



## BRIEFING PAPER

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# Construction industry: statistics and policy

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Inside:

1. The construction sector – key figures
2. Economic output
3. Jobs in construction
4. Value of new orders
5. Construction sector policy



# Contents

<b>Summary</b>	<b>3</b>
<b>1. The construction sector – key figures</b>	<b>4</b>
<b>2. Economic output</b>	<b>5</b>
2.1 Performance of the sector since 2007	5
<b>3. Jobs in construction</b>	<b>7</b>
3.1 Self-employment in construction	8
3.2 Regional construction employment	9
3.3 Migrant labour force in construction	10
<b>4. Value of new orders</b>	<b>11</b>
4.1 Sectors in the construction industry	11
<b>5. Construction sector policy</b>	<b>13</b>
5.1 Construction 2025	13
5.2 Farmer Review	13
5.3 Construction sector deal	14
Construction Sector Deal: one year on	15

## Summary

### Key statistics

In 2018, the construction contributed £117 billion to the UK economy, 6% of the total.

Economic output in 2018 was slightly down on 2017, the first fall since 2013.

There are 2.4 million construction industry jobs in the UK in Q2 2019, 6.6% of all jobs. There are more construction jobs now than at any time since 2007, although throughout this period, roughly the same proportion of jobs have been in construction.

The construction industry is unusual because of the high proportion of self-employment in the sector – 36% in Q2 2019, compared to the average for the whole economy of 13%.

New orders to the construction industry were worth £61.7 billion in 2017. This is 13% down on 2017, the first fall since 2011. New housing orders accounted for 35% of all construction orders, commercial orders accounted for 25% and infrastructure orders accounted for 19%.

### Policy

The Government's strategy for the construction sector was set out in [Construction 2025](#), published in 2013. It included the following aims:

- A 33% reduction in both the initial cost of construction and the whole life cost of assets (from 2010/09 levels).
- A 50% reduction in the overall time from inception to completion for new build and refurbished assets (based on industry standards in 2013).
- A 50% reduction in greenhouse gas emissions in the built environment (compared to 1990).
- A 50% reduction in the trade gap between total exports and total imports for construction products and materials (from February 2013 deficit of £6 billion).

The Farmer Review, [Modernise or Die](#), which examined labour force and skills issues in the sector was published in October 2016. It made found deep seated structural issues in the sector, including a manpower shortage, a widening skills gap, a poor reputation, inadequate training and a lack of policy and industry oversight.

The Farmer Review's recommendations are sweeping, and include:

- A new system of governance for skills, recruitment and training by the Construction Leadership Council
- A reformed Construction Industry Training Board
- Increased R&D spending and incentives to encourage off-site construction and modern building techniques, particularly in housebuilding.

The Farmer Review and Construction 2025 informed the [Construction Sector Deal](#) (part of the government's [Industrial Strategy](#)). The Deal's main policies include:

- The Construction Leadership Council made up of government officials, academics, construction firms and construction clients. It works to coordinate policy in the sector and highlight upcoming challenges
- The Transforming Construction Programme to lead innovation in methods of construction, training and recruitment;
- Support for skill development and retention through a reformed Construction Industry Training Board
- Improved use of modern construction methods
- Improved business practices, including prompt payment of small firms.

# 1. The construction sector – key figures

The construction sector includes the development and construction of residential and non-residential buildings; construction work on civil engineering projects; and specialist construction activities (such as plumbing and electrical installation).<sup>1</sup>

The sector does not include activities such as architectural services or project management which often accompany construction projects.

The following table summarises the economic contribution of the construction sector in 2019.<sup>2</sup>

Construction sector in the UK, 2019		
		% of UK
Economic output (£ billion)*	117	6%
Jobs (million)	2.4	7%
Businesses (million)	0.3	13%

Sources: \*Output (2018 data): Gross Value Added, ONS, GDP estimates, [Low Level Aggregates table](#); Jobs: ONS, Workforce Jobs via [NOMIS Database](#); Businesses: ONS, Business counts, [via NOMIS](#)

The construction sector contributes £117 billion to the UK economy, 6% of total economic output.

There are 2.4 million jobs in the sector, 7% of UK total.

