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# **BUILDING SKILLS**

TACKLING THE BUILT ENVIRONMENT  
SKILLS CRISIS

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# Acknowledgements

The report is primarily focused on England, as both housing and skills are devolved matters.

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## **CONTENTS**

SUMMARY .....	1
INTRODUCTION .....	4
1. THE BUILT ENVIRONMENT WORKFORCE .....	5
2. THE BUILT ENVIRONMENT SKILLS SYSTEM .....	11
3. THE CAUSES OF THE BUILT ENVIRONMENT SKILLS CRISIS .....	19
4. THE IMPACT OF THE BUILT ENVIRONMENT SKILLS CRISIS .....	25
5. RECOMMENDATIONS – TACKLING THE BUILT ENVIRONMENT SKILLS CRISIS .....	27

# SUMMARY

The construction and built environment sector is crucial to the UK economy, and it will play a vital role in delivering the government's housebuilding, growth and decarbonisation missions. But it has long faced a workforce and skills crisis – indeed, construction has the highest proportion of skills shortage vacancies of any industry. There are currently 37,000 jobs in construction and the built environment that are unfilled due to a lack of skilled workers.

The crisis is escalating, with the number of skills shortage vacancies increasing fivefold (419 per cent) since 2011. It is likely to get worse still in the coming years for at least two reasons:

- **The workforce is ageing:** 36 per cent of construction workers are aged over 50, and 700,000 are due to retire by the early 2040s.
- **Demand is set to increase:** An additional 48,000 construction workers are needed annually up to 2029 to meet rising demand.

The sector suffers from:

- **Underinvestment in training:** employers in the sector are less likely to train their workers. Employer investment per employee has fallen by 28 per cent since 2017, despite rising skills shortages.
- **Low apprenticeship starts and completions:** apprenticeship starts fell 29 per cent following the introduction of the levy, driven by a large decline among SMEs. The lack of apprenticeship opportunities acts as a 'bottleneck', preventing young people from building a career. Two in five (42 per cent) apprentices do not pass end point assessment, the highest rate of any sector subject area.
- **Challenges in further education:** many young people who complete courses in construction and the built environment do not go on to work in the sector, largely due to insufficient apprenticeship opportunities. There are also high levels of teacher vacancies, because teacher pay is below the industry average.

These acute problems are attributable in large part to a number of structural challenges facing the sector.

- **Unpredictable demand and short-termism:** regular downturns lead to high levels of attrition, and unpredictable demand undermines the incentives for employers to invest in training.

- **Excessive reliance on self-employment:** 27 per cent of workers in the sector are self-employed, double the average. Self-employed workers are half as likely to take part in training.
- **Fragmentation and reliance on SMEs:** the sector is dominated by SMEs, but the skills system struggles to meet their needs.
- **Cost and return on investment:** increasing costs have undermined employer perceptions of return on investment.

The workforce and skills challenge is not just an issue for the sector itself; it has a wider impact on our economy, and it should be a major concern for the government. Skills shortages undermine quality, safety and productivity, and increase costs. Without bold action, skills shortages risk becoming the main factor limiting our ability to build the homes and infrastructure we need, holding back growth and slowing decarbonisation.

The government introduced a £625m construction skills package a year ago. While this was welcome, we need to see further action that is more coordinated, at a greater scale, and targeted at the drivers of the skills crisis.

The government should work with industry and providers to develop a **cross-department workforce and skills strategy for construction and the built environment**. Led by the construction skills mission board, the strategy should be based on the following five themes:

1. **Train.** We need to improve incentives and support for employers to boost investment in training, with a focus on SMEs.
  - Strengthen **industry-provider partnership** by supporting industry placements and setting up local skills boards for the sector.
  - Introduce an **apprenticeship grant for employers**, targeted at SMEs, and worth up to £9,000 per apprenticeship.
  - Introduce an **apprenticeship grant for providers**, worth up to £2,500, to incentivise providers to support SMEs in the sector.
  - Pilot a **construction progress premium** to incentivise colleges to support students into jobs or apprenticeships in the sector.
  - Make training and funding more flexible by expanding **experienced worker routes** and the **shared apprenticeship scheme**.
  - Support the **recruitment of more teachers**, including through increasing the 'targeted retention incentive' to £10,000.
2. **Attract.** We need to make the sector a career of choice for young people and attract back skilled workers who have left the sector.
  - Develop a coordinated campaign, **Building Britain's Future**, to broaden the appeal of careers in the sector.
  - Develop a new employment programme, **Re-Build**, to support skilled workers who are unemployed or inactive back into the sector.

- Make the sector **more appealing for women and Black and minority ethnic communities** by improving workplace culture.
3. **Retain.** Alongside attracting and training new entrants, we need to retain skilled workers in the industry for longer.
    - Develop an **occupational health strategy** for the sector focused on making workplaces healthier and broadening access to support.
  4. **Reform.** We need to address the underlying causes of the skills crisis by reforming how the industry works.
    - **Boost, smooth, and improve the predictability of demand** through further planning reform and counter-cyclical investment.
    - Use **planning and procurement to drive training**, improving the use of Section 106, and introducing minimum training requirements through the Social and Affordable Homes Programme.
    - **Reducing the reliance on self-employment** by rebalancing the CITB levy and tackling bogus self-employment.
  5. **Immigration.** We need to ensure ongoing access to skilled migrants in the short term, and reduce the skills gaps that drive migration in the medium term, by linking immigration and skills policy.
    - Invest all funds raised by the **immigration skills charge** in skills.
    - **Expand the immigration salaries list and link it to training incentives** to improve access to skilled workers and drive investment in shortage occupations.
    - Introduce a **Work and Train Visa** to provide a route to skilled migrants who can both help build the homes and infrastructure we need and build the skills of the next generation.

These changes could be funded through increasing the growth and skills levy over time, reducing the threshold to £1m, or restricting the use of levy funds to non-graduates. Each measures would have a limited impact on the sector, whilst unlocking the investment that could fix the skills crisis.

# INTRODUCTION

The construction and built environment sector – which brings together the design, construction, management and maintenance of homes, buildings and infrastructure – is crucial to the UK economy. It provides millions of jobs, and plays a critical role as an enabler for the wider economy by delivering and maintaining the homes, buildings and infrastructure we need.

The built environment sector will become increasingly important in the coming years. The government has set out ambitious commitments to build 1.5m homes and retrofit 5m more this parliament. The government is also seeking to deliver a 10-year infrastructure plan to unlock growth and drive the roll-out of clean energy. If we are even to come close to delivering these commitments, we will need to significantly increase the output of the construction and built environment sector. This in turn will require a rapid increase in the number of workers in the sector.

This report explores the workforce and skills crisis facing the construction and built environment sector, with a particular focus on both the construction industry and engineering and building services trades.<sup>i</sup> We examine the current workforce and the scale and nature of the skills crisis facing the sector. We then explore the causes and the impact of the crisis. We conclude with policy recommendations to address the crisis, setting out how we can develop the skilled workforce required to build the homes and infrastructure that we need.

The report was based on a literature review, data analysis, interviews with six experts across the sector, and three workshops.

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<sup>i</sup> The engineering and building services sector, which includes electrical, plumbing, heating and ventilation, employs over a quarter (28 per cent) of the built environment workforce, and typically accounts for 40%-60% of construction project value (EBSSA, Sector Skills Plan, 2025)

# 1. THE BUILT ENVIRONMENT WORKFORCE

In 2024, there were a total of 3.9 million people<sup>i</sup> working in the built environment sector.<sup>ii</sup> Much of the sector is highly volatile, and prone to significant downturns. Construction in particular has seen two large contractions in the last two decades. The number of workers in construction fell by 371,000 – 15 per cent – between 2008 and 2012, following the global financial crisis and subsequent recession. After a partial recovery, the workforce then fell by 211,000 – 9 per cent – between 2019 and 2021 following both the coronavirus pandemic and the ending of freedom of movement. On neither occasion has the workforce subsequently returned to its pre-crisis size. The construction workforce in 2025 was nearly half a million (436,000) smaller than in 2008.<sup>2</sup>

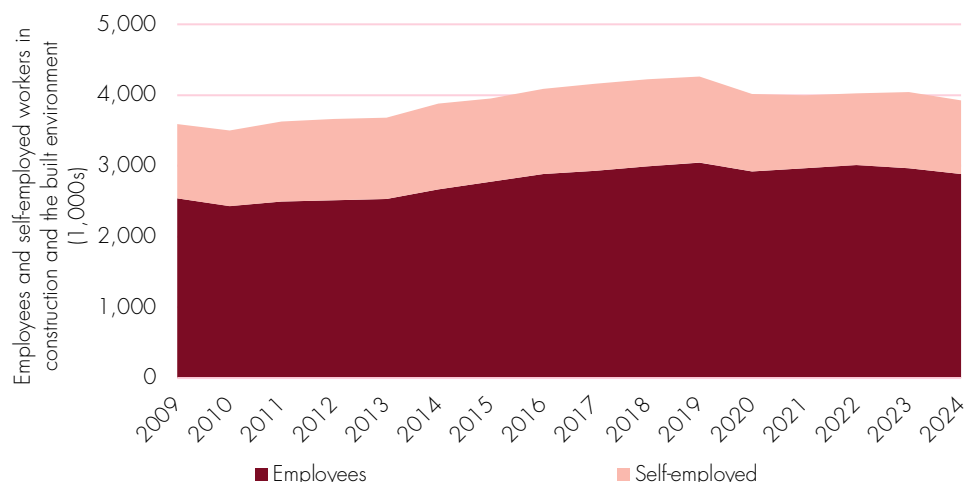
As the graph below shows, the construction and built environment sector is heavily reliant on self-employment. More than one in four (27 per cent) workers in the sector in 2024 were self-employed, double the proportion across the economy as a whole (13 per cent). The proportion of workers who are self-employed specifically in construction is even higher still, at 38 per cent.<sup>3</sup>

The engineering and building services trades are also experiencing a diminishing workforce. The electrical workforce in England decreased by 25 per cent from 214,200 in December 2018 to 160,200 in December 2024. Based on the current trajectory, projections from JTL suggest that it could decline a further 32 per cent by 2038.<sup>4</sup>

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<sup>ii</sup> We use an industry-based definition of the built environment sector, adapting the approach taken by [NIA, GLA Economics and LSE](#). This includes the following two digit SIC codes: 23, 35, 36, 37, 41, 42, 43, 71, 81. We have excluded real estate activities, given this is primarily focused on the sale and rent of buildings, rather than their construction and maintenance.

