction, for example) to engage young people with the breadth of construction careers. We welcome moves by the Construction Leadership Council to explore how a cross-industry career portal might be implemented.

The challenge, we believe, is to build on the experience of what is working and to scale it up to the point where it is making a real impact on the problem of youth unemployment and thereby avoid lost generations in the future.

**A full list of our recommendations are listed in section five of this report (page 39).**

## Section 1: The emerging skills gap

**A**fter one of the worst recessions on record, the industry is at last showing growth. House prices are rising, projects are being dusted down, companies are once again beginning to recruit, and in London there is already talk of skills shortages possibly holding back house building. In the latest survey from the Royal Institution of Chartered Surveyors, 36% of surveyors said that labour shortages were restricting building, particularly in trades connected to the housing sector, including bricklaying<sup>1</sup>. The picture appeared the same in earlier research from the Chartered Institute of Building (CIOB). Some 82% of construction professionals who took part highlighted the lack of skilled domestic construction personnel as an issue<sup>2</sup>.

More than 182,000 additional construction jobs will be created in the next four years, according to new research by the Construction Industry Training Board (CITB)<sup>3</sup>.

Yet in contrast, the number of out-of-work young people aged between 16 and 24 is at historically high levels.

In the period from September to November 2013, some 920,000 young people (aged from 16 to 24) in the UK were categorised as NEET (not in education, employment or training). Although this is a decrease of 39,000 from the previous three-month period, it still amounts to one in seven young people. Of these, 55% were seeking and available for work and therefore classified as unemployed<sup>4</sup>.

Our view is that we must capitalise on the recent upturn in the construction sector to ensure it benefits society as a whole, by enabling a generation of young people now facing a bleak future to acquire useful employment skills. The task is particularly pressing, given that all the major political parties are looking to promote employment as an alternative to benefits for those under 25. The industry will increasingly

need more young people with relevant skills; meanwhile, many young people are in desperate need of a job. It makes sense to marry up demand with potential supply.

In the face of this youth employment crisis, we as a group of parliamentarians have come together to investigate how it could be better tackled. What could be changed to generate more opportunities for youth employment in housing and construction, which is after all one of Britain's biggest and most important industries and into which around £40bn of public money is invested each year?

We believe it is critical that this money should leave a lasting legacy for young British people as well as create a sustainable, better-skilled industry that is less reliant on migrant labour. Speed is of the essence, as the industry will be seeking to recruit new employees as order books expand.

The industry employs fewer young people, relative to its size, than does the UK economy as a whole. Only about 10% of those employed in construction are aged between 19 and 24, while 1-2% are aged between 16 and 18<sup>5</sup>. Yet construction is one of the UK's largest industries, employing two million people and with an output of over £100bn<sup>6</sup>.

The industry also suffers from a distinct lack of diversity. Fewer than 2% of employees at trade level are female, and women make up only 13% of the workforce overall. Ethnic minorities are similarly underrepresented.

At the crafts level, even during the last boom of the mid-2000s onwards, the number of craft apprentices taken on was low – but in England it has almost halved since then, as output has fallen by 16% in five years from its peak in the second quarter of 2008<sup>7</sup>.

Across the wider built environment the number of apprenticeship starts in 2012/13

for construction, planning and the built environment, in England were under 14,000, a fall of 33% in two years. Specifically looking at construction, in 2012/13 there were 13,610 apprenticeship starts in England, 50% down on the number for the peak of 2006/07. (Adding in Scotland and Wales boosts the figures by about 4,000) Again, the numbers completing their apprenticeships continue to decline, with construction completions in England falling to just 7,280 in 2012/13 half the number for 2008/09 when numbers peaked<sup>8</sup>.

Not surprisingly, perhaps, respondents to the May 2013 CIOB skills survey blamed the industry's overall skills shortage on the scarcity of high-quality training and investment from both Government and industry. Trade and technical skills were considered the areas experiencing the highest demand relative to supply. The report warned that insufficient skills in the new technologies increasingly being adopted by the industry (such as building information modelling) and expertise in green construction could hinder construction growth.

The survey found that efforts to build a sustainable workforce were being constrained by a lack of firms recruiting apprentices. Although 90% of respondents said they believed apprentices were key to filling skill gaps, just 51% said they were actively recruiting apprentices. On a more positive note, the research found that 72% of apprentices were being offered permanent employment within their organisations beyond completion of their apprenticeship.

Undoubtedly, construction has been through a period of great hardship. Around 400,000 jobs were lost in the sector over the course of five years. Having to make people redundant and uncertainty over workloads makes it difficult to take on and train new recruits. But as stated above, the industry does appear to have turned a corner. According to the latest report from the Office for National Statistics, construction

<sup>1</sup>Construction Market Survey, RICS, December 2013  
<sup>2</sup>Skills in the Construction Industry, CIOB, April 2013  
<sup>3</sup>Construction Skills Network Survey, CITB, January 2014  
<sup>4</sup>Office for National Statistics, November 2013  
<sup>5</sup>Sector Skills Insights: Construction, Evidence Report 50, UK Commission for Employment & Skills, July 2012  
<sup>6</sup>BIS, UK Construction, Economic Analysis of the Sector, July 2013  
<sup>7</sup>Comparison of Industry Downturns, Office for National Statistics, October 2013  
<sup>8</sup>BIS/ Skills Funding Agency, updated February 14, 2014. The sharp fall in starts across construction, planning and the built environment by 33% could in part have something to do with an element of reclassification. At the time of going to press BIS were looking into this



output grew 4% between August 2012 and August 2013 – the strongest growth in output since December 2011<sup>9</sup>.

This year (2014) Experian forecasts growth of 4.2%, up from 1% in its summer forecast, with 4.4% growth expected in 2015 – up from the previous 2.5% forecast – before growth falls to 2.7% in 2016<sup>10</sup>. Over the three years from 2014 to 2016, Experian forecasts total construction output to rise by 7.3%, which is equivalent to an £8.5bn increase in output. This is slightly less than the Construction Products Association's revised forecast, published in January 2014, which anticipates growth of 9.9% between 2014 and 2016 – or around an £11.5bn increase<sup>11</sup>.

Experian has forecast that infrastructure will be the biggest growth sector over the period, rising 24% between 2013 and 2016, with total output expected to hit a record high of £16.4bn in 2016. The Chancellor, George Osborne, has pledged £100bn worth of infrastructure investments that will directly benefit the construction industry.

As well as needing to recruit for growth, the industry also needs to restock with skilled people to replace those that are retiring. Construction has an ageing workforce, with 450,000 expected to retire over the next 10 years. As mentioned earlier, the CITB research anticipates that the industry will need 182,000 new recruits over the next five years.

A survey of 300 contractors by the CITB showed that two-fifths of contractors were struggling to recruit workers with the right skills, and one in 20 firms said they were at risk of collapsing due to the lack of talent joining the industry<sup>12</sup>. In the survey, nearly one in five contractors said that a skills gap had hampered their growth over the past two years, while one in 10 said they had lost work to competitors with a more skilled workforce. The survey also revealed that two-thirds of contractors thought there should be more incentives to help them employ

young people. Half of respondents added that more careers advice was needed to inform young people about careers in the construction industry.

How can the industry equip itself with the skilled workers to support sustainable growth? And, even more fundamentally, will it actually do so?

As the CIOB told us: “The construction industry contributes 7.4% towards GDP and equates to around 2.04 million workforce jobs in the UK, or 6.4% of all workforce jobs. Allied with the number of young people who are unemployed, we believe that the industry should be capable of employing at least 75,000 to 100,000 of the one million 16- to 24-year-olds currently unemployed.”

But the outlook for this actually happening is not promising, according to a survey<sup>13</sup> published recently by City & Guilds, the training accreditation organisation chaired by Sir John Armitt.

#### The City & Guilds report found that:

- 61% of businesses had not offered any unpaid work experience in the past 12 months;
- 42% did not currently employ apprentices;
- 40% had a workforce comprising only 1% apprentices; and
- 56% did not plan to take on any apprentices in the next 12 months.

This is disappointing, and particularly so as it has become apparent during our inquiry that there is a widespread passion for training among construction companies and clients. Many of our witnesses were on a personal crusade to increase training for young people. Clearly, the challenge is how to scale up this enthusiasm.

We appreciate that we are conducting our inquiry against a backdrop of other important changes and a stream of Government initiatives geared at trying to tackle the problem of youth unemployment and its causes. Some of these are long-standing issues on education, such as literacy and numeracy standards and the thrust of schools to push academic over vocational qualifications, about which employers have long complained. The setting-up of university technical colleges, many of which have special construction and engineering specialisms, is one new initiative that is welcome<sup>14</sup>. So too is the change for students to remain in full-time education and training until they are 17 in 2014, then 18 the year after. In addition, children aged 14 will be allowed to move to a further-education college to study a vocational programme alongside their core GCSEs.

One of the most important changes is the way that funding for training will be made available. The Government is planning to put employers in the driving seat in this regard, as part of the implementation of the Richard Review's wide-ranging recommendations to improve apprenticeships across all of industry<sup>15</sup>.

Our intention in conducting this inquiry is to hone in on construction-specific areas and make practical suggestions that can improve employment prospects for young people and create a smoother pathway to employment. Construction has demonstrated itself to be a leader on the world stage – as an industry it has plenty to offer young people with differing talents and interests.

<sup>9</sup>Construction Output August 2013, Office for National Statistics, October 2013  
<sup>10</sup>UK Construction Winter Forecasts, Experian, January 2014  
<sup>11</sup>Construction Industry Forecasts, Construction Products Association, January 2014  
<sup>12</sup>CITB survey, December 2013  
<sup>13</sup>Building Futures on Shifting Foundations report, City & Guilds, November 2013  
<sup>14</sup>A university technical college is for students aged 14 to 18, which specialises in technical studies and is sponsored by a university. There are currently 50 UTCs open or in development.  
<sup>15</sup>The Richard Review of Apprenticeships, BIS, November 2012

## Section 2:

### Structural barriers to training and employment of young people

#### 2.1 STRUCTURE AND CULTURE OF THE INDUSTRY

**T**o understand the difficulty of getting more people trained in the sector, it is necessary to reflect on the structure and culture of the industry.

Construction is a complex and fragmented sector, central to the UK economy. Contributing around 7.4% to Britain's GDP, it covers a wide spread of activity, including design and planning, construction, civil engineering, and maintenance and refurbishment. The sector employs approximately two million workers with different roles and responsibilities.

The industry suffered the second-highest redundancy rate of any sector in the UK during the latest downturn, peaking at 32 people per 1,000 employees in the first quarter of 2009<sup>16</sup>. The impact of the recession varied across the country. In London there was actually a rise of more than 5% in the number of construction jobs during the same period. Before the crash, London accounted for about 11% of construction jobs in the UK. That figure is now above 14%<sup>17</sup>. Half of all construction jobs in Great Britain are now in the South (London, the South East, the South West and the Eastern region). This compares with about 45% before the recession and about 44% back in the 1990s, when the industry was pulling its way out of the previous recession.