There are 343,000 construction businesses in the UK, 13% of the total (these figures are for 'registered' businesses – those that have employees or with turnover above the VAT threshold of 85,000 a year). The construction sector includes an unusually high number of 'unregistered' businesses which are typically self-employed contractors.

<sup>1</sup> Standard Industrial Classification (SIC): Construction is [Section E](#), made up of codes: [41](#); [42](#); [43](#)

<sup>2</sup> Throughout this paper, the following data sources are used unless otherwise stated: **Economic Output** (in terms of Gross Value Added, similar to GDP): ONS, [GDP estimates](#), [Low Level Aggregates table](#); **Jobs**: ONS, [Labour Market Bulletin](#), Tables [JOBS03](#) and [JOBS04](#) (via [NOMIS database](#)) **Businesses**: ONS, Business Counts via [NOMIS database](#); **Construction orders**: ONS, [Construction statistics: Great Britain](#) (annual bulletin)

## 2. Economic output

The construction sector's economic output was £117 billion in 2018, 6% of the UK total.<sup>3</sup>

2018 saw a slight dip in construction industry economic output compared to the previous year, the first fall since 2012.

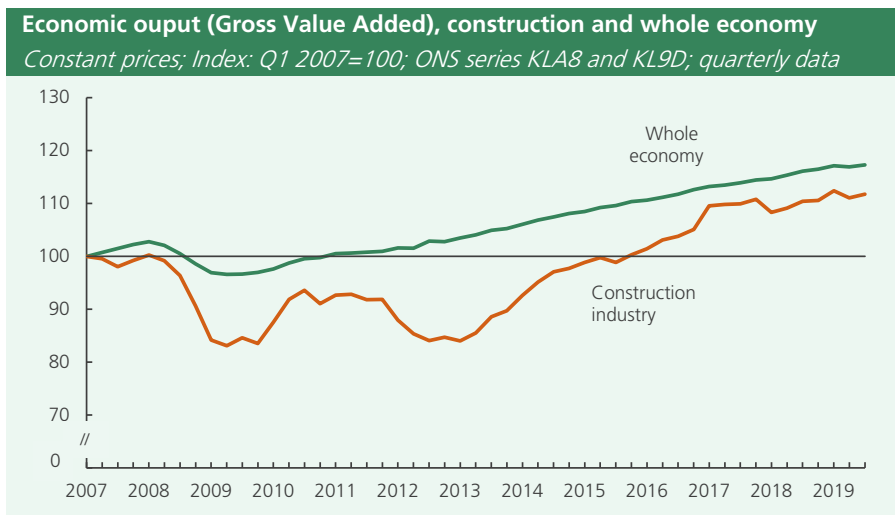
### 2.1 Performance of the sector since 2007

Construction sector output fell more significantly during the financial crisis in 2008 and 2009 than the economy as a whole, and has recovered more slowly since then.

Construction output grew somewhat in 2010 and 2011 before falling again in 2012 to almost the low seen during the recession in 2009.

Between late 2012 and early 2017, growth in construction sector output was sustained. The sector surpassed its pre-recession peak in Q4 2015.

In Q3 2019 output was 12% higher than in Q1 2007 (output in the whole economy has grown by 17% over the same period).



In Q3 2019, construction sector output was 12% higher than in Q1 2007. The whole economy's output was 17% higher (in real terms)

Source: ONS, [GDP low level aggregates](#), series KL8A, KL9D

Annual data on construction sector output is presented on the next page.

<sup>3</sup> Economic output is measured in terms of Gross Value Added, GVA, which is used to show output of sub-parts of the economy such as industries or regions.

