



BRIEFING PAPER

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Construction industry: statistics and policy

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Summary

In 2014 the construction industry in the UK contributed £103 billion in economic output, 6.5% of the total.

2.1 million jobs or 6.2% of the UK total were in the construction industry in Q 2015.

The construction industry, particularly house building, fared badly during the recession. Output in the construction sector fell faster than the whole economy in 2008. 2009 saw the sector recover faster than the economy as a whole, and 2010 and 2011 saw broadly flat growth, followed by another contraction in 2012 and partial recovery through 2013.

The Coalition Government's strategy paper on the construction industry is *Construction 2025*, published in July 2013.

The construction industry was also highlighted in the in the March 2011 *Plan for Growth*. These documents are summarised and key policies highlighted.

1. Contribution to the economy

1.1 Gross value added

The contribution of any industry to the UK economy is best measured by its gross value added (GVA). GVA only considers the actual 'added value' of the industry, and excludes costs incurred in the production process. The table below shows the economic contribution of the construction industry in 2011 prices and as a share of the economy.

In 2014, the construction industry's output was £103 billion, 6.5% of the total economy. The industry's output rose in 2014 by 9.5% in real terms, the biggest increase since at least 1990.

Output from the construction sector is at around the 2005 level in real terms, below output in the 2006 to 2008 period.

Construction sector's contribution to the economy

Gross Value Added

	£ billions (current prices)	£ billions (2011 prices)	Real % change	% of economy
1997	43	79	...	5.5%
1998	47	80	1.5%	5.7%
1999	48	81	1.3%	5.6%
2000	56	82	0.9%	6.1%
2001	59	83	1.8%	6.2%
2002	66	88	5.7%	6.6%
2003	72	92	4.8%	6.8%
2004	76	97	5.3%	6.8%
2005	81	95	-2.4%	6.8%
2006	86	96	0.8%	6.8%
2007	91	98	2.2%	6.9%
2008	90	95	-2.6%	6.6%
2009	81	83	-13.2%	6.0%
2010	84	90	8.5%	6.0%
2011	92	92	2.2%	6.3%
2012	89	85	-7.5%	6.0%
2013	92	86	1.4%	6.0%
2014	103	94	9.5%	6.5%

Sources: ONS series KKI3, KKP5, KL9D

1.2 Employment

There were 2.1 million jobs in the construction industry in Q2 2015, 6.2% of the total. In the last ten years, the number of jobs in the construction industry has been broadly steady (despite falling in 2009 and 2010). However, the number of construction jobs as a proportion of all jobs has been declining from 7.0% in 2005 to the current figure of 6.2%.

Workforce jobs in the construction industry, UK

	Millions	% of all jobs
1982	1.79	7.0%
1992	1.94	7.0%
2005	2.18	7.0%
2006	2.25	7.1%
2007	2.30	7.2%
2008	2.28	7.1%
2009	2.24	7.1%
2010	2.08	6.6%
2011	2.05	6.5%
2012	2.05	6.4%
2013	2.04	6.4%
2014	2.10	6.3%
2015	2.11	6.2%

Source: ONS Nomis Database, Workforce Jobs

Notes: Q2 each year

1.3 Sectors within the construction industry

The table below shows the value of construction sector orders broken down by type of work in Q2 2015. Overall, orders from the private sector accounted for three quarters of all orders. Private sector housing orders were worth £6.6 billion, up 12% on the year (in nominal terms).

