

The Case for Collaboration in the Homebuilding Supply Chain

A Research Report to Highlight the
Challenges and Opportunities for Driving
Positive Workforce Development
Investment amongst
Subcontractors that supply
the Homebuilding Market
in the UK





Joint Foreword

Home Builders Federation

Home building faces major challenges in the coming years - to build more homes, maintain and further improve quality and to do all this more sustainably and efficiently. This report makes a compelling case that we will need to do things differently if we are to be successful in meeting these challenges. In particular, it highlights the need to tackle the constraints to growth faced by many existing sub-contractors and the implied barriers for new entrants to come in to the supply chain.

Having enough people with the right skills for today's and tomorrow's industry is critical to supply chain growth. This report identifies that the confidence of subcontractors in their ability to attract the right people and to invest in training for them is comparatively low and needs to be improved to sustain the growth that is needed. The report's recommendations provide valuable ideas for how we can seek to do so.

Encouragingly, it also suggests that many developers and subcontractors are embracing the need for change, including the need for more collaboration on skills. And we can see in the number of employers that are getting behind the new Homebuilding Skills Partnership that there is a willingness to take action on key areas such as attracting people to the industry, understanding training and development needs, influencing training provision and looking at training and skills in the supply chain.

We look forward to working together to tackle the issues raised by the report and to take forward its recommendations.

John Slaughter, Director of External Affairs, Home Builders Federation and Steve Radley, Director of Policy and Partnerships, CITB.

Acknowledgements

Skyblue Research Ltd would like to thank all the contributors to this study since September 2015. We hope we have managed to capture your voice in an honest and balanced way that can help create the case for more workforce development collaboration in future. Our thanks to representatives from the 20 Homebuilders, 204 subcontractor businesses, 5 Federations and 14 staff at CITB, personnel at HBF, their Careers Committee and Qualifying the Workforce Group that have helped shape the project. Thanks also to the representatives of major contractors who allowed us to compare and contrast their supply chain practices with those found in homebuilding. In particular, we would like to thank John Slaughter, Director of External Relations at HBF for managing this commission; and Steve Radley, Director of Policy and Partnerships at CITB for having the foresight to sponsor this research with the express interest in understanding how potential can be unlocked within SMEs in the homebuilding supply chain.

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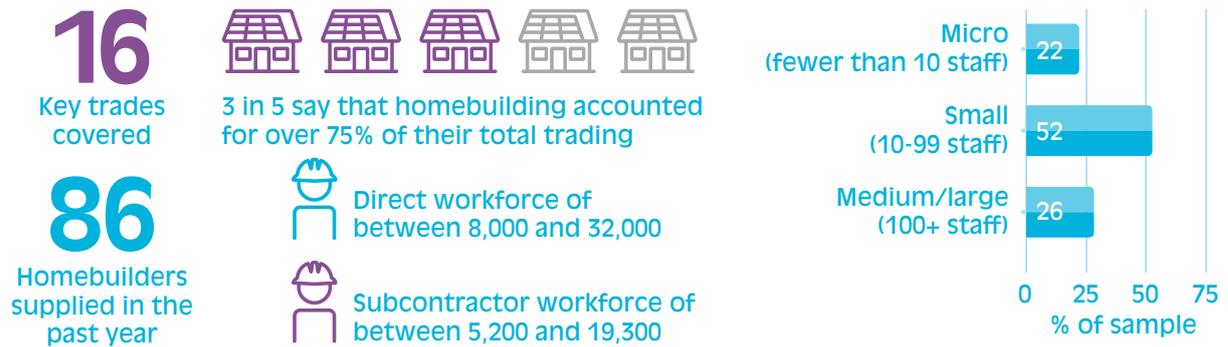
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Research Participants - 20 Large UK Homebuilders



Research Participants - 204 Subcontractors



Needs of Homebuilders

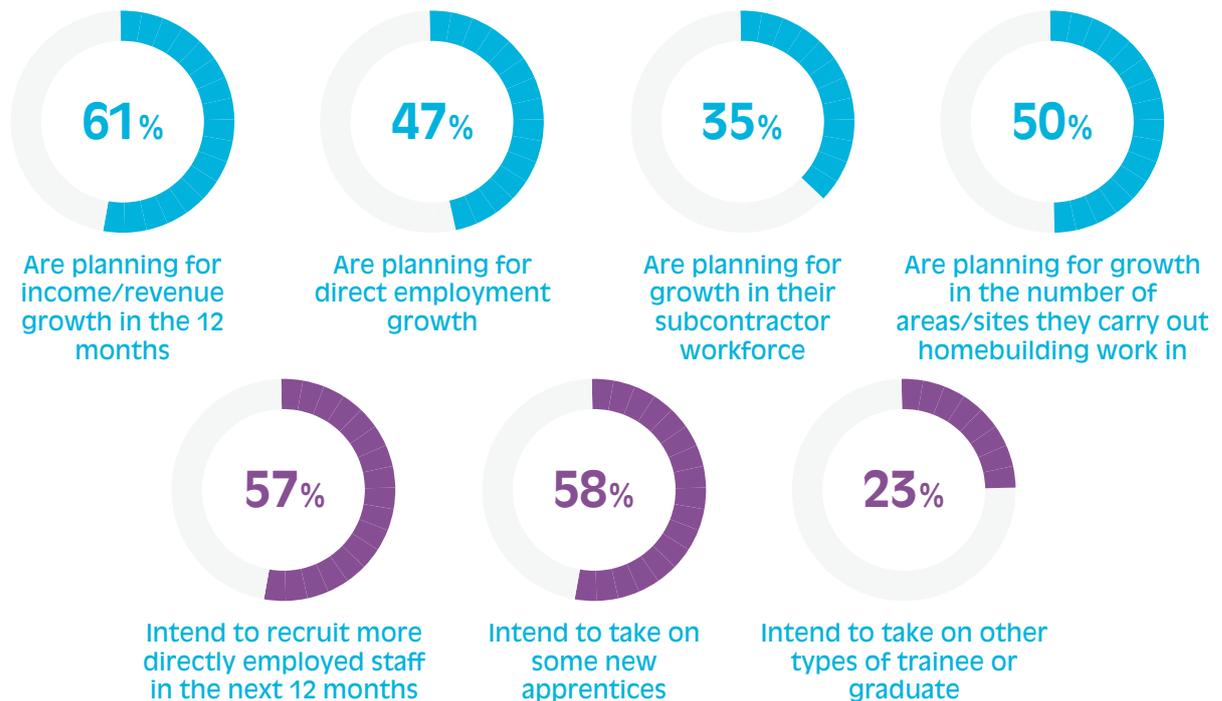


Where the majority of work packages go (£ by homebuilders)



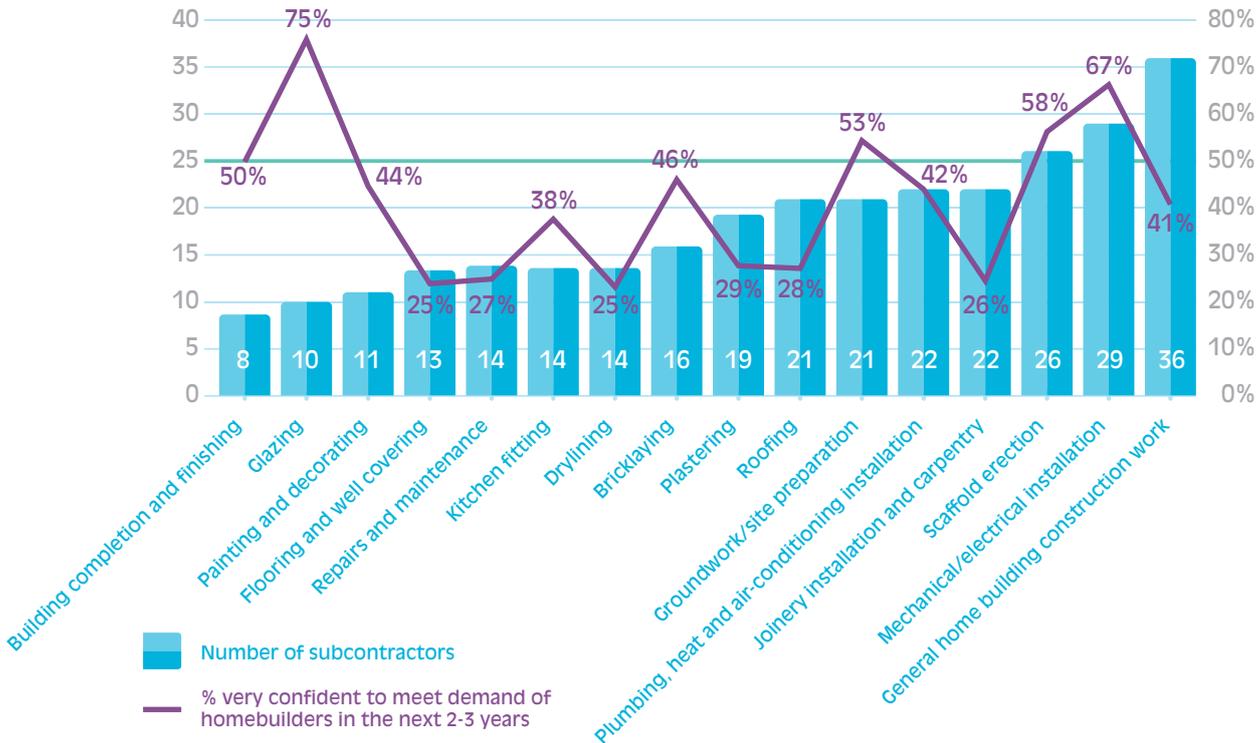
Critical shortages reported by homebuilders

Subcontractors' Growth and Ambition



1 in 2 subcontractors are very confident that they can meet the demand of homebuilders in the next 2-3 years. 1 in 2 are not.

Confidence benchmark - 50% of whole sample



Workforce Challenges and Solutions



3 in 5 intend to recruit more direct employees in the next 12 months



3 in 5 intend to take on Apprentices in 2016 (there is demand for 500-600 Apprentices in this sample of firms)



1 in 2 subcontractors that do or wish to take on new staff report difficulties recruiting direct employees



2 in 5 subcontractors that do or wish to take on apprentices report difficulties recruiting them (and frustrating drop-out rates)



1 in 7 report difficulty training and developing existing staff in new things (e.g. modern methods, new technology)



1 in 5 subcontractors did not think this theme (future skills) was relevant to them or had not thought of it before

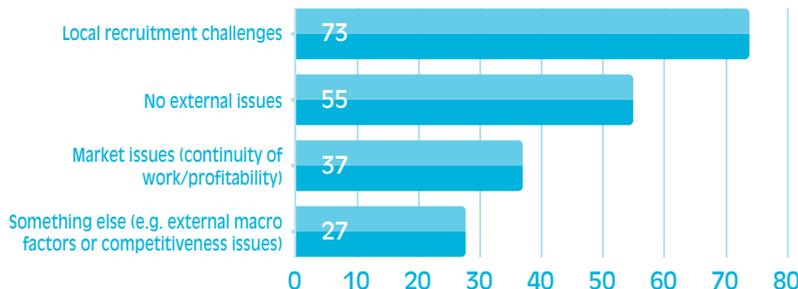


1 in 8 report difficulty training existing staff to meet skills/compliance requirements



1 in 4 subcontractors (that directly employ staff) report difficulty keeping hold of good staff as long as they would like

Challenges to growth by theme (193 respondents)



55
Responses
Biggest single issue:
 Lack of good qualified experienced trades in the local area meaning businesses can't get the subcontractors they need

Research Background

The homebuilding sector is anticipating a sustained period of growth as it seeks to meet the demand for new housing across the UK. This will create the need for a significantly larger skilled, qualified and motivated workforce. But who, and how,

exactly, will these new jobs be recruited, selected, trained and retained? To what extent will large homebuilders take ownership for supporting their supply chains through growth? And what are the workforce development challenges within the supply chain that might be addressed through collaboration? Whilst the view is that the sector

will need to grow further to 2020, there is a great deal of uncertainty about the different behaviours, attitudes and future practices of not only the largest homebuilders, but importantly for this research, their supply chain of subcontractors to achieve national, regional and local growth ambitions together.

Research Purpose

The Homebuilders Federation (HBF) on behalf of its members therefore approached the CITB (who have funded this project) to undertake research that would help:

- Identify the current and future growth ambitions of large homebuilders and the extent to which they will, or could, drive and support their supply chain

in relation to recruitment, skills and training.

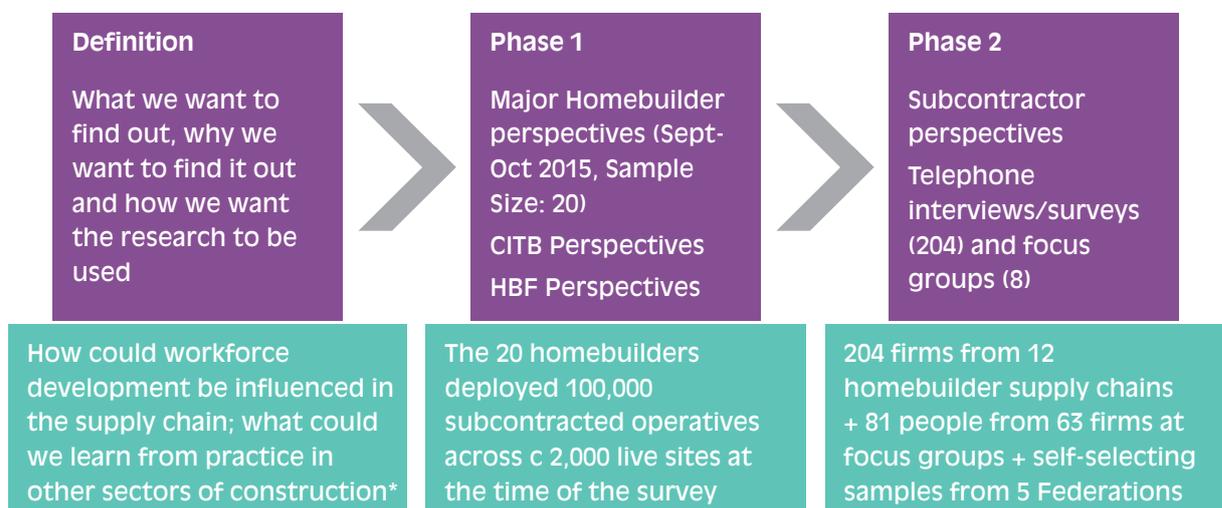
- Identify the perceived barriers to invest in training, skills and Apprenticeships amongst sub-contractors that belong to the supply chains of the major and larger homebuilders.
- Identify perceptions about skills issues and training and development needs

for the future amongst the sub-contractors whose main business activity is homebuilding.