As mentioned in the introduction, the cyclical and seasonal nature of the industry makes skill shortages a frequent problem in construction. The CIOB's 2013<sup>18</sup> research into skills found trade, technical, and construction management skills to be most in demand. Furthermore, the advent of new digital technologies and innovations in sustainability and energy are likely to increase demand for a higher level of skills.

An aspect of the industry that restricts the opportunities for skills training is the culture of subcontracting with long supply chains. This

means that the big contractors who win the work do not directly employ the skilled tradespeople who do the actual building. Instead these large firms subcontract to smaller, specialist companies, and it is to these that the hiring and training of staff falls.

In fact, 85% of construction employment is concentrated in companies with fewer than 250 employees; SMEs account for 74% of turnover in the sector<sup>19</sup>. Analysis carried out for the Department for Business, Innovation & Skills by EC Harris<sup>20</sup> and published alongside the Industrial Strategy for Construction has shown that for a typical large building project (in the £20m-£25m range) the main contractor may be directly managing around 70 subcontracts, of which a large proportion are worth £50,000 or less. For a regional project, the subcontract size may be even smaller, and it is not uncommon for perhaps 70% of subcontracts to be below £10,000 in value.

#### 2.2 ROUTES INTO CONSTRUCTION AS A CAREER

**T**here are a number of different routes to a career in the built environment for 16- to 24-year-olds, and a range of occupations into which they might go. Craft industries offer opportunities for employees to train and gain qualifications while they work, through apprenticeships and similar training schemes.

Technical occupations in the UK require GCSE qualifications or vocational equivalents, either initially or through on-the-job apprenticeship training. Graduate roles are filled by people with foundation degrees in subjects such as construction management, architecture and civil engineering.

Some young people may be taken on as casual workers, but they would still need to pass a competency test, which is explained below. While there is nothing to stop employers taking on 16-year-olds, employers are often concerned that this could push up insurance premiums, and they can therefore be reluctant to hire such young people for jobs involving construction site work. The Health & Safety Executive has produced new guidance for firms employing those aged under 18, and the Construction Leadership Council is keen to promote this to dispel the myth that under-18s cannot be employed on site.

But as we touched upon above, the number of young people employed is low. Recruitment of young people by construction employers in any given year breaks down as follows, with comparisons to proportions in the wider economy<sup>21</sup>:

- 3% of employers recruited 16-year-olds into their first job straight from school (compared with 4% across the whole economy);

#### Giving young people a taste of construction

During 2012 the CITB launched a pilot pre-employment programme, Experience Construction, to provide a vehicle for employers unsure of making an employment commitment with the opportunity to assess

a number of young people in the work environment prior to any hiring decision. Prior to and during the work experience programme, young people were given support and guidance by the CITB's construction careers advisers and apprenticeship officers to ensure they had all the necessary information to

select a trade suitable to their skills and aspirations. To date, approximately 500 young people have entered this programme, and 70% of these have transferred into full-time apprenticeship employment with the employer upon completion, with a minimal drop-out rate during the subsequent apprenticeship.

<sup>16</sup>UK Contractors Group, prepared for BIS Committee, November 2012

<sup>17</sup>Brickconomics, December 2013

<sup>18</sup>Skills in the UK Construction Industry, CIOB, April 2013

<sup>19</sup>Sector Skills Insight, UK Commission for Employment & Skills, July 2012

<sup>20</sup>Supply Chain Analysis into the Construction Sector, EC Harris for BIS, 2013

<sup>21</sup>Information from: Sector Skills Insights Construction, Evidence Report 50, July 2012, UK Commission for Employment & Skills

### What is an apprenticeship in construction?

Construction apprenticeships are considered to be among the most beneficial in any sector in terms of training quality, and most last at least two years. They also pay 32% more than average<sup>30</sup>. (The Building & Allied Trades Joint Industrial Council agreed wage rates, for example, are £4.35 per hour for 16-year-olds rising to £7.65 per hour for those at NVQ level two; however, not all employers would pay these rates.)

#### Construction apprenticeships are:

- paid jobs;
- open to anyone aged 16 or over;
- seen as the gold standard in apprenticeship terms, in that they last between one and four years, according to specialism and level;
- paid a minimum wage of £2.65 (around £100 per week);
- industry-led with some college learning and assessment;
- at least 16 hours a week;
- required to follow an appropriate curriculum for work to meet competencies as assessed;
- required to furnish technical and theoretical knowledge;
- designed by the sector skills councils (working with business representatives from the relevant industry sector to develop the course content), while the National Apprenticeship Service helps to fund the training;
- required (from October 2012) to include completion of GCSE Maths and English (functional skills), with the support of employers, for apprentices not already so qualified.

#### Apprenticeship funding

Apprentices not only work with the employer but also get day release to attend a college or else undertake block training at a college. While the employer pays the apprentice for

their work (with the assistance of a grant from the CITB), funding for the educational costs is provided by the Skills Funding Agency. However, this is fully funded only for those aged 16 to 18, whereas those aged 19-23 are only 50% funded. From August 2013, advanced or higher apprenticeship for those aged 24 will no longer be eligible for Skills Funding Agency funding at all. It is expected that employers will continue to make a contribution towards the costs of the apprenticeship, with the remaining costs met by the individual.

The National Apprenticeship Service, which provides a centralised portal for all apprenticeships, will provide up to 40,000 apprenticeship grants to employers with up to 1,000 employees recruiting 16- to 24-year-olds, with an additional £1,500 to encourage employers to take on new apprentices.

#### Apprenticeship levels

Under the Qualifications & Credit Framework, two-year apprenticeships provide qualifications at NVQ levels one or two (equivalent to GCSE qualifications); advanced apprenticeships are level three (as a comparison, degree-level qualifications are level five). Around three-quarters of apprenticeships in construction are at level two.

Apprenticeship starts in England across different sectors

	2012/2013	Change since 2009/10
Agriculture, horticulture and animal care	7,000	25%
Arts, media and publishing	1,000	155%
Business, administration and law	160,000	109%
<b>Construction, planning and the built environment</b>	<b>14,000</b>	<b>-33%</b>
Education and training	8,000	836%
Engineering and manufacturing technologies	66,000	56%
Health, public services and care	123,000	179%
Information and communications technology	14,000	12%
Leisure, travel and tourism	14,000	-2%
Retail and commercial enterprise	101,000	64%

There are additional qualifications aimed at demonstrating competencies in specific areas. The Construction Skills Certification Scheme (CSCS) covers 220 occupations, and different qualifications (known as CSCS cards) are available depending on the job type. To qualify, applicants must pass an appropriate CITB health and safety test.

How construction compares with other sectors on apprenticeships The number of apprenticeships starts, broken down by sector, can be seen below. The figures for England only have been rounded up to the nearest 1000<sup>31</sup> (see table).

In 2011, the Coalition Government invested £1.2bn into apprenticeship programmes; that year, 457,200 people started as apprentices<sup>32</sup>.

Research from the National Audit Office (NAO) has suggested that many of these apprenticeships have been created in fast-growing areas such as IT and telecoms, and that a fifth of the apprenticeships lasted less than six months<sup>33</sup>. There has also been widespread concern that many are merely re-labelling existing jobs and diluting the worth of the apprenticeship brand.

- 3% of employers recruited 17- to 18-year-olds into their first job straight from school (compared with 5% across the whole economy);
- 3% of employers recruited 17- to 18-year-olds into their first job straight from further-education college (compared with 5% across the whole economy); and
- 4% of employers recruited new graduates into their first job from university (compared with 7% across the whole economy).

It is far more common for employers in construction to have apprentices than is the case in other sectors: some 12% do so, compared with 5% in the economy as a whole. However, 78% of construction apprentices are at NVQ level two, around three times as many as level three – which is seen as the gold standard in apprenticeship. Apprenticeships are growing across the economy as a whole: starts increased by 58% between 2010 and 2011.

### 2.3 TRAINING AND FUNDING FOR TRAINING

**G**rants and funding are available to help construction employers take on apprentices. These are provided by both the Skills Funding Agency, which gives money to training providers such as colleges (although this is set to change, as described below), and the CITB, which gives grants to cover employment costs and does not differentiate by age.

Construction employers remain concerned that Government, through the Skills Funding Agency, provides reduced funding for apprentices over 19 years of age. Very often a young person will not be accepted onto a construction site below the age of 18, because of the fear it might contravene health and safety requirements – even though with proper supervision that is not the case (as we touched upon in the previous section). By the time a construction apprentice has completed

an 18-month level-two apprenticeship, he or she will often be over 19 years of age. Those in level-three apprenticeship training are very likely to be aged 19 or over and thus subject to a reduced rate of Government funding, which deters both businesses and individuals from level-three apprenticeships.

This continues to provide a significant barrier to up-skilling people across the construction sector, which works against the Government's aim to encourage the acquisition of higher-level qualifications across the workforce.

Employers to whom we spoke said they viewed the construction apprenticeship as a gold standard and felt the current funding arrangement to be unduly penalising the sector at a time when it is supposed to be receiving additional skills support by Government as an enabling sector for growth. They want Government to accept some of the unique challenges faced by construction, reviewing apprenticeship funding to take account of the later start of apprentices compared with other sectors.

The construction industry uses the CITB as a vehicle to fund the fulfilment of its own skill needs. Because the entire industry benefits from people being trained and yet it often falls to the smaller firms to actually do so, the industry is subject to a training levy paid by all eligible employers with an annual wage bill greater than £80,000. The CITB has statutory powers to collect these annual levy payments, which are reinvested to provide access to training grants for employers. Up to 60% of all apprentices in the sector are employed by firms with fewer than 10 employees<sup>22</sup>.

The CITB pays up to £6,000 for a two-year apprenticeship and £10,250 for a three-year apprenticeship. Those firms that pay the levy are also eligible for an additional 22% funding; in addition, top-up funds are available from other government programmes.

<sup>22</sup>CITB Employer Panel: Employer Attitudes and Motivations in Learning and Training (unpublished)

<sup>30</sup>The Richard Review of Apprenticeships, BIS, November 2012  
<sup>31</sup>Apprenticeship Statistics, (sourced from BIS Data Service) House of Commons Library, February 2014. The sharp fall in starts across construction, planning and the built environment by 33% could in part have something to do with an element of reclassification. At the time of going to press BIS was looking into this. But apprenticeship numbers have undoubtedly declined with construction starts at 13,610, 50% fewer than 2007/2006 peak

<sup>32</sup>Apprenticeship Statistics, House of Commons Library, 8 February 2013  
<sup>33</sup>Adult Apprenticeships, National Audit Office, 1 February 2012



In 2012, figures for the CITB training levy were as follows:

- levy income was £143.8m (slightly down from £144.4m in 2011);
- grant expenditure was £78.2m (up from £65.7m in 2011)
- grant helped to support 17,073 apprentices, 2,068 training and development plans, 22,591 VQ achievements and 20,287 plan tests; and
- 14,267 employers claimed the grant (down from 15,648 in 2011).

As well as overseeing qualifications and training standards, the CITB is also one of the largest managing agencies for apprentices – and one of the few rated as “outstanding” by Ofsted. It is currently responsible for around 12,500 apprentices across Great Britain. The CITB recently announced it was making an extra £30m available in grants from levy underspending to kick-start skills provision as the industry seeks to recruit in the economic upturn.

