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**CONSTRUCTION SKILLS NETWORK**

# FOCUSING ON THE SKILLS CONSTRUCTION NEEDS.

LABOUR MARKET  
INTELLIGENCE REPORT

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**NORTH EAST  
2024-2028**



# KEY FACTS AND FIGURES



The volume of construction work in the North East will grow by an annual average rate of

# 1.5%<sup>1</sup>



The gains in output will come from these sectors:

**REPAIR & MAINTENANCE**

**PRIVATE HOUSING**

**INFRASTRUCTURE**



<sup>1</sup> Five year growth rate from the end of 2023 to end of 2028



The occupations with the strongest additional recruitment requirement levels are:

**Other non-construction office-based staff**

**Plant operatives**

**Painters and decorators**

Main projects in North East include:

**£475m** proposal for Crown Works film and TV studio.

Gateshead Health NHS Foundation Trust and The Newcastle Upon Tyne Hospitals NHS Foundation Trust securing

**£20m**

to develop a Community Diagnostic Centre (CDC) at the Metrocentre in Gateshead.

# NORTH EAST



The additional recruitment requirement in the North East of 1.5% per year is lower than the UK value of 1.9% and means an extra 6,850 workers will be needed in the region from 2024 to 2028. ■



# UK MACROECONOMIC BACKDROP

UK GDP in 2023 is estimated to have increased by only 0.1% compared with 2022 as the economy went into a mild recession in the second half of 2023, with two consecutive quarters of contraction (-0.1% in 2023Q3 and -0.3% in 2023Q4).

**There are strong signs that the recession isn't likely to continue into 2024 with monthly GDP data showing a 0.2% rise in January.**

**February's UK Purchasing Managers' Index (PMI) adds to evidence that economic activity is improving with the composite index recording a fourth consecutive month of expanding activity and confidence.**

The index registered 53.0 in February, marginally above the 52.9 reading for January. The service sector was the main driver within the composite index following another month of expanding business activity, and a confirmed services PMI reading of 53.8 in February.

There was an improvement in the construction sector PMI registering 49.7 in February, up from 48.8 in January on the back of new business growth and a pick-up in order books, which was the first rise reported since July 2023. Unfortunately, the manufacturing sector continues to struggle, reporting a nineteenth consecutive PMI reading below 50.0 at 47.5 in February.

Consumer confidence had been trending upwards in recent months, adding to the picture of improving economic activity. However, GfK's consumer confidence index headline score of -21 in February, was slightly down from -19 in January, marking the

first fall in four months and highlighting how the recent mix of economic news is affecting consumer confidence. The reduction in inflation will be a factor in helping consumer confidence. In February 2024, monthly Consumer Price Inflation, including housing costs (CPIH) was 3.8%, significantly down from 9.2% in February 2023, with expectation of further drops to come due to falling energy bills. Looking forward, we expect inflation to continue to drop as we progress through 2024, reaching the Bank of England's 2.0% target by the middle of the year.

**ALTHOUGH THERE ARE POSITIVE SIGNS OF ECONOMIC GROWTH, THE WIDESPREAD VIEW IS THAT IT WILL BE 2025 BEFORE THE PACE PICKS UP**

The number of vacancies being advertised continues to reduce, having peaked at 1.3million in the first half of 2022, there are now just over 900,000 (Dec 2023–Feb 2024). While this is a sign that the labour market appears to be cooling, vacancy levels are still higher than those seen in 2019/2020 before the pandemic, where there were around 820,000 vacancies. Slowing wage growth is another indicator of a generally cooling labour market, however, there is still an unusual

tightness in the labour market that is creating upwards pressure on wages. The employment rate for 16–64 years olds remains around 75%, with unemployment staying low at 3.9%, while inactivity is relatively high as 21.8%. The inactivity level means approximately 9.2 million people are absent from the labour force, which is 700,000 more than pre-pandemic levels, with long-term illness being one of the main reasons.

Although there are positive signs of economic growth, the widespread view is that it will be 2025 before the pace picks up. The economic outlook published by the Office for Budget Responsibility (OBR) in March 2024 forecasts GDP growth to pick up by 0.8% in 2024, increasing to around 2.0% in 2026, then settling down to around 1.8% in 2027 and 2028. While the outlook for the UK economy in 2024 is improving, we are not yet in a position of strong economic growth.

Recruiting and developing the workforce for the future is still a key challenge for the industry to overcome and make the most of the growth opportunities such as building the volume of homes the country needs, the infrastructure for energy and transport, and retrofitting the built environment to meet net zero targets. ■

# STRUCTURE



The construction industry in the North East has 5,875 employers, which is 14% of all employers in the region.

**Infrastructure sector:**

**20%**

**In 2023 the industry in the North East is estimated to have total output of around £7.4bn which is structured as per Figure 1 (below).**

The profile of the construction industry in the North East is slightly different to the UK, having higher shares of output from the industrial (10%) and infrastructure sectors (20%), and a lower share of housing repair and maintenance (R&M) work.