- Identify what support these subcontractors might need in future from homebuilders, CITB (where eligible for support), HBF and the new Homebuilding Skills Partnership (HSP) in terms of meeting workforce development challenges.

Method and Scope

Independent research was conducted in phases by Skyblue Research Ltd between September 2015 and April 2016 as follows:



*See list of research contributors on the inside back cover.

Executive Summary

- Without increased collaboration between homebuilders and their subcontractors, the potential to identify, and then support increased capacity and capability in the current supply chain will be limited in the next 3 years. Subcontractors have greater choice about which developers to work with at present, and are looking for prompt payment, fair treatment, safe, well-managed site conditions and trusting relationships. Those that do invest in their workforce wish to see that investment recognised and rewarded through the procurement approach of homebuilders that tender out for work.
- Without increased collaboration within and between homebuilders and their supply chains, the potential for systemic labour and skills shortages remains for this economic cycle; and for so long as there is no change in the pattern of homebuilding with intense competition for skills at half year and year end periods, subcontractor loyalty will likely be a transactional commodity. Better workload planning, lead times and longer term negotiated contracts could help emulate the beneficial partnering arrangements observed in supply chains in the wider construction sector.
- The opportunity for the homebuilding sector to convert its current culture and strategic mind-set from one that is formulated around **supply chain procurement**, to variable levels of **supply chain management** to one of more proactive and consistent **supply chain development** is considerable. Chief Executives of large homebuilders can influence this change by incentivising their regional business units to create advantage by becoming 'customers of choice' to their subcontractors, and opening up their in-house training infrastructure to key suppliers and those who wish to grow.
- Not all subcontractors wish to grow through homebuilding, but two thirds do, and for now, only 1 in 5 say they receive any practical support for workforce development from the homebuilders they supply. They are not always certain what training and development they need, nor do they anticipate what might be required 3-5 years from now. But 3 in 5 have demand for Apprentices (a latent demand that deserves support), want specific support to take on older workers, wish to see localised, more contemporary training course content, would be receptive to blended learning options and seek increased visibility on the future pipeline of work they might win in order to increase the investment risk they might take to employ and develop their workforce. Local solutions and activation are critical to success.
- The case for collaboration is strong because homebuilders and subcontractors appear to want the same kind of outcomes; profitable work, positive reputations, safe and productive sites. Whilst good practice can always be found if you search for it, this study finds that subcontractors and homebuilders believe there is so much more that could be achieved towards these aims through a series of co-ordinated solutions aimed at increasing quality, sustainability, productivity and commercial success.
- Proactive workforce development that is embedded into homebuilders' supply chain strategies, activated at local levels, with the support of CITB, the HSP, interested Federations and other stakeholders can play a huge part in bringing long-term dividends to the industry; save money; increase the skills base; improve site efficiency; and improve the quality of learning and image of the sector. In this way both capacity and capability is raised, meaning that the growth potential of the supply chain can be better unlocked.

Recommendations

The research has discovered three key opportunities, and makes a small number of recommendations for each area. Recommendations require a mix of promoting

what is already available; prioritising the many solutions described in the study; developing a resourcing plan for the priority solutions; and then designing and delivering new collaborative solutions – co-ordinated

via the Homebuilding Skills Partnership - to upskill the workforce, increase the quality of homebuilding, increase site productivity and attract new talent to the industry.

Opportunity 1:

- Creating more responsive subcontractor supply chains in homebuilding

Opportunity 2:

- Improving subcontractor supply chain quality in homebuilding

Opportunity 3:

- Driving financial benefits through greater levels of collaboration



The Homebuilding Supply Chain

The Definition for this Research

"It is who you actually do trade with."

- The supply of new housing comprises many types of organisation: financial institutions, land agents/promoters, professional services organisations, homebuilders, contractors, suppliers, housing associations and management companies fulfilling different roles: finance, land, planning and design, construction, materials, sales, rent and management.

This study focuses on the construction role only

- Most interviewees from large homebuilders interpreted the 'supply chain' in construction as encompassing the purchasing of materials, products and labour.

This study focuses on the labour component only

- The vast majority of homes are built by the subcontractor workforce. Homebuilders report that they employ at most 15% of their site workforce, and some suggest this is as little as 5%¹. The exceptions are found amongst those homebuilders that have their own contracting division.

In practice, this translates into a large trade-oriented workforce employed by many thousands of businesses ranging from sole traders and micros, to small, medium and larger 'main contractors'. There are multiple tiers in this labour supply chain, and on site we find that the Site Manager role (typically directly employed by the homebuilder) has an essential role to creating its culture and efficiency.

The subcontracted workforce includes, but is not limited to: groundwork/site preparation; bricklaying; joinery installation and carpentry; scaffold erection; roofing; glazing; flooring and wall covering; painting and decorating; plastering; dry lining; kitchen fitting; plumbing and heating; mechanical and electrical installation; other building completion activities; and general homebuilding construction work. Some respondents also subcontract design and planning roles to their supply chain. Some of these roles are outside the formal scope of CITB's footprint.

- Whilst Group or National long-term deals² can, and are, being agreed for certain materials³, no homebuilder has a Group or National deal for labour. This is all organised at a 'business unit' level which can be regional, local or some variant spatial level that is 'not national'.

Key Points

- There are multiple tiers in the labour supply chain for homebuilding.
- Homebuilders do not directly employ many of the people constructing the homes.
- Multiple trades have to be procured, managed and sequenced on a homebuilding site.
- Inefficiencies on site can lead to lower productivity levels, re-work and negative behaviours.

¹

² Up to 5 years for some of the largest homebuilders.

³ Typically, with manufacturers and wholesalers for commodities from roof slates, timber kits to kitchen and bathroom fittings.

How Big is the Homebuilding Supply Chain?

"It's a mystical number"

Estimating the size of their supply chains was a challenge for over half of the 20 homebuilders interviewed for this study in October 2015.

It was easier for them to think about an individual site and extrapolate from that; noting variations by region and type of new build.

Sample	Estimate of their subcontractor workforce Oct' 2015	Live sites at the time of the survey	Average subcontractor workforce operatives per site ⁴
8 of the largest homebuilders able to estimate numbers	66,265 operatives	1,425 sites	46
Extrapolated and modelled data for all 20 homebuilders in the survey	A range between 83,000 operatives ⁵ and 108,324 ⁶ operatives	1,803 sites	46 (this varied per site from 25 to 200 operatives)

Many attempts are being made to estimate the total size of the workforce in homebuilding, and given its fluid, dynamic nature and complex labour supply chain model, it is extremely difficult to arrive at a single figure that can be relied upon. Sites are opening all the time, labour is being deployed across and between sites and subcontractors are typically working for multiple homebuilders so there are significant mobility and double-counting issues⁷.

"Our survey results would suggest the number of personnel on site (including both direct employees and subcontractors) is equivalent to 939,000 over the course of a year, although this figure is not full time equivalent figure and indeed is likely to include some double-counting reflecting multiple contracts and sites."⁸

In context, this research interviewed 20 homebuilders in September and October 2015. It is reasonable to suggest that in this period they were working on approximately 2,000 live sites across the UK with a subcontractor workforce of around 100,000.

⁴ The units built per site varied from 14 to 61 amongst 14 firms able to estimate in this way.

⁵ This applies our 46 operatives per site proxy derived from eight estimates and extrapolates to 15 respondents with comparable 'site' models.

⁶ Using the data from those able to estimate their subcontractor workforce size and factoring in their turnover, number of sites and directly employed workforce, proxies were applied to derive estimates for all 20 respondents. For those with a

turnover of less than £200m we found that for every direct employee, four were likely to be in the subcontractor workforce (20%:80%); for firms with turnovers between £300m and up to £1 billion the proxy was different and data suggested for every directly employed member of staff nine were likely to be in the subcontractor workforce (10%:90%); and for the largest firms with turnovers of over £1 billion the dynamic was different again, and for every direct employee three were likely to be in the subcontractor workforce (23%:77%).

This last figure is also influenced by organisations in the sample with their own contracting divisions.

⁷ The HBF-led Qualifying the Workforce initiative is worthy of note as it does capture data for 10 of the largest homebuilders participating in this ongoing tracking activity whilst also helping identify the extent of carded and qualified workforce on their sites.

⁸ Source: The Economic Footprint of UK House Building, HBF and NLP March 2015.

Key Points

- The research suggests a mean of 46 subcontractors per live site. This proxy masks wide variations, however, because site type and complexity⁹ determines the volume and type of labour demand and intensity required at each site.
- There were noticeable differences in this figure amongst companies within specific financial turnover thresholds¹⁰ and those with bespoke rather than standardised design and construction.



⁹ E.g. it may be useful to differentiate supply chain levels on larger inner city developments which tend to be predominantly apartment blocks. The build techniques are very different to those for housing.

¹⁰ For companies with a turnover of less than £200 million the average was quite consistent at around 45 operatives; for firms with a turnover between £200m and <£1 bn variability was observed between 26 and 200 operatives per site; and for firms with a turnover in excess of £1 bn the average was a tighter range between 25 and 37 operatives per site.

How Varied is the Homebuilding Supply Chain?

There is huge diversity in the homebuilder supply chain. Insights provided by homebuilders in October 2015 suggest that subcontractor firms can differ in many ways including:



When asked what it is they look for in their selected suppliers, homebuilders offered these insights:

- Insurance
- Strong H&S culture and documentation
- Build quality
- Performance reliability and delivery levels
- Cost performance
- Available at critical times
- Keeping up with the new regulations
- Willingness to do what's required, deliver to set specifications
- Demonstrate a good understanding of the homebuilder's marketplace¹¹
- Ability to provide a good workforce

"Those who share our values, our ethics, care about safety and the working environment, care about quality and care about customer care and especially the end user."

"Companies that will help us promote our brand and support our growth."

"Willingness to grow with us, build smarter, build more efficiently with processes we introduce."



Key Points

- Differences are not limited to simply size, specialist trade or location. Differences include more intangible aspects that demand a close dialogue between homebuilder and subcontractor to understand what, if any, collaboration could meaningfully be explored.
- Homebuilders have different emphases when it comes to working with those they know and bringing in fresh blood; this variability is compounded at individual local / regional business level.
- Homebuilders select suppliers differently; at a base level there is an expectation that suppliers will have appropriate insurance and compliant H&S documentation; in addition, build quality, performance attributes, reliability, availability at critical times, willingness to try new things and 'shared values' are also factors.

¹¹ E.g. for one homebuilder they said "suppliers must understand the diversity of our marketplace i.e. social housing brings specific code obligations; different from lifetime homes, sustainable homes and spec. market."

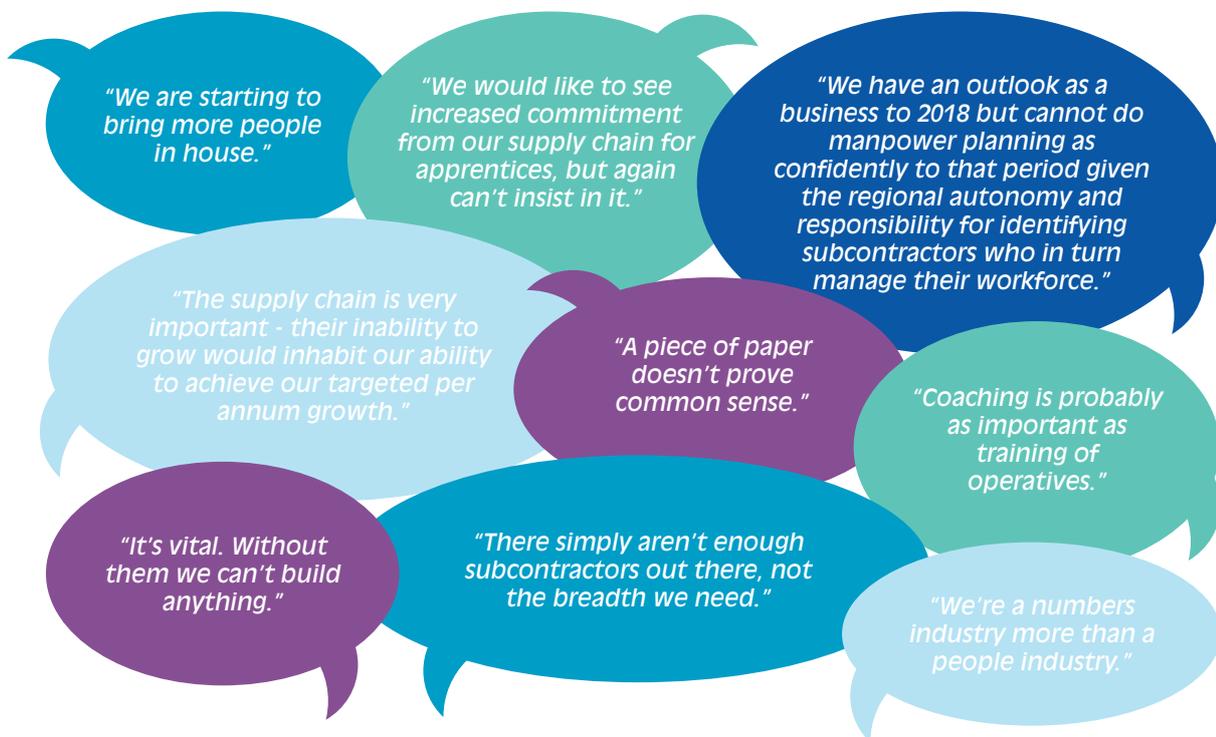


Homebuilder Perspectives

This chapter explores the views and experiences of supply chain engagement from 20 of the UK's largest homebuilders. It is organised across the following themes that emerged from the research.

- Growth ambitions and supply chain importance.
- Supply chain relationship management approaches.
- Challenges to encouraging subcontractor workforce development.
- Drivers that might create positive change in supply chain collaboration.

Does this sound familiar?



Growth Ambitions and Supply Chain Importance

"We can't deliver without it - we can't build to value or quality."

All homebuilders have reported that their supply chain is absolutely vital to their success as a business and to enable their growth strategies to succeed in the next 3-6 years. The drivers for homebuilders to have an effective supply chain are many, but principally include: enabling them to build homes in the volume required to a quality that will meet customer needs; to enable a good return of profit to shareholders; and to build brand reputation that leads to higher average selling prices. All decisions, business models and supply chain interactions and models are therefore intrinsically linked to the commercial performance of the overall business.

"Very important because it effects our productivity and our bottom line - if we get it wrong it effects our customer service results because there are delays, the budget on site is missed, and issues with contra charging can arise."

Most large homebuilders are planning strong, if not, aggressive growth¹² and there is consensus that this can only increase pressures on the ability to secure a sufficiently large supply chain, especially (trades for sites) in a climate of intense competition for labour. They mention very different market conditions in London and the South East compared to other English regions; and compared to Scotland and Wales.