Many employers told us that they found the raft of different Government funding opportunities, combined with additional opportunities to access funding through the CITB, excessively complex. Employers repeatedly said they were confused by all the different pots of money and called for funding arrangements to be simplified.

Every three years the CITB is subject to a review involving a widespread consultation of the construction industry to establish whether the training levy system remains desirable. Just such a review is in progress at this time (January 2014).

Not all areas of skills are the responsibility of the CITB – there are altogether four bodies in charge of training for the various aspects of the built environment:

- the CITB covers the building and civil engineering aspects of construction;

- Summit Skills represents building services engineering, including industries such as heating, ventilation and air conditioning;
- the Engineering Construction Industry Training Board (ECITB) operates the grant levy system in the engineering construction subsector; and
- Asset Skills covers housing, property and facilities management.

#### 2.4 HOW FUNDING STRUCTURES MIGHT CHANGE – THE RICHARD REVIEW REFORMS

One big change in the pipeline is that Government looks set to give funding directly to employers rather than trainers, to ensure that training is more in line with what employers need. This follows recommendations set out in the Richard Review<sup>23</sup>, which sought ways to make training in further-education colleges match employers’ needs more closely by letting them purchase training or pool their purchasing power to set up their own courses.

In its response<sup>24</sup> to the Richard Review, Government accepted many of its recommendations, including the change of funding regime, and went on to consult the industry on the best way of administering this<sup>25</sup>. Reaction to the proposed changes has been mixed. Large employers seem to welcome the move, if not so warmly in some cases, while on the whole the smaller firms that train a large portion of apprentices believe it will be disastrous for the industry. They say it will not only bring extra bureaucracy but also comes with a sting in the tail in the form of the review’s proposal for employers to make contributions to training costs – which could be around 30% for 19-plus apprenticeships and 15% for 16- to 18-year-olds.

A consultation on the proposed shift closed on 1 October 2013. In his Autumn Statement, the Chancellor announced that “the government will develop a model which uses HMRC systems to

route apprenticeship funding direct to employers and consult on the technical details of the system in early 2014, and on the option of an alternative funding route for the smallest businesses”<sup>26</sup>. The intention is that employers pay upfront for their apprentices’ training at a college or other training provider, then claim the money back from Government via the PAYE system.

Jon Spencer, group training manager at Costain, told us that this was the right approach for large employers. Costain is one of several construction firms that have been piloting direct funding under the Employers Ownership of Skills Initiative and is involved in setting up an apprenticeship in building information modelling (BIM) as part of an employer consortium with other contractors. BIM has become important in the building industry as a means of making the design and construction of buildings more efficient (see case studies in section 4).

The UK Commission for Employment & Skills, which supported the switch to tax-system funding, has welcomed the Government’s plans as “putting employers in the driving seat”. It has published a

leaflet detailing what it sees as the advantages of a PAYE-linked scheme, including that it would help link apprentices to other aspects of business planning and could incentivise employers to make sure apprentices complete their courses, while recouping costs would be straightforward.

But fears are growing that the Government’s move towards employer control of apprenticeship funding could result in a drop in the overall number of apprentices trained – just as output starts pick up. The Federation of Master Builders has said it is worried about a system of funding that would mean significantly greater upfront costs for small builders and more administrative work to reclaim the money spent<sup>26</sup>. It has said there should be the choice for smaller suppliers to keep working with their local college. This concern has been raised by smaller companies in other sectors too<sup>28</sup>. Firms getting payment for apprenticeship training could be subject to Ofsted inspections as well. There is speculation that there will be another consultation on the matter, with alternatives set out for smaller employers<sup>29</sup>.

#### The Richard Review – key recommendations

In June 2012, the Government commissioned entrepreneur and business incubation specialist Doug Richard to undertake a review of apprenticeships in England, with the aim of ensuring they meet the needs of the changing economy, consistently deliver the high-quality training and skills that employers and apprentices need, and maximise the impact of Government investment. In his November 2012 report, the Richard Review, he made a number

of recommendations to make the apprenticeship programme more rigorous and more responsive to employers’ needs. These included:

- redefining apprenticeships to be targeted only at those who are new to a job or role that requires sustained and substantial training;
- using recognised industry standards as the basis of every apprenticeship and linking to professional registration in sectors where this exists;
- requiring all apprentices

to have reached NVQ level two in English and maths before they can complete their apprenticeship; and

- ensuring that Government funding creates the right incentives for apprenticeship training, with the purchasing power for investing in apprenticeship training lying with the employer.

The Government accepted the Richard Review principles and published a consultation document in March 2013 seeking views on the practicality of implementing the recommended reforms.

<sup>23</sup>The Richard Review of Apprenticeships, BIS, November 2012

<sup>24</sup>The Future of Apprenticeships in England: Next Steps from the Richard Review, Consultation March-May 2013

<sup>25</sup>The Future of Apprenticeships in England Implementation Plan, October 2013

<sup>26</sup>construction-manager.co.uk, 11 October 2013

<sup>27</sup>Ibid

<sup>28</sup>John Hyde, chairman of HIT Training, The Guardian, January 2014

<sup>29</sup>construction-manager.co.uk, 13 December 2013

There have been suggestions that SMEs could form training groups, using Government funding to purchase training at further-education colleges of their choosing. The funding changes may also impact on the CITB, which is currently the managing agency for 12,500 apprentices across Great Britain and receives a percentage of the training costs from colleges.

We hope that Government listens to the concerns voiced by construction SMEs – which make up the vast majority of firms in the sector – in its forthcoming consultation on funding arrangements for SMEs under the new funding reforms.

### Advanced apprenticeships in engineering

The Government has announced a new initiative to create 100,000 engineering technicians by 2018, giving them structured on-the-job experience built upon a recognised academic qualification. On successful completion of their apprenticeships, and by ensuring the appropriate skills and competencies are reached, each apprentice will be able to attain the globally recognised professional registration designation of engineering technician (EngTech).

The initiative has been created by the Institution of Mechanical Engineers, the Institution of Civil

Engineers, the Institution of Engineering & Technology and the Gatsby Foundation, in response to an emerging skills gap in the engineering and construction sectors. Included in the initiative are the apprenticeships set up by the pioneering Technician Apprenticeship Forum, made up of consulting engineers specialising in infrastructure. We highlight the work of this group in our case studies section.

Current estimates suggest that the UK needs to double the pipeline of new recruits into engineering, construction and manufacturing professions by 2020 in order to avoid a severe skills shortage that could inhibit the growth of these vital UK sectors.

Both David Cameron and Ed Miliband have recently been speaking up in support of apprenticeships. Launching National Apprenticeship Week in March 2013, the Prime Minister said that taking an apprenticeship should become the new norm for those who did not want to go to university. And at the Labour conference in 2013, party leader Ed Miliband pledged that if Labour were elected, companies employing over 50 staff would be required to take on an apprentice for every worker outside the UK they employed. Labour has said it is also committed to making apprenticeships mandatory as a requirement across public-sector contracts, and has talked about obligations for employing one apprentice for every £1m of contract value.

### 2.5 TRAINEESHIPS

In addition to a changed funding regime for apprenticeship training, another further potentially important development is the introduction of traineeships during 2013. These are intended to provide young people aged 16 to 24 with a tailor-made package of support designed to give them the confidence, skills and experience to compete in the labour market. Traineeships are intended to form a crucial bridge between school and an apprenticeship or other job, for those who lack the necessary skills. So far traineeships have been introduced in a very low-key way and do not appear to have registered on the construction industry's radar. Only five

companies were advertising construction-related traineeships on the National Apprenticeship Service website in the middle of January 2014. However, traineeships are expected to gather more political impetus as the school-leaving age is raised to 17 in 2014 and 18 in 2015.

Traineeships are aimed largely at young people aged between 16 and 19; those with learning disabilities up to the age of 25 are also eligible. The Department for Business, Innovation & Skills is badging traineeships in the same family as apprenticeships, and employers are being encouraged to consider in the round how many apprenticeships and traineeships to offer as part of their workforce development.

Traineeships for those aged 16–19 will be funded by the Department for Education, while youngsters aged 19 and older will be funded by BIS, all from existing budgets and at no cost to participants. The length of a traineeship will reflect the specific needs of participants, but is expected to be around six months – with some of that time spent in the workplace and the rest in training at a college or other training provider.

Companies offering traineeships are not obliged to pay their trainees anything, and concern has consequently been raised that trainees could be exploited as free labour. It is vital that BIS ensures the focus of traineeships is as a pathway to an apprenticeship. If traineeships emerge as an alternative route to direct entry into employment in construction, there is a risk that the apprenticeship brand could be devalued and skills on-site reduced, as employers and individuals opt for a less rigorous and less costly route into the workplace.

We fear there is a danger that the scheme could fail to provide people with the skills to forge a career for life in the industry, thus preventing the sector from addressing long-term issues in reducing the numbers of young people not in education, training or employment.

## Section 3:

### How to get more young people into training and employment

#### 3.1 ANALYSIS OF THE PROBLEMS AND SOLUTIONS

**W**e were presented with a variety of reasons why the construction industry is not doing as much as might be expected to train and employ young people. As explained in the previous chapters, the severe downturn has taken its toll. But even during the last boom the opportunity for training more young people was not seized, as evidenced by the fact that almost half the workforce is now aged 45 or over<sup>34</sup>. Firms were content to rely on migrant labour, which has left the legacy of an ageing workforce. The culture and structure of the industry, in which one in four is self-employed, militate against training young people.

Of the 32 biggest contractors in the industry, only 12 have been training apprentices, according to Geoff Lister at the Cross Industry Apprenticeship Task Force<sup>35</sup>. And from our experience, the major house-builders have traditionally done less than they might to train young people – though this may be starting to improve. Firms such as Barratt and Persimmon now have substantial apprenticeship programmes, for example.

From the employers' perspective, young people's deficiencies in literacy and numeracy and lack of work-readiness are common complaints. Government initiatives are being put in place to tackle some of these problems, though some are so deep-rooted that improvements will take time to filter through.

While major factors such as unpredictability of workload and certain structural aspects of the industry are bound to prove difficult to change, other impediments to greater youth unemployment can more readily be challenged and overcome, as we discuss in the following pages.

Steps can be taken to ensure that training and employment form part of the contractual requirements for construction projects. This

has successfully been implemented through the section 106 system (whereby planning obligations are imposed on developers to offset negative impacts of construction), by including conditions that stipulate a framework for management and a measurement of outputs in terms of training. However, we also heard from witnesses how training requirements that stipulated the need for apprentices and local skills sometimes seemed little more than tick-box exercises, which were never checked up on once the project was under way.

Susan Hayter, affordable housing manager at Balfour Beatty, told us: "We are working with organisations which rigorously enforce section 106 conditions. The use of section 106 conditions makes things happen – we can't start on site until our employment and skills plan is in place and we have to report quarterly on progress."

She is a firm believer in having contractual arrangements in place to drive the agenda. "Although attitudes in the construction industry have improved in recent years, there is still an overwhelming lack of engagement around employment and skills issues, particularly on site, where training is still considered to be a nuisance and something to be avoided if at all possible. The result is that unless employment and skills targets are included as contractual responsibilities, they are in the majority of cases unlikely to be fully embraced. The phrase 'use our best endeavours' still crops up regularly and is basically seen as a get-out-of-jail-free card for contractors who won't commit to meeting targets.