<b>Construction sector's contribution to the economy</b>				
<i>Gross Value Added</i>				
	£ billions (current prices)	£ billions (2016 prices)	Real % change on year	Construction as % of economy
1990	41	97	...	6.7%
1991	41	90	-6.9%	6.3%
1992	39	86	-4.9%	5.9%
1993	40	83	-2.9%	5.7%
1994	41	82	-1.7%	5.6%
1995	41	81	-0.5%	5.3%
1996	44	83	1.6%	5.3%
1997	44	84	1.6%	5.1%
1998	49	85	1.5%	5.4%
1999	55	86	1.3%	5.9%
2000	59	87	0.9%	6.0%
2001	62	89	1.8%	6.1%
2002	68	94	5.7%	6.3%
2003	71	98	4.8%	6.2%
2004	72	103	5.3%	6.1%
2005	79	101	-2.4%	6.3%
2006	84	102	0.8%	6.3%
2007	91	104	2.2%	6.5%
2008	93	101	-2.6%	6.4%
2009	80	88	-13.2%	5.6%
2010	81	95	8.5%	5.6%
2011	84	97	1.4%	5.7%
2012	88	90	-7.3%	5.7%
2013	93	91	1.7%	5.8%
2014	99	100	10.0%	6.0%
2015	106	104	4.0%	6.2%
2016	108	108	3.9%	6.1%
2017	112	115	6.4%	6.1%
2018	117	115	-0.4%	6.1%

Source: ONS, [GDP low level aggregates](#), series KKI3, KL9D, KKP5

### 3. Jobs in construction

There were 2.4 million jobs in the construction industry in Q2 2019, 6.6% of all jobs in the UK.

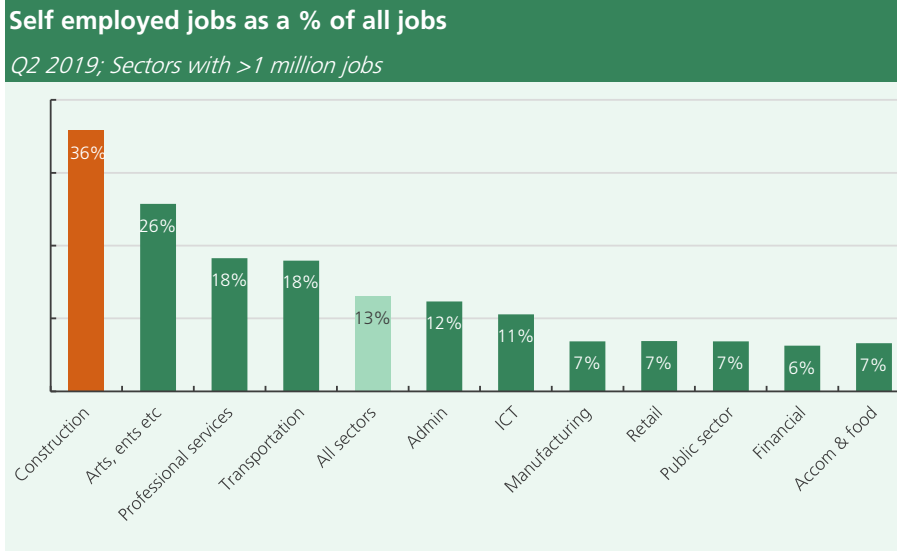
The number of construction jobs fell in 2010 after the global financial crisis and UK recession, and remained relatively low until 2016. Since then the number of construction jobs have risen steadily above the 2009 level.

Workforce jobs in the construction industry, UK		
	Millions	% of all jobs
1982	1.81	7.0%
1992	1.95	7.0%
2002	2.00	6.6%
2009	2.24	7.1%
2010	2.11	6.7%
2011	2.06	6.5%
2012	2.07	6.5%
2013	2.04	6.3%
2014	2.12	6.4%
2015	2.12	6.3%
2016	2.24	6.5%
2017	2.32	6.7%
2018	2.36	6.7%
2019	2.37	6.6%

Source: ONS, Workforce jobs data, via [Nomis database](#)  
Q2 each year

### 3.1 Self-employment in construction

The construction sector is unusual because a high proportion of people working in the sector are self-employed. Many jobs in the sector are contracts to work on specific projects.



Source: ONS, Workforce jobs data, via [Nomis database](#)

Self-employed jobs in the construction sector account for 37% of all jobs, almost three times the proportion in the whole economy (13%). In the service sectors as a whole, self-employed jobs account for only 11% of jobs.



## 3.2 Regional construction employment

There is a similar proportion of jobs in the construction sector in each region.