Infrastructure was the main sector in 2023 for the region, edging out non-housing R&M and private housing. ■

## CONSTRUCTION INDUSTRY STRUCTURE 2023 NORTH EAST

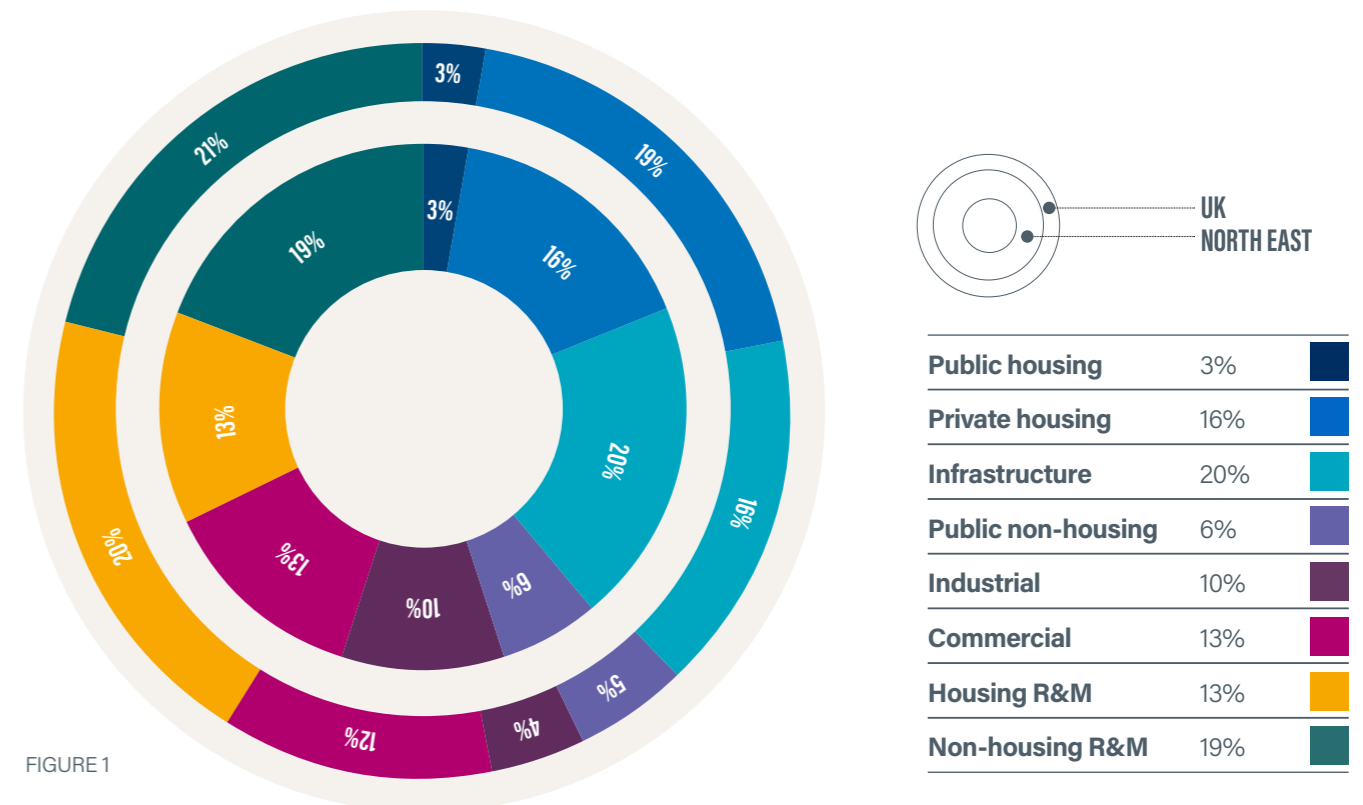



FIGURE 1




# 2023 VIEW

Total annual output 2023:   
**£7.4bn**




Growth in commercial:   
**£400m**

2022 saw strong output growth in the North East, which continued into 2023. 

Output increased by over 14% in the region, which is well above the UK figure of 2%, putting the value of output in the region at a new high point at over £7.4bn. 

The main growth sectors in 2023 were commercial (+£400m), industrial (+£350m) and non-housing R&M (+£270m), along with a gain in public non-housing output. 

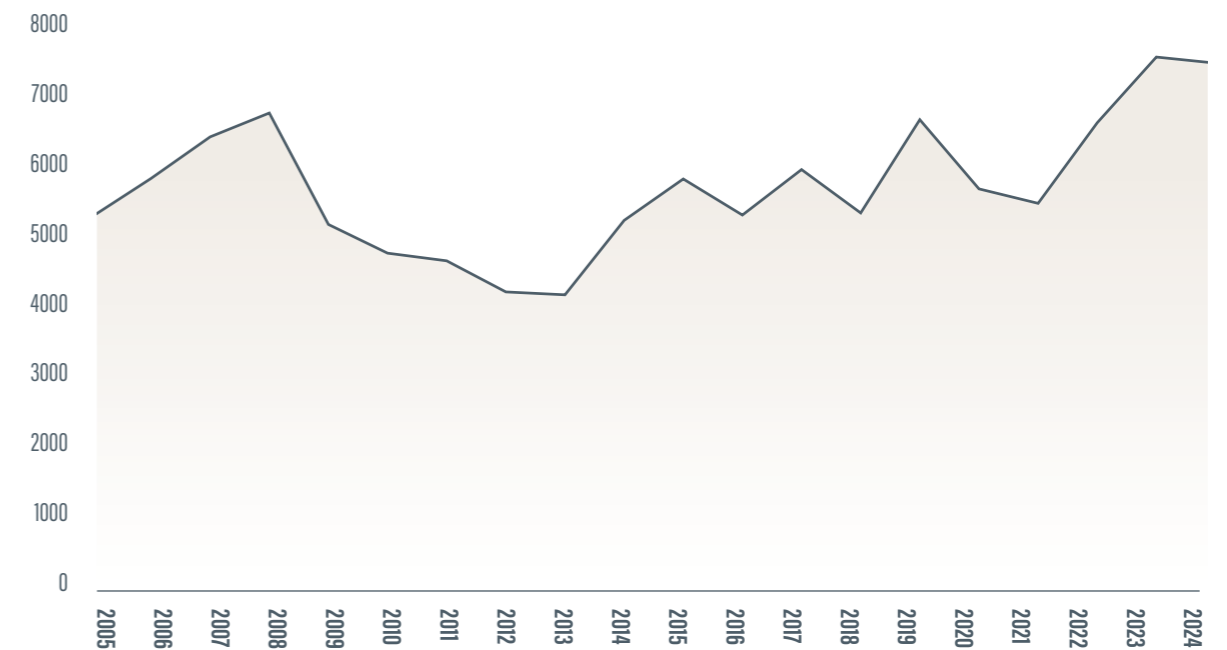
Private housing didn't see the drop that was experienced in other regions, while there was a slight reduction in both infrastructure and public housing work. 