"But if young people are to benefit from employment and skills initiatives it is important that they do not just become part of a tick-box exercise. Programmes should be specifically tailored to address issues such as motivation, timekeeping, personal presentation and working with other people, as these are things that young people can find difficult when they first start work."

Joe Brennan, director of Joe Brennan Training,

remarked: "I have too often seen what can happen to young or vulnerable people being placed on less than adequate schemes of all sorts; schemes specifically designed to ensure targets such as reducing benefits claim applicants and/or achieving training outcomes for training providers are met. All the while, the administrators of these schemes are happily patting themselves on the back, but these schemes often fail in getting the trainees any closer to actually gaining employment."

Encouragingly, however, there is good practice to build on. Throughout our inquiry a number of excellent initiatives to train and employ young people were brought to our attention – some of which we have highlighted in our report. Social landlords are certainly showing more interest, and the Local Government Association provided us with excellent examples from councils.

#### We have broken down our suggestions for change into the following key areas:

- Strengthening leadership (section 3.2) – creating a culture of commitment to training, galvanised by strong industry leadership and a refreshed CITB to create a partnership between employers and young people and a more sustainable future for the sector.
- Using public-sector contracts to boost employment for young people (section 3.3) – shoring up contractual mechanisms in the public sector that reward suppliers and developers which offer greater opportunities for 16- to 24-year-olds and ensuring that these obligations are delivered.
- Attracting the best talent (section 3.4) – attracting and keeping the best people, by better promotion of careers in the built environment and improving the sector's image.
- Creating a better apprenticeship experience (section 3.5).
- Matching skills and training with changing industry need (section 3.6).

<sup>34</sup>Labour Force Survey, 2010  
<sup>35</sup>building.co.uk, 24 August 2012

- Making it easier to employ and train young people (section 3.7) – ensuring that red tape is not a barrier to employment

### 3.2 STRENGTHENING LEADERSHIP

**A**s Lord Heseltine wisely pointed out in his No Stone Unturned report<sup>36</sup>, government can set national policies and create an environment that will enable business to flourish, but success depends on companies and individuals working together. Nowhere is this sentiment more apt than in the issue of training and employing young people.

There is much to be tackled in terms of getting from where we are now to where we want to be, but most fundamental is the need for industry itself to step up its commitment to training. As one senior construction figure remarked, the industry's attitude to training is largely one of "not really needing to do anything, as it can always get the people it wants from overseas" – which frankly, has often been done. As the CIOB report said: "It is generally known that the construction industry employs a large number of migrant workers. We have evidence that a large number of contractors actively favour employing staff from the EU and although this is well within legality, it is not the best solution for improving youth employment."

We were delighted to see several examples of construction employers stepping up to the plate, driven by the desire to grow, strengthen and sustain their business, in some cases underscored by the need to adapt to the changing business environment in which companies do take corporate social responsibility obligations more seriously. But these examples of good practice remain the exception rather than the norm.

Establishing a culture of commitment will need strong leadership, with a view to persuading and cajoling others to follow. We are aware that BIS has commissioned a new Industrial Strategy for Construction<sup>37</sup>, and set up an accompanying

Construction Industry Leadership Council<sup>38</sup>, in order to implement the aspirations of the strategy. Key themes of this are the need for the industry to improve its image and the need to attract more talented people. These elements are vital to the future success of the industry, but this has been stated time and time again over recent decades without resulting in lasting solutions.

So we believe there is an urgent and pressing need to take a more visible and higher-profile approach to the agenda on skills and young people. We are calling on Government, the Construction Leadership Council and the CITB to come together and pledge to tackle the issue at a high-profile industry summit.

In the CITB, the industry already has a champion for training and a leadership vehicle, but one has to ask: could the organisation be more effective?

The CITB has a strong relationship with the construction sector. Some of those who provided evidence to us pointed to the need for improvements, but there was no groundswell of opinion in the industry for the organisation – or indeed its training levy – to be abolished. CITB research shows that over 73% of the industry supports the apprenticeship services the organisation provides.

Where comments were made about the organisation, the main areas of concern were its operating efficiencies and its need to be more forward-thinking, agile and adaptable to the changing needs of the sector. There were also questions asked about its recruitment role and whether this was the most appropriate use of the levy.

The CITB, which has been awarded an "outstanding" Ofsted assessment for its training provision, says of its activities: "We currently manage around 12,500 apprentices in Great Britain and 7,000 in England, and achieve a better completion rate than the industry at large. Approximately 80% of all apprentices managed

by the CITB in England go on to achieve a full framework. This is 10% above the national average for construction and 5% above the national average for all apprenticeship provision across all sectors."

However, the comments of John Gray, chairman of London-based builder Diamond Build, were typical of those not entirely happy with the CITB: "The CITB is too inefficient – the administration costs are too high and the application for grant too time-consuming."

There is no doubt that the CITB has taken the initiative on many fronts, including promoting shared apprenticeship schemes and the National Construction College. However, Jon Spencer, head of training at Costain, said: "CITB needs to be more responsive and agile. But it plays an essential role, making sure the grant process works, that standards and requirements are met and that there is a properly developed coherence attached to them. That role will always be needed.

"The biggest restriction with the CITB is that it tends to deliver what employers wanted last year – rather than next year. This really is the nature of the beast. They are entrusted with a hugely important task, and they want to go for a belt-and-braces approach to satisfy a wide spectrum. I think the CITB needs to listen to employers more and have the ability and agility to do what is required."

A number of employers told us that the construction of buildings was becoming more advanced, with high-tech facades and integrated components manufactured off-site, and building information modelling now at the heart of design and construction. Yet there are often no qualifications to match, with too much focus on the traditional crafts, like bricklaying. We expand on this in section 3.6.

However, the CITB told us it was restricted in what it could do by constraints placed on it through the Industrial Training Act.

We understand that the CITB is undergoing

internal restructuring and changes to its governance and in January 2014 appointed a new chief executive. We also acknowledge that the organisation is working with Government as part of a triennial review to provide a road map for its future in supporting the construction sector's skills needs. We would hope that the changes which follow will produce a more agile operation that is able to respond to the needs of employers and to galvanise greater commitment from larger firms and house-builders to throw their weight behind a training campaign. However, the time may have come to help modernise the organisation through a change in the Industrial Training Act to allow the CITB to respond more dynamically to industry's skills needs.

The introduction of direct funding to employers will also affect the operation of the CITB, and this needs to be thought through carefully, given the importance of the CITB in developing the construction sector's skills base. One option would be to utilise its network of 88 employment and skills groups to help smaller employers bid for training grants under any new scheme.

Key support from Government would also help the industry step up its training efforts. The main issue construction employers described as reducing their ability to train was a reduction in post-19 apprenticeship funding. One way in which this issue could be addressed within the current funding arrangements is through the introduction of what is being described as flexible apprenticeship. This would enable apprentices on a level-two course to progress to a higher, level-three qualification without losing funding.

Flexible apprenticeship would allow construction employers, apprentices and training providers to have more confidence that they would successfully achieve an apprenticeship qualification in construction, while at the same time creating a significant incentive for the construction sector to up-skill, meeting Government's ambitions for increasing the number of level-three qualifications across the UK workforce. At the moment,

<sup>36</sup>No Stone Unturned – In Pursuit of Growth, Lord Heseltine, BIS, March 2013

<sup>37</sup>HM Government Industrial Strategy: Government and Industry in Partnership, Construction 2025, July 2013

<sup>38</sup>The Construction Leadership Council is a new 30-strong cross-industry group tasked with delivering the Government's new industrial strategy and is being jointly chaired by the business secretary and Sir David Higgins.



witnesses told us they believed the sector was losing out to less rigorous, shorter apprenticeships in other sectors.

#### Recommendations:

- *A training summit:* The Construction Industry Training Board (CITB) and the Department for Business, Innovation & Skills, with backing from the Construction Leadership Council, should convene a high-level summit with contractors and specialist contractors and house-builders, local authorities and social landlords to get momentum behind Construction Jobs for Young People. This echoes a similar summit for industry leaders back in 2001 on the theme of safety: by raising the profile of that issue, huge progress has been made on construction sites to reduce significantly fatalities and accidents.

- *A revitalised apprenticeship strategy:* A refreshed CITB should spearhead a new apprenticeship strategy that would include an overarching vision for apprenticeship training, setting out plans to increase numbers, simplify funding arrangements, and ensure qualifications match the changing needs of the industry.

- *Flexible apprenticeships:* The Government needs to reconsider funding for “flexible apprenticeships”, to cover those who have reached 19 years old but have still to complete their training. This would help boost higher, level-three qualifications across the industry and encourage an increased uptake of construction apprenticeships generally.

- *Greater collaboration between training boards:* We think it would make sense to have greater collaboration, sharing of ideas and best practice between the different training bodies covering the built environment: the CITB, Summit Skills, the Engineering Construction Industry Training Board and Asset Skills.

### 3.3 USING PUBLIC-SECTOR CONTRACTS TO BOOST EMPLOYMENT FOR YOUNG PEOPLE



#### Why it is necessary

There is a clear need for clients and local authorities to drive training in the construction industry. Most witnesses told us they thought that using procurement and section 106 agreements<sup>39</sup> to mandate employment and training were a good idea.

However, what was also apparent was that in some instances such requirements were not always being followed through. If clients stipulate training and employment requirements in contracts, then proper enforcement and monitoring must go with it.

There are currently two key mechanisms for this leverage in the public sector: as part of section 106 agreements in the planning process, or as part of a contractual obligation under the Social Value Act.

The Public Services (Social Value) Act 2012, which came into force at the end of January 2014, requires public authorities to have regard to economic, social and environmental well-being in connection with public services contracts. It is a grey area, and there has been some confusion as to what can be stipulated without contravening European procurement law. However, things should be clearer going forward, given that in January the European Parliament voted to reform the EU Public Procurement Directive – including a requirement that contracting authorities consider social aspects among other criteria when deciding which bid is economically advantageous.

The Homes & Communities Agency also introduced guidelines for introducing and monitoring employment commitments in housing contracts for projects that were partly funded using social housing grant<sup>40</sup>. For 2008-11 the provision of apprenticeships was contractual, and in this period more than 4,000 apprenticeships had been

either safeguarded or created as a result of HCA investment programmes. Since 2011 the HCA has had no national target on apprenticeships. “Instead it is for individual areas to decide locally on the approach they wish to adopt. The guidelines say that partners working in consortia are encouraged to take a group approach to the provision of employment and skills opportunities, including the creation and safeguarding of apprenticeships.”

We note that there does seem to be more momentum gathering among social landlords and councils to try to leverage their construction investment to create more jobs for their residents, though this is still patchy. We were encouraged to hear that the Local Government Association was intending to run two surveys in the spring, one with officers and the other with elected members, to assess the extent to which councils are using their procurement and spending power to leverage new jobs and apprenticeships in their areas.

But we very much regret the downgrading of the HCA guidance. A number of contractors and social landlords told us that the framework worked well and called for something similar to be rolled out across other department contracts.