**FIGURE 1: THE BUILT ENVIRONMENT WORKFORCE IN THE UK HAS DECLINED SINCE THE PANDEMIC**



Source: Office for National Statistics, Business Register and Employer Survey and Labour Force Survey, 2025

Women are significantly underrepresented in the sector. In construction, for example, just 15 per cent of workers were women in 2025.<sup>5</sup> This is the lowest proportion of women in any sector of the economy. Furthermore, women made up just 9 per cent of apprenticeship starts in the construction and built environment sector in 2024/25.<sup>6</sup> This suggests that the industry is unlikely to substantively address the underrepresentation of women any time soon.

Similarly, ethnic minority workers are underrepresented in the built environment. The proportion of workers in construction from an ethnic minority background has increased from just 3.5 per cent in 2005 to 8.9 per cent in 2025. However, this remains far lower than the proportion of ethnic minority workers across the economy as a whole (17.4 per cent).<sup>7</sup>

The construction and built environment workforce is also ageing rapidly. More than one in three (36 per cent) workers in construction are aged 50 or over, up from just over one in four (27 per cent) two decades previously.<sup>8</sup> This means that there are 700,000 construction workers due to reach state pension age by the early 2040s. Given the physical nature of much of the work, and the high levels of work-related health conditions (see below), many of these workers will leave the sector before state pension age. The sector will therefore need to recruit a large number of workers just to stand still.

## Migration

Migration has played a role in meeting skills needs in the construction and built environment sector in recent years. Around 12 per cent of payrolled workers in the construction industry in 2024 were born outside the UK.<sup>9</sup>

Recent changes to migration policy have had a significant impact on construction. Skilled visa applications decreased significantly following the introduction of a higher salary threshold for skilled migrant workers in April 2024. The recent immigration white paper has committed to further increasing restrictions, including requiring degree-level qualifications and a higher salary threshold for the skilled worker visa. Analysis by Centre for European Reform has found that construction would be particularly impacted by these new rules.<sup>10</sup>

## Skills shortages

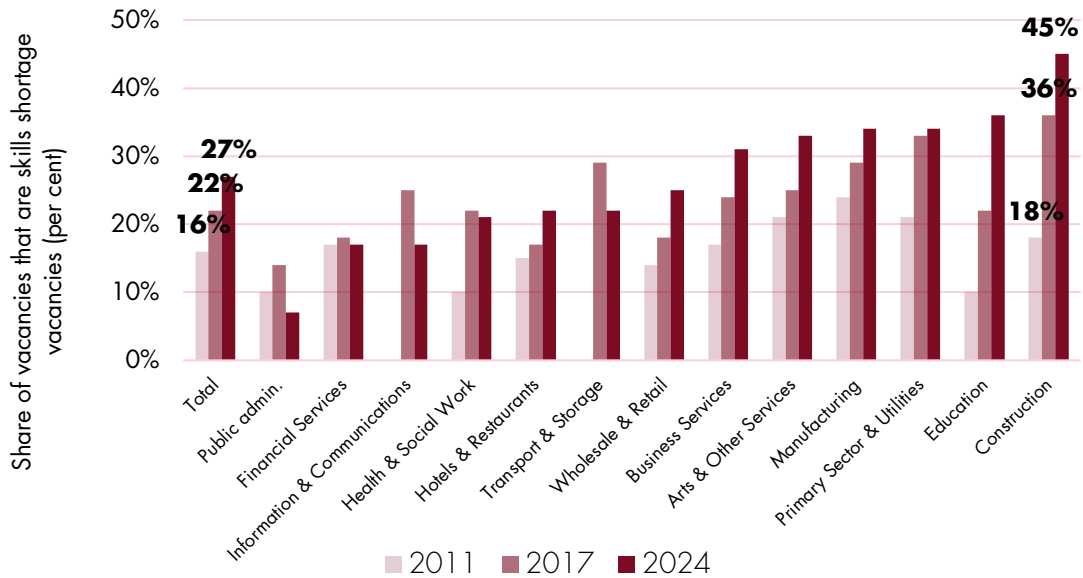
The construction and built environment sector faces significant and growing skills shortages. In 2024, there were 36,600 skills shortage vacancies in the construction and built environment sector.<sup>11</sup> These are jobs that remain unfilled due to a lack of sufficiently skilled applicants.

Skills shortage vacancies are significantly more common in the construction and built environment sector. Four in ten (40 per cent) vacancies in the sector were due to skills shortages, compared to fewer than one in three (27 per cent) across the economy as a whole.<sup>12</sup>

Skills shortage vacancies are particularly acute in the construction industry. As figure 2 below shows, nearly half (45 per cent) of vacancies in the construction industry are due to skills shortages, the highest figure for any industry. The number of such vacancies increased by a staggering 419 per cent between 2011 and 2024.<sup>13</sup>

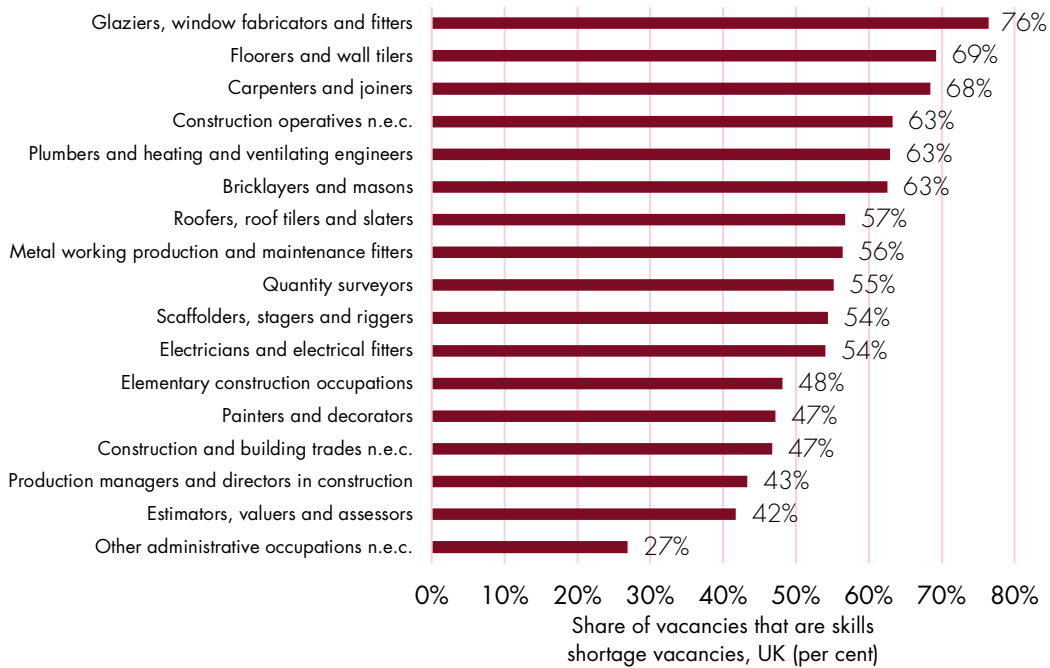
Skills shortage vacancies are particularly high among some occupations in the sector. As figure 3 below shows, more than two in three vacancies for carpenters and joiners (68 per cent) and floorers and tilers (69 per cent) were due to skills shortages, rising to three in four (75 per cent) vacancies for glaziers.

**FIGURE 2 – CONSTRUCTION HAS THE HIGHEST DENSITY OF SKILLS SHORTAGE VACANCIES OF ANY INDUSTRY IN THE UK**



Source: Department for Education, Employer Skills Survey, 2025

**FIGURE 3: THE PROPORTION OF VACANCIES THAT ARE DUE TO SKILLS SHORTAGES IS VERY HIGH IN SOME OCCUPATIONS IN CONSTRUCTION AND THE BUILT ENVIRONMENT SECTOR**



Source: Department for Education, Employer Skills Survey, 2025

The DWP Employer Survey tells a similar story of skills shortages. Three in four (74 per cent) employers in construction who faced challenges with recruitment said that the level of skills among applicants was a major factor, significantly higher than the figure across the economy as a whole.<sup>14</sup>

## Workforce health, wellbeing and attrition

The construction and built environment sector faces high levels of health-related issues, which contribute to attrition of the workforce.

The rate of work-related musculoskeletal illness in construction is more than double the rate in the rest of the economy. Prevalence is also on the rise, driven by the ageing workforce. Incidences of such injuries are 53 per cent higher than in 2010/11.<sup>15</sup> There is a major issue around mental health within the workforce. A recent survey by the Chartered Institute of Building found that 83 per cent of construction workers had experienced anxiety over the last year, with 60 per cent suffering from depression, and 27 per cent reporting suicidal thoughts.<sup>16</sup> The industry suffers from a high rate of suicide, with between one and two construction workers taking their lives every day on average.<sup>17</sup>

However, despite the prevalence of physical and mental health issues within the sector, relatively few employers in construction provide occupational health support for their workforce.<sup>18</sup>

## Rising demand

The construction and built environment sector is facing widespread workforce and skills shortages at a time when demand is relatively low.<sup>19</sup> However, the sector is expected to experience significant growth in the coming years, due in part to the government's reforms to the planning system.<sup>iii</sup>

The Construction Industry Training Board (CITB) forecast in 2025 that demand in the construction sector would grow by 2.1 per cent a year up to 2029, driven by growth in infrastructure (4.2 per cent), public housing (3.5 per cent), and private housing (3.3 per cent).<sup>iv</sup> <sup>20</sup> To meet this demand, CITB forecasts that the industry would need to recruit an additional 47,900