Going into 2024, we expect output in the North East to reduce slightly, by just over -1.0%, as private housing and industrial output look set to drop. 

CONSTRUCTION OUTPUT (£M) 2005-2024 NORTH EAST

Source: ONS, ref. CSN Explained, Section 4, Note: 1

FIGURE 2



## OUTPUT FORECAST 2024-2028

The North East has an average annual output growth rate of 1.5% over the next five years, which is lower than the UK rate of 2.4%. This is due to a combination of a drop in new work for 2024, which picks up slowly from 2025 onwards, alongside low growth for the R&M sectors from 2025.

This is like the pattern we expect to see across the UK, just at a slightly reduced level.

The sectors with the highest average growth rates are public non-housing (3.0%), and non-housing R&M (2.9%), whereas the gains by value of output

will come from non-housing R&M and infrastructure work. This reflects a combination of growth in these sectors and their relative importance for work in the region. ■

# FORECAST

The projects driving the forecast across the region are, Riverside Sunderland, labelled as the most ambitious city centre regeneration project in the UK, is set to be a new, carbon-neutral urban quarter for the city. Work includes 1,000 new energy efficient homes in four distinctive neighbourhoods, doubling the city centre population and creating a new community.

A new central business district will also be created with 1 million square feet of modern office space, alongside space for small businesses and start-ups. Plans have also been approved for the £475m proposal for Crown Works film and TV studios which could create one of Europe's largest facilities as well as thousands of jobs.

Durham Council have committed to build 500 new council houses in the coming years, with the council house delivery programme bringing in around £77.5million of capital investment into the county.

Two projects have been given £23m secured through the region's devolution deal, with a new arena on the Gateshead Quayside and two Durham business parks being the first beneficiaries.

Hartlepool's transformational programme will capitalise on £121m of capital development funding secured to completely revitalise the Teesside town. Gateshead Health NHS Foundation Trust and The Newcastle Upon Tyne Hospitals NHS Foundation Trust have secured £20m to develop a Community Diagnostic

Centre (CDC) at the Metrocentre in Gateshead.

Northumberland County Council has already approved a multi-million investment in the Coquet Partnership of schools, including a new building for James Calvert Spence College in Amble. A total of £39m will be spent in the area, including £25.7m going towards new school buildings for James Calvert Spence College. ■



Crown Works film and TV studios:

£475m



New buildings for James Calvert Spence College:

£25.7m

CONSTRUCTION OUTPUT – NORTH EAST (£ MILLION, 2019 PRICES)