Diamond Build’s Gray said: “The answer is that no publically funded work should be placed with any organisation that doesn’t meet minimum training standards – that would shift the whole emphasis overnight. Also, I believe suppliers should be asked to provide evidence.” He added that firms failing to comply should be fined and struck off the list: “If it becomes the norm across the country then people will actually engage.”

Other witnesses voiced their concern that contractual obligations are simply passed down the supply chain, often to firms with the least resource to shoulder such obligations.

Roy Cavanagh, training and education executive of Seddon Construction, which has a tradition of training apprentices, said: “Clients – and of course Government is a major part – should really insist

that a company which gets a major contract should be the one employing, not passing the obligation down the line. As a minimum they should employ somebody to help their supply chain by seeking funding for them and monitoring the apprentice.”

However, another of the main problems with setting contractual obligations has been that requirements can bear no relation to the actual skills and needs of a project.

Similarly, employment and training clauses in section 106 agreements which make demands of developers (thus ensuing private companies like house builders have to play their part in creating employment opportunities for young people) are often inadequate. Joe Brennan of Joe Brennan Training said: “Historically, I think it is fair to say that section 106 agreements have been worded in a vague and ambiguous way. The use of the term ‘best endeavours’ is well known to those familiar with them and it has not been helpful in achieving tangible outcomes. However, in recent years the agreements seem to have become more prescriptive with more definitive targets set.”

Another of the main difficulties in attempting to deliver apprenticeships through section 106 schemes is that the developer or contractor is obligated to take on apprentices from the local area for the duration of that scheme or contract. The drawback is that a project timescale in one local authority area is often not long enough to complete an apprenticeship, which often results in the apprentice being laid off at the completion of the scheme.

If the developer or contractor moves onto another scheme or contract in a different borough, for instance, the obligation is to take on apprentices from that area for the duration of that scheme or contract. The trainer or supplier can be left with redundant apprentices who are not fully qualified, scattered throughout different local areas.

The emergence of the CITB’s shared apprenticeship schemes, national skills academies

<sup>39</sup>Section 106 agreements are planning elements designed to ensure that developments complement and benefit the local labour market and economy. Specific contributions include training, employment advice, interview guarantees and work placements. Developers and contractors are required to submit plans for their sites and demonstrate that they will work with local training and apprenticeship providers.

<sup>40</sup>HCA employment and skills guidance for partners, April 2011

for construction and apprenticeship training academies have been seen as ways of addressing some of the issues raised in the previous section.

Apprenticeship training academies (ATAs) “employ” the apprentices, then hire them out to various employers for the duration of their apprenticeships; this often means that they may work for more than one contractor and or at more than one development site. A number of witnesses – including those from local authorities – told us that shared apprenticeship schemes can work well, as long as the apprentice is properly looked after. With ATAs it is imperative that the trainer genuinely finds apprentices contracts to move on to and is not simply employing them for the duration of a contract won.

Other witnesses felt the industry was short-changing young people by passing them from employer to employer. “We should be able to do much better,” said one. “There can be all sorts of cultural problems – in London, working across borough boundaries is fraught with difficulties for young people, including gang territories and transport difficulties. We’ve had instances where we can’t even get the apprentices/trainees to cross the main road because of gang territories.”

It is also apparent that there is some inconsistency in how targets are set.

**Examples of targets set are:**

- one (or three) apprentices per £1m build cost;
- a fixed number of training weeks; or
- a fixed sum of money paid to the council if no training takes place.

Joe Brennan told us: “Where, however, there is a stipulation for a number of training weeks or a number of apprenticeships to be delivered, the developer/contractor may tend to look at, understandably, the cheapest option. The cheapest option may not serve the apprentice well, i.e. we are dealing with just ticking boxes and not necessarily

producing well-trained and qualified apprentices, but more importantly are not helping them achieve their goal of gaining employment.

“With a financial contribution verified, developers will be able to make an informed choice as to which training scheme or ATA they would prefer to use, based solely on the merits of the given organisation, as it is going to cost the same whoever they use. But more importantly, the apprentice receives a decent training wage as well as good support in the areas previously mentioned.

“This would also be fairer to those developers who have traditionally prided themselves on providing excellent training and employment opportunities. This type of system would also lend itself to fairer scoring when awarding contracts to developers in the future.” This would seem to be something local authorities and developers might like to consider.

**In summary, the issues raised were:**

- Contracts still tend to be won on cheapest price, and those that invest in training still do not benefit in terms of winning work.
- Public bodies can lack appetite to push for genuine training and local employment in their projects.
- However, changes to the benefits system, local authority cut-backs and introduction of the Social Value Act are creating a desire among social housing providers to create more employment.
- Some section 106 agreements are worded in a vague and ambiguous way – public bodies can sometimes ask for requirements such as training and employment for local people, but then not enforce or monitor adherence to these requirements.
- Targets are being set by people with limited understanding of what can realistically be achieved on a live construction site. Targets do not take account of the fact that construction spend may be largely on off-site manufacture

rather than on-site trade activities.

- Local authorities need to be made aware of the document Working Together to Boost Local Construction Apprenticeships through Public Procurement, published in 2013 by the National Apprenticeship Service and supported by the CITB and the UK Contractors Group.
- There is no consistent approach to setting and measuring targets.

**Recommendations:**

- *Local authorities to leverage planning obligations:* Local authorities should help create more opportunities by mandating an appropriate and effective level of training and employment of young people through planning and then ensuring the requirements are properly monitored. We have seen that such a strategy works best when there is buy-in from the very top of councils.
- *Leadership from social landlords and public bodies:* We regret that the HCA has dropped its obligations, but organisations like housing associations and councils should routinely leverage their investment in construction work in order to set out appropriate and realistic demands for training and employment opportunities for young people as part of the procurement process. Again, it is vital this is in partnership with their contractors and properly enforced.
- *Adopting consistent guidance for employment demands:* The construction industry would find it beneficial if clients adopted consistent approaches to setting out training, education and employment requirements and monitoring them. The HCA skills and employment guidance was highlighted as working well, and we regret that this has been dropped from the HCA’s requirements for funding. Public clients would also benefit from adopting guidance produced in the document Working Together to Boost Local Construction Apprenticeships through Public Procurement.

● *Performance indicators:* National Government departments should consider including mandatory employment key performance indicators for all centrally funded schemes, and the public-sector audit inspectorate ought to include performance against the Public Services (Social Value) Act 2012.

● *Set up employment and skills groups:* Local employment partnerships should take a lead in setting up employment and skills groups (ESG) to agree targets, manage initiatives and monitor outputs for local jobs for young people. The ESG is formed of a core of key stakeholders – contractor, client representative, local authority economic development team, JobCentre Plus and local training providers. It would also make a great deal of sense for local enterprise partnerships to have someone with a construction or housing background on their boards who could provide a clear focus on skills issues.

### 3.4 ATTRACTING THE BEST TALENT

**T**hroughout our inquiry we were presented with what on the surface seemed to be conflicting evidence. On the one hand, it was a common complaint that the industry was unable to attract young people; on the other, that construction courses in further-education colleges were oversubscribed, and that 6,000 apprenticeship places received 40,000 applicants. So it is not totally accurate to say there is no interest in construction. According to the National Apprenticeship Service, specialist construction apprenticeships are now among the most competitive across all industries, with more than 20 applicants for each vacancy in the three months to May 2013<sup>41</sup>.

The problems appear to stem from not having enough of the “right” people knocking at construction’s door, coupled with a diminishing appetite for the industry once the reality of working on site kicks in.

<sup>41</sup>National Apprenticeship Service, May 2013

To enhance skills within the construction industry it is necessary to attract high achievers as well as those who are not so academically inclined. This can be difficult, as many schools do not consider that construction can be a profession. It has long since been recognised that more needs to be done to educate teachers and to attract high-achieving pupils.

Construction, we were repeatedly told, is a skilled industry and is only going to get more so as the industry embraces building information modelling and modern methods of construction.

#### Matching people with need involves:

- improving the attractiveness of the industry to schoolchildren and students;

- providing extra help to those who need it and improving the apprenticeship experience; and
- ensuring colleges provide the right sort of training.

Attracting candidates with good GCSEs (at least a C grade) in numeracy and literacy is essential but can be difficult. Common reasons cited for the difficulty were that construction is often perceived to be a dirty, difficult and dangerous industry. Construction, in its entirety, encompasses a large number of roles and professions and these are not reflected through careers advice and advertising. It can be really difficult for young people to navigate their way round the different opportunities, and

#### Apprenticeship procurement guidance

Over recent months the UK Contractors Group (UKCG) has worked with BIS, the National Apprenticeship Service, the CITB and the LGA to develop best-practice guidance for local authorities on apprenticeships and procurement. The guidance, published as Working Together to Boost Local Construction Apprenticeships through Public Procurement, was launched in July.

The guidance promotes the need for effective dialogue between local authority clients and contractors to determine what skills and training

opportunities can feasibly be delivered on projects, and to ensure that any opportunities are sustainable. In particular, it aims to tackle the difficulties caused by some common procurement clauses which require all apprentices recruited on a project to be new and from a specific local postcode. These clauses can create problems for apprentices trying to complete their training, as often projects are shorter than the two- to three-year duration of a construction-based apprenticeship. What happens when the project finishes and the apprentice cannot transfer to projects in other local authority areas?

Instead the guidance recommends accepting apprentices part-way through their training as valid when agreeing procurement targets; and better collaboration between local authorities in providing training opportunities. The guidance also highlights the shared apprenticeship schemes run through the CITB, which are an excellent example of programmes that allow apprentices to work across a number of different local schemes in order to gain the practical experience required to complete their training.

Geographically linked boroughs could work together to provide cross-borough opportunities, enhancing the apprentice experience.

this has been made harder by the scrapping of the Connexions careers service and the onus on schools and teachers, who do not always have the necessary knowledge, to provide careers advice.

Such negative perceptions were thrown up yet again in a comprehensive new survey by Pye Tait Consulting, commissioned by the CITB<sup>42</sup> to find out what careers advisers and teachers thought of construction, and how best the industry might change their opinions and support their work. It was found that more than eight out of 10 felt they did not have the appropriate knowledge to advise pupils on construction careers.

The survey also revealed how careers advisers were desperate for more help from companies to provide information and materials for young people. This is particularly the case with schools, which are already struggling to fulfil legal commitments to offer impartial careers advice to pupils in years nine to 11 – that is, 14- to 16-year-olds (only 14% say they have the resources to comply) – and are now having to extend this to younger age groups. Previously, careers advice was the responsibility of local councils through the Connexions service.

Research conducted on behalf of the Association of Colleges in 2012<sup>43</sup> found that 82% of school teachers did not feel they had the appropriate knowledge to advise pupils on their careers and the same proportion were calling for better guidance on advising pupils about their options after the age of 16. Furthermore, 57% of school teachers felt obligated to encourage pupils to stay on at their school after 16, with 26% ascribing this to pressure from management, while 16% feared losing their jobs if students were to leave school.