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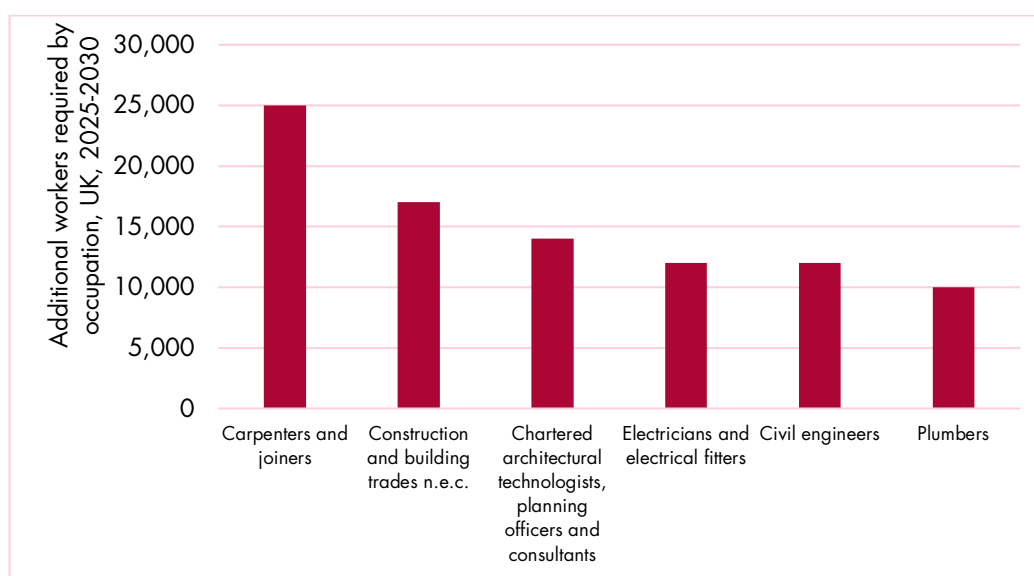
iii The forecasts set out below were conducted before the outbreak of the Iran war. If this crisis continues, it is likely to have an impact on demand for the sector, and therefore on workforce requirements

iv The Construction Industry Training Board (CITB) is the skills and standards body for construction and operates a levy to support investment in skills. CITB covers all employers who are 'engaged wholly or mainly in construction industry activities'. Important parts of the sector – including engineering and building services – are outside of the scope of CITB.

workers a year. Within this total, the biggest growth in demand is set to be for carpenters and joiners (2,300), electrical installation trades (2,100) labourers (2,000) and plumbing and HVAC trades (1,900).

Elsewhere in the sector, the Engineering Construction Industry Training Board has forecast that an additional 20,000 workers will be needed in engineering construction by 2030.<sup>21</sup> Skills England's Assessment to 2030 estimates an additional 12,000 electricians and electrical fitters and 10,000 more plumbers and heating and ventilation installers and repairers will be needed in the workforce by the same date. Meeting this demand would require 16,840 new entrants to the workforce each year.<sup>22</sup>

**FIGURE 4 – LARGE INCREASES IN DEMAND ARE FORECAST ACROSS SEVERAL OCCUPATIONAL GROUPS IN CONSTRUCTION AND THE BUILT ENVIRONMENT**



Source: Skills England, Assessment of priority skills to 2030, 2025

The construction and built environment sector already faces acute skills shortages despite low levels of demand. With the workforce ageing, and demand set to increase rapidly, the workforce and skills crisis is likely to escalate. Without bold action, the shortage of skilled workers risks becoming the major limiting factor preventing us from building the homes and infrastructure that we need.

## 2. THE BUILT ENVIRONMENT SKILLS SYSTEM

The construction and built environment sector faces a significant and growing skills crisis. In this section we explore employer training provision and investment in skills, before examining apprenticeships and classroom-based further education courses. The chapter highlights significant issues in the skills system that need urgent attention.

### Employer provided training

An effective skills system should support employers to invest in the skills of their workforce. This would benefit employers themselves, their workers, and the economy as a whole. Incentives to invest should be particularly strong where there are shortages in key occupations.

Despite the extensive skills shortages highlighted above, relatively few employers in the construction and built environment sector provide training for their workforce. As figure 5 below shows, just 50 per cent of employers in the sector had invested in training in the previous 12 months, compared to 59 per cent across all sectors. Similarly, only 55 per cent of employees in the sector received training from their employer in the last year, compared to 63 per cent across the economy as a whole.

Employers in the construction and the built environment also provide a lower volume of training. Employers in the sector provided just 3.2 days per employee in 2024, with the figure being lower still in construction, at 2.9 days. This compares to 3.6 days of training per employee across the economy as a whole.<sup>23</sup>

Employers in construction do invest more in training per employee than across the economy as a whole. This is perhaps unsurprising given the industry is both skilled and safety critical. Construction employers invested £2,630 per employee in 2024, 55 per cent higher than the economy-wide average.

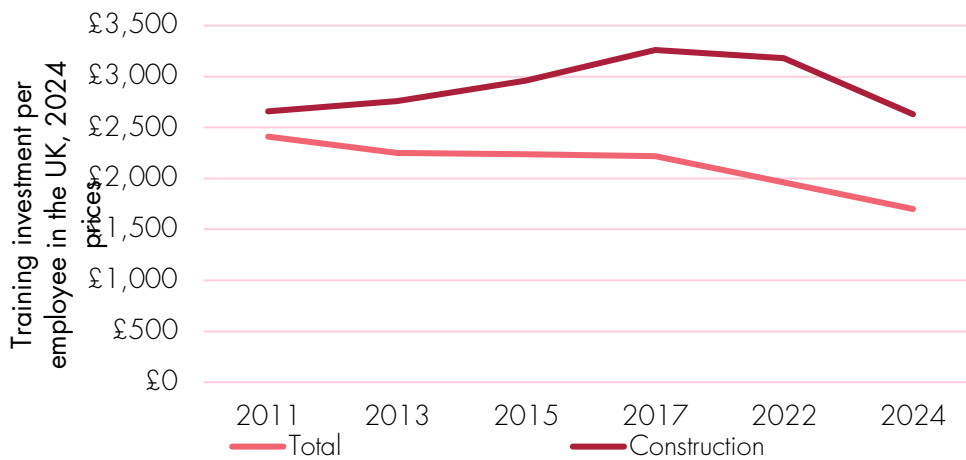
**FIGURE 5 – FEWER EMPLOYERS TRAIN AND FEWER EMPLOYEES RECEIVE TRAINING IN THE CONSTRUCTION AND THE BUILT ENVIRONMENT SECTOR**



Source: Department for Education, Employer Skills Survey 2024, 2025

However, employer investment per employee has declined by a fifth (19 per cent) in real terms since 2017, the year that the apprenticeship levy was introduced. The decline has been driven by SMEs. The specific barriers facing SMEs are explored in chapter 3 below. The decline in employer investment is particularly concerning given it has come while skills shortage vacancies have been increasing.

**FIGURE 6: EMPLOYER INVESTMENT IN TRAINING IN CONSTRUCTION IN THE UK IS HIGH, BUT IT HAS FALLEN BY OVER A QUARTER SINCE 2017**



Source: Department for Education, Employer Skills Survey 2024, 2025

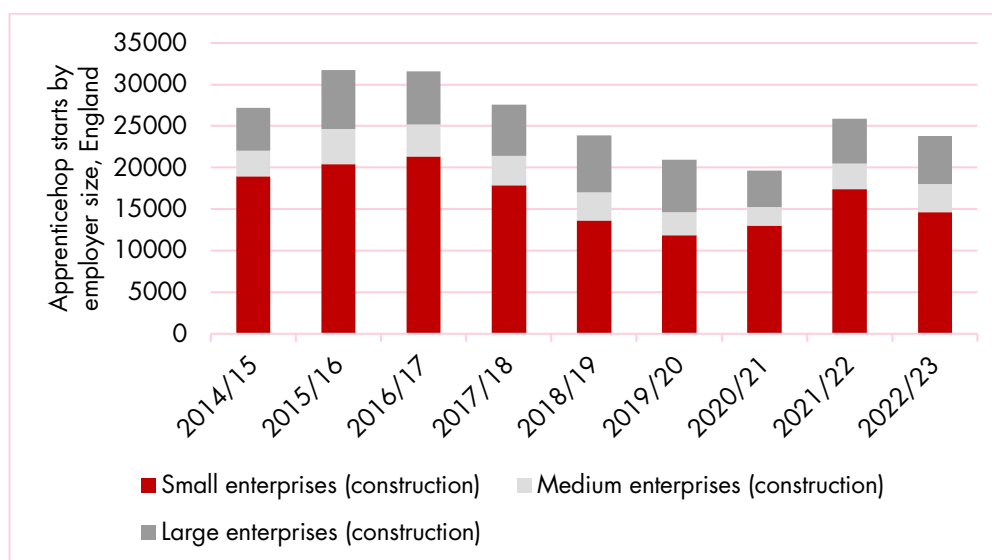
## Apprenticeships

Apprenticeships offer a fantastic opportunity for people to earn while they learn, to blend off-the-job training with on-the-job learning, and to develop competence in a skilled occupation.

Apprenticeships represent the gold standard pathway for much of the construction and built environment sector. The sector has long been a major employer of apprenticeships. Over a third (38 per cent) of employers in construction have recruited an apprentice, compared to just a quarter (25 per cent) across the economy as a whole.<sup>24</sup> Around half of onsite workers in housebuilding have done an apprenticeship, far higher than the proportion across the economy as a whole.<sup>25</sup>

Yet as figure 7 below shows, the number of apprenticeship starts fell from an average of 30,000 a year in the three years prior to the introduction of the apprenticeship levy in 2017 to just 21,000 in the three years following. The number of starts has again recovered, but the number of starts in 2024/25 remains below the level reached two decades ago.