"The supply chain is very important - their inability to grow would inhibit our ability to achieve our targeted per annum growth."

Despite this reality, homebuilders also recognise that their business models do not allow them to control the way in which those subcontractors make decisions about how to grow, how to employ or recruit and how to develop their capability. Section 106¹³, minimum compliance around health and safety and some aspects of qualifying some parts of the site workforce to an extent influence behaviours, but essentially the choice is left to individual firms to decide how and if they improve what they do, take on more staff

or not, attract new talent or build smarter or differently using new techniques and knowledge.

The growth ambitions of private homebuilders, allied to the Government's call for these developers to increase their build output in the current Parliament (to 2020) will increase the already stretched labour challenges locally.

"Growth at 7% per annum (which could be described as incremental) is possible from a materials perspective, but growth at a rate higher than this (which could be described as aggressive) would cause real challenges because there isn't enough labour to satisfy current demand."

All homebuilders report the dependency they have on, and the importance of their supply chains but have limited control over the decisions that their subcontractors make regarding whether to take on more staff, employ Apprentices or train their workforce to meet current and future workloads.

Key Points

- Major homebuilders have 3-6 year growth strategies, but some report having been unable in the past 12 months to achieve all targets in all regions/business units owing to labour and skills shortages.

¹² Growth was explained in terms of profit margin and shareholder return; turnover; landbank; direct employment; operating unit expansion; number of dwellings that will be built. Most companies have a range of very commercially focused KPIs, others with a more overt human capital orientation include KPIs for workforce diversification e.g. members of the 5% club taking on Apprentices, graduates and trainees. The Lloyds Bank Building for Growth Report (2015) suggests the average turnover growth in the housebuilding industry is forecast to grow by 25% by 2020.

¹³ For example in London Boroughs all the requirements differ but we were provided with some examples of what homebuilders needed to respond to for an Employment Skills and Supply Plan.

Supply Chain Relationship Management Approaches

Almost all large homebuilders operate 'regional' or spatially specific business units – interchangeably referred to as Divisions, Operating Units or Offices¹⁴. Amongst this sample of 20 homebuilders, collectively they operate 181 such operating units¹⁵. All decisions regarding 'labour' are made at this level typically with some support from a centralised or group complement of staff across procurement, commercial and human resources.

Contractors are selected usually through a tendering process, though often through limited preferred supplier contractor frameworks (or equivalent at local level), and sometimes even through less formal negotiation with suppliers with long term partnerships or relationships.

Respondents were less keen to share commercial insights about the exact volume and proportion of work placed with subcontractor firms, but in aggregate terms some patterns were noticed:



- Larger contracts tended to go to larger firms that have been known to the homebuilders for some time (and often those who remained 'loyal' during recession).
- Whilst supply chains are reported to be refreshed and maintained continuously, of those respondents able to give a view, most said that if you went back 5 years and looked at their supply chains then and now 80% of suppliers would be the same.
- Larger contracts tended to go to firms with a capability to work across multiple sites, mostly within a region, on occasion across some neighbouring regions, but rarely 'nationally'¹⁶.
- Key accounts tend to be arranged around core trades "because you need about 10 trades per home and you need a number of preferred suppliers per trade."
- Up to 75% of total supply chain expenditure may be spent on subcontracted 'labour'¹⁷.
- As a proportion of total subcontracted labour work packages across groundworks appear consistently to be the largest (c 25%); followed by plastering, plumbing, brickwork, and carpentry. These five areas alone may account typically for approximately 80% of total subcontractor expenditure when aggregated at corporate level (highlighting their criticality).

¹⁴ This structure varies of course by size of firm and nature of firm (i.e. if they are part of a wider contracting organisation).

¹⁵ These business units often have structures including its own Board, Chairman, MD and Directors. Within these units although job titles differ slightly, there are a range of individuals ultimately involved in the selection of suppliers, including Managing Director, Production/Construction Director, Commercial (Team), Regional Buyer(s) and Senior Construction Managers.

¹⁶ It is rare for such supplier firms to operate across the homebuilders' total (national) operation at trade level because of the over-reliance this might create for homebuilders. There were examples however (a) where groundwork contracts were the largest on offer and sometimes secured by a small number of major firms (especially in Scotland) (b) large, rather than major, homebuilders did place sizeable contracts for the majority of their operations with one or two larger companies where it had suited both parties' ambitions.

¹⁷ i.e. as compared to (25%) expenditure on materials.



Supply chain relationship management is variable across the homebuilders in this research sample.

“Supply chain relationships are transactional, nomadic and transitional.”

“I keep telling my Building Managers to build those relationships in their areas.”

One common trait is that all appear to have preferred suppliers, key or primary accounts where some firms are subcontracted for a reasonably sizeable proportion of work across multiple sites for their specialist trades – but never so large that the homebuilders become over-reliant on any one firm in any one region. These companies are the ones where more collaboration and support is often in evidence and where engagement is greatest.

Seven respondents willing to provide an estimate collectively managed 763 ‘key accounts’ i.e. specialist firms who could supply labour for their developments suggesting an average of approximately 109 key firms per homebuilder. One major homebuilder suggested at the HBF Policy Conference in March 2016 that of over 5,000 relationships managed they had 150 strategic suppliers and differentiate their proactive support accordingly. Interestingly though, the smaller the homebuilder the larger the number of key accounts managed¹⁸.

Homebuilders appear to particularly support their ‘key relationships’ and those firms with potential:

“Longer term relationships are the ones where we can more confidently pay for and deploy Apprentices to work with them for us.”

“We’re starting to provide more support to certain subcontractors that do a quality job, appear to have the potential for growth and could take more work volumes on in future so a ‘special group’ if you like that have typically been in a relationship for a longer period of time and / or whose recent performance has really caught the company’s eye.”

There is positive practice observed in terms of bringing these kinds of company together through supplier roadshows / events or similar to outline future plans and provide some visibility about contracts that will be coming up. The objectives here are varied, but certainly these events aim to provide a greater sense of confidence amongst key firms so that they in turn can plan ahead and think about how they could respond to the need for ‘more’ of their service from the homebuilder; and potentially take a more positive attitude towards recruiting or increasing their workforce capacity. In turn, homebuilders hope to engender more loyalty amongst these firms whilst also updating on important issues such as health and safety, quality and sustainability depending on the company’s messaging priorities at the time.

“We are looking at special support for 9 subcontractors (e.g. painting and decorating) seen as critical to the firm’s growth plans and to see what support they might need to develop their service, grow their business. The main emphasis is on encouraging those firms to bring new people in not just rely on old hands and mobilise them around sites - that’s what we expect.”

¹⁸ i.e. 1 in 5 accounts might be ‘strategic’ in a business with an annual turnover of <£100m, whereas only 2-3% of accounts are strategic for homebuilders of £500m+. The benchmarks in this regard are though highly variable depending on multiple factors examined including number and type of sites, number of units produced per site, size of directly employed workforce by homebuilders and total size of subcontractor supply chain per homebuilder.

Homebuilders typically maintain a central register or database of suppliers and subcontractors that are continually refreshed and updated by local teams; and as new suppliers are attracted to their chain as new outlets are planned. Once selected, local teams typically stay in touch with key suppliers and conduct performance reviews focusing on service levels and cost performance.

Good Practice Example

One homebuilder used an existing SHEA Site Management Forum to bring together directly employed Site Managers and a cross-section of their key subcontractors. The event was well attended because it was promoted in a hierarchy that would be attractive to the delegates i.e. health and safety / compliance (first) with other topics covered 'later' including coaching and support for Site Managers and an update for subcontractors on what workload would be coming up as well as how to keep on top of, and resolve, any health and safety and employment law issues in their business.

Key Points

- Contractor selection and labour decisions are essentially a decentralised model across the largest homebuilders in the UK. This means decisions and approaches to supply chain procurement, management and development vary a great deal open to local and individual interpretation of those with responsibility for these stakeholder relations.
- The background, mind-set¹⁹, networks and culture of these individuals at local business unit level directly effects the approach to the selection of subcontractors and how 'old' or 'new' suppliers are brought in to their local chain; although the process of supply chain refresh and quality assurance is described by all as a continuous



- process on a site by site or development basis.
- Homebuilders vary in their approach to engaging with their supply chain, from 'supply chain procurement' which is a relationship limited to the transactional aspects of a relationship only; 'supply chain management' which infers a greater sense of engagement and dialogue with contractors that supply service; and 'supply chain development' which infers a greater sense of collaboration as it involves taking a joint and shared responsibility to grow or succeed together recognising the inter-dependency of the relation between homebuilder and subcontractor.

¹⁹ A different behaviour is exhibited when they are from an accountancy contrasted with a production/construction background.

Challenges to Encouraging Subcontractor Workforce Development

"We're a numbers industry more than a people industry."

Whilst overall homebuilder business strategies vary in future outlook – typically between 3 and 6 years in their time horizon - the ability to do workforce planning for non-direct employees (i.e. the subcontractor workforce) is in reality much more inhibited to around 6-12 months or site by site.

"12 months in reality despite having a 2 and 3-year view because everyone knows the market conditions, quality of labour, and sales means they can all affect workforce planning very quickly and we need to be flexible and responsive to all those conditions as a company."

Some homebuilders have 'growth', 'efficiency' and 'replenishment' plans which aim to forecast net recruitment and deployment needs, but this is fairly inconsistent in approach when we compare homebuilder methods for their subcontractor workforce planning. It was notable that a number of homebuilders said they, nor their supply chain were HR or employment, recruitment or training experts and so they felt practices and behaviours were probably less mature or capable than other industries in this respect.

"There's no way we can influence the labour market issues too far in advance; but we do make the link between increasing our homes and not necessarily increasing the workforce at the same growth ratio - we have to grow but also hold our fixed cost base so we need to build smarter, have smarter processes and look at collaborative working."

Most homebuilders see the critical challenge as being about 'capacity' rather than 'capability'. Their key concern for the future is being able to secure a sufficient volume of subcontractors and operatives to build more homes they wish to build; something that becomes more acute and competitive at half year and year end cycles in the industry where wage inflation, poaching and *"stealing labour from one site to another"* is reported as rife.

"There simply aren't enough subcontractors out there, not the breadth we need."

Homebuilders were more enthusiastic to talk about the problem with attracting talent to the industry than training the existing subcontractor workforce, because of the current and predicted labour shortages. Responses vary to this continued skills shortage challenge.

"We are starting to bring more people in house"

Pinch points are being found within specific trades. Groundworkers, plumbers and electricians, bricklayers, carpenters, plasterers, roofers and painters were all mentioned. Tactics to

overcome this vary from the increased use of labour agencies to a trend for some larger homebuilders to increase the number of trades they directly employ. The preferred option would be for more subcontractors to take on direct employees, but risk aversion and the fluid nature of needing to bring people in and pull people off developments on a site by site basis is reported as being the main barrier.

"We're limited about what we can do around labour."

Large homebuilders have a great deal of control over their directly employed workforce and have in place structured training programmes and infrastructure for their development needs, but exert limited and selective influence on the way in which their supply chain subcontractors make decisions about whether to grow, how to grow or become better at what they do.

"Other than health and safety requirements they're not our employees' so it's hard to influence the investment in training and skills above and beyond our minimum compliance or contract requirements."

The majority of subcontractors do not directly employ either, say homebuilders, so in effect by the time you get to the individual firms specialising in trades, and the individual gangs deployed by those firms, there is hardly any influence exerted by homebuilders in respect of ensuring the workforce is as good as it can possibly be above and beyond H&S compliance.

"We don't really get too involved in the training side of things, but we do insist on certification, SMAS²⁰, CHAS²¹ and some qualifications. We won't ever select unqualified labour because of health and safety."

Quality assurance processes are reported to be strong once firms are doing their work on site, but there was honest admission from some homebuilders that they do not insist on anything too onerous when selecting suppliers in terms of skills, competence, qualifications or a commitment to take on Apprentices above and beyond

having good health and safety documentation (for audit trail purposes) and appropriate insurance certificates²².

"A piece of paper doesn't prove common sense."

Compounding this challenge is the reality that suppliers can currently pick and choose which developer they work for at present, and it is reported that if one private homebuilder insists on 'more' in terms of skills and training in a supplier's workforce above mandatory compliance, and another 'down the road' does not insist on the same level of requirement, they will walk to the one that asks for less.

All homebuilders would, however, be keen to see more of their subcontractor firms actually taking on more direct employees themselves and recruiting more in future. Most of the homebuilders have either in the past, are currently, or plan to increase the number of Apprentices they take on directly and / or deploy within their most trusted subcontractor firms in future²³.

"The main thing we can report success on is around Apprenticeships because we pay for a small number (trades) and most of those work for our subcontractors."

Key Points

Barriers to encouraging workforce development investment in the supply chain include:

- The subcontractor's size and resource to employ directly, at a time when the trend is more towards increased labour only within their own supply chain.
- The subcontractor's attitude towards risk and overall business confidence to take on new employees, in addition to replacing any that leave.
- The subcontractor's attitude towards its

people more generally, and whether they are seeking long term workforce retention (more likely to train) or a scalable model that can increase or decrease depending on which stage of the homebuilding cycle they are in.

- The subcontractor's ambitions and aspirations; whether they wish to grow and profit from the predicted growth and demand for their specialist trade services in the next 3-5 years.
- The extent to which they are in supply chains where procurement

drivers include Section 106 agreements mandating the need for specific skills, training and educational outputs.

- The subcontractor's views about whether they need to do anything beyond compliance training or not as they have a great deal of choice given the amount of work around and which developers to work with.
- Homebuilders report that small firms are more risk averse to investing in recruits and training, especially if they had been through the last recession.

²⁰ Safety Management Advisory Services – essentially a health and safety assessment process to help companies demonstrate their health and safety competence to clients.

²¹ <http://www.chas.co.uk/> The Contractors Health and Safety Assessment Scheme

²² Some respondents expressed concerns that whilst it is good practice to encourage certification and qualification, and have carded workforces, processes have to

genuinely be in place to check the 'reality' of someone's competence. Labour is being brought in dynamically from many different channels too, so inconsistency in quality is thought to be a big challenge that typically has to get resolved at site level after the workers have already been deployed. Site Managers are under extreme pressures on a day-to-day basis and make decisions that are often equally short-termist to hit site targets.

²³ Models vary. Some homebuilders pay the full cost of Apprentices when deploying to their supply chain (and claim back CITB grant), whereas most will offer a tapered cost model where the subcontractor pays an increased contribution each year over 3 / 4 years (England / Scotland) as the Apprentice moves towards higher productivity and earnings potential that benefit the firm.