Value of construction output by type of work

Q2 2015

	£ billions	% of total
<i>Private sector</i>	<i>16.8</i>	<i>74%</i>
Housing	6.6	29%
Infrastructure	2.6	12%
Industrial	1.1	5%
Commercial	6.4	29%
<i>Public sector</i>	<i>5.8</i>	<i>26%</i>
Housing	1.4	6%
Infrastructure	1.8	8%
Other	2.6	11%
<i>Total</i>	<i>22.5</i>	

Source: ONS, *Output in the construction sector, Sheet A, Table 5*

2. The impact of the recession on the construction sector

2.1 Economic output

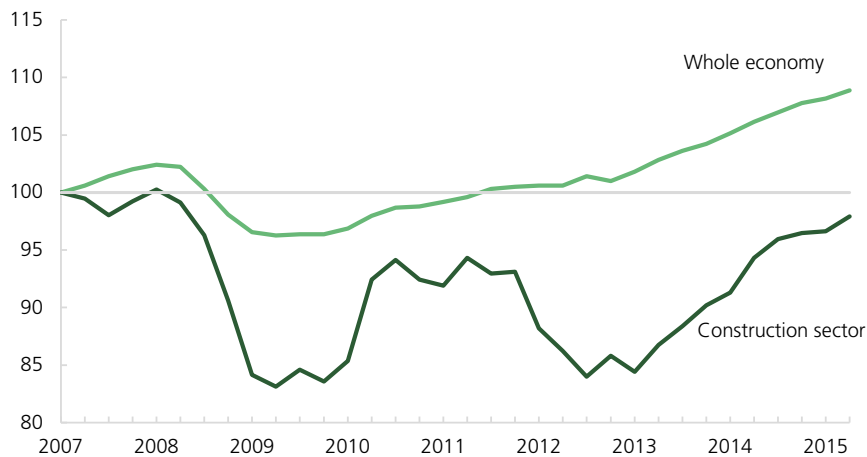
The construction sector accounts for 6.1% of total economic output in the UK.

The period since the recession of 2008 and 2009 has been marked by contractions followed by spurts of growth in the construction sector. By comparison, the economy as a whole has seen growth since 2009, small contractions in 2012, and stronger growth since 2013.

Output in Q2 2015 was 2% below the Q1 2007 level, compared to growth of 9% in the whole economy over the same period.

Economic output (Gross value added)

Index where Q1 2007=100; ONS series L2N8 and L2KK

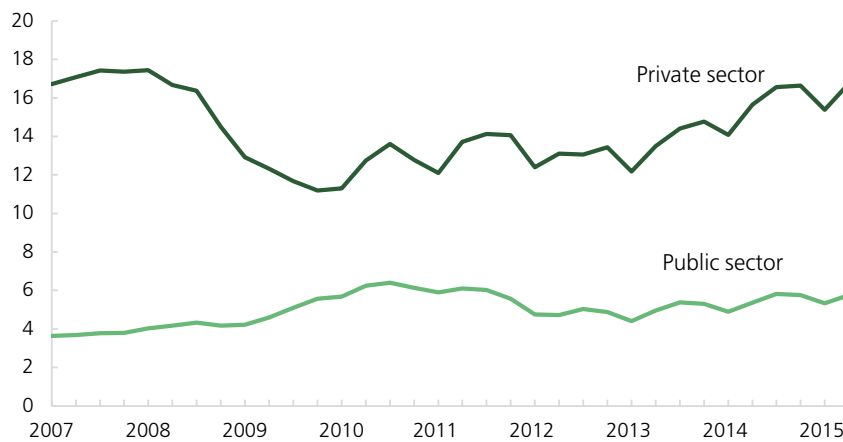


2.2 Total orders

In the first quarter of 2007, private sector orders to the construction sector were worth more than five times the value of orders from the public sector. Through 2008 and 2009, private sector orders fell. At the same time public sector orders increased, partly as a result of the then Government’s fiscal stimulus, which involved bringing forward some infrastructure orders.

From 2013 onwards, private sector orders have picked up and in Q2 2015, they were worth £16.8 billion, compared to public sector orders worth £5.8 billion.