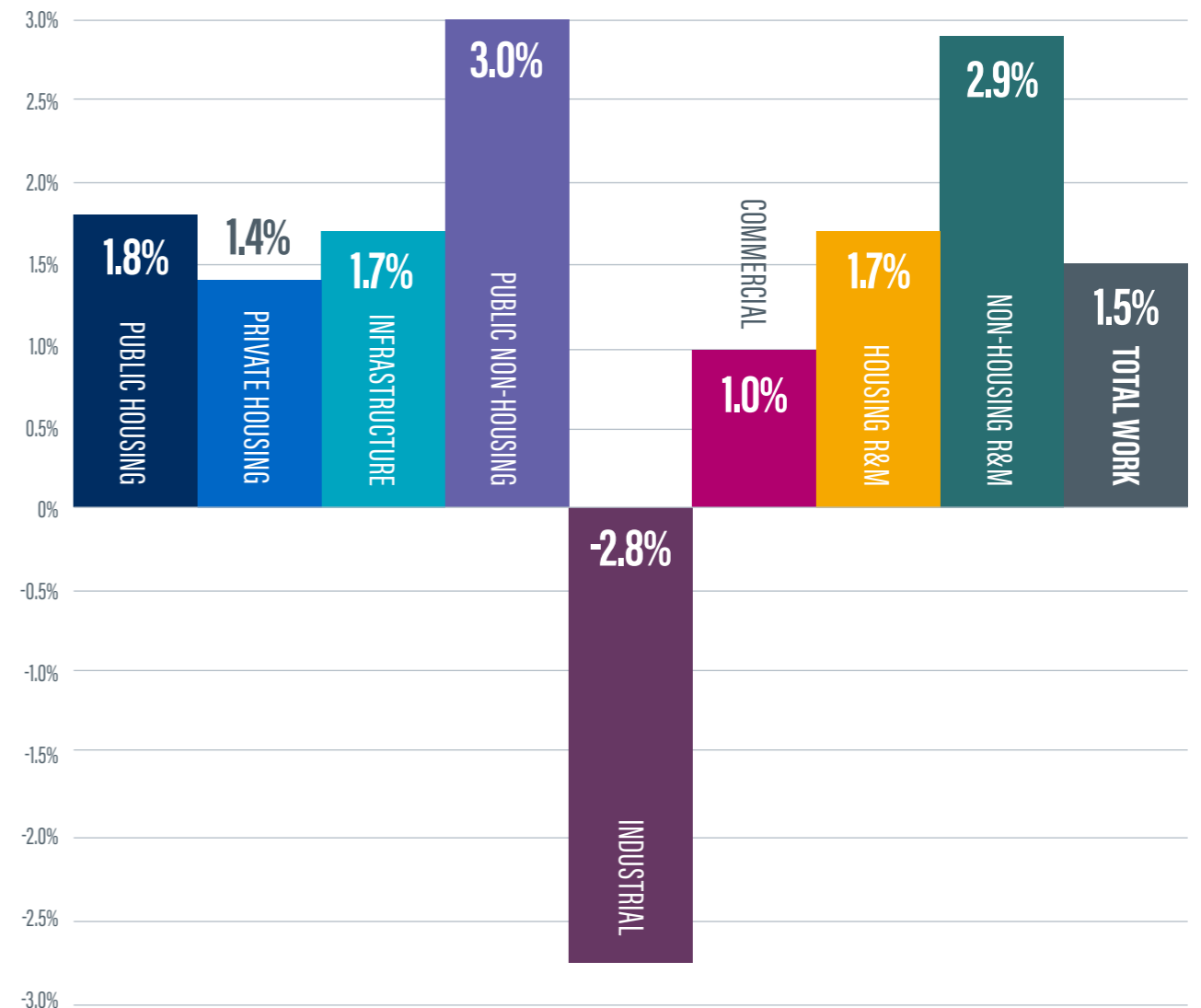
FIGURE 3

	ACTUAL LEVEL	FORECAST ANNUAL % CHANGE					ANNUAL AVERAGE
		2023	2024	2025	2026	2027	
Public housing	211	-0.1%	2.1%	2.3%	2.3%	2.2%	1.8%
Private housing	1,169	-6.2%	9.5%	1.3%	1.6%	1.5%	1.4%
Infrastructure	1,449	-2.1%	2.8%	3.2%	2.6%	2.3%	1.7%
Public non-housing	457	3.1%	4.3%	3.0%	2.6%	2.3%	3.0%
Industrial	745	-14.1%	-7.4%	3.8%	2.6%	2.4%	-2.8%
Commercial	974	-0.2%	1.4%	1.4%	1.1%	1.1%	1.0%
<b>New work</b>	<b>5,004</b>	<b>-3.9%</b>	<b>2.8%</b>	<b>2.4%</b>	<b>2.0%</b>	<b>1.9%</b>	<b>1.0%</b>
Housing R&M	959	2.2%	2.7%	1.2%	1.3%	1.3%	1.7%
Non-housing R&M	1,444	6.3%	2.5%	2.4%	1.7%	1.5%	2.9%
<b>Total R&amp;M</b>	<b>2,403</b>	<b>4.6%</b>	<b>2.6%</b>	<b>1.9%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>2.4%</b>
<b>Total work</b>	<b>7,407</b>	<b>-1.1%</b>	<b>2.7%</b>	<b>2.2%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>1.5%</b>

ANNUAL AVERAGE CONSTRUCTION OUTPUT GROWTH 2024-2028 NORTH EAST

Source: Experian ref. CSN Explained, Section 4, Note 2

FIGURE 4



# WORKFORCE FORECAST<sup>2</sup>

Average annual increase of construction workforce: **0.1%**

The level of output growth in the North East gives an annual average increase of 0.1% in the construction workforce, which is lower than the UK figure of 0.6%.

We forecast that the 2023 workforce of 92,030 in the region will decrease slightly to 89,730 in 2024 and remain around this level in 2025, before increasing to reach 92,560 by 2028. This is similar to the pattern seen across the UK with the construction workforce reducing in 2024<sup>3</sup>, although most regions are seeing a bit of a pick-up in 2025.

FIGURE 5

TOTAL EMPLOYMENT BY OCCUPATION — NORTH EAST	ACTUAL 2023	ESTIMATE 2024	FORECAST 2028
Directors, executives and senior managers	8,310	7,940	7,950
Construction project managers	1,200	1,070	980
Non-construction professional and technical office based staff	6,260	6,100	6,290
Other non-construction office-based staff	7,450	6,820	6,440
Construction trades supervisors	1,180	1,130	1,150
Carpenters and joiners	4,670	4,890	5,560
Bricklayers and masons	5,070	5,180	5,610
Other construction and building trades	3,400	3,400	3,630
Painters and decorators	3,090	2,980	3,010
Plasterers	2,170	2,230	2,650
Roofers	2,830	2,580	2,390
Floorers and wall tilers	1,840	1,690	1,480
Glaziers and window trades	910	870	850
Scaffolders	1,710	1,640	1,650
Plant operatives	2,540	2,430	2,520
Plant mechanics/fitters	1,770	1,830	2,080
Steel erectors and metal workers	850	880	1,020
Labourers	6,090	5,940	6,160
Groundworkers	920	960	1,070
Electrical installation trades	4,990	4,670	4,500
Plumbing and HVAC trades	5,220	5,210	5,540
Logistics	2,250	2,220	2,290
Road and rail construction operatives	2,030	1,930	1,800
Non-construction trades and operatives	1,270	1,300	1,430
<b>Total (SIC 41-43)</b>	<b>78,020</b>	<b>75,890</b>	<b>78,050</b>
Civil engineers	2,400	2,220	2,120
Other professionals and technical staff working in construction	9,100	9,010	9,390
Architects	860	870	950
Surveyors	1,650	1,750	2,040
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>92,030</b>	<b>89,730</b>	<b>92,560</b>

Source: ONS, CSN, Experian. ref. CSN Explained, Section 4, Notes 5 and 6

<sup>2</sup> workforce covers construction contracting, SIC 41, 42 & 43 along with supporting technical and professional workers in SIC 71 and 74.9.