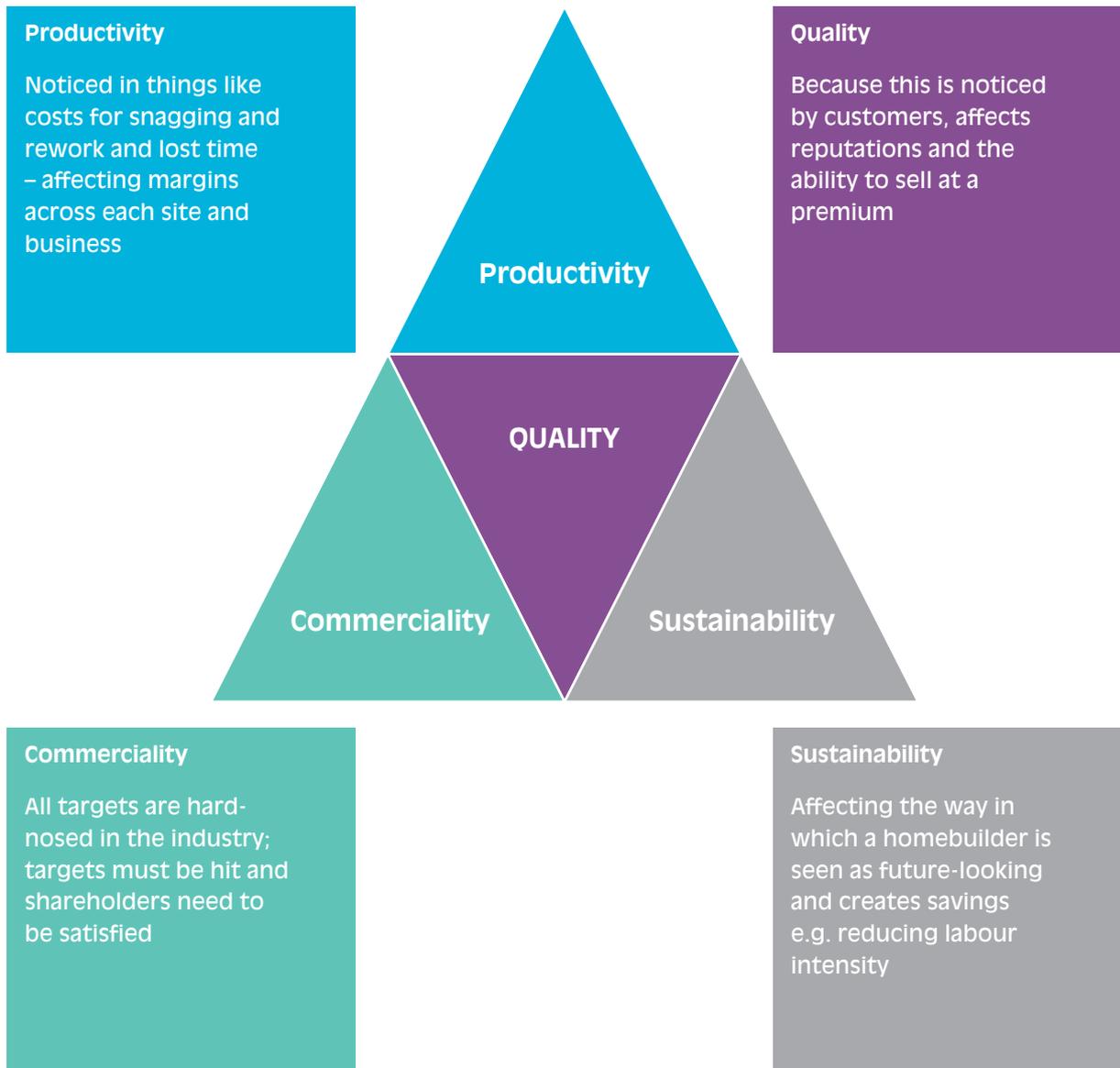
Drivers that might create positive change

“Contracting is so fragmented. Everything is priced on a job by job basis. The sector comprises such a large self-employed market so firms don’t have interest to train an individual for 18 months-3 years when, for example, a carpentry package for a site is costed

in for no more than 12 months. The will to invest is affected negatively by the relationship between pay rate vs productivity differential.”

When asked what ways homebuilders could be encouraged to be more proactive in their strategies to develop, if not manage, their subcontractor supply chain they suggested that ‘selling

workforce development or skills or training’ was not the message to lead with. Instead, to drive investment behavioural change, and to change the nature and style of supply chain engagement and relationship management, ‘investment in workforce development must be designed and ‘sold’ to the industry in a way that will drive these more attractive outcomes:



Key Points

- Factors that appear to effect a company's approach to their supply chains include:
- The vision of the CEO and their attitude towards 'partnering'. Companies that have a Chief Executive keen on 'industry relations' and being seen to look after their own staff and their supply chain appear to drive behaviours within their regional business units more than others.
- Companies with a driver towards being 'employers of choice', or are members of the 5% club, or have specific workforce diversity targets, or who have strategies with specific objectives around skills and leadership converging with supply chain quality are typically quite positive about the ideas they have for increasing the engagement they have with subcontractors in the next 12 months; and feel their reputation could benefit accordingly.
- Medium-large sized businesses are thought to work 'harder because they have to' at nurturing positive supply chain relationships. This is so they can differentiate their 'offer' to the majors who have the benefits of competing on volumetric building, brand presence, competitive packages and a pipeline of contract visibility to attract suppliers.
- The attitudes and preferred practices of commercial directors, production / construction directors, divisional MDs, senior construction managers and regional buyers at 'local business unit level' as this is where most decisions are made about who is selected as subcontractors for new sites.
- The interpretation of 'quality' (i.e. a quality supplier, a quality piece of work) is very inconsistent at local level, something central or group HR, procurement and supply chain managers say needs to improve and are increasingly likely to intervene with in the next 12-24 months.
- Drivers such as 'sustainability' appear to impact on the supply chain management practice and relationship management in homebuilding for some of the largest homebuilders as another way of creating a useful dialogue with their suppliers around better methods of construction, innovation and achieving efficiency as a consequence.





Subcontractor Perspectives

This chapter explores the views of 204 subcontractors who told us between January and April 2016 about the workforce challenges they faced, and their attitudes towards meeting the ambitious growth targets of the homebuilders they supply. It is organised across the following themes that emerged from the research:

- Subcontractor characteristics.
- Subcontractor capacity.
- Subcontractor confidence to grow.
- Subcontractor workforce challenges.

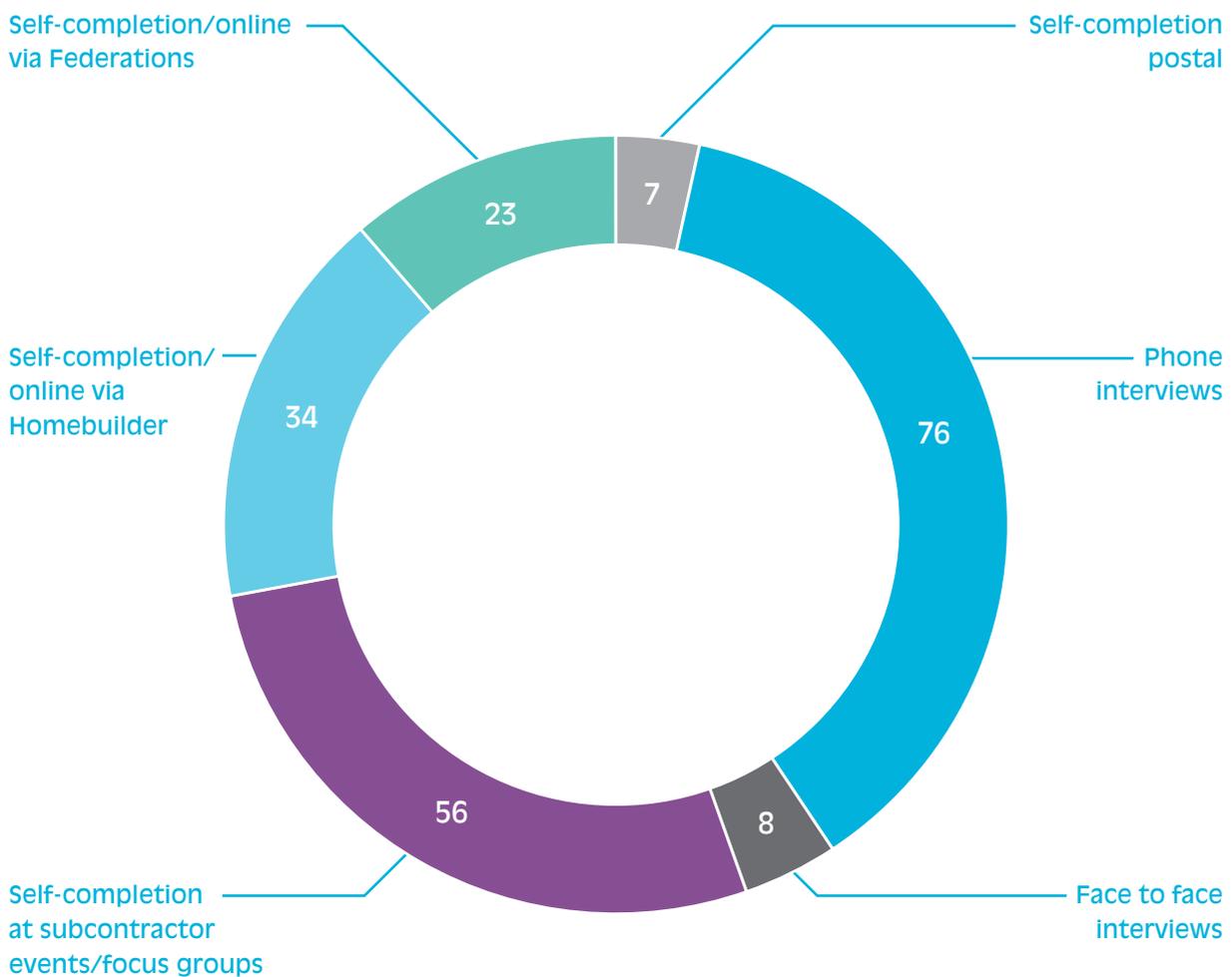
Subcontractor Characteristics

Independent research was conducted through a mix of telephone interviews, focus groups²⁴, face to face interviews and online survey with a sample of 204 subcontractors,

recruited with the help of 12 large homebuilders and 5 Federations supporting this study. The sample is therefore likely positively skewed towards the more engaged

subcontractor companies in the supply chains of the organisations participating. The reader should please bear this in mind when interpreting the results.

Survey Collection Method Summary Sample: 204 Subcontractors

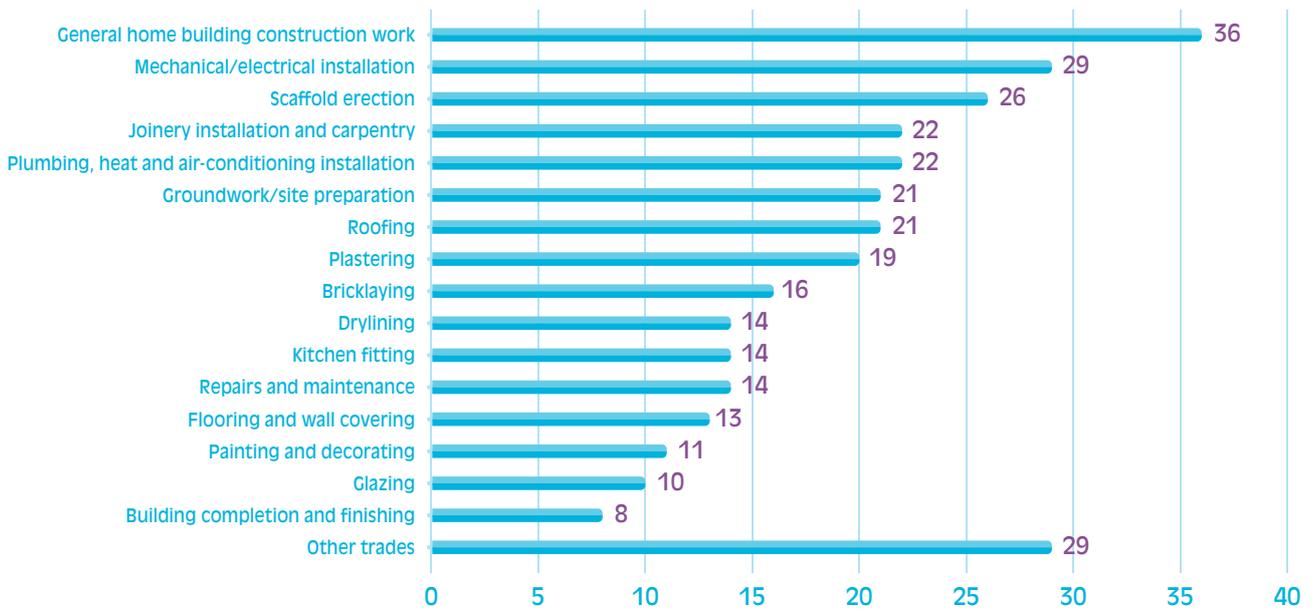


Analysis of the data was possible in a number of standard ways, including size of organisation, specialist trade, location, propensity to travel to a job/contract, and proportion of business activity dedicated to homebuilding; but also by a number of other interesting factors such as their confidence to grow

their business activity to meet homebuilder growth demands in future, and their intentions to develop their workforce capacity and capability. Here are some of the essential characteristics of the sample to help the reader visualise the kind of companies that have kindly given their valuable insights to this research.

Chart 1: Trade breakdown

Description of Subcontractor Business Activity.
Sample: 204 firms, April 2016. Multiple responses possible.



Further analysis revealed that 77% of firms in the sample practised solely one of the specialist trades described, and a further 14% offered two trades, whilst the remainder (9%) offered three or more of the listed trades as part of their business offer to customers.

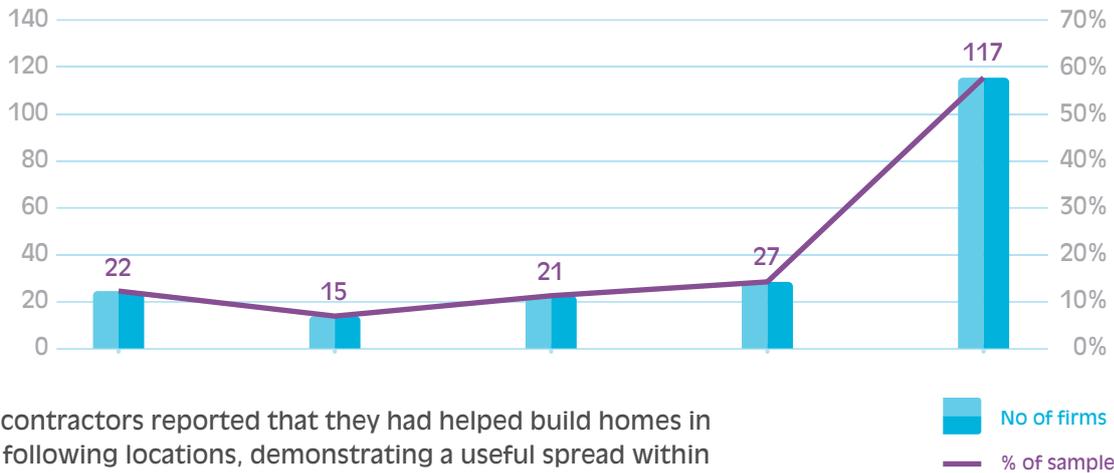
'Other' trades included things like landscaping, green technologies, land management, plant hire, waste management and a small number of manufacturers, and firms specialising in alarm systems, telecoms and whitegoods supply.