**FIGURE 7 – CONSTRUCTION APPRENTICESHIPS IN ENGLAND DECLINED FOLLOWING THE INTRODUCTION OF THE APPRENTICESHIP LEVY**

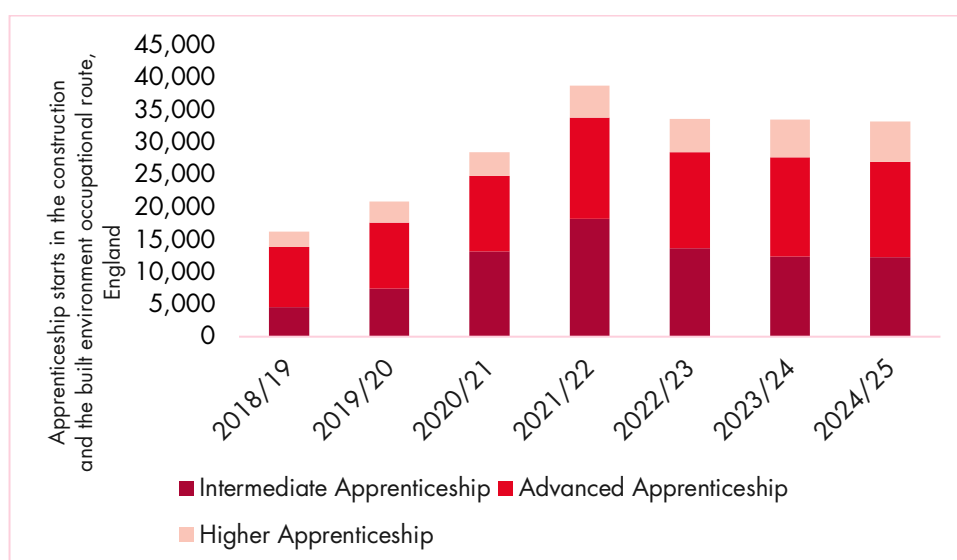


Source: Department for Education, Apprenticeships in England by industry characteristics 2018 to 2019, 2020; and Explore education statistics, 2026

The decline in apprenticeship starts has been particularly stark in some sub-sectors. The number of starts in engineering and building services has declined by a quarter (24 per cent) since 2021/22.<sup>26</sup>

Looking across the broader construction and built environment occupational route, there were 33,230 apprenticeship starts in 2024/25. The number of apprenticeship starts on the occupational route increased rapidly following 2018/19, but it has fallen for the last three consecutive years.

**FIGURE 8 – APPRENTICESHIP STARTS IN CONSTRUCTION AND THE BUILT ENVIRONMENT IN ENGLAND HAVE PLATEAUED**



Source: Department for Education, Explore education statistics, 2026

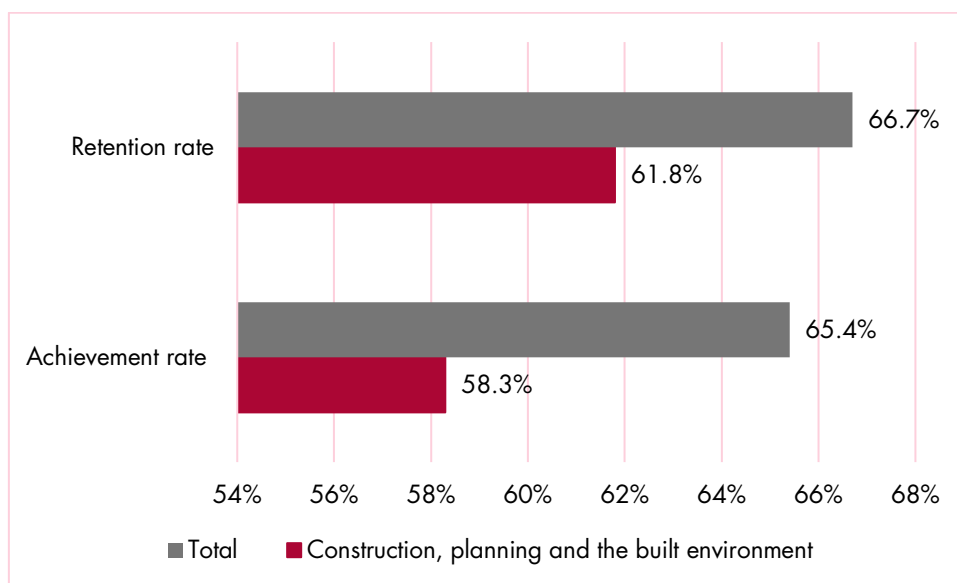
Apprenticeships in the construction industry are very heavily concentrated in small and medium sized enterprises (SMEs). In 2022/23, the last year for which data is available, 76 per cent of apprenticeships in construction were in SMEs. Similarly, upwards of 80 per cent of electrical and plumbing apprentices are employed with SMEs.<sup>27</sup> This is more than double the proportion for the economy as a whole (38 per cent).<sup>28</sup>

The number of apprenticeship starts at SMEs in construction fell rapidly following the introduction of the apprenticeship levy, with the decline being three times larger than among large employers (34 per cent compared to 11 per cent).<sup>29</sup> This is partly due to the impact of the levy on incentives for training providers. As is set out below, many providers have responded to the introduction of the levy by refocusing on larger employers, rather than supporting SMEs.

The sector also faces a particular challenge with apprentice retention and achievement. Only 62 per cent of people who start an apprenticeship in construction and the built environment go on to complete their apprenticeship.<sup>30</sup> Furthermore, just 58 per cent of apprentices pass their end point assessment. As figure 9 below shows, both the apprenticeship retention and achievement rates in the sector are lower than average. Indeed, when compared to all sector subject areas, the apprenticeship

‘retention rate’ in construction, planning and the built environment is the second lowest, and the ‘achievement rate’ is the lowest.

**FIGURE 9 – APPRENTICESHIP COMPLETION RATES IN CONSTRUCTION AND THE BUILT ENVIRONMENT IN ENGLAND ARE LOWER THAN IN THE ECONOMY AS A WHOLE**



Source: Department for Education, Explore education statistics, 2026

Apprentices in construction that do not complete their course tend either to end their apprenticeship toward the start – with half dropping out in the first year – or toward the end of their course.<sup>31</sup>

## Further education courses

The further education (FE) sector plays a crucial role in developing the skilled workers needed in the construction and the built environment sector.

There is strong demand for FE courses in construction, with a large number of young people starting courses in construction and the built environment every year. However, many of those who complete such courses do not progress to sustained employment in the industry. Whereas 91 per cent of people completing an apprenticeship in construction go on to sustained employment, just 62 per cent people completing a DfE-funded classroom based course do the same.<sup>32</sup> A recent ECA report found that fewer than one in five people who enrol on a government-funded classroom-based electrical course go on to progress into an apprenticeship in the industry.<sup>33</sup>

Some employers and stakeholders have argued that the relatively low conversion from construction courses into apprenticeships or jobs in the industry is due to shortcomings in FE provision. In particular, some have

highlighted the fact that some learners receive limited industry exposure.<sup>34</sup> However, as we set out below, the bigger challenge is the lack of demand from employers to take on college leavers. In this sense, rather than a 'leaky pipeline', the transition from college to industry represents a bottleneck, and a challenge relating to absorption.

## The Construction Industry Training Board

The Construction Industry Training Board (CITB) is an employer-led and employer-funded skills and standards body for construction. Established in 1964, CITB sought to correct a market failure, and ensure that employers in the sector invest sufficiently in the skills of their workforce. There is a similar organisation – ECITB – in the engineering construction sector.

CITB oversees a levy which is paid by 27,000 employers in the industry. It collects the funds, which are based both on PAYE costs for directly employed staff and costs for subcontracted worker through the Construction Industry Scheme. The levy raises £220m a year.<sup>35</sup>

CITB invests the funds through both direct grants to employers and strategic sector-wide initiatives. CITB also sets occupational standards within the construction industry.

## The construction skills package and the Construction Skills Mission Board

The government has already taken action to address the skills crisis in the construction and built environment sector.

In November 2024, the government announced an expansion of multi-skill training hubs, with £40m allocated by CITB, matched by £100m from the National House Building Council (NHBC).<sup>36</sup>

A larger £625m construction skills package followed in March 2025.<sup>37</sup> This sought to deliver an extra 60,000 training opportunities by 2029. The package included funding for construction courses in colleges and 10 new technical excellence colleges; investment in skills bootcamps and industry placements; funding for foundation apprenticeships; and resourcing for Local Skills Improvement Plans to support collaboration between colleges and construction firms. The government also established a Construction Skills Mission Board to provide strategic leadership to the sector and develop a construction skills action plan.

### *Construction Technical Excellence Colleges*

In March 2025, the government announced plans to designate 10 FE colleges 'construction technical excellence colleges' (CTECs).

The scheme is backed by £80m of capital funding to invest in new premises and equipment, and £20m in revenue funding.

The CTECs will aim to train 40,000 people in high-demand occupations – such as roofing, carpentry and electrical work – over the next four years.

CTECs are intended to work as part of a 'hub and spoke' model, working with colleges, other providers and employers across their region to increase provision and improve standards.

### *Multi-Skills Training Hubs*

Multi-Skills Training Hubs aim to deliver training in areas of local housing growth, helping people to develop the skills they need to work in the industry.

Developed by NHBC, the skills hubs provide realistic working environments in bricklaying, groundworks, carpentry, and timber frame erection. These are occupations which face significant skills shortages.

Skills hubs can offer fast-track apprenticeships, lasting just 12-18 months, compared to the standard 24-36 months in the sector.

The measures are very welcome. However, there are some limitations:

- **Scale:** the level of funding remains relatively limited relative to the scale of the challenge.
- **Breadth:** the package is focused on the construction industry does not benefit wider parts of the construction and built environment sector which are also facing skills challenges.
- **Coordination and comprehensiveness:** the package includes a range of welcome measures on skills. However, it is not a cross-government strategy, and it does not address the wider structural barriers to training in the industry.

The government will need to do more to address the skills challenge in the construction and built environment sector and ensure that we have the skilled workforce required to build the homes and infrastructure we need.

# 3. THE CAUSES OF THE BUILT ENVIRONMENT SKILLS CRISIS

The construction and built environment sector has long faced a significant workforce and skills challenge. In this section we explore the structural factors that underlie the crisis.

## Unpredictable demand and short-termism

The construction and built environment sector is characterised by short-termism and unpredictable demand. Much of the sector is reliant on relatively short-term contracts, meaning firms lack certainty about their future demand. The construction and built environment sector is also highly cyclical. Housebuilding and commercial construction, in particular, are prone to severe downturns.

