

## **The Welsh Government's draft budget 2023-24**



### **Introduction**

With both global and domestic forces placing significant pressure on the construction industry it is timely to consider how the Welsh Government's budget both already does and can further have a positive impact on mitigating the negative consequences of economic uncertainty, in partnership with ourselves as the training body for construction skills and industry mode widely.

Construction skills are evolving at pace to address the global challenges which cut across industries and sectors. Whilst traditional construction skills such as bricklaying and carpentry remain hugely important, in the face of climate change as the ways of building and improving homes, providing materials and managing projects evolve with an emphasis on net-zero, so too are the skills and knowledge needed to future proof the workforce. It is important that funding priorities align with the needs of industry to best support the transition to adopt new skills and tweak/update existing skills.

Our response to this consultation considers those questions most relevant to our area of focus and draws on our expertise as the training body for construction skills, our research and direct sector insight.

### **3. How should/could the Welsh Government support the economy and business following the pandemic, Brexit and inflationary and other economic pressures?**

As an industry at the sharp end of the conditions created by the ongoing economic turbulence, construction firms face huge pressures that could undermine their ability to invest in their workforce and attract new entrants. Volatile material and component costs, wage inflation due to a shortage of skills across various trades and an increase in operational risks due to the uncertain economic environment act as serious barriers to firms continuing their positive work upskilling existing staff and creating new roles and opportunities that increase levels of well-paid employment.

Reflecting on the latest data from CITBs activity tracker (which tracks business activity and staff shortages) the key takeaways include:

- The industry is working at capacity although workload size and skills demand is starting to moderate
- A number of key occupations remain in short supply including bricklayers, joiners, painters and decorators, carpenters, electricians, plasterers and renderers, plumbers, and quantity surveyors.

- Material costs increases continue as the most impact challenge facing businesses
- These costs are leading some to increase prices or pass on the increase to consumers impacting profit-margins
- Approaching four in ten (37%) businesses have reported that demand has fallen in particular areas of their business; with demand for residential work and refurbishment having fallen the most over the past six months.
- In terms of training provision:
  - a quarter of businesses (25%) say that the increased costs of materials is preventing them from adequately investing in training.
  - While three in ten (29%) report that the shortages of existing skilled staff is holding back investment in training
  - a quarter (25%) report not having a reliable pipeline of work holding back investment
  - a similar proportion (24%) report reduced customer as a constraint
  - and 19% report that staff are too busy to be able to offer training.
- Our analysis suggests that investment in training in respect of money and time is likely to continue to decrease, at least in the short-term, as inflation continues to bite and firms are faced with recruitment challenges, meaning firms have little headroom for investment and staff are too busy delivering or trying to win work in an increasingly competitive environment to take time out.
- Survey respondents commented on a boost to activity from work on previously delayed projects, but incoming new orders remained relative scarce in September.

As we continue into a period where a recession is likely to be a consistent feature it remains vital that construction skills continue to be prioritised, especially given their importance to delivering on the Welsh Government's Net Zero ambitions.

Further to this we know that in speaking to construction firms working in Wales their ability to plan for the future, invest in new and existing skills within their workforce relies heavily on being able to see that a reliable pipeline of work exists. It is key that in considering budget priorities and the accompanying narrative that the Welsh Government uses its own spending powers to commit to long-term funding with clear certainty on the approaches being championed in terms of methods, standards and competence.

Without intervention, their ability to meet the workload needs for existing apprenticeships could be compromised and further impact future plans to recruit apprentices – which at present is the main avenue into construction for the majority of entrants. Furthermore, the cost pressures being experienced by construction firms will also impact the cost of apprenticeships – impacting the numbers that can be taken on across a variety of trades. The potential impact of this should not be underestimated at a time when the focus should continue to be on sustaining and increasing the flow of new entrants into the sector.

In that sense it is important that during a time where there is greater pressure on resources the Welsh Government should look to initiatives with a proven track record of delivery. For example, shared apprenticeships within construction have acted to bolster the supply of new entrants into the sector, playing an especially important role in more rural parts of Wales supporting SMEs, small and micro businesses to benefit from an apprentice and contribute to growing the pool of local talent and expertise.

There are two shared apprenticeship schemes for the construction sector in Wales which have been set up to help employers who want to support the development of skills while working on regional contracts but are not in a position to offer a full-term apprenticeship. Getting involved in the Shared Apprenticeship Scheme allows employers to dip in and out of apprentice training. The Scheme allows employers to take on an apprentice, for as short a duration as three months, with no commitment to the apprentice at the end. The Scheme allows employers to enjoy all the benefits of an apprentice, without any long-term risk or long-term cost to their business. Once the apprentice has finished working with an employer they are found another placement, and upon framework completion, they will be assisted in sourcing permanent employment within their chosen trade.

The construction industry has been the focus for piloting this approach seeing considerable success – for example Cyfle Building Skills (the shared apprenticeship provider in West Wales) has a 90% success rate in finding full time employment for apprentices who complete their three years.