Moreover, the sample comprises companies that rely on homebuilding trade for a good proportion of their total business activity; in fact three in five say that in the past 12 months homebuilding related activity accounted for more than three quarters of their total trading.

²⁴ 81 representatives from 63 subcontractor firms attending 3 homebuilder supported events in the South East, East Midlands and Yorkshire regions.

Chart 2: Homebuilding as a proportion of total business turnover in 2015

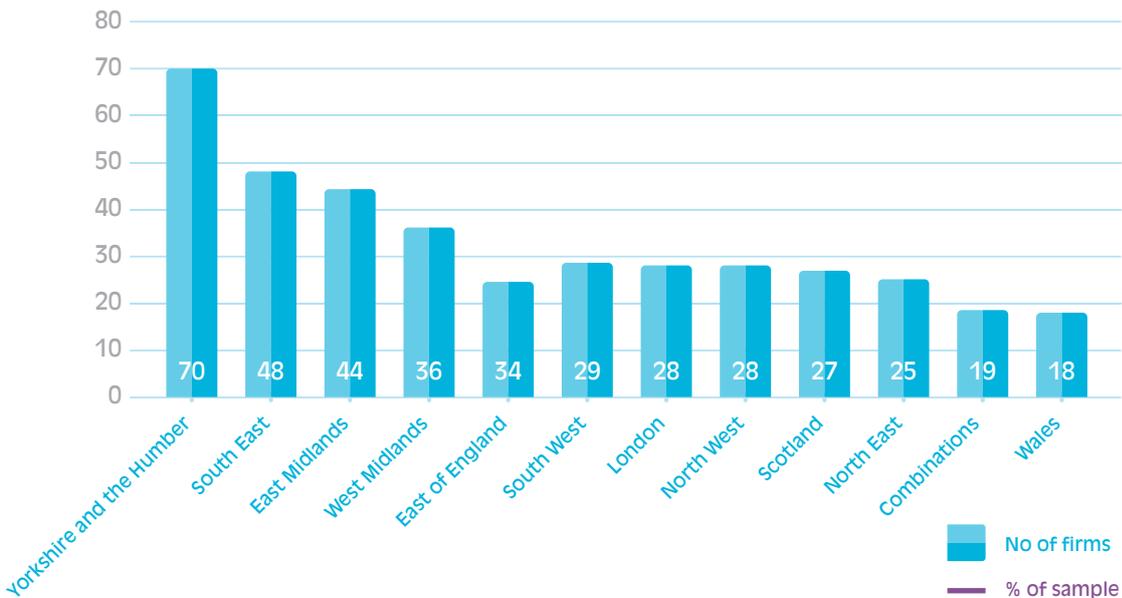
% of total business £ turnover in past 12 months homebuilding related.
Sample 202 firms. April 2016.



Subcontractors reported that they had helped build homes in the following locations, demonstrating a useful spread within the research sample.

Chart 3: Location of homebuilding sites that subcontractors have supplied in 2015

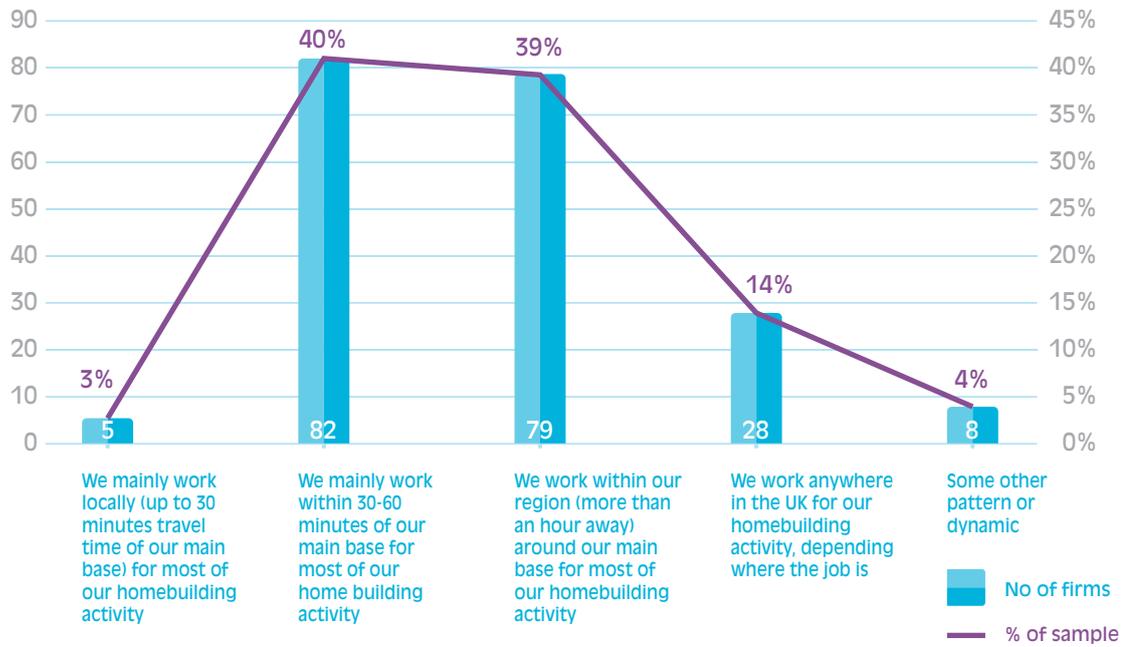
Where subcontractors have built homes in the past 12 months.
Sample 204 Firms, April 2016. Multiple-response option.



The sample comprises a mix of firms working on sites across the UK, but further analysis reveals that the vast majority work within 30-60 minutes or 'regionally' more than 60 minutes away. The larger the business, the wider the radius the firm was likely to travel for jobs.

Chart 4: Propensity to Travel to Homebuilding Jobs/Sites

Travel Patterns to Homebuilding Contracts/Jobs
Sample: 202 firms, April 2016





Case Study 1

A general housebuilding and construction firm, South West, 10-24 employees

With 100% of business activity dedicated to homebuilding, this company works largely within the M25, and in the past year they have worked for 6 of the 14 major homebuilders in that time. Of the housebuilder selection process, the MD commented: *"It's a very personal industry. It's relationships. If they're not too boisterous, decent with payment..."* He added that homebuilders vary by region: *"one can be horrendous while another are superb and nice people."*

In 2016 they will be recruiting on an ad hoc basis for staff and hope to employ two graduate level people for health and safety and for quantity surveying. They have 15 Apprentices at any one time and are looking at an innovative approach to serve their needs by setting up their own training centre to take 20-30 Apprentices a year.

They feel very confident about being able to supply to the housebuilders over the next 2-3 years, adding, *"Planning is the key thing to sustain us."* The MD commented that there is a major skills shortage in the sector: *"You can go through a few people before you find someone who ticks the boxes."*

When asked about housebuilder support, he replied, that housebuilders *"support us in their own funny little way."* But he said that *"the mentality is 'boots on the ground' rather than training and development"* He clarified by saying that subcontractors are the driving force, while homebuilders have a 'pounds, shillings and pence mentality.' *"They set the bar, but we're picking the tab up."*

In terms of financial support from the CITB, the MD said that the company tries to claim back as much as it can. *"We pay the levy. We have a very extensive training plan for our employees - easy to get it back."*

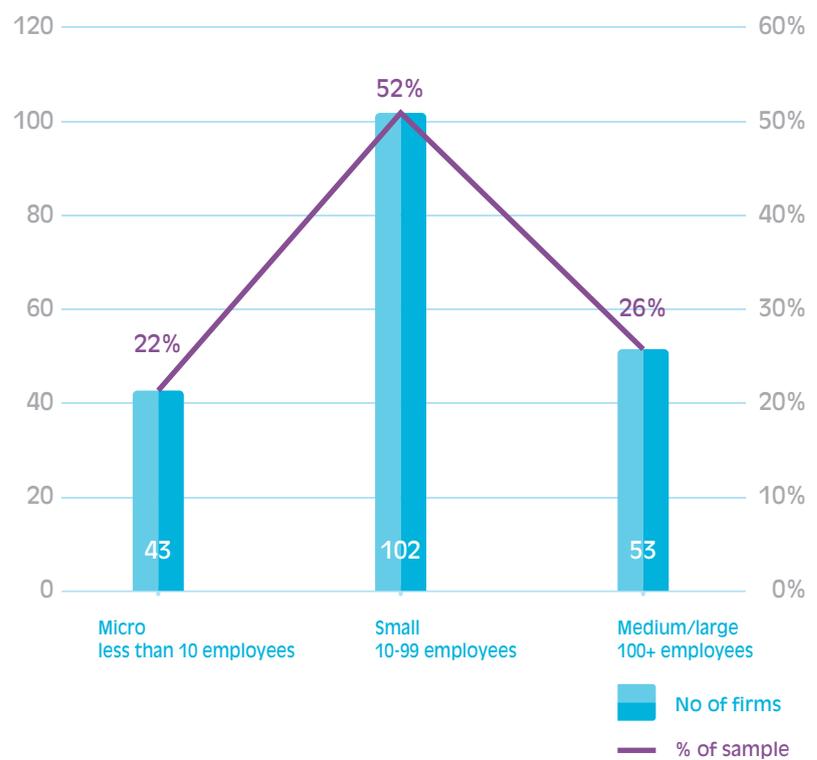
Subcontractor Capacity

198 firms provided an estimate of their directly employed workforce, and this may have been as little as 8,000²⁵ employees or as many as 32,000²⁶ employees depending on the assumptions one has to make from the survey data about the larger firms in the sample²⁷. Just over one in five were micro businesses (with less than 10 staff), a half were small (employing 10-99 staff) and a quarter were medium-large employing more than 100.

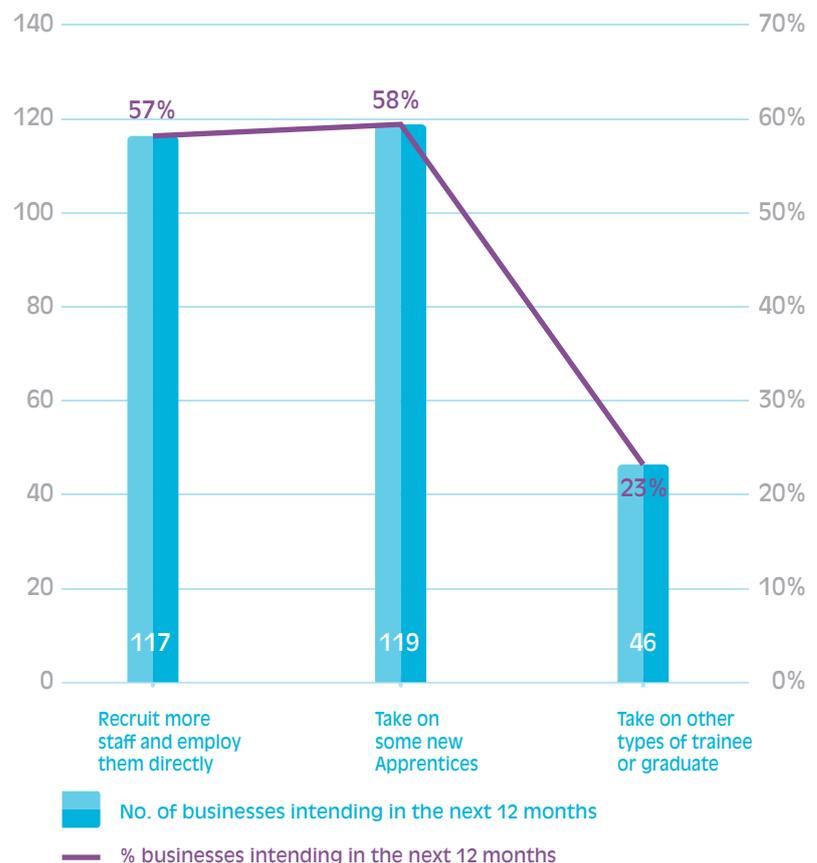
In terms of capacity to grow, analysis revealed a number of possible scenarios:

Between a half and two thirds of firms said they intended to grow their homebuilding activity and to help with this ambition, expected to increase the number of people that would directly employ in the next 12 months.

Subcontractor Directly Employed Workforce Size
Sample: 198 firms. April 2016



Growth intention in the next 12 months
Sample: 204 firms, April 2016

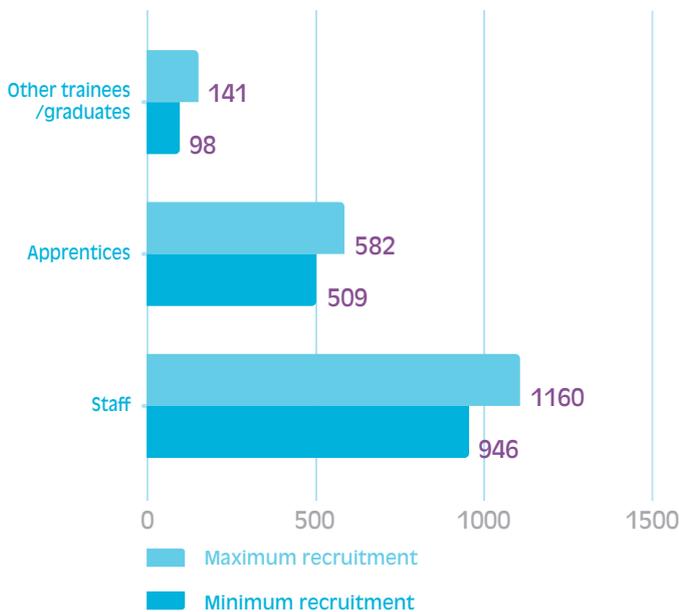


²⁵ Total estimate: 8,019 of which a third (2,719) were employed by 145 firms with < 100 staff.

²⁶ Total estimate: 32,038 of which a sixth (5,538) were employed by 145 firms with < 100 staff.

²⁷ Sole trader, 2-4 employees, 5-9 employees, 10-24 employees, 25-49 employees, 50-99 employees and 100+ employees.