<sup>3</sup> The 28 occupational groups used in the report have been updated to align with the new Standard Occupational Classification: SOC(2020). Full details are covered in accompanying Technical Annex.

# ANNUAL RECRUITMENT REQUIREMENT (ARR)



The average annual recruitment requirement in the North East is set to average

**1.5%** PER YEAR

based on 2023 workforce levels, which is lower than the UK figure of 1.9%, and a reflection of the lower growth rate in output. This means the construction industry would have to increase current recruitment by 1,370 new workers each year to deliver the expected work between the start of 2024 and end of 2028.

The following occupations have some of the strongest recruitment requirement values:

- Other non-construction office-based staff (290 per year)
- Plant operatives (240 per year)
- Painters and decorators (110 per year)

There will be pressure on occupations such as plant operatives (9.5%), construction supervisors (6.8%), plant mechanics/fitters (4.5%) and roofers (3.2%) where demand is high compared to their workforce level.

For occupations that have no ARR value on the table, indication is that recent levels of recruitment will be able to meet future need if they are maintained.

FIGURE 6

ANNUAL RECRUITMENT REQUIREMENT BY OCCUPATION — NORTH EAST	% OF 2023 WORKFORCE	VALUE
Directors, executives and senior managers	70	0.8%
Construction project managers	<50	-
Non-construction professional and technical office based staff	-	-
Other non-construction office-based staff	290	3.9%
Construction trades supervisors	80	6.8%
Carpenters and joiners	-	-
Bricklayers and masons	80	1.6%
Other construction and building trades	110	3.2%
Painters and decorators	110	3.6%
Plasterers	-	-
Roofers	90	3.2%
Floorers and wall tilers	-	-
Glaziers and window trades	<50	-
Scaffolders	-	-
Plant operatives	240	9.5%
Plant mechanics/fitters	80	4.5%
Steel erectors and metal workers	-	-
Labourers	100	1.6%
Groundworkers	-	-
Electrical installation trades	70	1.4%
Plumbing and HVAC trades	-	-
Logistics	<50	-
Road and rail construction operatives	50	2.5%
Non-construction trades and operatives	-	-
Civil engineers	<50	-
Other professionals and technical staff working in construction	-	-
Architects	<50	-
Surveyors	-	-
<b>Total (SIC 41-43, 71.1, 74.9)</b>	<b>1,370</b>	<b>1.5%</b>

Source: ONS, CSN, Experian. ONS: "This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates." ref. CSN Explained, Section 4, Notes 5 and 6.

# RECRUITMENT AND TRAINING

Construction job vacancies in the North East remain at about 75% higher than pre-covid (2019) levels.

# 75%



The current level of recruitment in the region's construction industry has been around 7,000 workers per year, although slightly more left each year which gives a slight outflow of workers and helps to explain why the workforce levels have dipped.

For the industry to meet expected demand in the region, the forecast shows that recruitment would have to increase by the equivalent of 1,370 workers per year. This is important to understand because there is a still a relatively high level of construction vacancies in the North East that need filling going into 2024.

Figure 7 shows how construction job vacancies in the region have remained noticeably above the UK trend in recent months, and they are still about 75% higher than pre-covid (2019) levels.

Construction workers are still in demand and relatively low levels of unemployment leads to competition for workers. To fill vacancies and recruit new staff, companies can:

- Attract skilled workers who have left the industry back into construction. This would be either those who have left to work in other industries or those that have become unemployed or inactive.
- Recruit and train new entrants into construction from those leaving school, further education, higher education or migration.
- Improve the retention of workers within the industry.
- Look at how productivity can be improved.

Companies that meet what workers value the most are the ones that are more likely to be successful at

attracting and retaining new staff. That could range from being able to offer long-term career opportunities with support to help development, through to good levels of pay, flexible working to have a positive work life balance and creating a culture of fairness, inclusion, and respect.

