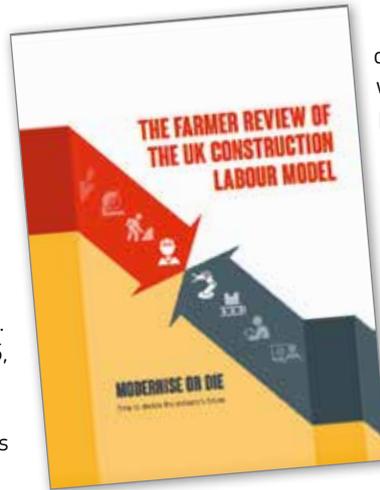


'THERE'S NO EASY

We caught up with Mark Farmer, whose report on the construction sector's labour market has brought the skills crisis into sharp focus

Mark Farmer cites his father, a construction worker, as a major influence on his career choice. Farmer junior started out as a chartered quantity surveyor involved in a multitude of projects, from heavy civil engineering to retail and commercial work, before specialising in residential. Now the chief executive of Cast, the real estate and construction consultancy he founded last year, Farmer formerly worked for EC Harris (now Arcadis). On the back of a report he wrote for Arcadis in 2015, he started discussions with Brandon Lewis, then minister for housing, about the skills crisis and the effect it was having on the housebuilding industry. As a result, he was appointed to undertake a review for the government into the entire construction industry's labour model. *The Farmer Review of the UK Construction Labour Model: Modernise or Die* was published in October 2016.



demand that construction be delivered in a different way, such as specifying higher minimum levels of pre-manufactured value. The second stakeholder is the government – as a client of the industry, but, possibly more important, as a policy setter to help the industry modernise. The third stakeholder is the industry itself. It needs to react to the challenges facing it and think about how it can change its processes before clients eventually start to ask for things differently.

What will happen if nothing is done to modernise the industry? Who is most at risk?

We'll see a gradual deterioration across the board with the symptoms we're seeing only getting worse. We'll hear about more and more projects beset by time, cost and quality problems due to declining workforce levels and a dilution of skills. Every single stakeholder is at risk: clients won't get the outcomes they're paying for; the government won't achieve economic growth as the construction industry won't be able to underpin its GDP or build critical infrastructure. The construction industry itself will also be at risk of going into terminal decline, amplified by increasing problems attracting new, young talent to the industry.

You identified specific time-bombs around skills. Why is it so important to address this problem?

Increasing skill levels and workforce productivity go directly to the heart of the industry's power to deliver. The ability to increase housing output and deliver critical national infrastructure is putting increased demands on the industry at a time when an ageing workforce and Brexit are likely to have a negative impact. A changing demographic is something insidious that we might not notice, but Brexit could create more of a structural shock – the skills time-bomb is very close to exploding in our face.

FIS has invested in a skills delivery team to help make the process of recruiting, training and upskilling staff as straightforward as possible. What are your thoughts on that?

Transforming and modernising our industry is not going to happen in an abstract environment. It needs individuals to take ownership of initiatives in their own spheres of influence. What FIS has done is a great example of this in action. It's seen the issues ahead and is taking a leading stance in addressing those issues, which will hopefully future-proof the role of the interiors and finishes sector.

How do we encourage companies that have no interest in training and stop them riding on the coat tails of companies that do invest in it?

Unfortunately it's a cultural behaviour that's quite widespread in the industry, and there's no easy fix for it. I don't think we'll ever get away

In *Modernise or Die*, you compare the construction industry to a sick patient in hospital suffering from a potentially terminal disease. What are the symptoms that so concern you?

The most important issue the industry is facing is the declining size of the workforce. My report highlights a fairly bleak picture of a skills crisis that will only get worse. This is driven by two factors that have not been major issues historically but are now becoming critical and unprecedented risks for the industry.

First is our ageing workforce. More people are retiring than entering the industry. Overlaid on this is the whole risk Brexit represents, and that we may not be able to rely on migrant workers in future. At the moment, we're beset with issues: poor quality in traditional construction techniques; build cost inflation and volatility, especially in London where the market's been very buoyant; and an overall lack of predictability in what we as an industry can deliver to our clients. These are all symptoms of the stresses and strains that are created by the skills crisis.

What can we do to reverse this decline?

There's no easy answer, but essentially we have to change the way we physically deliver construction. Ultimately, it's a matter of shifting from doing things in a traditional, labour-intensive way on construction sites to more of a hybrid approach that delivers more value offsite in a manufacturing environment. This is critical not only in addressing the labour and skills crisis, but also in making us more productive, and indeed, more attractive to new entrants. By moving more processes into a factory, it will also allow us to deliver at a level of quality and given price point much more consistently.

Who needs to be involved?

There are three key stakeholders. First, clients need to think differently about how they go about commissioning the construction industry. Many clients, particularly developers and housebuilders, don't demand enough of the industry. They're asking for the same old techniques and products, and then they moan about the result. They need to raise the bar and

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from the fact that some people don't think that it's their responsibility. What we really need to do is marginalise them and promote the 'calling out' of poor behaviour.

Do you think CITB will be reformed in the way that your report has recommended?

I really hope so. It needs reforming and requires a different, more strategic and enabling mandate. It needs to reorganise its grant funding model for skills and make sure training is aligned to what a modernised industry needs. It should also produce powerful outreach programmes to schools reflecting a modern, changing industry, not replaying what it necessarily looks like now.

Perhaps most important, CITB needs to have the support of the industry. To have that it will have to convince the industry it's going to be fit for purpose going forward, which is why some quick wins from an immediate reform programme are so important.

An often-heard excuse for not adopting building information modelling (BIM) is simply that clients aren't asking for it. Should contractors wait for clients to ask for innovation or should they constantly review what they offer?

I think it's a combination of both. As I've already said, clients have a major role to play in effecting change. The way they commission construction companies is massively influential in the supply chain and in making the industry more modern and progressive. BIM is just one example of how that might play out, but I do not believe it is the answer in isolation. I also think it's incumbent on the industry itself to grasp new modes of working – more pre-manufacturing, for instance, can then be combined with digital engineering techniques such as BIM to improve efficiencies right through, from design to manufacture and assembly and indeed operation.

Farmer recommendations in brief

1. Construction Leadership Council should oversee implementation of the Farmer recommendations.
2. CITB should be comprehensively reviewed and reformed.
3. Industry, clients and government should work to increase R&D and change commissioning from traditional to pre-manufactured approaches.
4. Industry, government and clients should deliver an innovation programme, define measures of progress and report regularly against these.
5. A reformed CITB should look to realign its grant funding model. Industry bodies/professional institutions should take a more active role in ensuring training produces appropriate talent.
6. A reformed CITB or stand-alone body should be empowered to deliver a more powerful image for the holistic 'built environment' process.
7. Government should recognise the value of the construction sector and be willing to intervene in education, planning and tax/employment policies.
8. Government should act to provide an 'initiation' stimulus to innovation in the housing sector by promoting use of pre-manufactured solutions.
9. Government, as part of its housing policy planning, should work with industry to establish a pipeline of new-build housing demand.
10. Government should consider introducing a charge (no more than 0.5% of construction value) on business clients to influence commissioning behaviour and supplement funding for skills and innovation.