Minimum and maximum planned recruitment over next 12 months.
Sample: 204 firms, April 2016



The total number of new staff these firms would take on would be between 946 and 1,160. This equates to between 3% and 14% of their current workforce. However, this would be a total recruitment figure i.e. meaning some of the people being employed would be replacement staff for those expected to leave their firm in that time.

Very encouragingly, and one of the most positive discoveries of the entire research, is that there was the intention amongst three fifths of firms to take on at

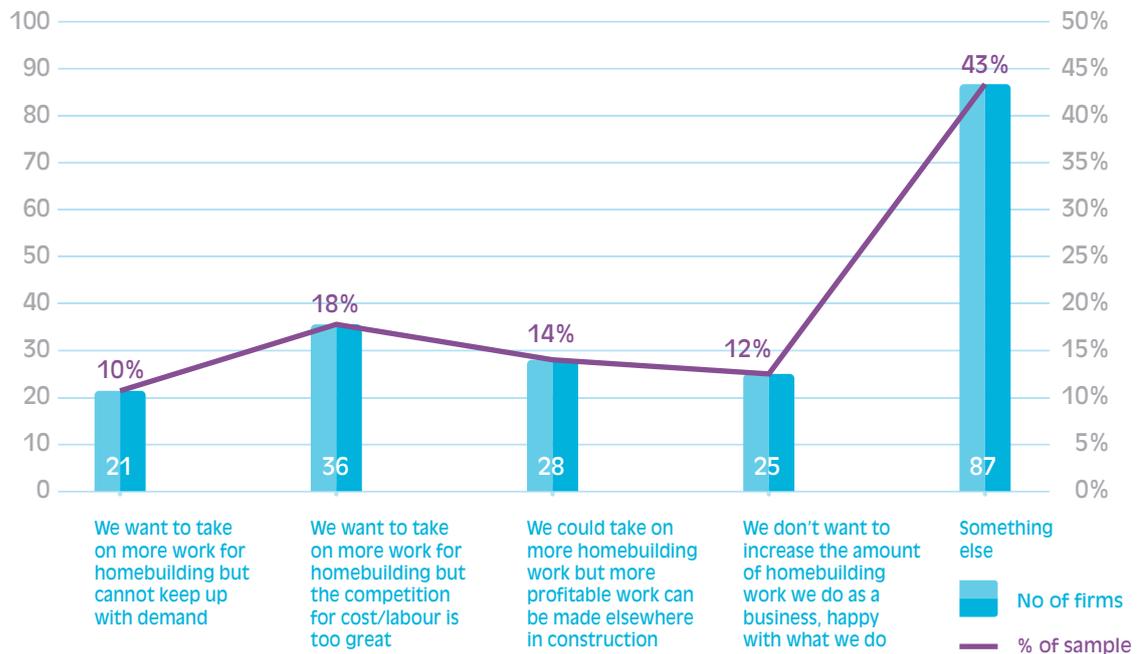
least one Apprentice (119 out of 204 firms) and collectively a demand for between 509 and 582 was expressed²⁸.

Furthermore, a quarter of the sample (23%) said they intended to recruit other types of trainees and graduates expressing a collective demand for between 98 and 141 staff from these sources. One in three also said they would grow their homebuilding activity through deploying a larger subcontracted workforce, but the overall finding is that more firms intend to directly employ.

Some firms do not wish to increase the amount of homebuilding they do despite being regarded as 'select' subcontractors in supply chains so there is limited capacity that can be developed within those companies. The majority of subcontractors appear to have an ambition to grow, however, they prefer steady rather than rapid growth with four out of ten saying they will never take on more than can be managed owing to the need to maintain their trusted relationships, reputation and performance levels.

²⁸ NB.the actual demand may be higher because only 99 (or 83%) of the 119 firms saying they intend to recruit Apprentices were willing or able to provide an actual numeric estimate. The HBC Careers Committee that reviewed this result in May 2016 felt this to be a high level of latent demand, much higher than for the construction industry as a whole and important enough to elevate to discussions around how to specifically support this ambition in these firms and others like them in the wider supply chain. Demand is especially evident from general homebuilding construction work (133-145), mechanical and electrical installation (92-114) and scaffold erection (91-92), roofing (73), plumbing heating and air conditioning (55-58) and bricklayers (52-54). Most popular demand by intensity is found amongst scaffolders and roofers in the sample.

Attitude towards homebuilding for the next 12 months
Sample: 197 Firms, April 2016



Key Points

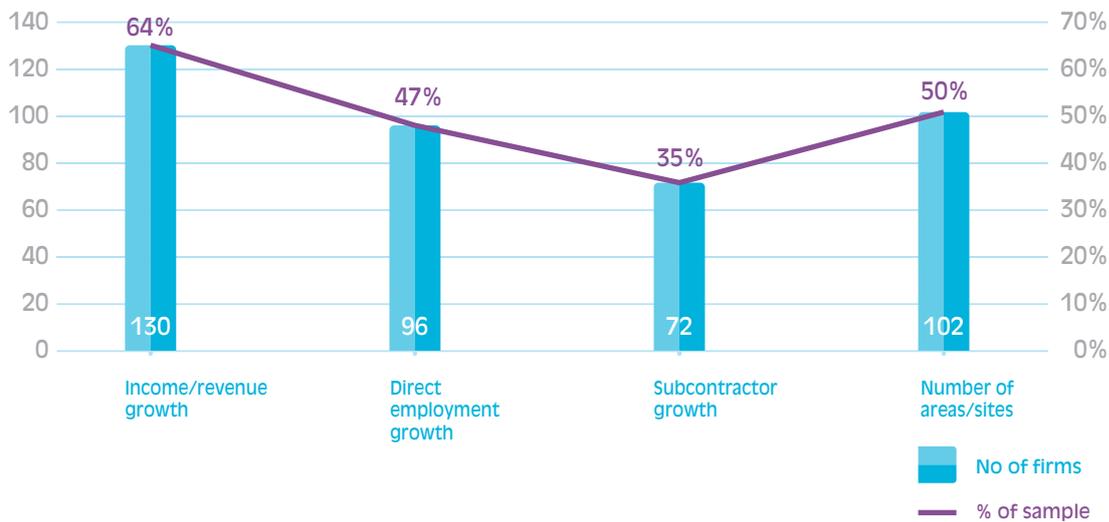
- Considering that major homebuilders report wanting c.5%+ increases year on year (and as much as 25% at some local levels) to 2020 this data suggests not enough capacity is being planned for collaboratively to achieve this kind of growth especially if the pressures of half year and year end persist.
- Within this sample there is a demand for between 500 and 600 Apprentices in the next 12 months; equivalent to 2%-7% of their current workforce (higher than wider construction benchmarks). This is a real opportunity. It is important that whatever the outcome of the Apprenticeship Levy arrangements this kind of latent demand is not adversely affected.
- The qualitative research found that for most, the idea of rapid growth is a turn-off but managed growth is a turn-on and any support with recruitment and selection is likely to be appreciated.

Subcontractor Confidence to Grow

We have learned that large homebuilders are planning for growth – sometimes incremental, sometimes rapid and even aggressive. But do subcontractors want to grow in the same way? The chart below certainly suggests that two thirds like the idea of growing their income and

revenue through growth in homebuilding trade, but whether they have strategies in place to put in sufficient resource to enable that growth is questionable given the challenges they report in terms of securing cash-flow to take risk and securing appropriate labour to deliver the work. Moreover, in order to achieve revenue growth do they have the right workforce planning outlook in place?

Intention to grow as a business through homebuilding activity in next 12 months
Sample: 204 firms, April 2016



Remembering that this sample is likely to be more positively skewed than a randomly identified sample of micro, small and medium sized businesses contributing to the homebuilding sector, we find that 1 in 2 feel very confident

they can meet the demands of the homebuilders they trade with. A third feel quite confident and the remainder were less confident or could not say with any certainty how they would fare in this period of predicted growth.

Most confident to meet demand

- Larger businesses > 100 staff (70%).
- Glaziers (75%).
- Mechanical / electrical installers (67%).

Least confident to meet demand

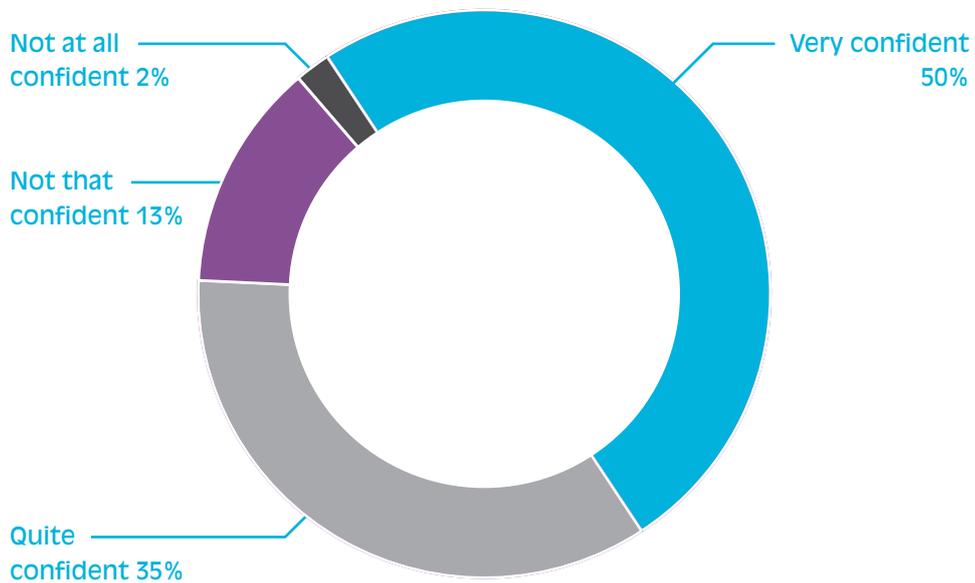
- Sole traders (29%).
- Firms employing 10-24 staff (32%).
- Dryliners, flooring and wall coverers (25%).

- Joiners and carpenters (26%).
- Repairs and maintenance (27%).
- Roofers (28%).
- Plasterers (29%).

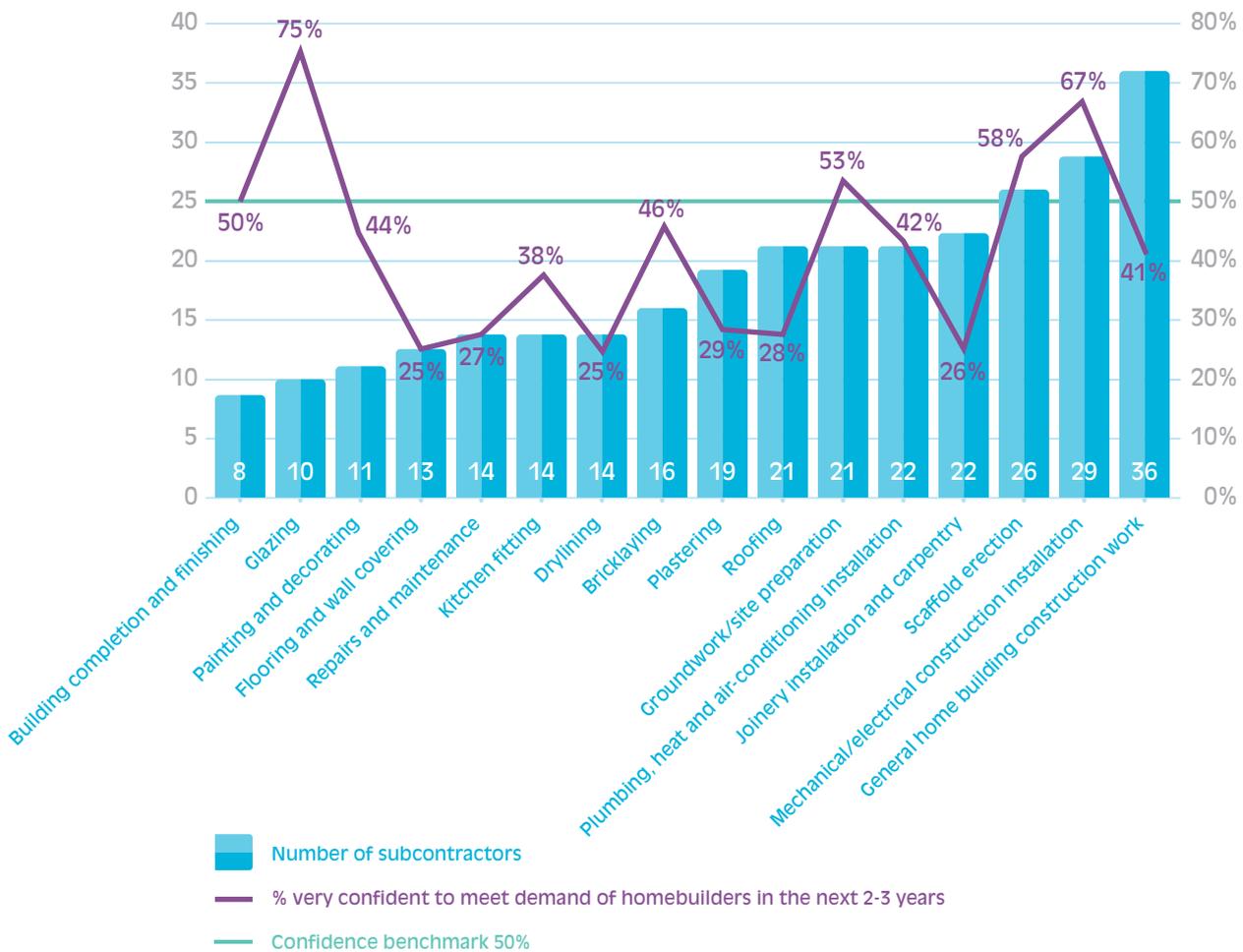
Please see the infographic chart on page 5 detailing the confidence levels of each trade compared to the '50% very confident' benchmark recorded across the sample.

Confidence to meet growth demands of large homebuilders in the next 2-3 years

Sample: 184 firms, April 2016



Confidence to Meet Homebuilder Demands by Trade



Key Points

- Large homebuilders estimated that of 75% of their total supply chain expenditure is on subcontractors (and 25% on materials). Of expenditure on subcontractors, five trades are thought to account for up to 80%. These are:



- These 5 trades are also the ones that the same homebuilders said were in greatest shortage, with the addition of roofers and painters. Compared to the all-trade average level of confidence to grow in order to meet homebuilder demands in the next 2-3 years²⁹ carpentry and plastering are significantly lower (suggesting the potential for deep pinch points ahead), plumbing and bricklaying being slightly behind the benchmark and only groundworks being marginally above the benchmark. In fact across all 16 trades only groundworks, glazing, completion and finishing trades, scaffold erection and mechanical and electrical installation exhibited higher than benchmark confidence to meet demands. And this is amongst a sample of more select, engaged subcontractors attuned to homebuilder demands.