Following the success of the shared apprenticeship model, the Welsh Government has understandably sought to expand its use in other the industries – the amount of funding however has not changed between the pilot and this roll-out. In practice for example this means that Cyfle Building Skills has received funding for 25 new starts this year, down from its usual at capacity level of 60. The scheme to date has had an intake of 830 shared apprentices to date.

Whilst we recognise the need to utilise funding to impact a variety of sectors, skills and specialisms we would encourage the Finance Committee and other Committees who will provide accompanying scrutiny to recognise that this funding approach may compromise the success of this model within a construction setting at a time when the model will only become more valuable as pipelines of existing work begin to slow with the economic downturn making it less viable for firms to commit to providing enough work for an apprentice.

As CITB we are continuing to support the construction industry to have the skills it needs both now and in the future to meet the demands placed on it to deliver infrastructure such as homes, schools and hospitals at pace, scale and quality. To make the committee aware, our continued offer to the industry will support firms as they navigate this uncertainty through a variety of measures:

- Employer Networks – employers can come together to source training of any kind that meets their needs, such as net zero. Each network has a budget to spend on training meaning training is often subsidised or fully funded.
- Training Groups – Support networks of construction employers using their collective bargaining power to achieve discounted training rates from Approved Training Organisations (ATOs) and other training providers. Some Groups achieve savings of up to 40% against the market rate and pass this directly on to their members.
- Skills and Training Fund - Aims to help construction employers deliver high quality learning and development experiences to employees and help businesses to grow. Funding can be applied for annually and be used on a wide range of activities, including new skills, leadership and innovation. The amount of funding available depends on the size of the business, for example businesses with 200-250 directly employed staff could access up to £25,000.
- Onsite experience hubs - Onsite Experience hubs are designed to provide a one-stop recruitment solution for construction employers. By linking together employers, training providers, local authorities, community agencies and other partners, hubs enable the development of employment and site-ready people from local communities.

**4. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?**

The Welsh Government has set out its ambitions within Net Zero Wales around actions across industries and sectors to tackle climate change. Within a construction skills context its strategy for employability and skills – *A Stronger, Fairer, Greener Wales* puts forward specific actions around increasing the amount of green skills, the skills needed to decarbonise at pace and scale, and utilise new construction methods to meet the ambitions set out in policy.

But there according to our forecasts there is a significant skills gap linked to these plans. Published in March 2021, our [Building Skills for Net Zero](#) show's that we'll need an extra 12,000 roles in construction in Wales by 2028 to meet government net zero aims. That represents a 12% increase in workforce based on current technologies and ways of working. This will need to be done through a mix of new skilled jobs, increased efficiencies in existing roles and innovation in how the industry decarbonises the built environment.

We have modelled the skills profile of the workforce needed to deliver net zero. A number of roles have existing skills shortages, and many will need large increases in numbers to meet government targets. These include:

- Energy assessors - as the use of Energy Performance Certificates increases.
- Retrofit coordinators - to ensure quality as different systems are installed alongside each other
- Project managers - with an understanding of the retrofit process (2,500 required by 2028).
- Building envelope specialists including insulation installers - existing installers will need to be upskilled if minimum qualifications are set in PAS2035, the standards for retrofitting buildings (900 by 2028)
- Heat pump installers - starting by upskilling existing Gas Safe engineers, existing training needs to be improved and standardised (2,800 required by 2030).

Scaling retrofit will inevitably lead to more widespread adoption of innovative approaches, technologies, and delivery models. The wider adoption of smart digital construction including offsite fabrication in retrofit is therefore highly likely. This will create demand for skills that are associated with manufacturing processes including surveying, design and energy evaluation, logistics and onsite assembly. We look forward to having sight of the final iteration of the Welsh Government's Net Zero skills strategy where we hope the challenges above are reflected and actioned.

Whilst the scale of the numbers required is striking and should remain a focus for the Welsh Government as it considers how best to target its budget at addressing the shortfall, it is also timely to reflect on pipeline challenges within a skills context – as the funding alone is not going to solve the challenges that exist. These include:

- The FE system is often under pressure to deliver skills in a wide variety of high demand fields, including construction. This can at times mean that there is not sufficient capacity to take on learners seeking to begin construction courses in disciplines where the volume of learners is not high – but that nonetheless leads to waiting lists to begin courses in areas that within a construction skills context are vital (For example, scaffolding).
- Capacity within FE is often taken up by full time learner, which whilst valuable may risk missing opportunities to better utilise resources (tutor time, workshop time etc.) on disciplines that mix experience in industry with learning in a more traditional classroom setting.
- There is a significant challenge in getting skilled tutors within the FE system, particularly at present given the draw of higher salaries in on-site work – as a result industry is often at the cutting edge of practice.
- The landscape for skills funding can be confusing for employers and despite the merits of initiatives such as Personal Learning Accounts, ReAct+, Jobs Growth Wales+, the array of funding mechanisms and associated eligibility criteria can act as a barriers to access.