The extreme unpredictability of demand has four impacts on workforce capacity:

- First, unpredictability of demand contributes to high levels of vertical fragmentation (see below) and to the excessive use of self-employment. With a lack of certainty of future work, many contractors minimise fixed costs by relying on contractors and self-employed labour. As we set out below, this vertical fragmentation and the reliance on self-employment reduces incentives for businesses to invest in training.
- Second, volatile demand contributes to high levels of attrition. Large numbers of construction workers leave the sector during downturns – and never return. The number of workers in construction fell by 15 per cent following the global financial crisis and by 9 per cent during the pandemic. On neither occasion has the workforce returned to its pre-pandemic size.<sup>38</sup>

- Third, volatility undermines incentives to train. While investment in training does usually lead to benefits for employers, these benefits usually take time to accrue. A 2012 government study found that the ‘payback period’ for an apprenticeship in construction was 27 months.<sup>39</sup> When employers do not have confidence in future demand, the incentives to invest in training, which may only deliver a return years down the line, are far weaker.
- Fourth, high levels of volatility contribute to low levels of apprenticeship completion. Over a quarter (28 per cent) of construction apprentices who left their apprenticeship early did so because they were fired or made redundant, compared to one in ten (11 per cent) across all sectors.<sup>40</sup>

## Excessive reliance on self-employment

The construction and the built environment sector is excessively reliant on self-employment. As we set out above, self-employment in construction is nearly three times the average across the economy.

Excessive reliance on self-employment is in part a response to unpredictable demand. However, it is also due to the favourable tax treatment of self-employed workers. Categorising workers as self-employed can reduce employment costs by as much as 30 per cent, and many construction workers believe they can earn more as self-employed workers than they can as employees.<sup>41 42</sup>

There is also evidence that a significant proportion of self-employed workers in the sector are in ‘bogus’ self-employment – and therefore being denied the rights to which they are entitled. In 2013, HMRC estimated that some 200,000 construction workers were incorrectly classed as self-employed.<sup>43</sup> There are concerns that many workers on the Construction Industry Scheme should be classed as employees rather than as self-employed.<sup>44</sup>

The prevalence of self-employment undermines skills development in the sector. Across the economy as a whole, self-employed people are half as likely as employees to participate in job-related training.<sup>45</sup> A report for the Joint Industry Board found that the excessive reliance on self-employment had a negative impact on skills formation, “threaten[ing] apprentice training and thereby the collective future of the industry.”<sup>46</sup>

In 2023, the Construction Leadership Council set a target of increasing direct employment in the industry by 5 per cent by 2025.<sup>v</sup> However, since then, the number of employees has fallen by 3 per cent, while the number of self-

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<sup>v</sup> The Construction Leadership Council brings together government and industry to improve the performance of the construction industry. People and skills is one of their four areas of focus.

employed workers has risen by 7 per cent.<sup>47</sup> The industry is becoming more, not less, reliant on self-employed workers.

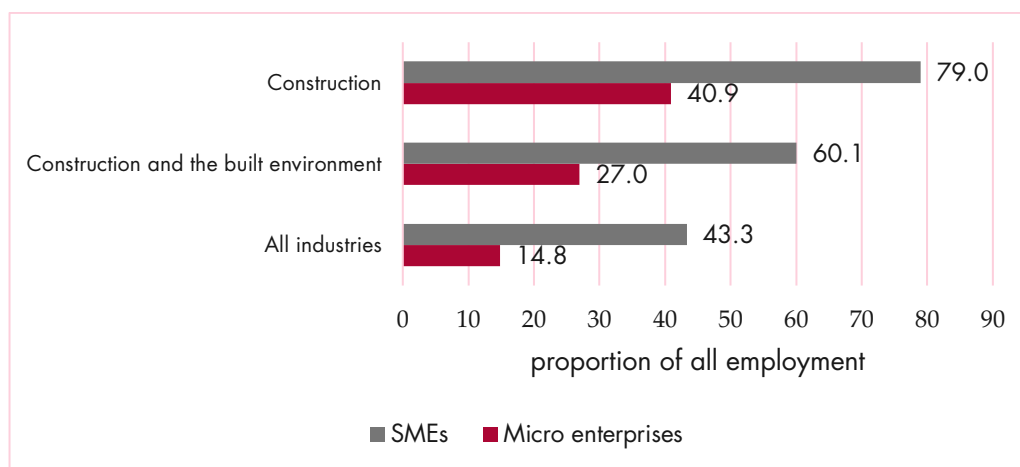
## Fragmentation and reliance on SMEs

The construction and built environment sector is highly fragmented, and heavily reliant on small and medium sized enterprises (SMEs).

Much of the sector, and particularly the infrastructure and housebuilding industries, are characterised by a high level of vertical fragmentation. A relatively small number of large contractors secure much of the work, and then deliver through a tiered supply chain of subcontractors.

Eight in ten (79 per cent) employees in construction work for an SME, and four in ten (41 per cent) work for a micro-enterprise with fewer than 10 employees. These proportions are far higher than for all industries (43 per cent and 15 per cent respectively).

**FIGURE 10 – SMES ACCOUNT FOR A SIGNIFICANTLY LARGER SHARE OF EMPLOYMENT IN CONSTRUCTION AND THE BUILT ENVIRONMENT SECTOR ACROSS THE UK**



Source: Fabian Society analysis of Office for National Statistics, Business population estimates, 2025

SMEs have historically provided the overwhelming majority of training in the sector. SMEs in the construction industry accounted for 76 per cent of apprenticeship starts in 2022/23, compared to just 38 per cent across the economy as a whole.<sup>48</sup>

However, many SMEs face challenges engaging with the skills system:

- **Knowledge and capacity.** A large proportion of SMEs lack an established HR function. This can make it more difficult for them to engage with the skills system, identify the right course and provider,

and understand the funding and support available to them. Many SMEs see the training system as too complex and bureaucratic to engage with.

- **Risk and certainty of demand.** SMEs tend to be particularly vulnerable to fluctuations in demand. This can make them more reluctant to take on the risk of employing an apprentice.
- **Provider incentives.** The current apprenticeship system incentivises providers to focus on large employers. Large employers have apprenticeship levy funds to invest, they have HR and learning and development capacity, and they have the potential to employ apprentices at scale. This provides an incentive for providers to work with large employers rather than engaging with the SMEs who could most benefit from the support.<sup>49</sup>

## Cost and return on investment

The cost of training is a significant and growing issue impacting the construction and built environment sector.

Construction faces the highest cost of training of any industry. In 2024, construction employers in the UK spent £915 per day of training, nearly double the rate for the economy as a whole (£478). The cost of training in construction is also increasing, having risen by 17 per cent in real terms since 2011. Over the same period, the cost of training across the economy as a whole fell by 16 per cent in real terms.<sup>50</sup>

When it comes to apprenticeships, employers often pay little or no direct costs for training and assessment. Apprenticeship levy payers can claim the full cost of training and assessment from their levy funds, and non-levy payers only pay a maximum of 5 per cent of this cost. However, employers taking on apprentices do face other costs:

- **Wage costs** for apprentices have increased rapidly in recent years. The apprentice minimum wage has increased by 57 per cent in real terms since 2020. While this will represent a welcome pay rise for apprentices, the rising cost does represent a challenge for some employers. An electrical firm taking on a level 3 installation and maintenance electrician apprentice, who is aged 20, would pay over £95,500 in wages over four and a half years.
- **Supervision.** While the cost of off-the-job training is usually low or free, supporting, supervising and training an apprentice on the job represents a significant cost for employers. Government-commissioned analysis in 2012 found that the average labour costs of

supervision for an apprenticeship in construction were £14,136.<sup>vi</sup> This represents more than a quarter (28 per cent) of the labour cost of the apprentice themselves.<sup>51</sup>

- **Administration.** Employers in construction and the built environment often struggle with the administration requirement involved in taking on apprentices.

Employers can access incentive payments, worth £1,000 for apprentices more likely to have higher needs.<sup>vii</sup> And the government recently announced £2,000 incentive payments for SMEs who take on apprentices aged under 25.<sup>52</sup> However, these incentives remain small compared to the costs of taking on an apprentice.

## Challenges facing training providers

Recruiting and retaining teachers in the further education (FE) workforce is a significant challenge. The vacancy rate for teachers in construction, planning and the built environment is 7.1 per cent, among the highest of all subject areas.

High levels of teacher vacancies are due in large part to disparities in pay. Median pay for a full-time teacher in construction, planning and the built environment in FE in 2023/24 was just £38,000.<sup>53</sup> Median pay across the construction and built environment sector in the same year was £39,000.<sup>54</sup> This means the average teacher in construction and the built environment is paid less than the average worker in the sector.

## Reliance on immigration

Some have argued that ready access to a large pool of skilled migrant workers has been a key factor underlying low levels of training in construction.

For example, in his recent review of the Industry Training Board, Mark Farmer argued that the increasing reliance on migrant labour in construction ‘has enabled the sector to deliver its workload without having to invest as much in domestic skills and training.’<sup>55</sup> Similarly, the CSJ has argued that using immigration to plug gaps in the construction workforce has ‘provided short-term relief, all the while contributing to the conditions driving long-term workforce deterioration’.<sup>56</sup>

<sup>vi</sup> This includes the salary and employer national insurance costs of staff supporting apprentices, including their supervisor, line manager and training manager.

<sup>vii</sup> This includes apprentices aged 16-18, those aged 19-24 who have an Education, Health and Care Plan, or those who have been in local authority care.

However, while access to skilled migrant workers may be part of the story, it is important not to overstate its impact:

- The proportion of migrant workers in the sector is low relative to other industries. Migrants make up just 12 per cent of workers in construction, compared to 20 per cent across the economy.<sup>57</sup>
- Low employer investment in training predates the increase in migrant workers in the sector, which followed the expansion of the EU. Indeed, investment per employee increased significantly in construction between 2011 and 2017, at the same time as the proportion of migrant workers also increased.<sup>58</sup>
- Investment in training in the sector is not significantly lower in the regions that have a higher proportion of migrant workers. Employer investment in training in construction is higher in London – the region with the highest proportion of migrant workers – than nationally.<sup>59</sup>

This suggests that while access to skilled migrant workers may in part have helped *mask* the challenge of low employer investment, it is not in itself a leading *cause* of lower investment in skills.