Jobs in the construction sector by region, Q3 2018		
	1000s	% of jobs
South East	365	7.4%
London	346	5.7%
North West	246	6.3%
East	236	7.2%
South West	224	7.5%
West Midlands	216	7.2%
Yorks & Humber	182	6.5%
Scotland	179	6.6%
East Midlands	152	6.3%
Wales	94	6.4%
North East	68	5.6%
Northern Ireland	59	6.4%
<i>UK</i>	<i>2,369</i>	<i>6.6%</i>

Source: ONS, Workforce jobs data, via [Nomis database](#)

### 3.3 Migrant labour force in construction

A similar proportion of non-UK nationals work in the construction sector and in the economy as a whole. But in London, a significantly higher proportion of non-UK nationals work in the construction sector. And there is a higher proportion of non-UK nationals in the construction of buildings sub-sector.<sup>4</sup>

In 2014-2016, there were 2.2 million construction workers in the UK. Around 215,000 were from non-UK countries, 10% of the total. In all other sectors excluding construction, 10% of workers were non-UK nationals.

165,000 construction workers in the UK were from other EU countries, and the a further 50,000 were from non-EU countries.

London has a far higher proportion of non-UK national construction workers. In 2014-2016 in London:<sup>5</sup>

- 35% of construction workers in London are non-UK nationals (27% are other EU nationals and 7% are non-EU nationals).
- 23% of workers in industries other than construction are non-UK nationals (13% are other EU nationals and 10% are non-EU nationals).

### Sources

The construction sector is very flexible and fragmented. This makes it difficult to make reliable estimates about the migrant workforce in the sector.

In the articles used here, the ONS have combined data from several years of the Annual Population Survey (2014 to 2016). Another method involves using census results from 2011 which may not accurately represent the situation in the sector now, several years after the census was conducted.

The ONS, the Department for Business, Energy and Industrial Strategy (BEIS) and the [Consultative Committee on Construction Industry Statistics](#) are working to improve information on the migrant workforce in construction.<sup>6</sup>

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<sup>4</sup> Based on two ONS articles: [Migrant labour force within the construction industry: June 2018](#) and [Migrant labour force within the UK's construction industry: August 2018](#)

<sup>5</sup> ONS articles: [Migrant labour force within the construction industry: June 2018](#), 2018, [Characteristics \(regions\)](#)

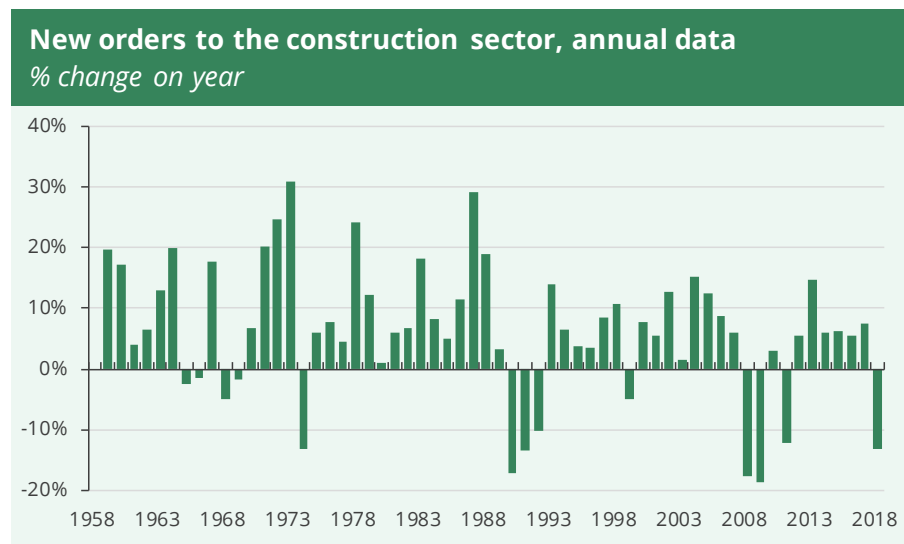
<sup>6</sup> ONS, [Migrant labour force within the UK's construction industry: August 2018](#), 2018, [Next Steps](#)

## 4. Value of new orders

In 2018, new orders to the construction industry were worth £61.7 billion. This is a 13% fall on the value of new orders in 2017.