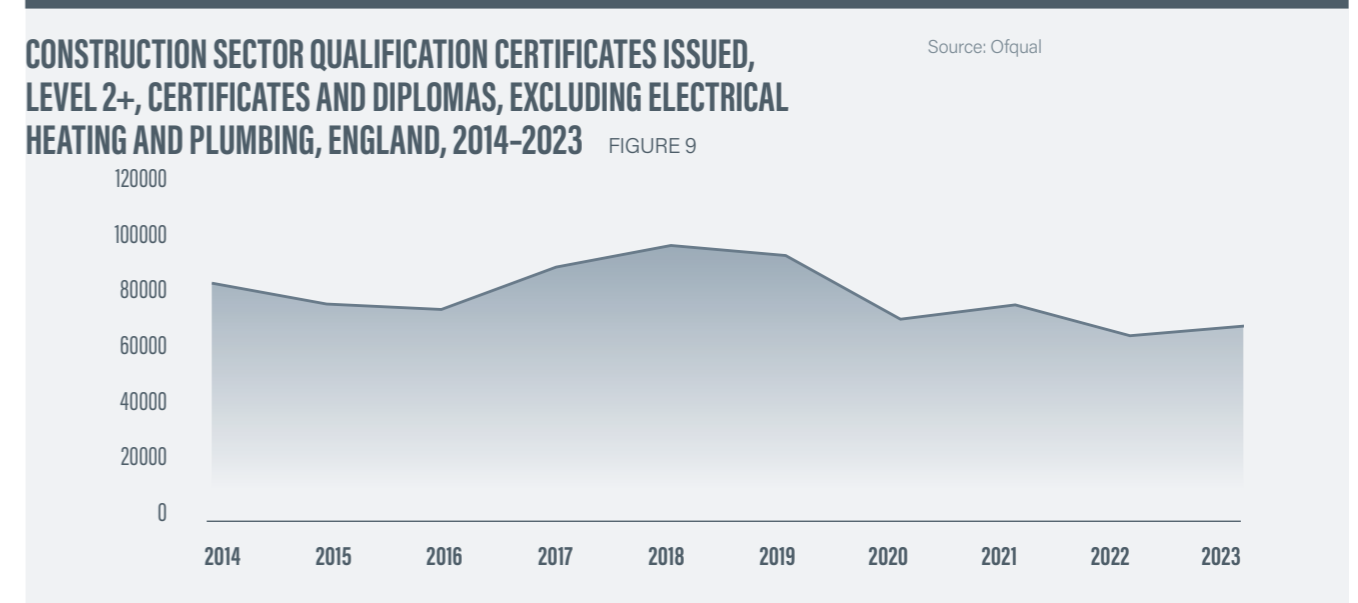
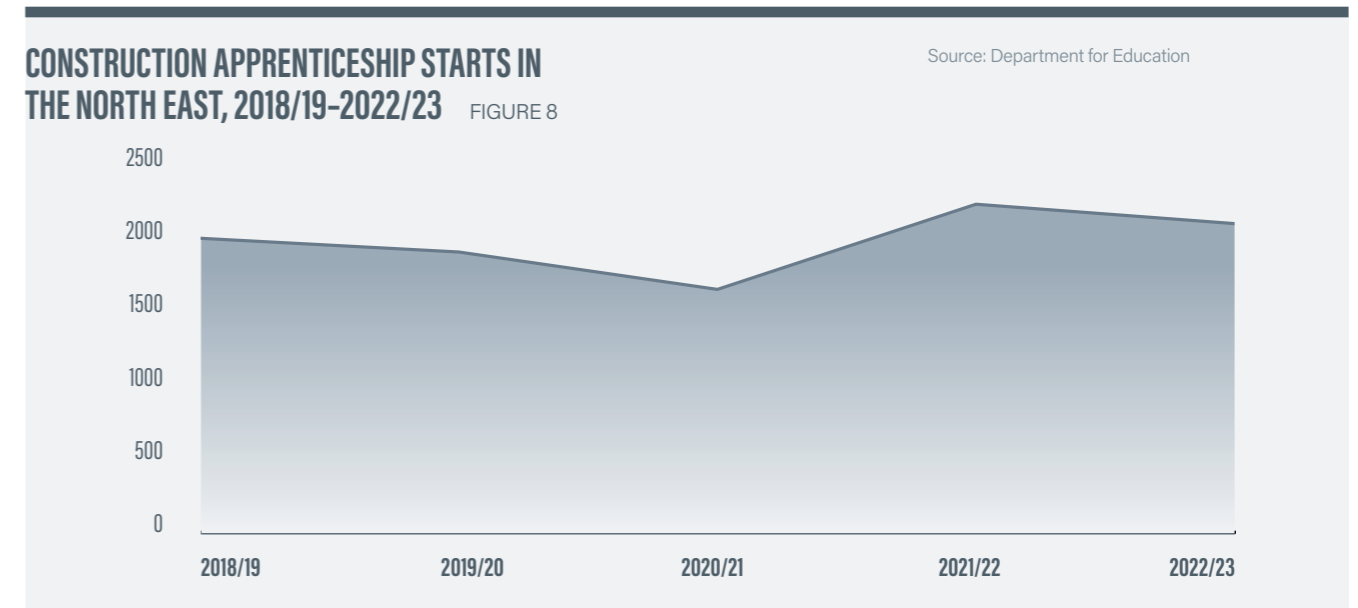
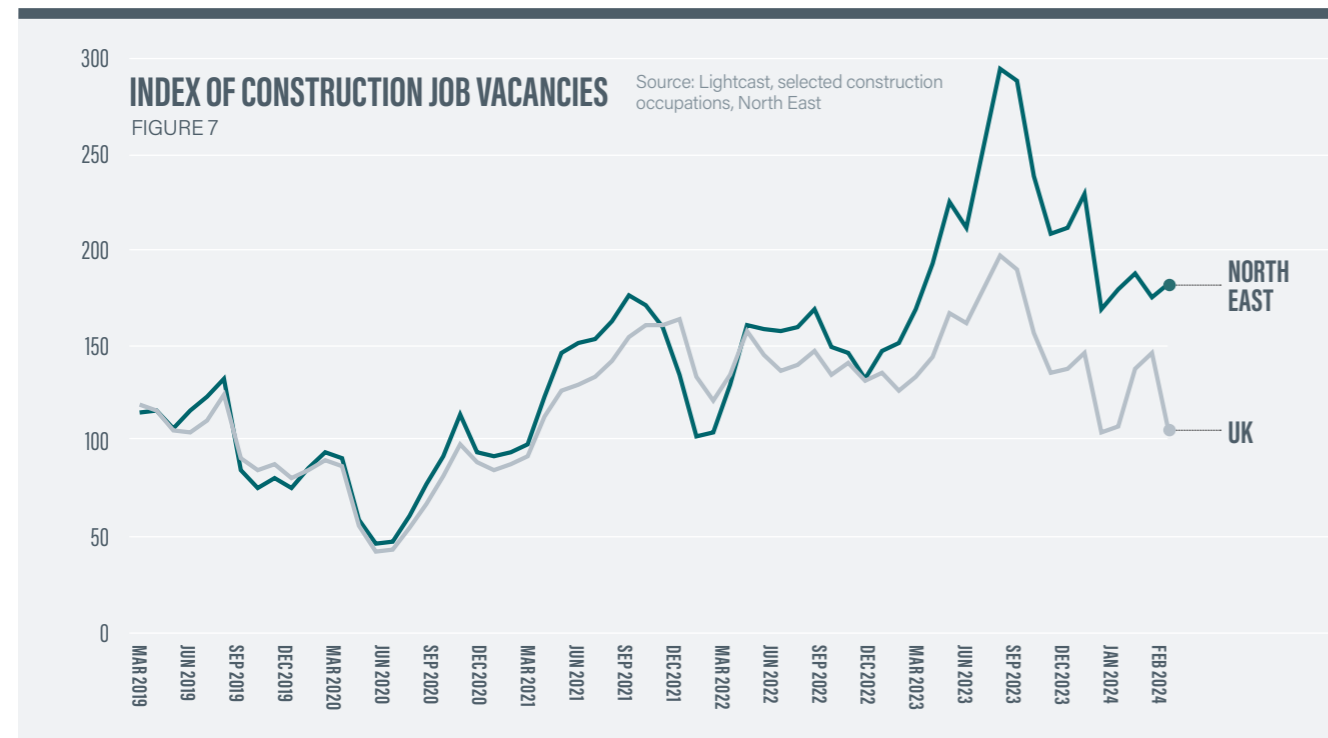
Training is an important aspect of staff development and recent trends aren't positive for construction.