Suzannah Nichol, the chief executive of the National Specialist Contractors' Council (NSCC), told us it was impossible for schoolchildren and young people to navigate their way through the construction industry career possibilities. She is involved as part of the implementation of the Industrial Strategy for Construction, looking at ways to boost skills in the sector. She told us: "If

you talk to anyone within the industry, they fell into it and then progressed in a haphazard manner to where they are now – myself included. "For a young person – now required to stay in education or formal training for an extra year – the options are not straightforward, either in determining where there are vacancies or needs in the industry and what is the right route to take. With diplomas, apprenticeships, traineeships, college courses, UTCs, NVQs and frameworks, it is just too confusing.

"The industry needs a gateway or route-of-entry map of how to get into construction. The Industrial Strategy provides the opportunity for CITB and the industry to address this and get across-the-board sign-up. If you picture an egg timer, with the industry at the top and the pool of young people and other potential workers at the bottom, there should be a row of turnstiles in the middle that show the options to enter the industry with the right qualifications in the right way.

"You could then show a career path starting with the first step. As a 16-year-old, you and your parents could look at where you would like to get to and how to start: is a university technical college or an apprenticeship right for me? And if it is an apprenticeship, how long will it take, where do I go, what will I get paid and where can I get to in five, 10 or 20 years?

"It sounds simplistic, but at the moment many young people take the wrong decision at 16, waste two years, and then your mate's dad gets you a job and the employer tries to work out what he can do with you. Often they don't know, so you learn a trade without any formal training that doesn't give you transferrable skills, doesn't give you a recognised qualification – until you have to get an NVQ or a CSCS card to get on a site and then you are forced through an inappropriate route just to get the tick in the box.

"If a 14-year-old is interested, they should be able to look ahead and make the appropriate choice at 16, enter the industry through the right path,

<sup>42</sup>Pye Tait Consulting for the CITB, February 2014. This was based on the views of 745 careers influencers in schools, further-education and professional careers advisory bodies.  
<sup>43</sup>Association of Colleges, November 2012



get properly skilled and rewarded with a job that interests them or pays them the salary they want, or at the very least a job that the industry needs and that they can do competently.”

#### How improvements could be made

The need to attract a diverse range of young people with different skills and aptitudes has been a constant refrain. It is clear from our evidence-gathering that better careers information is needed to help the industry attract the breadth of talented people it needs to meet the challenges it faces. It has clearly not been helped by the lack of resources in schools and colleges as a result of what we think is a short-sighted cut to careers services.

The Construction Industry Council and the CITB could come together to explore the possibility of setting up a comprehensive careers service, or at least a careers portal, for careers in the built environment. We understand that the possibility of a careers portal is being explored by a work stream as part of the Industrial Strategy for Construction, which we welcome.

We are also witnessing how different approaches to engaging with schools are reaping rewards. The Budding Brunels pre-apprenticeship programme organised by the Construction Youth Trust has been highly successful in reaching out to 500 pupils across London from diverse socioeconomic backgrounds to help them become engineering technicians within the Technician Apprenticeship Consortium (see case studies in section 4). The Budding Brunels programme is being rolled out for a number of infrastructure projects and clients. We wonder if this programme could be extended to other types of professions to help boost the gender and ethnic diversity of new recruits. Charities like the CYT have built up an enormous trust in schools and colleges and this should be capitalised on.

Engaging schoolchildren through building information modelling is proving very successful through A Class of Your Own, another example of best practice we discuss in section 4, and we wonder whether the industry could develop similar

initiatives highlighting other aspects of the sector that might capture young people’s imagination – such as environmental and social aspects, topics that are frequently covered in geography studies at school, for example. The industry desperately needs to develop more imaginative ideas to engage with girls and young women in particular.

Aligned with this, the Big Bang Science and Engineering Fair for primary and secondary school children has proved a huge success since being set up by the UK Engineering Council. Is there scope for a similar fair for the built environment?

Another way of engaging with young people is through award schemes showcasing the achievements of youngsters, often from very challenging backgrounds, who have done well. The Youthbuild Awards could play a role in this, particularly if expanded into an annual showcase of good practice in training, engaging and motivating young people. The awards are organised by the Youth Build Trust, which has been successfully promoting the use of construction projects to engage with young people from disadvantaged backgrounds. Its Youthbuild programme is a pre-employment scheme that could work well for social housing providers keen to engage their residents in work. Most projects used construction skills training as a vehicle for improving the employability of trainees, usually hand-in-hand with developing other employment skills – literacy, numeracy, motivation, punctuality and so on. All provided additional support to trainees to help them overcome their lack of experience, confidence or personal difficulties with moving into jobs.

The CITB Construction Ambassador Programme, whereby construction professionals act as volunteers to visit schools and inspire schoolchildren and students, could be expanded with other industry bodies. This is something we understand is being considered as part of a work stream of the Construction Leadership Council.

Ultimately, to quicken the pace of change,

vocational training needs to be more mainstream than it is at the moment, with greater acceptance among schools that going to university is not always the best route for young people to take. The setting-up of university training colleges for 14- to 19-year-olds is a highly welcome move, which will help address the current bias for academic rather than vocational training. This new type of education establishment provides a common path at 14 for both the university and the vocational route and will break down barriers between the two. We hope this programme will continue to be rolled out and scaled up.

#### Recommendations:

- *A step change in careers advice:* The quality and standards of career advice must be made to attract a wider range of young people to work in construction. It may be worthwhile for the sector, via the Construction Industry Council and the CITB, to come together to explore whether a comprehensive careers service – or at the very least a careers portal for construction – could be established to provide a gateway into the built environment. This could encompass more imaginative career tools (an Xbox game for construction, for example) to engage young people with the breadth of construction careers. We welcome moves by the Construction Leadership Council to explore how a cross-industry career portal might be implemented.

- *Create a construction careers ambassador for every school:* We would also back the extension of other career initiatives that have proved successful, including the CITB’s construction ambassador scheme. It seems to us that this programme, whereby construction professionals volunteer to visit schools and inspire schoolchildren and students, is an excellent idea which could be expanded in a co-ordinated and targeted way with other industry bodies; again, something that we understand is being considered as part of an Industrial Strategy for Construction work stream. One aim might be to ensure every school in the country could be provided with a construction careers ambassador, if they wanted one.

### 3.5 IMPROVING THE APPRENTICESHIP EXPERIENCE

**T**raining and employment for young people in construction would be boosted if employers were more confident about youngsters’ skills and if more able young people were interested in construction as a career.

Construction employers are not alone in complaining that too many school leavers cannot write properly, add up or appreciate the need to turn up on time. The Federation of Small Businesses (FSB), which represents nearly 200,000 companies, and the British Chamber of Commerce have both made the same claims.

Following the Richard Review, the Government has put in place changes to apprenticeship programmes so that those without good grades in maths and English will continue to study these subjects as part of their apprenticeships.

But we consider it unrealistic to expect some young people who are from disadvantaged backgrounds to be able to adapt to the world of work without additional support. Extra funding needs to be channelled into personal development and motivation programmes, especially for those young people who do not have a strong family network to support them. With the school leaving age rising, there is more opportunity and need to do this. This will help lower drop-out rates on work experience placements and apprenticeship programmes. More importantly, it will help young people to develop the confidence and skills needed to secure and maintain full-time employment.

Jean Duprez of K&M Decorating told us: “Young British people are totally capable of rising to the challenge. They most certainly can and will work given a decent chance, and we have seen this with our own eyes. Of course there can be issues with behaviour and attitude, but give them a bit of respect, show them you expect them to deliver but then meet them halfway by making sure your offer



means they will very likely get a job: this is the combination to make it work.”

Consultant Colin Gilfillan pointed out that accessing schemes and funding to support disadvantaged young people was overcomplicated. “Even we, so-called experts, are confused by the 35-plus national schemes currently available for this age group.

“As we understand it, from next year the direction of most Government and EU funding to combat youth unemployment will be in the hands of the local enterprise partnerships, each of which is developing its individual local plans at breakneck speed. If they take this on without a good understanding of what has gone before or what works, they will inevitably reinvent wheels, and we can expect a two- or three-year period of poor provision whilst they make mistakes and work out what does actually work.”

**Additionally, those that do get apprenticeships can find it difficult to keep going for a number of reasons:**

- Paying apprentices the minimum rate of £2.68 an hour can make it difficult for them to sustain their apprenticeship, with tools being unaffordable – and can explain a drop-out rate of nearly 30%.
- NEETs (young persons not in education, employment or training) run the risk of losing benefits if they engage with training for more than 16 hours a week, which limits their capacity to enrol in training courses or take unpaid work placements.

**Recommendations:**

- *Expand pre-employment schemes:* There would seem to be a great opportunity for more use to be made of pre-employment programmes, as these can help prepare young people for work. Government could consider channelling funding from other streams – like the Work Programme – through organisations such as social landlords, which can use it to run their own programmes (or commission charities

like the Prince’s Trust and the Construction Youth Trust to run programmes for them) as a feeder for apprenticeship schemes run by their suppliers.

- **Getting residents into work:** Generally we see a greater opportunity for more housing associations and other social landlords to instigate pre-employment training, and to provide a pivotal role in the way that organisations like Peabody, Nottingham Homes and East Thames are doing in leveraging their construction spend to provide opportunities in construction training for their tenants. These schemes work well when set up in partnership with contractors.
- **The need for a living wage:** Many construction firms already pay more than the minimum wage for apprenticeships (on average construction apprentices are paid 32% more than apprentices in general). We would encourage construction firms to consider paying more than the minimum, which we believe would help reduce drop-out rates and make it easier for those who are forced out by financial hardship to stay the course. Employers told us that after a few months, apprentices become productive and add value rather than cost.

**3.6 MATCHING SKILLS AND TRAINING WITH CHANGING INDUSTRY NEED**

One of the most frustrating aspects that we could see was the mismatch of college courses to employment prospects – thousands of people are doing diploma courses with little prospect of becoming fully trained or desirable in the workplace. A second aspect is that colleges have been slow to adapt courses to how the industry is changing. They may continue to offer bricklaying when the real skills need is in facade fixing, for example. Often this would mean developing a new course and investing in new equipment, which is not always possible.

David Rowbotham, director of safety and socioeconomic services at Mace, said: “There has been a large shift in the types of skills and workers required on site owing to modern methods of constructions, including off-site manufacture. We are working with some very proactive colleges – but others seem to be satisfied to deliver what was always delivered.”

However, the change in funding regime to give training funding directly to employer groups should help colleges and training providers adapt more quickly to the needs of industry. The slow pace of change in this regard at present is seen as a huge problem by some of the larger firms. That said, we are concerned that the need for industry to contribute to funding the training component may discourage training in smaller organisations. Tax breaks for SMEs could counteract this extra cost.

**Recommendations:**

- *Match training with industry need:* One of the vital changes that needs to be brought about is the need to match training provision with changing demands of the industry. The Government’s hope is that by putting employers in the driving seat there is more chance of this happening. So, with changes being made to funding for training, we are in a bit of a wait-and-see situation. Though the new regime could work well for larger employers, as we have said, doubt remains as to what compromise arrangements may be forthcoming from Government for smaller employers, and how quickly training providers will adapt to the needs of industry. Again, as touched upon earlier in this document, we do see a role for the CITB to lead in this area and look for ways to work with colleges to be more forward-looking in anticipating how industry innovation will drive new skills and qualification requirements for the future.