New orders are a useful indicator of activity in the economy generally. Typically, the value of new orders falls when the economy falters. For example, the chart below shows recent falls in new orders in 2008 and 2009 and then 2011, when the economy was in recession and patchy recovery.

The fall in the value of new orders in 2018 is partly due to the fact that several high value HS2 contracts were awarded in 2017. This contributed to 2017 having the highest ever new orders value (£71.0 billion). 2018's new orders were also lower than in 2016 and 2015.<sup>7</sup>



Source: ONS, [Construction statistics: Great Britain: 2018](#), August 2019, Data table, 2.5

### 4.1 Sectors in the construction industry

New orders by sector indicate the relative importance of the sectors of the construction industry.

Housing accounted for highest value of new orders in 2018: £21.6 billion, 35% of all new orders. The government have an ambition to deliver 1 million homes by the end of 2020 *and* to deliver half a million more by the end of 2022. See paper the Library Briefing Paper, [Tackling the under-supply of housing in England](#) for more information on this issue.

Infrastructure new orders accounted for 13% of new orders or £11.5 billion. This data excludes infrastructure orders carried out by non-construction firms. So, for example, orders to Network Rail (a public sector organisation) are not included in the figures below. Data on

<sup>7</sup> ONS, [Construction statistics: Great Britain: 2018](#), August 2019

infrastructure is discussed in detail in another Library briefing paper:  
[Infrastructure policies and investment.](#)

New orders by sector, 2018		
	£ billion	% of total
Housing	21.6	35%
Commercial	15.2	25%
Infrastrucutre	11.5	19%
Public (excl. housing, infrastrucutre)	8.2	13%
Industrial	5.1	8%
<i>Total</i>	<i>61.7</i>	

Source: ONS, [Construction statistics: Great Britain: 2018](#), August 2019, Data table, 2.5

## 5. Construction sector policy

### 5.1 Construction 2025

In July 2013, the government published [Construction 2025](#), which set out the strategy for the construction sector. It describes a number of strategic ambitions which are set out below:<sup>8</sup>

- A 33% reduction in both the **initial cost** of construction and the **whole life cost** of assets (from 2010/09 levels).
- A 50% reduction in the **overall time from inception to completion** for new build and refurbished assets (based on industry standards in 2013).
- A 50% reduction in **greenhouse gas emissions** in the built environment (compared to 1990).
- A 50% reduction in the **trade gap** between total exports and total imports for construction products and materials (from February 2013 deficit of £6 billion).

### 5.2 Farmer Review

In 2016, the government asked the Construction Leadership Council (CLC) to look at labour market and skills issues in the construction sector. The CLC commissioned the real estate and construction consultant Mark Farmer to carry out the review.<sup>9</sup>

The Farmer Review, [Modernise or Die](#), was published in October 2016. The review found that:<sup>10</sup>

...The construction industry and its labour model is at a critical crossroads in terms of its long-term health. Whilst the diagnosis points to a deep-seated market failure, there are certain industry trends and wider societal changes happening now that represent both unprecedented risk and opportunity for the industry and its clients. If the opportunities are not harnessed, the risks may become overwhelming.

The Farmer Review made 10 over-arching recommendations:<sup>11</sup>

1. The Construction Leadership Council (CLC) should facilitate a new “tripartite covenant” between the construction industry, construction clients and government. The **CLC should then coordinate the implementation of construction industry policy**.
2. The **Construction Industry Training Board** (CITB) should be comprehensively reviewed and reformed.
3. CLC should work to encourage **increased R&D investment** with the aim of changing construction methods in favour of pre-manufactured, offsite and modular approaches.
4. A comprehensive **“innovation programme”** should be delivered, focused initially on housebuilding.

