

Migration Advisory Committee

Call for evidence: EEA-workers in the UK labour market

RICS Submission – October 2017

- The Royal Institution of Chartered Surveyors (RICS) is pleased to respond to the above call for evidence. RICS is the leading organisation of its kind in the world for professionals in property, construction, land and related environmental issues. We accredit over 118,000 professionals (FRICS, MRICS, AssocRICS and trainees) and any individual or firm registered with RICS is subject to our quality assurance.
- We regulate and promote the work of these property professionals throughout 146 countries and are governed by a Royal Charter, approved by Parliament and monitored by the Privy Council, which requires us to act in the wider public interest.
- Since 1868, RICS has been committed to setting and upholding the highest standards of excellence and integrity – providing impartial, authoritative advice on key issues affecting businesses and society. RICS is a regulator of both its individual members and firms enabling it to maintain the highest standards and providing the basis for unparalleled client confidence in the sector.
- In response to the issues raised in the call for evidence, we would like to highlight the following points and policy recommendations specific to the 'Economic, Social and Fiscal Impacts' section in the Call for Evidence
- In July 2017, RICS published a report – *Upping the Ante on Skills*¹ - which considered the keys issues surrounding the debate on skills in the UK.
- The paper highlighted that the skills shortage has been a recurring theme for businesses within the built environment and a major constraint on growth, which has been heightened by the ongoing debate on Brexit.
- This is best illustrated in the latest results from RICS' UK Construction and Infrastructure Market Survey, Q2 2017² which indicated that 55% of those surveyed felt that a skills shortage was a constraint on growth.

¹ <http://www.rics.org/uk/news/news-insight/comment/upping-the-ante-on-skills/>

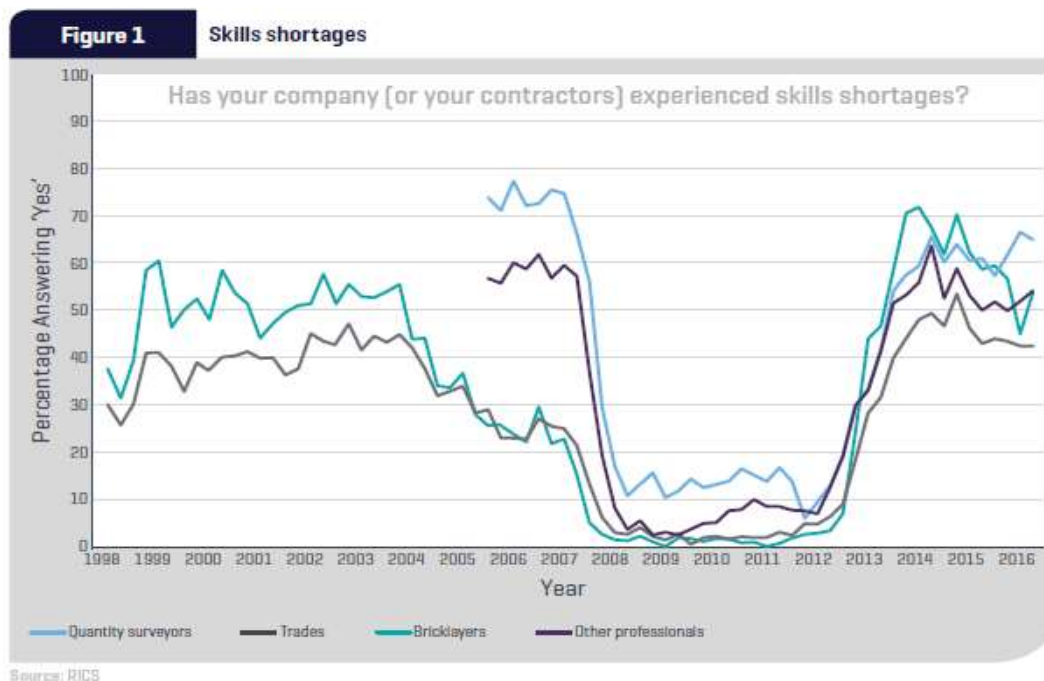
² <https://www.rics.org/uk/knowledge/market-analysis/rics-uk-construction-market-survey/>

Upping the Ante on Skills Report

- The report assessed the skills divide and what it means for the future of RICS' core sectors and profession.
- The report uncovered four key findings:
 1. Reduced net migration will exacerbate the current shortage of skilled workers.
 2. Government investment in training can help to bridge the skills divide if it's targeted more on attainment outcomes rather than numbers. The apprenticeship levy is a first step but not the final solution.
 3. Given the highly cyclical nature of construction workload activity, better job skills transference could improve labour mobility and overall hiring outcomes.
 4. Introducing more diversity in the way that industry operates and simplifying the system by reducing the number of technical qualifications available could attract new entrants.
- For the purposes of this submission, RICS has provided evidence relating to the immigration, Brexit and skills shortage issues relating to each finding.