²⁹ The benchmark across this sample of 16 trades was 50% feeling very confident.

Subcontractor Workforce Challenges

Does this sound familiar?



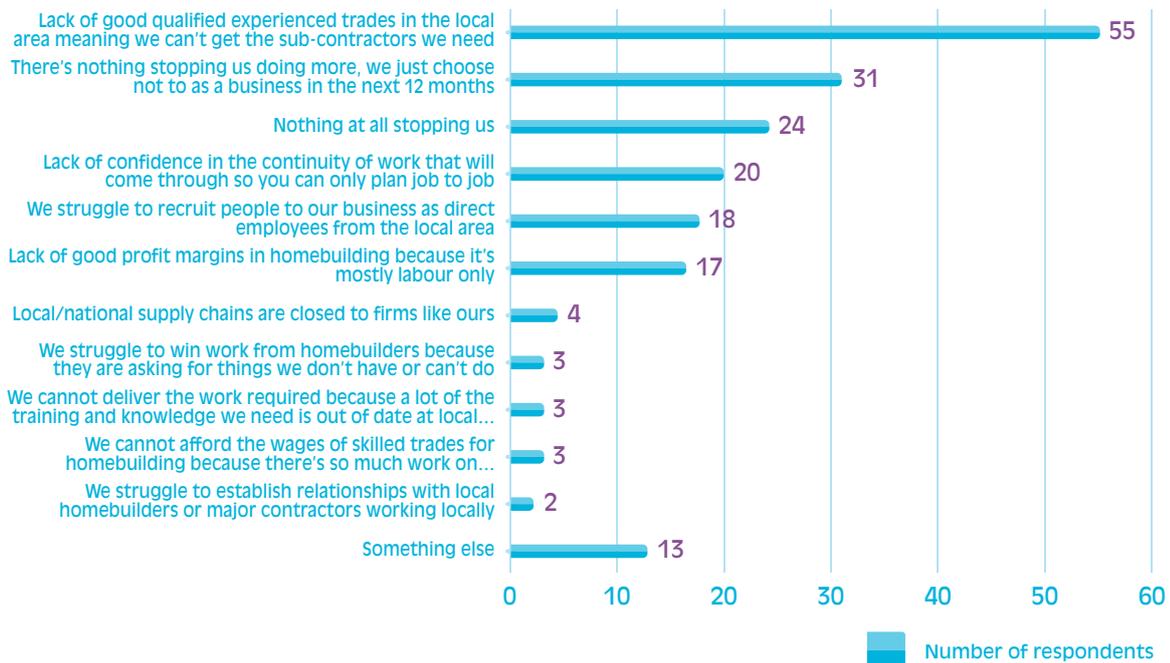
And this?



The research has found a number of significant challenges for subcontractors:

Recruitment	➤	<ul style="list-style-type: none"> • 1 in 2 subcontractors that do or wish to recruit staff report difficulties recruiting direct employees. • 2 in 5 subcontractors that do or wish to recruit Apprentices report difficulties recruiting them (and frustrating drop out rates).
Training and Development	➤	<ul style="list-style-type: none"> • 1 in 7 subcontractors report difficulty training and developing existing staff in new things e.g. modern methods, sustainable construction, using new technology or materials (nb 1 in 5 subcontractors did not think this theme relevant to them or had not thought of it before). • 1 in 8 subcontractors report difficulty in training existing staff to meet skills/compliance requirements of homebuilding requirements.
Retention	➤	<ul style="list-style-type: none"> • 1 in 4 subcontractors (that directly employ staff) report difficulty keeping hold of good staff as long as they would like.

Barriers to doing more homebuilding



For three in ten businesses (28%) there are no barriers; they can grow with confidence and / or choose not to do any more homebuilding as a proportion of their total business activity. However, this does mean the research has confirmed a number of barriers do exist that are inhibiting the sector to perform to its full potential. Local, qualified labour, workload certainty and profit margin challenges are important factors driving behaviours in the supply chain.

Labour Challenges: Recruitment

Wage inflation and poaching are current challenges, but are of course a consequence of the shortage of suitable skilled and experienced workers. There is a general view that the impact of the last recession on the loss of skilled labour was particularly severe. Double-digit annual growth increases the squeeze on an already over-tight indigenous labour market. *"There's no more blokes out there so the only solution is to rob off each other."*

Foreign workers are significant for some sub-contractors (to the point of dependency for a number), and whilst recruitment and labour agencies are routinely used for short term fixes they are described as expensive and as unable always to deliver the right level of quality for the homebuilding roles required.

Subcontractors report extreme difficulty in securing skilled labour leading to a variety of behaviours from taking on less, or indeed more orders, than they have capacity to deliver, each scenario leading to less than optimum results.

There was a very widespread reliance on informal network recruitment through family, friends and other contacts. Word of mouth therefore still appears to be the single most used medium for recruitment amongst subcontractors and where fast solutions are required – because more units need delivering quickly – labour agencies will be a simple, but costly means of securing labour 'now'³⁰.



The stop-start nature of home building work is a problem for subcontractors and leads to a disincentive to train and a barrier to retention, meaning an increase in sporadic recruitment drives. If demand for their services was *"lumpy"* staff left in quiet periods to join other firms.

Subcontractors bemoan the labour challenges arising from a pressured half-year and year end. The perception was that the focus of the home builder was on managing its finances rather than optimising the wider operation of the supply chain.

³⁰ Some of the 'younger' people (less than 40-50 years-old) we met at the focus groups talked about use of social media to recruit but reported little tangible gain at this stage of their experimentation.



Key Points

- Short-term fix labour shortage solutions are routinely applied at sites across the UK in the absence of a sufficiently skilled indigenous pipeline of talent meaning that systemic problems are not being addressed i.e. these routines and behaviours will continue if unchecked, and higher than optimum recruitment costs will unlikely alter without intervention.
- Fluidity of the workforce is a deeply embedded and systemic aspect of the homebuilding sector labour model that will be hard to change without dynamic leadership, homebuilder-supply-chain-collaboration and an emphasis on recruiting for the future not just today.
- Although it is encouraging to report that just under three-fifths (57%) of this sample of subcontractors say they intend to recruit staff directly to their business, we should also take note that 1 in 2 of these firms say they already have difficulties with recruitment so they may not be entirely successful – and/or may take on hires without the skills required.
- Similarly, three fifths intend to recruit Apprentices in the next 12 months, but 40% will find this process quite or very difficult based on recent past experience.
- In 2013 subcontractors were thought to employ an average of 70% of their labour direct³¹. This sample directly employs 60% in 2015 (and 40% is therefore subcontracted). The proportion of direct employment by subcontractors is expected to grow in 2016 because 3 in 5 say they intend to recruit this way whilst only 1 in 3 expect to recruit through subcontracted labour.

³¹ Source: Home Building Skills Research Report 2013

Case Study 2

Plastering and drylining company, London-based, 100+ employees

This company works in the South East and East of England, the majority of the time in housebuilding. In deciding which homebuilders to work with, the MD commented that they get tenders from everyone automatically and win around 25% of those contracts.



They try always to accept work from their regular customers and decline those who are too far away or when they are too busy to cope. They find it difficult to cope with the fluctuations of homebuilders trying to hit year end.

When asked about meeting increasing housebuilding targets in the next couple of years, he said that there was still a skills shortage, although he felt it was less than last year. *“It’s easy enough to find staff, but harder to access Apprentices and graduate level people.”* In terms of staff retention, he said that they look after them and pay them on time. He added that there is transparency of payment and

home-trained management, which has a positive impact.

The company had taken on people through expert agencies, but he said the success rate had been low. The MD added that they always used to struggle to recruit management but that they now have a training programme providing day releases. They sometimes get trainees from building contractors. *“We have to train them! 3-4 are successful out of 10.”* He added that they normally get complaints that some are unreliable and that it’s hard to get them out of bed in cold weather. His final comment was that the funding of Apprentice training was vital.

Training and Development

There were general and strong concerns about the lack of sufficiently local or suitable training from colleges and others. Many focus group participants felt that training provided by colleges and others was not sufficiently work-practical or home building specific and therefore did not provide work ready trainees. All this also contributed to perceptions that discouraged young people from entering the industry.

Employers very clearly wanted the ability to pick and choose suitable modules to meet their needs and effectively discount qualifications if they don’t provide this.

Many subcontractors focus on the providing themselves the training they think is needed and use experienced staff and manufacturers to help deliver this. The result is that many trainees do not go on to achieve formal qualifications.

While many take on Apprentices, there are very diverse views about the effectiveness of the system, the managing agencies they have relationships with, the quality of the Apprentices and the extent to which the expectations of Apprentices – especially younger ones – are increasingly difficult to meet and manage.

Upskilling is undertaken though mostly limited to product or process specific or driven by changes in regulatory requirements. Manufacturers and the companies themselves are the main conduits for such training.

Subcontractors that directly employ tend to train just those people and rarely collaborate or offer support to other firms that they then also sub-contract with; when a subcontractor places work with another firm to help them deliver the home building work package they expect that other firm to have appropriately skilled and trained staff.

Key Skills Gap impacting Productivity

One area of specific deficiency identified as being quite common was the lack of planning and site management preparation which led to a number of frustrations (down-time), loss of wages, poor sequencing and a lack of properly planned work schedules, and gangs physically leaving sites and not returning because the sites were not ready for them. This appears to interact with wage structures e.g. bonus rates. Interestingly there was some evidence of changes in practice to combat the challenges of holding on to people such as lump sum payments and providing vans. One of the larger subcontractors suggested this inefficiency was equivalent to a loss of 15% in productivity on site.

Summary of the key gaps or deficiencies identified through the focus groups

Focus group delegates suggested they needed to have training that actually meets the needs and practices on site – *“do these people who create the training know what we actually do?”* A core of companies also stated that taking people off site to train made it very costly for them through lost production time so they would prefer more access to on-site training.

Examples of where current training programmes be they VQ or other accredited qualifications did not meet the needs of their workers when on site:

- Plasterers – the current VQ does not include coving or screeding.
- Dry-lining – there is no formal Apprenticeship and the quality of programmes do not address the conditions and processes they need for working on a Homebuilding site.
- Roofing – too few places available to train
- Groundworks – the CPCS scheme is failing them and

isn't delivering the actual training their men need. *“It's a training scheme for the plant people not training to meet what we need our operators to do”*

- Carpentry – *“we need carpentry training for how we build houses”*. A range of modules that we can pick to suit our needs.
- Glazing – *“we have to train ourselves as we can't find anyone who trains what we need.”*

There is doubt around course content in a number of Apprenticeships and VQs with a request for content that is more relevant to the actual process of homebuilding. Electrical and roofing contractors gave examples of content being *“too wide and general”* and not actually reflecting what happens on site. Interestingly, there were examples from roofing and wall and floor tiling contractors that have employed training managers who work alongside new entrants to train and develop their standards in work. They said can get people up to a good standard for producing work on site within 6 months where colleges take 18 months or more due to the added and irrelevant content.

There needs to be more planning and co-ordination on site. Most felt that poor programming/planning ended up with trades overlapping in homes and productivity and quality was impacted. One company interviewed said they used CAD systems and extensive planning for their off-site assembly products but found this wasn't reciprocated on-site and they turn up to find their products don't fit as nobody gave the first fix trades any detailed drawings to work with. This experience was echoed by a number of the trades present at the focus groups and all felt better co-ordination of design, detail and planning would benefit many of the trades and product suppliers.

Identifying future needs was more difficult. Some participants said: *“there have been efforts to update, but we keep coming back to traditional building methods.”* Building homes that are sustainable was, however, seen to be an important change expected to drive different knowledge and skills needs in the coming years.

Key Points

- Fewer firms feel that training is an issue compared to recruitment and retention.
- One in six hadn't really thought about future skills or knowledge until this research.
- As expected perhaps, there is a divergence of opinion between those who see training as a cost and those who see it as an investment.
- Manufacturers are an important provider of knowledge as well as traditional training providers.
- FE College provision was quite harshly criticised within these particular focus groups either for being out-of-date, not sufficiently local or offering training courses that do not deliver the techniques used on site. This may act as a disincentive for some to train.
- Some subcontractors (and larger homebuilders) felt that parts of the training curriculum in courses was an over-requirement and would like to see a more modular, industry-specific content in evidence.
- There are opportunities to 'promote' training and development to improve productivity, reduce snagging and increase margins; and if the industry wishes to be more future thinking this will have to be 'sold proactively' rather than react to a latent demand.



Case Study 3

Joinery Company, working in Yorkshire and Lincolnshire, 50-99 employees

This firm is 100% engaged in new build houses. When selecting a housebuilder to work for, the owner of the company said, *"I like to work for the ones who want to do a really good job and get awards."* He said there was an over-emphasis on cost and speed rather than quality. They are actively recruiting graduates and have five at the moment. The director's opinion is that the Apprentice

system is not a model weighted in subcontractors' favour: *"The housebuilder only takes on the Apprentice so they can tick a box. Then they charge us as subcontractor for the Apprentice's wages."*

When it comes to recruiting staff in-house, he says, *"People don't want to be on the books. They want flexibility. There's never a company that's busy all the time and people want to go where the work is."* When asked about incentives to recruit, the owner said, *"The only way I'd take on more staff is more work. Only way to get more work is to cut prices."*

There seems to be no difficulty in finding training though: *"We're bombarded by people offering training - what training can you give them? Housing isn't going to change. Basic principles haven't changed."* In terms of other support, the director commented that he would like an academy. *"I'd like 10 Apprentices every year from our locality, and I'd pay a quarter, government would pay a quarter and the housing company pay too. But none of them would ever do it."*

Case Study 4

Plumbing and heating company working in Scotland, 50-99 employees

This firm looks for a good working relationship with their homebuilders, which includes good site organisation, continuity of work, the opportunity for repeat business and prompt payment. While they anticipate modest growth, they can't keep up with demand in the housebuilding market.

One of the homebuilders supports by helping to fund one of their Apprentices. SNIPEF (Scottish & Northern Ireland Plumbers Employers Federation) also provides funding for Apprentices' technical college costs. The respondent said that training is essential to the future of the industry and that it should be supported by the government offsetting a proportion of corporation tax towards training and Apprenticeships

that can be audited and verified via the payroll. He also suggested that developers should consider allowing an additional sum or percentage against the contract value towards training and Apprenticeships.