We urgently need to ramp up investment in training UK-based workers to meet rising demand in the construction and built environment sector, and reduce reliance on migrant labour. However, given the long duration of much training in the sector, as we set out below, access to skilled migrant workers will be necessary to address the workforce and skills crisis in the short-term.

# 4. THE IMPACT OF THE BUILT ENVIRONMENT SKILLS CRISIS

The skills crisis in construction and the built environment is not just an issue for the sector; it has serious negative consequences that should make it an issue of real concern for policymakers.

## Reducing quality and risking safety

There is extensive evidence that a lack of sufficiently skilled and competent workers in construction and the built environment can lead both to lower quality work and to greater safety risks.<sup>viii</sup> A lack of skilled workers can lead either to employers recruiting insufficiently skilled workers, or to work intensification, with both leading to poorer quality and higher risks.

Recent legislation has increased the requirements in this area. The Building Safety Act 2022 requires all contractors and tradespeople to be competent to carry out their roles, with a greater emphasis on formal qualifications, training courses, and accreditation.

Maintaining safety standards in highly regulated sectors such as the engineering and building services sector will require a focus not only on growing the number of workers but also on ensuring they are fully qualified and competent.

## Increasing costs

The built environment skills crisis is also contributing to cost inflation in the industry. This is due to a number of factors:

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<sup>viii</sup> See for example [JIB, 2025](#), [Bahr and Laszig, 2021](#), [EHS Today, 2025](#), [Liang et al, 2019](#), [Gao et al, 2018](#)

- **Labour cost inflation.** The shortage of skilled workers has contributed to labour price inflation in recent years. Chartered surveyors expect skilled labour costs to increase by 5.2 per cent in the coming year, higher than the forecast for wage increases across the economy (3.7 per cent).<sup>60</sup>
- **Defects.** Skills shortages can lead to increased defects and the need for corrections. Recorded direct costs from avoidable errors account for 5 per cent of total project values, which is higher than the 3 per cent profit margins seen in the sector. But the true cost could be up to 21 per cent – or £20bn a year.<sup>61</sup>
- **Delays** – skills shortages can lead to project delays, which can add to costs.

## Limiting productivity

Productivity in the construction and built environment sector has been stagnant in recent years, and the lack of skilled workers is a major contributor. A recent RICS survey found that a shortage of skilled workers was the most commonly cited negative impact on labour productivity. Nearly half (46 per cent) of businesses in the sector said that the availability of skilled workers had a high impact on productivity, with a further 32 per cent saying it had a moderate impact.<sup>62</sup>

## Constraining supply

The built environment skills crisis is already a constraint on our ability to build and maintain the homes and infrastructure our country needs, even at a time when demand in the industry is low.

In RICS' most recent market monitor, 39 per cent of chartered surveyors said that labour shortages were a factor in limiting building activity. This figure was greater only for financial constraints (60 per cent), planning and regulatory barriers (59 per cent), and insufficient demand (40 per cent).<sup>63</sup>

The government is undertaking major reforms to planning which aim to reduce regulatory barriers and to boost demand. As these take effect, there is a risk that the lack of skilled workers could become the biggest factor holding back supply.

# 5. RECOMMENDATIONS – TACKLING THE BUILT ENVIRONMENT SKILLS CRISIS

The construction and built environment sector is facing a severe and escalating skills crisis. In this chapter, we set out a series of recommendations to tackle the skills crisis and ensure we have the skilled workforce required to build the homes and infrastructure that our country needs.

The government should work with industry and providers to develop a **cross-department workforce and skills strategy for construction and the built environment**. Below, we set out five key themes for the strategy: driving investment in high quality training; attracting workers to the sector; retaining workers within the sector; reform to address the structural drivers of the crisis; and linking migration and skills policy.

## Train

Building on the measures announced last year, we need to further strengthen incentives and support for employers to invest in their workers and address challenges in the construction and built environment skills system.

### **Strengthening industry-provider partnership working**

The most successful training systems are characterised by close partnership working between employers and training providers. This partnership working ensures that provision is responsive to the needs of industry, and that trainees get the contact with employers and experience of the workplace which are crucial to employability.

The government should seek to build industry-provider partnership across the construction and built environment sector. This should include:

- Ongoing funding to build capacity for **industry placements and work experience**. This would help ensure a ready supply of placements for young people who are considering entering the industry, those undertaking T Levels, and people on FE courses or at bootcamps.
- Continuing funding for **local skills improvement plans**, with local areas being encouraged to establish Construction and Built Environment Skills Boards to support industry-provider partnership at the local level.
- Continued funding for **construction technical excellence colleges** beyond 2029 to act as regional hubs for high-quality FE provision, bringing together industry and providers.
- Regular **industry-led reviews of apprenticeship standards** and qualifications in construction and the built environment, with employers working closely with providers to ensure that courses meet the needs of the industry.

## **Incentivise investment in apprenticeships: the apprenticeship grant for employers**

Apprenticeships offer a fantastic route into the construction and built environment sector. However, as we set out above, the current system is failing to meet the needs of the sector, and letting down SMEs in particular.

The government recently announced measures to boost apprenticeship starts, including full funding of apprenticeship training costs for under-25s at SMEs, and a £2,000 cash grant for SMEs taking on an apprentice aged under 25.<sup>64</sup> While this measure is welcome, it will have a limited impact within the construction and built environment sector. More needs to be done to incentivise and support employers in the built environment industry – and SMEs in particular – to invest in the skills of the next generation.

Grants for employers can play an important role. A recent CITB survey of employers found that grants were seen as the most effective way to encourage employers to take on an apprentice.<sup>65</sup> Evaluations of previous incentive schemes have shown that they have had a positive impact on apprenticeship recruitment. And grants focused on SMEs tend to have less deadweight.<sup>66</sup>

The government should introduce an **apprenticeship grant for employers** to boost apprenticeship starts.<sup>ix</sup> The apprenticeship grant for employers should be worth up to £9,000 per apprenticeship start, significantly more generous

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<sup>ix</sup> There are other potential options for incentivising apprenticeships, including through a tax credit.

than the scheme recently announced by the government.<sup>67</sup> Paid to employers, the grant should provide:

- **£3,000 per apprentice aged under 25 employed at an SME**, increasing the current incentive from £2,000. The focus on apprentices aged under 25 would help increase opportunities for young people, supporting the government's efforts to reverse the recent increase in young people not in employment, education or training. The focus on SMEs would reflect the greater challenge SMEs face in taking on apprentices, it would help reverse the recent decline in starts at SME, and it would have lower deadweight.
- **An additional £3,000 per apprenticeship start on a priority standard in construction and the built environment** and in other priority sectors.<sup>x</sup> Priority standards should be identified by Skills England, working closely with employers and with sector bodies such as CITB. They should be standards that address current workforce shortages, and where demand is forecast to grow in the future.
- **An additional £3,000 per apprenticeship start for standards linked to occupations on the immigration salaries list.** As set out below, this would better link immigration and skills policy, and increase incentives for employers to invest in areas where there are shortages in the UK-based workforce.

The apprenticeship grant should be phased, with employers receiving half on apprenticeship start, and half following end point assessment. This would provide a strong incentive for employers to support apprentices through to completion.

The apprenticeship grant for employers would cost around **£98m** in the construction and built environment, and a total of £431m across the economy as a whole.<sup>xi</sup> It would have a particularly beneficial impact on the sector given the predominance of SMEs.

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<sup>x</sup> Previous Fabian Society research made the case for financial incentives to boost investment in priority sectors, including the eight industrial strategy sectors, construction and health and care (Fabian Society, 2025).

<sup>xi</sup> Fabian Society analysis based on Department for Education, Explore apprenticeship statistics, 2026. The calculation is based on the following assumptions: That the eight priority sectors in the industrial strategy, in addition to construction and the built environment and health and care account for 45 per cent of employment and apprenticeship starts. That a third of apprenticeship starts in priority sectors will be on standards that are deemed to be in shortage areas. That apprenticeship starts will increase by 33 per cent as a result of the incentives.

## Improving incentives for providers: the apprenticeship grant for providers and the construction progress premium

In addition to improving incentives for employers to take on apprentices, we need to improve incentives for providers.

Colleges and independent training providers work with tens of thousands of businesses across the sector, supporting them to train and upskill their workforce. However, as we set out above, the apprenticeship levy has shifted incentives for training providers, encouraging them to work with large, levy-paying employers who can employ apprentices at scale rather than the SMEs who could most benefit from support.

This has contributed to a stark shift in apprenticeship starts in the construction industry. The number of apprenticeship starts at SMEs fell by 34 per cent following the introduction of the levy, over three times the decline at large employers (11 per cent).<sup>68</sup>

Providers can access grants of £1,000 for working with apprentices who are aged 18 and under, or who are aged 19-24 with an education, health and care plan, or who have been in local authority care. These grants are intended to reflect the additional costs of supporting these groups. However, there is no similar incentive to recognise the additional cost of working with SMEs.

The government should introduce an **apprenticeship grant for providers** to support and incentivise training providers to work with SMEs. The grant should provide:

- £1,500 for an apprenticeship aged 18 and under, or for apprentices aged 25 and under with an EHC plan or care leavers. This would increase the current incentive by 50 per cent.
- An additional £1,000 for any apprenticeship start at an SME.

The grant would ensure providers receive more funding to deliver an apprenticeship for an SME than they would to deliver the same course for a large employer. This would shift the incentives for providers, encouraging them to engage with more SMEs, to highlight the benefits of investing in training and the financial support available, and to support SMEs through the system. It would have a particularly beneficial impact on the construction sector, given the predominance of SMEs.

The apprenticeship grant for providers would cost an additional **£40m** annually in the construction and built environment sector, or £220m across the economy as a whole.<sup>xii</sup>

The government should also improve the incentives for training providers delivering classroom-based courses. A large number of young people complete courses in construction and the built environment each year. However, many do not go on to a job or an apprenticeship in the industry.

This is in part a challenge around absorption by the industry, with a lack of available apprenticeship opportunities. However, it is also in part due to the incentives for providers and the lack of resources available. Colleges are funded primarily based on course starts and retention rather than post-course outcomes.