1. Reduced net migration will exacerbate the current shortage of skilled workers.

- The report accurately pointed to the ongoing reassessment of the UK's immigration policy as result of Brexit. The UK Government is targeting a reduction in net migration, and this will only serve to exacerbate the current shortage of skilled workers.
- In the construction industry, the supply constraint became most evident in 2014 and, referencing RICS' quarterly market survey data, has remained at elevated levels.
- Quantity surveyors and bricklayers are two prominent examples of professions where labour supply is being outpaced by market demands. However, shortfalls have been reported by RICS construction professionals across an array of other occupations, outlined in the table overleaf:



- Increased numbers alone will not ease the bottleneck either, as two-thirds of businesses have informed RICS, through surveys, that insufficient quality is the primary reason for the hiring challenge.
- Recent Labour Force Survey statistics indicate that 12.6% of construction workers were born outside the UK and 5.7% were born in EU accession countries (Eastern European countries who joined after 2004). London, in particular, has become reliant on importing skilled labour; at 50%, London and the South East have a higher dependency on the EU national workforce than anywhere else in the UK.
- Indeed, an RICS survey of construction professionals in March 2017 suggested that 8% of UK construction workforce comes from the EU. This would mean that should UK lose access to single market, 176,500 jobs could be under threat, jeopardising a predicted £500 billion project pipeline³
- Additionally, 35% of the construction professionals RICS recently surveyed revealed that hiring non-UK workers is important to the success of their businesses. RICS' research indicates that over 285,000 jobs in the industry are filled by immigrants to the UK; by comparison, just over 21,000 apprenticeship starts were managed in England in 2015/16⁴

³ <http://www.rics.org/uk/news/news-insight/press-releases/uk-construction-industry-could-lose-8-of-workforce-post-brex-it-new-rics-figures-reveal/>

⁴ Department for Education - Apprenticeship starts by sector, England

- Any changes to the free movement of labour and construction professionals, therefore, could have a negative impact on the construction sector's capacity to build the housing and infrastructure that the UK needs. Again, this is a recurring theme in our Construction and Infrastructure Market Surveys.
- If immigration is limited particularly for skilled workers, the UK could witness higher project expenditures where labour demand outstrips supply; thus it imperative that construction workers and built environment professionals, such as quantity surveyors, are added to the UK occupation shortage list.
- Looking specifically at Facilities Management (FM) – a sector which, according to the British Institute of Facilities Management's (BIFM), contributes up to 8% of the UK's GDP - around 25% of the workforce is made up of migrant workers from the EU.
- A reduction in the migrant worker pool, therefore, presents a talent deficit which puts essential front line services such as security and fire safety at risk.
- Indeed, talented FM professionals are required to lead the delivery of energy efficiency and carbon reduction strategies, and much expertise in this area is led by EU professionals.

2. Government investment in training can help to bridge the skills divide if it's targeted more on attainment outcomes rather than numbers. The apprenticeship levy is a first step but not the final solution.

- The *Upping the Ante on Skills* report stated that nearly 430,000 construction workers (equating to over 30% of the workforce) are aged over 50, are set to retire, or already have done so, between 2010 and 2020.
- This means that the UK construction industry which, according to the Government's Construction Strategy, **had an** output exceeding £110 billion per year and contributing 7% of GDP, is facing a retirement "cliff edge".
- Accordingly, industry needs to ensure it can inspire new talent into the profession using age-appropriate and inspirational campaigns that appeal to a greater cross-section of society. This was the sentiment received from 59% of respondents to RICS UK Construction and Infrastructure Market Survey, Q1 2017, which ranked improved education pathways and training as the most effective policy response to labour supply pressures, ahead of either immigration or government subsidies.
- However, this finding does not negate the need for continued access for skilled workers from EU to tackle the skills shortages as outlined by developers and construction firms.