**3.7 MAKING IT EASIER TO EMPLOY AND TRAIN YOUNG PEOPLE**

Small and medium-sized businesses account for over 80% of construction companies. SMEs are the most risk-averse when it comes to recruiting and training new staff, particularly during austere economic times. Financing an apprenticeship is expensive; the Warwick Institute for Employment Research found that the average net cost to a construction employer of a three-year apprenticeship was £22,000, compared with £2,300 for a similar scheme within retail<sup>44</sup>. It is unclear whether this figure takes into consideration the grant from the CITB available to employers within scope.

**Construction employers complained to us that:**

- There is too much bureaucracy and duplication – employers can recruit trainees through a variety of schemes. Although the CITB carries out a large proportion of these through the levy system, there are still a plethora of schemes, adding to bureaucracy and confusion on the part of employers.
- Short-termism of policies (such as recent changes to the spending commitment on energy efficiency measures under the Energy Company Obligation) creates a lack of confidence.
- The fact that funding is halved for those over 19 makes it far more costly for employers to take on apprentices to NVQ level three. Also, because of insurance issues with younger people working on site, construction apprentices may not start until 18 rather than at 16. (However, some employers told us that this was a something of a myth.)

**Recommendations:**

- *Simplify the funding regime:* We were told repeatedly throughout our inquiry that accessing funding was difficult for many employers. Access to training funding should be streamlined and simplified as much as possible. We would like to see the CITB review this as part of a new apprenticeship strategy, but appreciate that these complicated processes are in the hands of other agencies, including the Skills Funding Agency, which is working to develop a simplified funding system for 2013/14.

<sup>44</sup>The Net Benefit to Employer Investment in Apprenticeship Training, Terence Hogarth, Warwick Institute for employment Research, July 2012

## Section 4:

### How organisations are getting young people into training and work

**T**hroughout our inquiry, organisations and individuals told us about many exciting schemes across the country to get young people trained and working in the construction industry or engaging with the industry as a career. Here are just a few highlights demonstrating the breadth of work under way.

#### **Case study 1:** **Calico Homes** Pioneering shared apprentices across Lancashire and Cumbria

The Calico Group ably demonstrated that you do not have to be a big social landlord to drive the creation of apprenticeships, not just for your own organisation but for a whole region. The Lancashire-based organisation manages 4,600 homes and employs 350 people. It was instrumental in developing one of the first shared apprenticeship schemes in the UK, working with the CITB. It also developed, ahead of other firms, a set of standard contractual clauses to ensure that employment requirements do not contravene EU procurement rules, and it has made these available free to other organisations. What is more, it has also created systems to ensure that requirements are religiously followed through – too often the Achilles heel of using construction investment to lever employment.

The Lancashire and Cumbria Shared Apprenticeship Scheme was set up in June 2010. This is a shared apprenticeship model that directly recruits and employs apprentices and places them with host contractors for the duration of the development contract. These are not just housing projects but a variety of public buildings across the two counties, including a new health facility for the East Lancashire Hospitals NHS Trust in Burnley. During an apprentice's time with the company, he or she will work with a number of host organisations and will be exposed to many different job roles

and types of construction activity. Since the launch, employers in the scheme have created and supported over 80 apprenticeships, from which 75% of the young people have succeeded in gaining employment within the construction industry.

Calico Group's set of legal clauses insisting on the creation of apprenticeships through procurement activity have been inserted in all contracts. They include financial penalties for non-compliance. Calico said: "We consider and treat employment key performance indicators as a non-negotiable and fixed cost, which is included and detailed within the early stages of the tendering process. Suppliers are expected to submit appropriate costs in order to deliver them."

#### **Case study 2:** **Building Lives apprenticeship training academies**

##### Working in partnership with social landlords and local authorities

One of the most impressive initiatives we heard about was the Building Lives apprenticeship training academies. These centralise the whole recruitment and training process for young people, who are employed by Building Lives and hired out to different projects to do their apprenticeships. There are currently five academies open in London with another six or so in the pipeline.

Traditionally apprenticeships are for about three years, and these are difficult to sustain within the construction industry as project work tends to be short-term and fragmented. Small to medium-sized construction companies often do not have the guaranteed work streams to commit to long-term employment for apprentices and feel unable to take on the additional responsibility. Larger construction firms that have access to framework contracts (multiple work packages over a period of three to five years for a value typically of £5m-£15m or

more) also struggle, as the actual work is often carried out by the SMEs which are unable to commit.

We agree with critics of training academies that they should not be seen as a universal solution, partly because apprentices are not always well looked after and are not found continuous employment to allow them to finish their training. But what struck us about Building Lives was the successful partnership working with local authorities and housing associations, which effectively commission a scheme to be set up. Building Lives also ensures that its apprentices, many of whom have had difficult lives, are well looked after throughout their training experience. Building Lives has pioneered a model whereby apprentices gain a level-two NVQ in 18 months (in multiple skills) rather than two years – which gets them into the workforce more quickly, albeit at a lower level – and are guaranteed a job afterwards.

#### **Case study 3:** **Nottingham City Homes**

##### Using the Homes & Communities Agency delivery model

Nottingham City Homes (NCH) is an arm's-length-management-organisation (ALMO) employing 1,000 staff and managing over 28,500 tenant and leasehold residential properties on behalf of Nottingham City Council. It has been leveraging construction investment to create new apprenticeships, and also employing social enterprises in minor construction projects to create work for the long-term unemployed.

Nottingham ranks 20th most deprived out of the 326 districts in England, as recorded in the Government's 2010 Index of Multiple Deprivation. Many deprived areas in the city have higher than average levels of social housing. As well as setting up in-house apprenticeship schemes for a number of different careers, NCH has championed the Homes & Communities

Agency employment and skills strategy model on a number of major contracts, including the Decent Homes programme, whereby its “One in a Million” scheme legally binds subcontractors to train an apprentice for every £1m worth of business. The programme is currently on target, with 114 apprenticeships created to date.

NCH and its partner organisations and contractors work in partnership with an account manager at the Nottingham City Council employer hub. The hub acts as a central point of contact for employers, contractors, training providers, and those seeking employment, to promote vacancies with key partners.

NCH also engages with local social enterprises to train and encourage them to be in pole position to tender for minor works. One of these is BESTbuild, which employs local people, many of whom were previously long-term unemployed. BESTbuild is helping in the regeneration of the Broxtowe Estate, one of Nottingham’s unemployment hot spots. For every £1 NCH spends with BESTbuild, £2 of spending is generated within the City of Nottingham. This strong multiplier effect is due to the local nature of the social enterprise, so that nearly all of every pound NCH spends with BESTbuild is reinvested in jobs for local people.

**Case study 4:**  
**Engineering firms unite to recruit technician apprentices**  
Skilling up for infrastructure

In March 2010 Mott MacDonald was instrumental in establishing a consortium of six of the largest UK engineering consultancy practices to plan and deliver an advanced technician apprenticeship in civil engineering. The impetus was a requirement of the Transport for London Engineering and Project Management Framework, under which companies had to accept the Greater London Authority’s strategic labour needs and training commitment, which included a target for

recruiting apprentices. Over a three-year period the consortium has grown and flourished, and from 40 people starting on the programme in 2010, this had risen by 2013 to 240 trained in 10 colleges.

This scheme illustrates how employers, colleges and professional bodies can partner to provide new types of training and reach out to young people who might not have considered an engineering career. The project, managed by Sheila Hoile, involved developing a whole new qualification. The Construction Youth Trust, working with the consortium and funded by the National Apprenticeship Service, Transport for London, the Royal Academy of Engineering and the Gatsby Charitable Foundation, successfully recruited and supported a number of young people from non-traditional backgrounds for apprenticeship positions in London, through its Budding Brunels schools engagement programme.

As Sheila Hoile told us: “Having set the ball rolling, there was soon a lot of interest from other companies who were beginning to recognise the benefits of technician apprenticeships. The latest estimate is that across the UK over 50 companies are involved at a local and national level. The beauty of the consortium approach is that it works for companies of all sizes, from the micro to global engineering consultancy practices.”

**Case study 5:**  
**Costain**  
Training for the future

Costain, like a number of big UK contracting organisations, has not traditionally employed many apprentices in its recent history. But it has utilised the momentum created by the Employer Ownership of Skills initiative to expand its apprenticeship programme. As one of the UK’s major contracting and engineering firms, in 2009 Costain employed fewer than 10 apprentices, but it now employs nearly 80 and is

still recruiting. The firm is training people in a variety of disciplines, from bricklaying to steel-fixing to accounting. It is also part of a group of 10 major contractors, convened by the CITB, to develop a new apprenticeship for building information modelling (BIM). The government is demanding that BIM be used in the design and construction of all new publicly funded building contracts from 2016 onwards, to help improve efficiency and reduce costs. It has created an urgent need for the industry to become highly skilled in this area.

**Case study 6:**  
**Mace and EDF**  
**Hinkley Point C**  
Planning for the future

Preparations for the construction of Hinkley C nuclear power station demonstrate the sort of joined-up approach that can be taken to ensure local people benefit by having the right skills for when construction eventually gets under way. Mace has been working with EDF to map the workforce required, then overlapping it with the skills available and bringing together statistics locally, regionally and nationally to identify the gaps in labour provision. Mace drafted the curriculum for the university technical college being set up in Somerset, driven by evidence-based data so that local providers and national bodies can provide people with the right skill sets for this highly technical project. In addition:

- “Hinkley Champions” have been set up in local Jobcentre Plus locations to work with hard-to-reach groups.
- Mace has also put in place an employment brokerage – so that there is less staff churn, as employees can be monitored and retrained as skill sets change over the lifecycle of the project.
- An education programme targeting further and higher education, as well as schools, was introduced to drive an interest in science, technology, engineering and maths (STEM

subjects) to inspire and raise awareness in the project’s next generation of employees. David Rowbotham, director for socioeconomic at Mace, said: “Hinkley Point C’s socioeconomic approach should be a template for future projects. Major projects should leave a skills legacy in the community, with training facilities that span the life of the project and post-project.”

**Case study 7:**  
**London Legacy Development Corporation**  
Joined-up apprenticeship delivery

Since October 2012, the London Legacy Development Corporation (LDDC) has been delivering a large programme of construction works at Queen Elizabeth Olympic Park to prepare the way for developments on the site. The £292m regeneration programme, known as Transformation, has prioritised jobs and apprenticeships for local young people, and particularly those from underrepresented groups who face significant barriers to entering or returning to the labour market.

The LDDC has commissioned Reds10, a National Apprenticeship Service-approved apprenticeship training agency (ATA), to work with prime contractors and subcontractors to broker apprenticeship and job opportunities for local people in Transformation. As an ATA, Reds10 takes on the apprentices, paying their wages and providing training, and then places them with subcontractors, allowing the apprentice to complete his or her training across different projects. To date, the model has seen a peak of 60 apprentices on site, the highest number on a single site in London, and probably in the UK.

The project has now moved into its follow-on phase with the legacy corporation, and Reds10 is currently working closely with prime contractors that have recently commenced work on site to secure opportunities for existing

apprentices completing initial placements with contractors. As of 3 September 2013, some 15 apprentices had been successfully moved to new placements, and two into permanent employment.