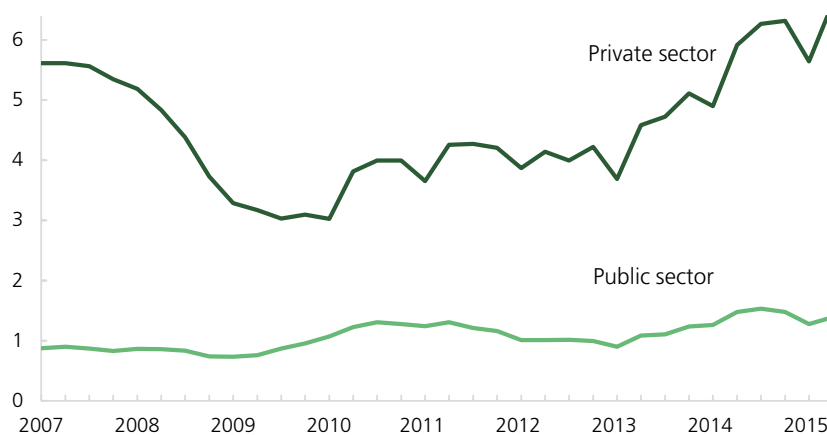
Construction sector output: Total
£ billions, current prices



2.3 Housing orders

The recession had a particularly marked impact on private sector house building. Private sector orders (76% of housing orders in Q1 2007) fell sharply until 2009 but have since recovered, particularly since 2014. In Q2 2015, private sector orders were worth £5.6 billion, 83% of all house building orders.

Construction sector output: Housing
£ billions, current prices

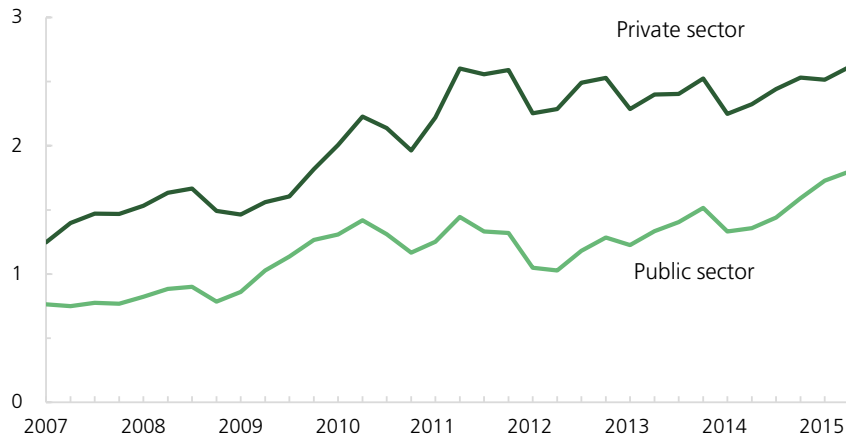


2.4 Infrastructure orders

Infrastructure orders from the private sector rose in 2009 and 2010. They have since remained at roughly the same level. Public sector orders have been below the private sector during this whole period.

In Q2 2015, private sector infrastructure orders totalled £2.6 billion, 58% of all infrastructure orders.

Construction sector output: Infrastructure
£ billions, current prices



3. Coalition Government Policy

This section summarises the key construction sector documents and initiatives that were introduced by the Coalition Government.

Information on Government infrastructure spending and policy can be found in the Library Note, [Infrastructure Policy](#).

3.1 Construction 2025

In July 2013, the Coalition Government published *Construction 2025*, which summarises the [industrial strategy for the construction sector](#) in the coming decade.¹

The Government will work in conjunction with a range of industry bodies to achieve the following central “ambitions” of the strategy:²

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).

Construction 2025 outlines an ‘action plan’ which includes the steps Government and industry will take in the short and medium term to achieve the ambitions:

- **Smart construction/digital design.** Building on the relative strength of the UK as a hub for digital design.
- **Low carbon and sustainable construction.** Using technological developments and new materials to reduce the ecological impact of construction.
- **Global trade.** Using the UK’s trade relationships to foster new opportunities and investment.
- **Image of the industry.** Engage with young people to overcome negative stereotypes. Maintain high health and safety standards.
- **Skills and capabilities.** Make apprenticeships less dependent on market fluctuations. Establish common gateway for construction skills and qualifications. Enlarge the Construction Skills Certification Scheme, so that it becomes a nationally recognised and required means of establishing qualifications.
- **Future work opportunities.** Government will work to refine the infrastructure pipeline so that it provides a better indication of future demand. Develop a demand map for the industry,

¹ BIS, [Construction 2025](#), July 2013

² *Ibid*, p19

including regional data and construction type data showing where shortfalls will occur.