- Indeed, an RICS survey of the construction profession found that 20% of respondents felt that current apprenticeship schemes were not effective at all⁵

3. Given the highly cyclical nature of construction workload activity, better job skills transference could improve labour mobility and overall hiring outcomes.

- Respondents to RICS' Construction and Infrastructure Market Surveys reported that their firms have to turn down work due to shortages of staff. We can therefore assume here that there is an abundance of opportunities for individuals with the right skills in the right places.
- The current skills predicament in the UK is complex, and will require workforce development policies that evolve with the changing needs of the economy. One such measure would be the diversification of the construction industry, which was the fourth, and final, takeaway from the *Upping the Ante on Skills* report.
- Even if sector participants establish a significant training drive in 2017 – which obtains the required 230,000 new recruits - there will be a continued shortage during, as a minimum, the immediate years following Brexit.
- At present, the UK is only recruiting circa 25,000 a year through the apprenticeship programme. This is not enough to meet the UK's skills needs.
- Therefore, RICS urges the cavity between current and future construction industry talent to be addressed in the immediacy and made a top Government priority in Brexit negotiations.
- Indeed, it is imperative that Government recognises the value that migrant workers – both EU and non-EU – add to the sector, and are a key element to the Government's short to mid-term approach to tackling the skills shortage, with the longer term looking at attracting and training home-grown talent.

4. Introducing more diversity in the way that industry operates and simplifying the system by reducing the number of technical qualifications available could attract new entrants.

- The UK Government introduced the apprenticeship levy in April 2017, as a means to address the issue of skills. However, we have already indicated in this submission that 20% of respondents to an RICS survey felt that current apprenticeship schemes were not affective

⁵ <http://www.rics.org/uk/news/news-insight/press-releases/uk-construction-industry-could-lose-8-of-workforce-post-brex-it-new-rics-figures-reveal/>

- Addressing the skills gap requires more than a total number of apprenticeships started, but needs to hone in on completions, career progression, and well-paid jobs.
- Diversification of the construction is key to ensure the sector's capacity to build and maintain property and projects is not hampered.
- Similarly, the current lack of options for an end point assessment for FM apprenticeships is creating a blocker for diversity of career path and progression onto strategic advisory roles for new entrants to the profession
- FM, therefore needs diversity of talent to enhance UK workplace productivity.
- RICS is leading the sector in terms of promoting diversification, and encouraging future talent to consider a career in the built environment. Our most recent initiatives and schemes include:
 - Surveying Apprenticeships
 - A sustained focus to assist our firms in setting up and recruiting apprentices. These ensure apprentices learn on-the-job, and gain an academic and RICS qualification — the most sought after professional qualification in land, real estate, construction and infrastructure.
 - Quantity Surveying and Project Management are two, out of a possible ten, surveying apprenticeships currently available.
 - Class of your Own (COYO)
 - COYO provides practical learning programmes for secondary school students, providing the opportunity to build a virtual 'eco-classroom'. The innovative secondary school curriculum programme Design Engineer Construct! aims to educate young people on the different roles available within the Built Environment and demonstrate how professionals work together on real projects
 - Inspire 2020
 - In September 2017, RICS launched a formalised volunteering programme of visits to schools and careers events, with the aim of achieving 2020 face to face hours inspiring young people into a surveying career by 2020.
 - RICS is also developing a Virtual Reality careers app showcasing surveying careers and the innovative projects you could work on.
 - Diversity drive
 - In August RICS issued a fresh call to female A-level talent to consider a career in the land, property and construction sectors, and help meet increasing demand for a more diverse workforce and profession, whilst bridging the skills gap.

- RICS has seen an increase in the number of females enrolling onto RICS's APC. The cross-pathway average is now at 24% (up from 11%), with QS and Construction at 17%.
- Since the launch of our Inclusive Employer Quality Mark in 2015, over 130 firms have looked carefully at their employment practices to ensure they have inclusivity at the heart of what they do, and have become signatories.
- A OnePoll survey commissioned by the RICS found that despite an optimistic outlook about the gender pay gap figures across the construction sector, with nearly half (46%) of construction workers predicting the gap will be less than 15% by April 2018, businesses need to do more to tackle gender inequality and sexism in the industry⁶.
- Indeed, tackling the pay gap could have a positive impact on encouraging more females into the construction sector.

⁶ <http://www.rics.org/uk/news/news-insight/press-releases/gender-pay-gap-2017/>