The government should pilot a **construction progress premium** to incentivise FE colleges and other providers to support students into the industry following completion of a course. The premium would provide additional funding for colleges based on the number of students who move on to an apprenticeship or a job in the sector within six months of course completion. The construction progress premium should be piloted within a mayoral strategic authority before being rolled out nationally.

We estimate that this would cost around **£45m** annually across England.<sup>xiii</sup>

## **Make training and funding more flexible**

Until recently, the apprenticeship levy could only be used to fund apprenticeships. This inflexibility has been a particular challenge for construction. The sector is characterised by unpredictable demand and it is dominated by SMEs. This is a major barrier to businesses investing in lengthy apprenticeships, which may only deliver returns over a period of years.

The government committed in their manifesto to reform the apprenticeship levy into a growth and skills levy, with greater flexibility for employers to invest levy funds in other forms of training, including short courses and apprenticeship units. However, progress has been slow. There are very few

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<sup>xii</sup> Fabian Society analysis based on Department for Education, Explore apprenticeship statistics.

<sup>xiii</sup> CITB analysis shows that in 2023/24, 23,670 people completed a construction course in FE, and then moved into the industry. This number is inflated to reflect the wider construction and built environment industry, and we assume that the proportion of course completers who move into the industry increases by 33 per cent.

courses – other than apprenticeships – available for employers in the sector to use their apprenticeship levy funds on.

Skills England should work with CITB, sector bodies and employers to **identify additional courses – including short, flexible and modular provision – which can be funded through the apprenticeship levy**. This should focus on courses that deliver good labour market returns, and which meet identified current and future workforce needs.<sup>xiv</sup>

CITB runs a shared apprenticeship service, which offers employers the opportunity to engage in upskilling an apprentice without having to commit to a multi-year programme. This involves an agency employing an apprentice and placing them with multiple employers over the course of their apprenticeship. However, take-up has been lower than expected.<sup>69</sup>

**CITB should seek to expand the shared apprenticeship service.** They should set a target of tripling the number of starts on the programme to 500 annually. CITB should promote the scheme more actively to address low levels of awareness. Businesses providing apprenticeship placements through the scheme should be entitled to access the apprenticeship grant for employers in order to boost demand.

In addition to supporting more young people to enter the construction and built environment sector, we need to ensure there are effective and flexible routes for adult career changers and partially-qualified workers to develop competence and build a career.

Experienced worker routes can offer a quick, accessible and affordable path into the industry. This is a particular priority as a result of the Building Safety Act, which requires workers to demonstrate full competence.<sup>70</sup>

However, public investment in adult skills has declined significantly since 2010, and current funding rules provide limited support for these routes. Some mayoral strategic authorities are seeking to use devolved funding pots to plug these gaps.<sup>71</sup>

**Government should increase the availability of funding for experienced worker routes.** This should include employer funding, through the growth and skills levy, and individual funding, through the Adult Skills Fund and Skills for Jobs.

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<sup>xiv</sup> Short courses will only be appropriate for certain occupations within the construction and built environment industry. Some areas – such as electrical installation and maintenance and plumbing, are highly regulated and safety-critical. In these areas, longer duration courses – including multi-year apprenticeships – are often more appropriate to ensure competence.

The multi-skill training hubs are an innovative and promising model to complement existing classroom-based provision and the apprenticeship route. They offer intensive training and immersive experience of site-based work. While hubs are at a relatively early stage and require ongoing evaluation, they have delivered promising results in terms of both apprenticeship retention and achievement, and transition to industry.<sup>72</sup>

Subject to further evaluation work, the government and local areas should look to **expand the network of construction training hubs** by providing additional capital and revenue funding, co-invested with industry. Local areas should explore the potential to use section 106 to create new hubs linked to larger developments, particularly where there are acute shortages in specific occupations.

### **Ensure providers are resourced to recruit expert teachers and deliver high-quality provision**

Recruiting and retaining teachers in the further education workforce is a significant challenge. There were nearly 350 unfilled teaching roles in construction and the built environment in further education in 2023/24, in large part because average pay for teachers in the subject is below average pay for workers in the sector. The shortage of experienced teachers with extensive expertise in the construction and built environment sector undermines the capacity of the FE sector and the relevance of provision.

The government recently introduced the Targeted Retention Incentive, worth up to £6,000 a year, to recruit and retain FE teachers in priority subjects that face challenges with vacancies. Almost a third (29 per cent) of approved claims in 2024/25 were in building and construction.<sup>73</sup>

The government also recently announced £20m of funding for local skills improvement plans to support collaboration between colleges and construction firms, including to boost the number of teachers with industry experience.

The government should seek to close the teaching vacancy gap in construction and the built environment, and recruit more teachers with industry expertise, by:

- **Supporting industry-provider partnership working**, including ongoing funding for local skills improvement plans.
- **Promoting opportunities** to experienced construction workers, including those who may no longer be able to work on site in the industry. Both Re-Build and occupational health providers in the sector (see below) should promote teaching as an option for workers who want to use their expertise in a less physically demanding role.

- **Increasing incentives.** The Targeted Retention Incentive payment should be increased from a maximum of £6,000 to a maximum of £10,000. This would cost an estimated **£7.5m** in building and construction, or **£26m** across all currently eligible subject areas in FE.<sup>74</sup>

In addition to targeted funding to support teacher recruitment, we need to ensure sufficient resourcing for providers to deliver high-quality training. Skills England sets a funding band for apprenticeship standards. This sets the maximum amount of apprenticeship levy funds that can be used toward the cost of an apprenticeship. If delivering an apprenticeship costs more than the band, then the employer either needs to pay extra, or the college or independent training provider needs to cross-subsidise or absorb the deficit.

While apprenticeship standards in construction and the built environment tend to have higher funding bands, there is some evidence that these bands are often not sufficient to meet the true cost of provision, and that bands have not kept pace with cost inflation. Providers delivering courses in the sector often need expensive equipment and materials, supervision for safety critical work, and on-site delivery.<sup>75</sup>

Skills England should **review funding bands for apprenticeships and FE courses in construction and the built environment sector**, identifying where these need to be increased in order to ensure that they are sufficient to meet costs.

## Attract

In addition to improving incentives for training and the effectiveness of the skills system, we need to broaden the appeal of the sector among young people and attract back skilled workers who have left the sector.

### **Building Britain's Future – a campaign to broaden the appeal of careers in the built environment sector**

While construction and the built environment can offer fantastic career, a recent survey found just 30 per cent of young people would consider a career in the sector.<sup>76</sup> The sector has less appeal among young women, young people from black and minority ethnic backgrounds, and those who achieve higher grades in school.

The **Construction Leadership Council should lead a targeted communications campaign to promote the sector as a career of choice and broaden its appeal.** The campaign should seek, in particular, to engage groups who are currently underrepresented in the sector, including young

women, black and minority ethnic communities, and high performers at school.

The campaign should focus on, pay and progression opportunities, the variety of work opportunities in the sector, and the value and importance of the work.

### **Re-Build – targeted employment support programme to attract experienced workers back into the sector**

At the time of the last census, there were nearly 400,000 working age adults who were out of work, and whose last role was in construction.<sup>77</sup> This figure is far higher than the number of vacancies in construction, which stood at 54,000 in 2024.<sup>78</sup>

While it is important to attract more new recruits – including more young people – this alone will not address the immediate workforce and skills crisis. We must also attract more skilled and experienced workers back into the sector.

#### **The government should develop a new employment programme – Re-Build – to support these workers back into the industry.**

The programme should identify and reach out to former workers through Jobcentre Plus, devolved employment programmes, and by identifying workers who have not renewed their CSCS Alliance cards or other similar accreditations/licenses.

The programme should offer:

- **Tailored and industry-specific employment support** and advice from employment advisors with expertise in the sector.
- **Occupational health support** to address health and mental health related barriers to work.
- **Access to short courses** to refresh and update skills.
- **Support to access industry placements** to help give participants recent experience.
- **Support to renew CSCS Alliance cards** and other accreditations or licenses.
- **Options other than on-site work**, including teaching in FE.
- **A back to work bonus** to support with costs relating to a return to work, and to act as an incentive.

The programme should be funded by DWP, and devolved to mayoral strategic authorities (MSAs) to deliver locally, working in partnership with

industry. It should be piloted with a small number of mayoral strategic authorities, before being rolled out nationwide.

## **Make the sector more welcoming and appealing for women and Bame communities**

The construction and built environment workforce is very unrepresentative of the wider workforce, with a low proportion of black and minority ethnic workers, and a very low proportion of women.

Perceptions of the industry as being not inclusive or welcoming are a significant barrier to the industry attracting a broader pool of workers. The fact that the industry is male-dominated is the second most commonly identified reason for not considering a career in the industry among young women who are not attracted to the industry.<sup>79</sup>

**The Construction Leadership Council should develop a strategy to improve workplace culture in the construction and built environment sector** and make the sector a more welcoming for under-represented groups.

The government should explore the potential to use procurement and section 106 as a lever to require larger employers to take practical actions to make the industry more inclusive and welcoming for people from diverse backgrounds. This could be through requiring larger contractors to engage with the Considerate Constructors Scheme and including a greater focus on equality, diversity and inclusion within this scheme.

## Retain

In addition to attracting more new recruits to the construction and built environment sector, we need urgent action to retain skilled workers in the sector for longer.

## **An occupational health strategy for construction and the built environment**

As set out above, the construction and built environment sector suffers from very high and rising levels of work-related musculoskeletal conditions among the workforce, and significant challenges with mental health.

However, despite the physically and mentally challenging nature of much of the work in the sector, and the high prevalence of work-related ill-health, employers in construction are less likely to offer a range of occupational health support measures, from employee assistance programmes to rehabilitative services.<sup>80</sup>

Following the publication of the Keep Britain Working review, a cohort of 70 ‘vanguard employers’ have volunteered to lead a ‘race to the top’ by building the evidence base for how employers, workers and health services can make work healthier and more inclusive. Only two of these vanguard employers are in the construction and built environment sector.<sup>81</sup>

Better preventative and reactive occupational health provision, appropriate to the construction and built environment sector, could help reduce the prevalence of illness and injury, improve chances of recovery, and keep people working in the industry longer.