- **Supply chain.** Identify blockages and issues in the supply chain and work to resolve them. Promote the range of financial products available to SMEs working in construction.
- **Research and Innovation.** Develop funding and collaboration opportunities for businesses and researchers in areas identified as priorities. Improve post project evaluation and knowledge sharing.

3.2 Plan for Growth

The [Plan for Growth](#), published alongside the Budget in March 2011, set out how Coalition Government policy would aim to encourage growth in a number of industries, including construction.³ The document stressed the importance of investment in infrastructure projects and house building for the UK economy. The Government announced a number of 'actions' to assist the construction industry in particular, alongside more general measures to reduce regulations and reform the planning system.

In the *Plan for Growth* Government announced that it would publish a long term forward view of projects and programmes as part of the National Infrastructure Plan 2011. This was published in November 2011.⁴ The Government has since reported on progress against the plan.⁵ The Plan for Growth also announced a commitment to publish a quarterly rolling two year forward programme of infrastructure and construction projects where public funding is agreed. The Government also stated that procurement of construction projects would be reformed to reduce costs.

A number of measures were announced in the *Plan for Growth* which aimed to support house building. Under the FirstBuy programme, the Government would provide equity loans, jointly funded with house-builders, to assist with the purchase of a new build property. The Government stated that this would help at least 10,000 first time buyers. In addition, the Government announced that they would accelerate the release of public sector land to encourage new homes to be built. Reforms to stamp duty land tax rules applied to bulk purchases were announced to reduce a barrier to investment in residential property in order to promote the supply of private rented housing. A range of measures to remove barriers to entry for new Real Estate Investment Trusts were also announced. There would also be reforms to construction standards and codes in order to remove redundancy and duplication. New regulations for zero carbon homes to apply from 2016 were announced. The Government has published a [Plan for Growth Implementation Update](#) which reports progress against the proposals.

³ HM Treasury/ Department for Business Innovation and Skills, [Plan for Growth](#), March 2011, p115

⁴ See HM Treasury, [Infrastructure Investment Pipeline Data](#)

⁵ HM Treasury, [Infrastructure delivery update](#), March 2012

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Information about the Government's construction policy is available on the [Construction](#) pages of the BIS website

4. Labour Government policy during the recession

The Labour Government brought forward capital spending during 2009 in order to support the construction industry. The November 2008 *Pre-Budget Report* stated that:

...as part of the Government's fiscal stimulus package, bring forward £3 billion of capital spending from 2010-11 into 2009-10 and 2008-09 for housing, education, transport and other construction projects, supporting industries and jobs across the country.⁶

The Pre-Budget Report continued by stating that the construction industry was expected to be "disproportionately affected" by the economic downturn. Existing spending programmes would be brought forward as this could be done quickly, rather than initiating new projects which could take time. Bringing the spending forward would also mean that the boost would be temporary, as it would be offset in future years.⁷ In May 2009 the then Chief Secretary to the Treasury, Yvette Cooper, confirmed that the majority of the public sector capital projects being brought forward involved construction activity.⁸

Programmes were also introduced to encourage house building. The Kickstart programme of £1 billion was targeted at currently stalled sites to support the development of high-quality mixed tenure developments. A social housing new build programme provided £460 million funding for local authorities to deliver new social housing on land they already owned.⁹

⁶ HM Treasury, *Pre-Budget Report 2008*, para 1.30

⁷ *Ibid*, para 2.42

⁸ HC Deb 21 May 2009 c1508W

⁹ See HC Deb 4 November 2009

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