To maximise opportunities for local people and underrepresented groups, the job and apprenticeship brokerage project uses a bespoke online portal to which contractors upload vacancies that are then visible to local borough brokerages, Jobcentre Plus and key specialist referral organisations such as Women into Construction.

This allows agencies to refer local people for jobs at short notice, and Jobcentre Plus has provided a key resource that filters those referrals, thus ensuring that businesses have a sole point of contact and that only candidates with the requisite skills are placed in front of employers for interview.

#### **Case study 8: A Class of Your Own**

##### **Engaging schoolchildren in design and construction**

As we have stressed in this report, one of the biggest tasks that the industry faces is how to enthuse schoolchildren about working in construction. One new initiative we heard about is using computer-based technologies to do just that. A Class of Your Own is a relatively new social business that seeks to make schoolchildren and students aware of the careers that construction offers. Working in partnership with schools, Government and industry organisations, it has been delivering one-day workshops and other built-environment student-engagement programmes to schools and colleges since 2009, and from September 2012 onwards has offered the full and accredited “Design Engineer Construct!” qualification.

This innovative, project-based approach to learning results in students achieving

level one and two certificates in designing, engineering and constructing a sustainable built environment. These qualifications are based on coursework, with a grading exam for level two, and from 2016 will count in headline school league table points.

Working their way through an online workbook, learners develop knowledge and skills by undertaking a sustainable building project and, through the complementary workshops, are guaranteed face-to-face engagement with industry professionals. As part of the course, students design an “eco classroom” to help their own local community learn how to look after the planet.

There are many opportunities for cross-curricular learning, including opportunities for maths, English and science, as well as for other aspects of the wider curriculum such as citizenship and PHSE. Young people are encouraged to adopt a professional attitude throughout the programme and develop a wide range of employability skills.

As one example of its growing success, A Class of Your Own recently launched a Sheffield and Rotherham programme for 30 local schools. It was supported by the councils and local education authorities, as well as by local industry (Amey, Arup, Keepmoat, Kier, Mitie, Mott Macdonald and NG Bailey). Nick Clegg attended in his capacity as Sheffield MP and Deputy Prime Minister.

## Section 5: Recommendations

**T**hroughout this report we have set out the barriers to creating training and jobs for young people in the industry and ways that improvements might be made. Here is the full list of our recommendations.

### **Section 3.2 Strengthening leadership in construction**

- *A training summit:* The Construction Industry Training Board (CITB) and the Department for Business, Innovation & Skills, with backing from the Construction Leadership Council, should convene a high-level summit with contractors and specialist contractors and house-builders, local authorities and social landlords to get momentum behind Construction Jobs for Young People. This echoes a similar summit for industry leaders back in 2001 on the theme of safety: by raising the profile of that issue, huge progress has been made on construction sites to reduce significantly fatalities and accidents.

- *A revitalised apprenticeship strategy:* A refreshed CITB should spearhead a new apprenticeship strategy that would include an overarching vision for apprenticeship training, setting out plans to increase numbers, simplify funding arrangements, and ensure qualifications match the changing needs of the industry.

- *Flexible apprenticeships:* The Government needs to reconsider funding for “flexible apprenticeships”, to cover those who have reached 19 years old but have still to complete their training. This would help boost higher, level-three qualifications across the industry and encourage an increased uptake of construction apprenticeships generally.

- *Greater collaboration between training boards:* We think it would make sense to have greater collaboration, sharing of ideas and best practice between the different training bodies covering the built environment: the CITB, Summit Skills, the Engineering Construction



Industry Training Board and Asset Skills.

### Section 3.3 Using public-sector contracts to boost employment for young people

- *Local authorities to leverage planning obligations:* Local authorities should help create more opportunities by mandating an appropriate and effective level of training and employment of young people through planning obligations and then ensuring the requirements are properly monitored. We have seen that such a strategy works best when there is buy-in from the very top of these organisations.
- *Leadership from social landlords and public bodies:* We regret the HCA has dropped its obligations, but organisation like housing associations and councils should routinely leverage their investment in construction work in order to set out appropriate and realistic demands for training and employment opportunities for young people as part of the procurement process. Again, it is vital this is in partnership with their contractors and properly enforced.
- *Adopting consistent guidance for employment demands:* The construction industry would find it beneficial if clients adopted consistent approaches to setting out training, education and employment requirements and monitoring them. The HCA skills and employment guidance was highlighted as working well, and we regret that this has been dropped from the HCA's requirements for funding. Public clients would also benefit from adopting guidance produced in the document Working Together to Boost Local Construction Apprenticeships through Public Procurement.
- *Performance indicators:* National Government departments should consider including mandatory employment key performance indicators for all centrally funded schemes, and the public-sector audit inspectorate ought to include performance against the Public Services (Social Value) Act 2012.

- *Set up employment and skills groups:* Local employment partnerships should take a lead in setting up employment and skills groups (ESG) to agree targets, manage initiatives and monitor outputs for local jobs for young people. The ESG is formed of a core of key stakeholders – contractor, client representative, local authority economic development team, JobCentre Plus and local training providers. It would also make a great deal of sense for local enterprise partnerships to have someone.

with a construction or housing background on their boards who could provide a clear focus on skills issues.

### Section 3.4 Attracting the best talent

- *A step change in careers advice:* The quality and standards of career advice must be made to attract a wider breadth of young people to work in construction. It may be worthwhile for the sector, via the Construction Industry Council and the CITB, to come together to explore whether a comprehensive careers service – or at the very least a careers portal for construction – could be established to provide a gateway into the built environment. This could encompass more imaginative career tools (an Xbox game for construction, for example) to engage young people with the breadth of construction careers. We welcome moves by the Construction Leadership Council to explore how a cross-industry career portal might be implemented.

### Section 3.5 Creating a better apprenticeship experience

- *Expand pre-employment schemes:* There would seem to be a great opportunity for more use to be made of pre-employment programmes, as these can help prepare young people for work. Government could consider channelling funding from other streams – like the Work Programme – through organisations such as social landlords, which can use it to run their own programmes (or commission charities like the Prince's Trust and the Construction Youth Trust to run programmes for them) as a feeder for apprenticeship schemes run by their suppliers.

- *Getting residents into work:* Generally we see a greater opportunity for more housing associations and other social landlords to instigate pre-employment training, and to provide a pivotal role in the way that organisations like Peabody, Nottingham City Homes and East Thames are doing in leveraging their construction spend to provide opportunities in construction training for their tenants. These schemes work well when set up in partnership with contractors.

- *The need for a living wage:* Many construction firms already pay more than the minimum wage for apprenticeships (on average construction apprentices are paid 32% more than apprentices in general). We would encourage construction firms to consider paying more than the minimum, which we believe would help reduce drop-out rates and make it easier for those who are forced out by financial hardship to stay the course. Employers told us that after a few months, apprentices become productive and add value rather than cost.

### Section 3.6 Matching skills and training with changing industry need

- *Match training with industry need:* One of the vital changes that needs to be brought about is the need to match training provision with changing demands of the industry. The Government's hope is that by putting employers in the driving seat there is more chance of this happening. So, with changes being made to funding for training, we are in a bit of a wait-and-see situation. Though the new regime could work well for larger employers, as we have said, doubt remains as to what compromise arrangements may be forthcoming from Government for smaller employers, and how quickly training providers will adapt to the needs of industry. Again, as touched upon earlier in this document, we do see a role for the CITB to lead in this area and look for ways to work with colleges to be more forward-looking in anticipating how industry innovation will drive new skills and qualification requirements for the future.

### Section 3.7 Making it easier to employ and train young people

- *Simplify the funding regime:* We were told repeatedly throughout our inquiry that accessing funding was difficult for many employers. Access to training funding should be streamlined and simplified as much as possible. We would like to see the CITB review this as part of a new apprenticeship strategy, but appreciate that these complicated processes are in the hands of other agencies, including the Skills Funding Agency, which is working to develop a simplified funding system for 2013/14.

# Acknowledgments

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## WITNESSES WHO PRESENTED EVIDENCE

Caroline Aaron, head of learning and development at Nottingham City Homes

Councillor Tony Ball, vice chair of the economy and transport board at the Local Government Association

Mike Bialyj, employer services director at the Construction Industry Training Board

Chris Blythe, chief executive of the Chartered Institute of Building

Joe Brennan, director of Joe Brennan Training

Paul Brickell, executive director for regeneration and community partnerships at the London Legacy Development Corporation

Richard Bush, deputy managing director of Kier and chair of the UK Contractors Group

Monica Chatterton, trustee of the Youth Build Trust

Robert Clark, chief executive of Durkan

Brian Duffy, faculty director at the Leeds College of Building

Jean Duprez, affordable housing manager at K&M Decorating

Colin Gilfillan, director of the Gilfillan Partnership

John Graham, business development manager at the Construction Youth Trust

John Gray, chairman of Diamond Build

David Hall, assistant director for building and commercial at Newcastle City Council

Susan Hayter, affordable housing manager at Balfour Beatty

Sheila, Hoile, director of Hoile Associates

Kate Jansen, director of human resources at Willmott Dixon

Phil Jones, head of regeneration at Calico Homes

Moira McKerracher, deputy director of the UK Commission for Employment & Skills

Suzannah Nichol, chief executive of the National Specialist Contractors' Council

Pam Perry, assistant director for human resources at Newcastle City Council

Steve Rawlings, chief executive officer at Building Lives

David Rowbotham, director of safety and socioeconomic services at Mace

Caroline Taunt, head of business development at the Prince's Trust

Martin Wheatley, independent housing adviser and visiting fellow at the Smith Institute

Gary Whittaker, assistant director for commercial delivery at Nottingham City Homes  
Sian Workman, development director of Building Lives

## Written submissions

AGRenewables  
Aspect Construction  
Balfour Beatty  
Building Lives  
Calico Homes  
Carmarthenshire Council  
Chartered Institute of Building  
Coast & Country Housing  
Construction Industry Training Board  
Diamond Build  
Durkan  
East Thames Housing Group  
EMQ Consultancy  
The Gilfillan Partnership  
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Hoile Associates  
Interserve  
Joe Brennan Training  
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Newcastle City Council  
North Somerset Council  
Nottingham City Homes  
The Prince's Trust  
Six Town Housing  
Skills Solutions  
South Gloucestershire Council  
South Lanarkshire County Council  
Southdale  
The Sovini Group  
Thomas Vale  
Town & Country Housing Group  
UK Commission for Employment & Skills  
UK Contractors Group  
Wallsall Housing Group  
Wellingborough Borough Council  
Willmott Dixon  
Wolverhampton City Council  
You and Me Altogether in Construction

York Minster  
Youth Build Trust

## Guidance and help

Sir John Armit, chair of the Olympic Development Authority  
Rodney Bennion, chair of the Construction Youth Trust  
Michael Brown, deputy chief executive of the Chartered Institute of Building  
Stephen Burns, executive director for community investment at Peabody  
Roy Cavanagh, training and education executive of Seddon Construction  
Dermot Finch, director for the South of England at the Prince's Trust  
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