The Construction Leadership Council should convene a group of vanguard employers in construction and work to develop an **occupational health strategy for the industry**. The strategy should focus on tackling musculoskeletal and mental health in particular, helping employers make workplaces more healthy and widening access to occupational health support in the sector.

## Reform

In addition to fixing issues in the skills system, we need to address the underlying structural challenges in the construction and built environment sector that contribute to the skills crisis.

### **Reduce cyclicality and improve predictability of demand**

The construction and built environment sector suffers from excessive cyclicality, due in large part to the volatility of the housebuilding and commercial construction market. This is a key factor in the workforce crisis facing the construction industry. Periodic sharp downturns lead to many workers leaving the sector, and unpredictable demand makes it difficult for businesses to make long-term investments in skills.

The government should seek to **boost and smooth demand in the construction and the built environment sector**.

First, the government should seek to **boost demand through further reforms to the planning system**. Upcoming Fabian Society research will set out further planning reforms to deliver this.

Second, the government should seek to **actively smooth demand over the business cycle** to reduce the damaging levels of volatility in the sector.

The government should move towards a counter-cyclical model for delivering social housing. During downturns in private housebuilding and

the wider construction sector, the Social and Affordable Homes Programme should surge investment through local authorities and housing associations, in partnership with the private sector, enabling them to bring forward developments with a high proportion of social housing. The government should also move toward counter-cyclical investment in infrastructure. Public investment in infrastructure should be ramped-up during downturns in the industry, with a focus on shovel-ready projects.

Taken together, these measures would give employers greater certainty to invest in skills and reduce the volatility that drives workforce attrition.

## **Use planning and public investment to drive training**

The planning and procurement systems can be powerful levers to drive investment in training. However, these tools are not being used as effectively as they could be.

Section 106 agreements are often used as part of planning decisions for larger developments to secure 'social value' for local communities. This can include the provision of employment and training opportunities – particularly apprenticeships – for local residents.

However, the geographies for local labour requirements are often very small, based on an individual local authority. This limits the labour pool, making apprenticeship opportunities difficult to fill, and reducing the ability of apprentices to transfer from project to project. The measures are also poorly enforced, particularly through the supply chain, which means they have little effect on employer behaviour.

The government should work with local authorities to **improve the use of section 106 agreements to drive investment in apprenticeships**. Local labour clauses should be:

- **More consistent.** Local authorities should align section 106 policies across mayoral strategic authorities to reduce complexity.
- **More flexible.** The definition of 'local' should be expanded to cover the mayoral strategic authority area – and potentially neighbouring areas – rather than just the local authority. This would make it easier to fill vacancies and support apprentices to transfer between projects.
- **More rigorous.** Developers on most projects should be required to ensure that a minimum of 5 per cent of on-site workers are apprentices.
- **More effectively enforced,** with developers required to collate data and local authorities monitoring compliance.

Procurement can also be used to boost investment in training. Public bodies have increasingly used the Public Services (Social Value) Act to require contractors to deliver social value as part of contracts, including apprenticeships and other forms of training.

However, the requirements set by public authorities vary significantly by region. In the West Midlands, major procurements delivered an average of 10 ‘apprenticeship weeks’ per £1m of contract value. In London, major procurements delivered less than half the volume of training, at just 4.5 weeks per £1m.<sup>82</sup>

The government should work with other public bodies to increase requirements for public sector procurement over time and ensure that these requirements are enforced. Bringing all regions to the level achieved by the West Midlands would deliver an additional 14,000 apprenticeship weeks annually, creating nearly 300 extra apprenticeships a year.<sup>83</sup>

The Social and Affordable Homes Programme is a £39bn government programme to increase the delivery of social and affordable housing. The programme sets out requirements relating to tenure, quality and design, and equality, diversity and inclusion.<sup>84</sup> However, it does not set out any expectations in terms of provision of training as part of the delivery of projects funded by the programme.

This is a missed opportunity. The government should introduce **minimum training requirements for developments funded through the Social and Affordable Homes Programme** which set out the minimum expected level of social value related to employment and training, including a reasonable minimum number of apprenticeship weeks per £m of grant.

## Reducing reliance on self-employment

The construction and built environment sector is excessively reliant on self-employment. Self-employment is twice as high in the sector as in the economy as a whole, and nearly three times as high in the construction industry specifically. Self-employed workers are significantly less likely to engage in work-related training.

The government should work with the construction and built environment sector to **reduce the excessive reliance on self-employment**.

First, the government and industry should **address financial incentives for self-employment over direct employment**. CITB should seek to increase the rate of the levy charged on CIS workers relative to directly employed staff over time. This would reduce the relative cost of directly employed workers, counterbalancing the incentives in the tax system, as well as raising more

money to invest in training in the industry. Alongside this, the government should review the taxation of self-employed workers relative to employees across the economy as a whole and look to address the tax incentive for self-employment.

Second, government and local authorities should explore using section 106 requirements and social value clauses to **require a minimum proportion of directly employed labour** on larger developments.

Third, the newly formed Fair Work Agency should seek to **tackle bogus self-employment in construction**.

## Immigration

The government is seeking to reduce migration, including through supporting employers to invest in the UK-based workforce. However, even with a rapid increase in training, we will not meet construction demand in the short term from the UK-based workforce alone.

The government should ensure that the construction and built environment sector is able to access the migrant labour it needs in the short term, while more effectively linking migration and skills policy to reduce the need for migration in the medium-term.

### **Invest the immigration skills charge in skills**

The immigration skills charge (ISC) is a charge levied on employers who sponsor migrant workers. Employers in construction pay around £17m through the ISC annually.<sup>xv</sup> The charge is intended to support investment in the skills of UK-based workers. However, there is no clarity on how the revenue is used.

The government should ensure that all funding raised by the ISC should be invested in training UK-based workers to address the skills gaps that have driven migration in recent years.

### **Expand the immigration salaries list and link to training incentives**

Currently the immigration system and the skills system are insufficiently linked.

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<sup>xv</sup> The Immigration Skills Charge raised £560m in 2024/25 (Home Office, 2025). Construction and the built environment accounted for around 3 per cent of visas issued in 2023/24 (Home Office, Immigration system statistics, 2025).

The immigration salaries list sets out occupations where there is a shortage of workers in the UK-based workforce, and where employers are given more flexibility to bring in migrant workers. Despite the significant shortages across construction and the built environment sector, there are only a limited number of occupations in the sector on the list.<sup>xvi</sup>

Simply expanding the immigration salaries list would make it easier to access skilled migrant workers, and risk undermining incentives for employers to invest in training. Instead, the government should better link immigration and skills policy to address the immediate crisis while simultaneously strengthening incentives for employers to provide training in areas of skills shortage.

The government should **review the immigration salaries list with a view to including more occupations from the sector**. The government should engage closely with Skills England and the construction and built environment sector to identify the occupations where there are significant and ongoing skills shortages.

Alongside expanding the immigration salaries list, the government should **introduce incentives for employers to invest in the skills of workers where there are identified shortages** in the UK-based workforce. The new apprenticeship grant for employers should provide a £3k incentive to employers who take on apprentices on standards that are linked to occupations on the immigration salaries list. We calculate that this would cost **£30m** in the construction and built environment sector based on the current immigration salaries list, and **£135m** across the economy as a whole.<sup>xvii</sup>

## The Work and Train Visa

The construction sector faces an acute shortage of both skilled workers and the experienced teachers needed to train up the next generation.

**The government should introduce a new ‘Work and Train’ visa in construction and the built environment to address both issues.**<sup>xviii</sup> Migrant

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<sup>xvi</sup> As of March 2026, the Immigration Salaries List Included welders, stonemasons, bricklayers, roofers tilers and slaters, carpenters and retrofitters

<sup>xvii</sup> The following apprenticeship standards were identified as being linked to the above occupations that are currently on the Immigration Salaries List (ST0851, ST0442, ST0442, ST1334, ST0270, ST0368, ST0263, ST0264, ST1480, ST0333, ST0521). There were 7,559 apprenticeship starts on these standards in 2024/25 (Department for Education, Explore apprenticeship statistics, 2026). We assume a 33 per cent increase in starts due to the Impact of the incentive on demand.

<sup>xviii</sup> This builds on the recommendation of the Good Growth Foundation, Tackling back control, 2026.

workers on these visas would be required to spend at least 10 per cent of their time – typically one day a fortnight – training workers in the construction sector. This could include teaching at an FE college, independent training provider, or multi-skill training hub, or supervising apprentices on site. The worker should be paid for this teaching time by their employer, at their usual rate, ensuring the support is provided for free to the training provider.

This measure would increase access to skilled migrant workers in areas of skills shortage while also ensuring these skills are passed on to young people in the UK. It would also help address the shortage of tutors with recent industry expertise and experience in the FE sector.

Such a measure could be both effective and popular. Previous polling by the Good Growth Foundation has shown strong public support for a visa route for skilled migrants to come to the UK both to work and teach.<sup>85</sup>

## Funding these changes

The measures set out above could be paid for through changes to the growth and skills levy.

First, the government could **increase the levy** over time. The current rate of the levy is 0.5 per cent of payroll, which is low compared to similar schemes internationally. Increasing the levy to 0.7 per cent would raise an additional £1.9bn by 2029/30. Our polling found that levy-paying employers were open to increasing the levy in exchange for greater flexibility.<sup>86</sup>

Second, the government could **broaden the levy** by reducing the threshold over time. Currently, only employers with a payroll bill of £3m or more – representing the largest 2 per cent of firms – pay the levy. Previous Fabian Society research found that reducing the threshold to £1m would raise £650m by 2029/30 and increase incentives for medium sized employers to invest in training.<sup>87</sup>

Third, the government could **refocus the levy on non-graduates**. A growing share of levy funds have been spent on higher-level apprenticeships for people who are already well-qualified. Previous Fabian Society research found that restricting the use of levy funds to employees who don't already have a degree level qualification would save an additional £270m on top of the recent defunding of level 7 apprenticeships.

These changes to the levy would have a very limited impact on costs for most employers in the construction and the built environment sector. The vast majority of employers in the sector have payroll bills below the revised

threshold, and a low proportion of levy funds are spent on people who already have a graduate degree.

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