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<sup>8</sup> HM Government, [Construction 2025](#), July 2013, p19

<sup>9</sup> HM Government, Landing page: [Construction labour market in the UK: Farmer review](#), 2016

<sup>10</sup> Mark Farmer, [Modernise or Die](#), 2016, p8

<sup>11</sup> *Ibid*, p11

5. The CITB should reform the **grant funding model** for skills training. Training should ensure that digital skills are available in the construction workforce.
6. The CITB and the CLC should work to deliver **a better public image** for the construction industry. The aim of this is to encourage recruitment and retention of female and younger workers.
7. The construction sector should be **recognised in the industrial strategy**, and government should be willing to use education, planning, taxation and employment laws to maintain the skills needed in the sector.
8. The government should **incentivise pre-manufactured solutions in the housebuilding industry** in order to achieve its housebuilding target.
9. The government should create a **housebuilding pipeline**, similar to the National Infrastructure Pipeline.
10. The government should consider introducing **a charge on construction firms** to influence commissioning behaviour and supplement skills funding. Firms should be able to avoid paying this by demonstrating their contribution to industry capacity or modernisation.

The [government responded to the Farmer Review](#) in July 2017. The response stated that:<sup>12</sup>

*...Modernise or Die* poses a stark challenge to industry to up its game on skills, embrace new and more productive ways of working, ensure the quality of design and workmanship and be more innovative...

Since 2017, the government has been working to implement many of the changes recommended in the Farmer Review. Most of these are incorporated into the [Construction Sector Deal](#), published in July 2018.

## 5.3 Construction sector deal

The strategy laid out in *Construction 2025* and the recommendations in the Farmer Review were used to inform the [Construction Sector Deal](#), part of the government's [Industrial Strategy](#).

Sector Deals are partnerships between industries and government. The Deals consist of a high level forum made up of senior ministers, government officials, industry leaders and academics (in this case the CLC); funding via a 'Challenge Fund' for innovation and research led projects (the Transforming Construction Programme); and support for skill development and retention (mainly achieved through the reformed CITB). All the sector deals also include a range of sector specific deals as well.

### Key policies

The [Construction Leadership Council](#) is a high level forum consisting of the relevant Business Enterprise and Industrial Strategy, senior government officials, the leaders of several major infrastructure projects, and the leaders of several major construction companies. The Council's role is to help achieve the goals set out in *Construction 2020* and the Farmer Review, identify any barriers and promote government policies

<sup>12</sup> HM Government, [Government response to the Farmer Review](#), July 2017, p2

to construction firms. The membership and role of the Council is explained on the [About Us part of their website](#).

The **Transforming Construction programme** is a series of competitive funding competitions to encourage the development and take up of modern materials, modern methods of design and modern building methods. The whole programme has funding from government worth £170 million, matched by £250 million from industry. One of the key policies funded through this programme will be the [Core Innovation Hub](#), based partly at the University of Cambridge, which will "...enable construction businesses to develop and validate new products and manufacturing and assembly processes."<sup>13</sup>

The Sector Deal for Construction includes a number of policies to support the **recruitment and training of construction workers**. The government will work to reform the CITB so that it is "more focussed on future skill needs". The government will also create new apprenticeship standards that better prepare entrants in to the profession for the tasks they will be performing (moving away from traditional building skills). The CLC's [Future Skills Report](#) published in June 2019 sets out the skills the industry will need and suggests how to recruit and retain the correct people.

The government will support the use of modern building methods by "**favouring offsite construction from 2019 onwards**" when it procures new buildings and in government infrastructure projects.<sup>14</sup> Offsite construction is seen as a key mechanism to make the construction sector more productive and competitive, and as a way to ensure buildings can be produced to high standards quickly. The [Modern Methods of Construction working group](#) has been working to implement this.

The government will work to **improve business practices**, including fairer, faster payments for suppliers. This will include encouraging the use of project bank accounts, and the development of an agreed set of proposals that will improve contractual and payment practices across the sector. The payment issue is addressed by the [Construction supply chain payment charter](#)

### Construction Sector Deal: one year on

A year after the launch of the Sector Deal, the government published a follow up report assessing progress: [Construction Sector Deal: one year on](#). This report lists achievements under each of the aims of the Sector Deal.<sup>15</sup>

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<sup>13</sup> Infrastructure Intelligence, [Government launches Core Innovation Hub for construction](#), 3 December 2018

<sup>14</sup> Construction News, [Government to favour offsite construction from 2019](#), November 2017

<sup>15</sup> HM Government, [Construction Sector Deal: one year on](#), July 2019

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