Figure 8 shows construction apprenticeship starts in the North East picking up strongly after Covid-19 lockdown, ending the 2021/22 academic year 35% up on 2020/21, however, they dropped in 2022/23 by -6%. Indications are that 2023/24 will see a further drop in starts as half year numbers are down by -15% compared to the same point in 2022/23. ■

Looking at the range of construction training achieved across England at Level 2 and above, there is a similar pattern. From 2014–2016 there was a decline in certificates issued, which then increased from 2017–2019, with the main qualifications being related to plant operations, site carpentry and brickwork. 2020 saw a reduction in the number of certificates being issued,

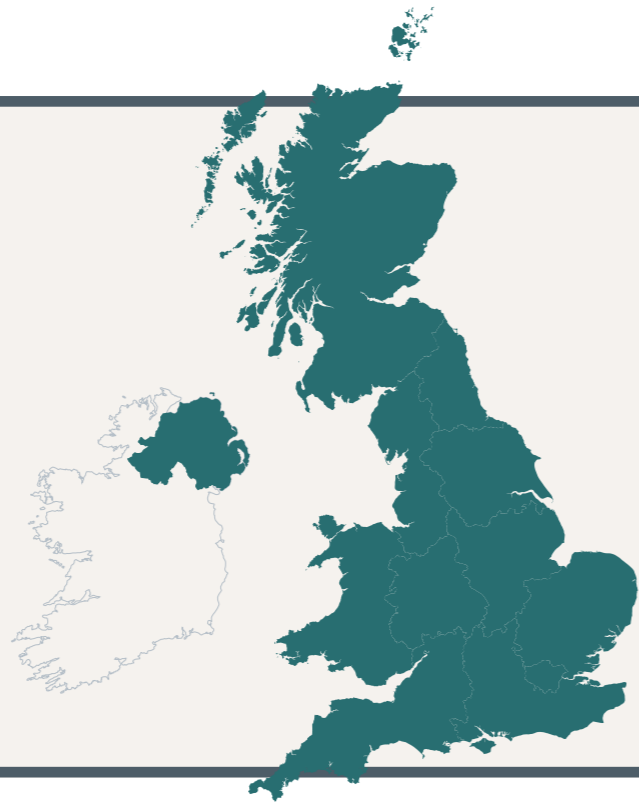
- which hasn't really increased (see Figure 9).
- 2014–2016: average of 80,000 certificates per year
  - 2017–2019: average of 95,000 certificates per year
  - 2020–2023: average of 72,000 certificates per year

At a time when the construction industry needs additional workers, a drop in training being carried out will add to the challenges being faced by companies, and it is important for this to be addressed. ■





# CITB SUPPORT TO INDUSTRY



As employers are struggling to find workers, CITB will support the construction industry by investing in three priority areas:

■ **Inform and enable diverse and skilled people into construction:**

by raising the profile of construction careers through activities such as Go Construct, Skillbuild, and STEM Ambassadors. Supporting people into the industry through work experience and Tasters, Apprenticeships, the New Entrant Support Team, and Onsite Experience hubs, and providing funding to support the cost of training new entrants.

■ **Develop a training and skills system to meet current and future needs:**

updating standards, to ensure training delivers the skills industry needs, working with industry to develop a competence-based skills system that will provide more flexible routes in, and working with governments to influence apprenticeships on industry's behalf.

■ **Support the industry to train and develop its workforce:**

this is imperative to meet the skills needs of industry. Employers have told us they are looking to upskill their workforce to fill gaps, and core occupational training needs to be delivered efficiently. To make this work, CITB will develop and test a new Training Needs Analysis service, to help small businesses make informed decisions about the training they need. CITB will also provide financial incentives to help businesses to do more training and work with providers to identify gaps in supply so that good quality training is available when and where it's needed. ■

**CITB WILL DEVELOP AND TEST A NEW TRAINING NEEDS ANALYSIS SERVICE, TO HELP SMALL BUSINESSES MAKE INFORMED DECISIONS ABOUT THE TRAINING THEY NEED.**



# CITB SUPPORT TO THE NORTH EAST



In the North East, CITB will:

■ **Improve regional activity of Ambassadors:**

Promote and train Construction STEM Ambassadors with employers, to be the voice of industry and to provide support for schools, Colleges, Universities & training providers to promote construction as a positive career opportunity. This activity will drive more career insight and talks in the region and support Taster activity to help the recruitment of workers.

■ **Recruitment Expo:** Create and deliver a Recruitment Expo with the Leeds College of Building to better support employers to find future employees directly from colleges. This will demonstrate how industry can partner with and benefit from regular contact with college students and teachers to create a tailored recruitment process. This project is about making sure employers can align their careers activity with their local colleges to support the needs of their business.

■ **College and Training Provider Engagement**

Engage with all Further Education Colleges across the North East that offer construction training programmes to make sure that they meet local needs and are valued by employers. This will involve using the Adult Education budget improve skills gaps as well as maximising Bootcamp activity in the region, building a platform for the provider network's activity.

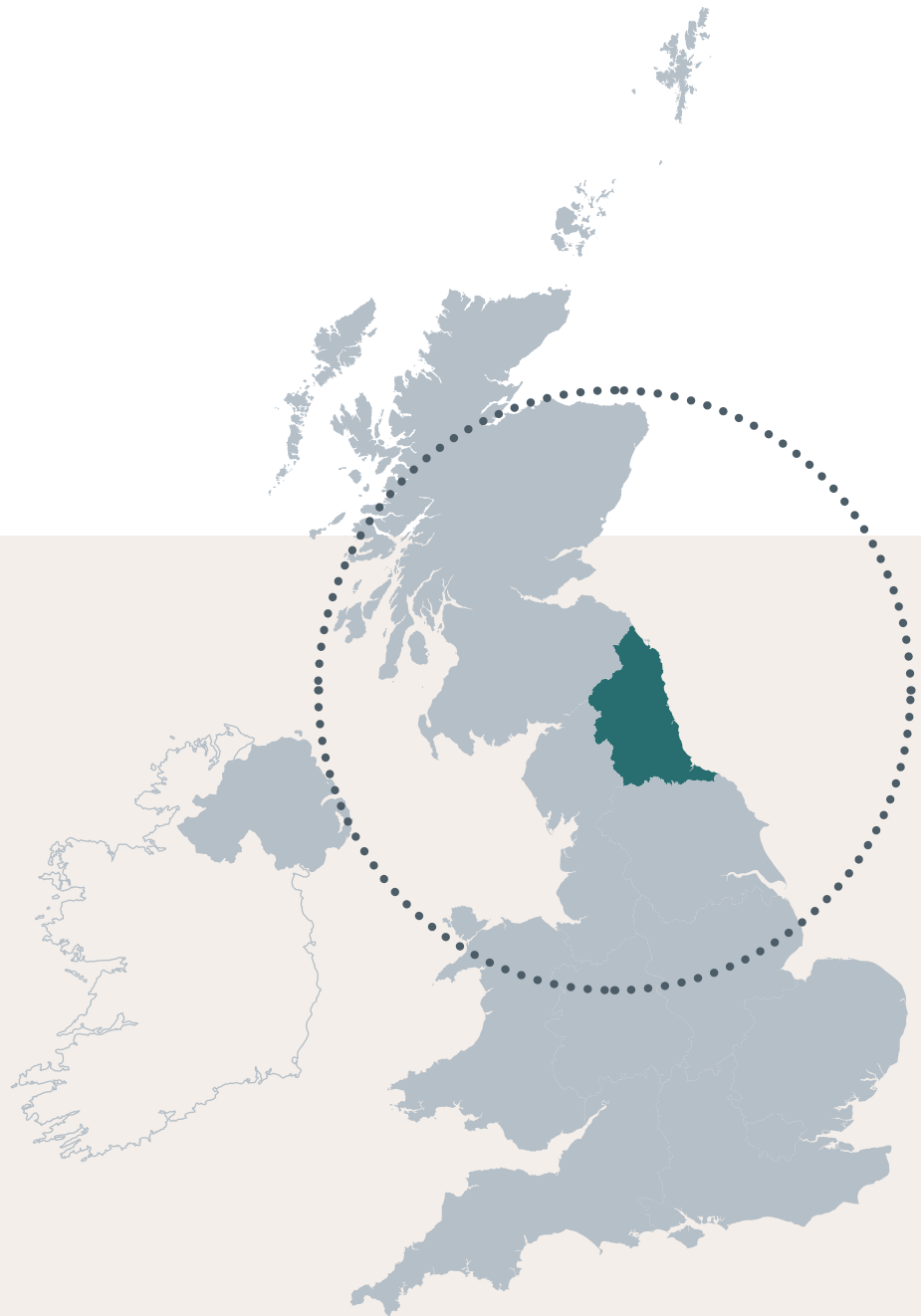
Overcoming skills shortages by supporting training and recruitment in a more competitive labour market requires combined action from CITB, construction companies, training providers and government. Having a workforce that is competent and trained to make the most of the future opportunities is vital to ensuring the North East has the volume of energy efficient homes it needs, the infrastructure to ensure the economy thrives, and to tackle the retrofit of the built environment to meet net zero targets. As the report sets out, annually construction will continue to support over 90,000 workers and contribute over £7.4bn worth of output from an industry that accounts for 14% of all businesses that employ people in the region. ■



Annually the construction industry will contribute over

**£7.4bn**  
WORTH OF OUTPUT





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## NORTH EAST

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**FOR MORE INFORMATION  
ABOUT THE CONSTRUCTION  
SKILLS NETWORK CONTACT:**

**IAN HILL  
INDUSTRY INSIGHT MANAGER  
IAN.HILL@CITB.CO.UK**

**VISIT:  
CITB.CO.UK/CSN**

Cover image: The Glasshouse  
International Centre for Music, Gateshead