Case Study 5

Roofing contractor, working in the East Midlands/UK, 50-99 employees

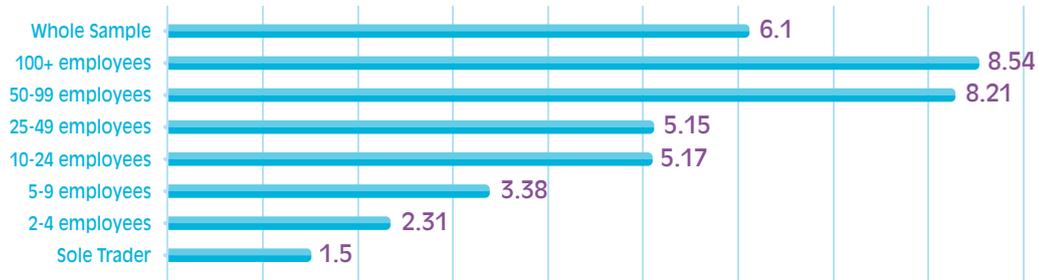
This firm is looking to employ another 17 staff in the next 12 months. In addition, they have employed over 100 subcontractors in the last 12 months. They are happy with their workload and not looking to grow. They access grant and practical support from CITB, the National Federation

of Roofing Contractors, Roofing Industry Alliance and Roofing Training Groups. What would incentivise them to train and recruit more? *"It would be useful to receive financial support in bridging the earnings gap for self-employed tradesmen to switch to direct employment as trainers for new employees (such as Apprentices) in the trade."* The MD said that they need to deal with the 'bidding wars' for labour between

rival sub-contract companies, which frankly makes direct employment unattractive for both employer and self-employed tradesman. He added that, *"This restricts the number of Apprenticeships we can deliver due to duty of care and Apprentice retention reasons - we won't place our Apprentices and trainees with sub-contract workers to gain on-the-job experience/training."*

Future Needs and Support

This sample of subcontractors mentioned 86 different homebuilders that they worked with in 2015³². On average, subcontractors have relationships with 6 homebuilders but this masks wide variations ranging from 1 to as many as 18 relationships per year. 1 in 5 subcontractors report supplying more than 10 homebuilders last year.



41 out of 204 subcontractors (20%) said they received some form of support from the homebuilders towards their skills, training or recruitment needs. This typically took the form of information events or occasional seminars with an emphasis on H&S and monitoring; and some support with Apprentices – usually a stepped or tapered cost model. In rarer circumstances, named homebuilders were mentioned by a minority of subcontractors who also offered slightly more bespoke support in tune with the needs of the subcontractor’s business:

- NVQ2 training to ‘older workers’ to supplement their CSCS cards.
- Payment towards / of SMSTS refresher training for relevant staff.
- A contribution towards SSSTS training for relevant staff.

- Toolbox talks.
- A grant from a local Training Group.

One company in particular, that has other divisions that solely homebuilding, was mentioned the most times as being supportive with a very proactive training programme for their suppliers. **Overall though, this means that 80% of subcontractors did not receive any support of this kind from homebuilders.** 83 subcontractors (41% of the total sample) said they access funding support for skills, training and recruitment needs from CITB³³. Typically this included grants for Apprentices, attendance and achievement grants, funding towards NVQs, advice, funding via Training Groups, funding support for CSCS cards and grant rebate assistance.

“We maintain a training matrix for all our employees which is subsidised by the CITB grant system.”

17 subcontractors (8%) get support from **Federations**³⁴ and 24 (12%) say they get support from **other types of organisation**³⁵.

Interestingly, questions about what future support might be welcomed or make a difference to their business is a subject that many subcontractors struggle with. For some, they don’t feel the need for support because they are content with their business model and appear to be relatively set in their views, attitudes, routines, practices and behaviours when it comes to taking on work, taking on people and delivering their service.

³² Either through a direct contract or as part of the wider supply chain i.e. subcontracted in by another ‘larger’ subcontractor higher up in the supply chain who might hold the direct contract with the homebuilder.

³³ Nb. not all subcontractors will be in scope for grant support from CITB depending on their specialist trade.

³⁴ Mentions included: CECA, CFA, NFB, FMB, NFRC, NASC, Roofing Industry Alliance, NICEIC and SNIPEF.

³⁵ Mentions included Roofing Training Groups and National Skills Academy for Construction.

Possible Solutions and how to take them forward

The research tested the attractiveness of a range of ideas and solutions with subcontractors:

How attractive do you find any of the following if they were available to you - assuming they are free for you to access?	Very attractive	Quite attractive	How to take this forward.
Funding for training/ coaching for skilled tradesmen you employ (76% very or quite attractive).	91 (45%)	64 (31%)	Promote CITB grant to eligible firms. Homebuilder proactive support. HSP funding.
Funding for training/ coaching to help any supervisors you employ (73% very or quite attractive).	88 (43%)	61 (30%)	Promote CITB grant to eligible firms Homebuilder. proactive support HSP funding.
Having access to a regional training group so it's easier to find what's available locally for your staff or other sub-contractors (59% very or quite attractive).	38 (19%)	81 (40%)	Promote the training groups relevant to trades in each region via the Homebuilder regional business contacts to raise awareness.
Local business breakfast events for homebuilders to talk to you about their future needs and growth plans along with information about training and grants available to your business (59% very or quite attractive).	44 (22%)	76 (37%)	Homebuilders organise at local level and invite CITB experts to raise awareness of available support; linked to specialist topics such as: SHEA, productivity and quality, 'innovation'.
An annual conference for homebuilding suppliers and subcontractors to get updates on issues such as health and safety, recruitment, training, development and good practice in the industry (58% very or quite attractive).	36 (18%)	82 (40%)	The HSP could explore this as part of its 4 year industry-wide communications campaign. Majors coming together with key accounts in 'one space' or 'key regions' to promote best practice and encourage supply chain development.

Access to free e-learning /training to do with your specialism in a homebuilding context (57% very or quite attractive).	37 (18%)	80 (39%)	Link to existing resources such as the Supply Chain Sustainability School HSP to audit existing and planned e-learning approaches and co-ordinate future approach through CITB Flexible Fund.
Getting personal face to face / phone support from an expert that can help you take on new Apprentices in future (49% very or quite attractive).	41 (20%)	59 (29%)	CITB Apprenticeships Officers. CITB Company Development Officers.
Getting free technical tips and homebuilding knowledge relevant to your trade online from a dedicated website (47% very or quite attractive).	33 (16%)	63 (31%)	Link to existing resources such as the Supply Chain Sustainability School HSP to consider which portals are best to promote to meet this need. Manufacturers can also assist with this.
Getting an expert to come in and do an analysis of your firm's training needs to find out what's missing and how to fill gaps so you can win more work when proving competence for homebuilder PQQs or tendering for contracts (35% very or quite attractive).	24 (12%)	46 (23%)	HSP funding and provision in place to deliver 120 'free' company assessments in 2016 and 2017 with funding in place to incentive first 1,000 employees taking up training and development needs identified (available from Autumn 2016).
Taking part in a Shared Apprenticeship Scheme with other firms like yours to share the risk of employing Apprentices (28% very or quite attractive).	18 (9%)	38 (19%)	CITB to work proactively with the 56 firms expressing interest in this idea and scope out feasibility of such a Scheme within their locality.

Other solutions we should expect to feature in any co-ordinated response could include accessing the training of manufacturers especially if that 'user training' is *"put on a more formal footing"*³⁶; and new solutions emerging from proposals for a Site Management Centre of Excellence³⁷.

³⁶ Source: CPA Skills Report 2015.

³⁷ Being developed by NHBC with Redrow at the time of publication.

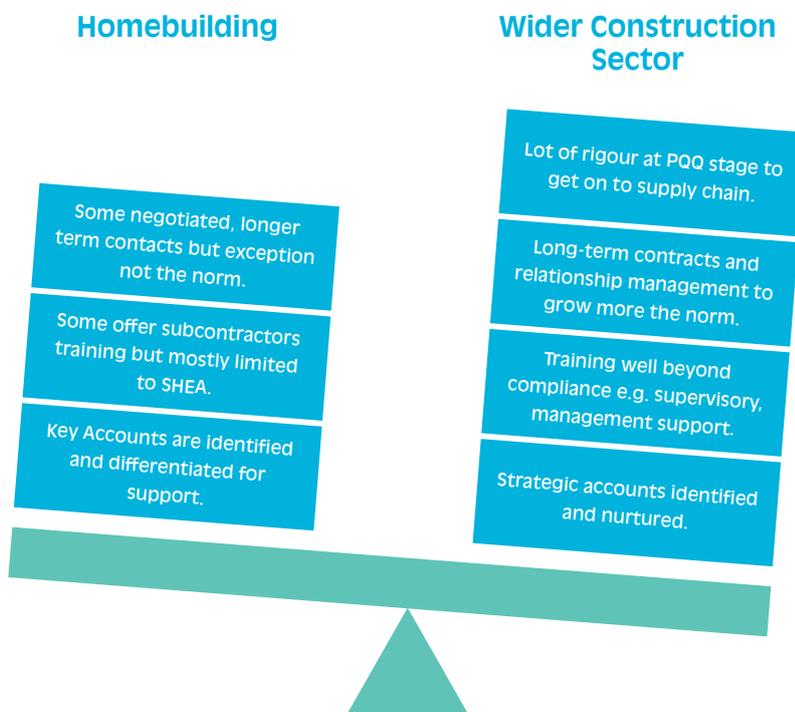
Good practice to inspire the homebuilding sector

“As an industry we are not the best at doing supply chain management. There is much better practice in other industries.” Keynote Contributor, HBF Policy Conference March 2016

There are some good examples of positive supply chain procurement and management practice within the homebuilding sector, but it is reasonable to suggest that this practice is both inconsistent and less mature than other approaches found within the wider construction sector.

The emphasis elsewhere is on supply chain development, slightly more nuanced than supply chain management and it means that relationships

are deeper and based around joint aspirations and mutual support more than past or current performance KPIs.



Positive practice found within homebuilding

- Relationship managers for key accounts.
- KPIs and performance reviews (360°) at local levels.
- Action Planning and monitoring of that Plan.
- Supply chain annual conference.
- Regional supply chain events and seminars.

- Some homebuilders support longer-term suppliers with Apprentices³⁸.
- Qualifying criteria/ accreditation schemes to be accepted as an approved supplier CHAS³⁹.
- ‘Subcontractor Charters’ or ‘Supply Chain Guides’⁴⁰ (e.g. Stewart Milne).

The researchers observed slightly different (and increasingly positive) supply chain practices of those homebuilders, whose

parent company had other (sometimes larger) divisions dedicated to civils, contracting and infrastructure. Within these kinds of organisation, the supply chain management of their homebuilding division appeared to be inspired by practice elsewhere in the business and so there was a slightly different approach to procurement pre-requisites⁴¹ and emphasis on supporting subcontractors with a significant training programme⁴² as well as behavioural coaching and toolkits⁴³.

³⁸ Often on a tapered cost model over each year of the Apprenticeship whereby the supplier makes an increased contribution each year and the homebuilder typically claims CITB grant.

³⁹ This is one of the example schemes that satisfy qualifying criteria for the Keepmoat supply chain, along with the need to demonstrate operational capability, commitment to safety and evidence of relevant operative training as well as confirmation of adequate insurance cover too.

⁴⁰ E.g. the Guide provided by Stewart Milne Homes.

⁴¹ E.g. Kier insist on ConstructionLine or SSIP accreditation encouraging subcontractors to develop their wider business capability.

⁴² E.g. Keepmoat report on the thousands of training days they support their subcontractors with each year.

⁴³ E.g. Galliford Try’s ‘Challenge Beliefs, Affecting Behaviour’ programme extended to subcontractors in their supply chain.

"We ensure our supply chain partners' skills, and the materials they supply, meet our customers' expectations and our environmental and social standards. To ensure the availability of future talent we remain committed to promoting careers in construction and supporting Apprenticeship and trainee

schemes through our Academy. Conditions in our supply chain remain challenging. It is still difficult to obtain skilled tradespeople. We have introduced supply chain forums to address this issue and we use our Supply Chain Business Briefing to engage with our strategic supply chain." Homebuilder.

In part we believe this is because these companies are used to having skills, employment and educational engagement conditions placed on them by major clients; whereas private homebuilders that are solely homebuilders are the clients and can choose the extent to which they wish to drive such behaviours in their supply chains or not.

Positive practice found in other sectors of construction

Supply Chain Strategy and Motivations

"A great supply chain can be a source of competitive advantage. We want to raise the bar and help our suppliers to consistently deliver excellence."

Balfour Beatty

- Stated objective to *"become the customer of choice to the best suppliers."*
- Discrete supply chain strategy with annual, national resource and budget behind it.
- Supply chain strategy about capability and ambition not just capacity and (past) performance.
- Supply chain strategy founded on the premise that 'collaboration is key'.

- Supply chain strategy includes emphasis on and recognition of the role of upskilling and support.
- Many Tier 1 companies have their own 'branded' philosophy to drive supply chain relations above and beyond health and safety⁴⁴ e.g. 'Perfect Delivery'⁴⁵.

Supply Chain Procurement

- Pre-requisites are strict e.g. suppliers must follow specified assessment routes and demonstrate credentials that often cost them thousands of pounds (such as externally via an Achilles accreditation scheme⁴⁶, ConstructionLine, SSIP⁴⁷ or internally via the contractor's own subcontractor questionnaire).

- Suppliers are often categorised at the start of the relationship as verified, preferred or strategic within the contractor's procurement database with the latter two categories typically needing to be Achilles accredited in preferred or stated schemes.
- Suppliers are expected to contribute to main contractors' sustainability goals, and in return they get support in a number of ways e.g. Balfour Beatty's Sustainability Roadmap includes commitments to maximise the engagement of local labour and suppliers which means opportunities for SMEs⁴⁸.

⁴⁴ Although 'zero harm' will almost always be a key component of said philosophy.

⁴⁵ Morgan Sindall.

⁴⁶ Examples include: 'Building Confidence', UVDB, FPAL or RISQS.

⁴⁷ Safety Schemes in Procurement (SSIP).

⁴⁸ The virtual Supply Chain Sustainability School is an online industry-wide free resource, helping small to medium sized

businesses become more sustainable and a number of large contractors encourage their supply chains to use free resources and the online learning available.

Supply Chain Management

"Effective supply chain management relies on good communication and a strong, collaborative working relationship, which are all central to our strategy."

Costain General Manager for Procurement and Supply Chain Management

- Supplier Code of Conduct – to emphasise ethics and behaviour standards expected.
- Supply chain management conference.
- Regional supply chain events.
- Relationship managers for key accounts at local level with emphasis on one-on-ones.

Clear performance criteria and KPIs measured with each key supplier.

Supply Chain Development

"It's our responsibility to help our suppliers stay safe, be greener and become more efficient in everything they do."

Skanska

- Stated responsibility by the main contractor to support their suppliers with skills and training.
- Some parts of the sector benefit from leveraging National Skills Academy for Construction.
- Performance management aims to progress the status of each e.g. from 'approved' to 'preferred' to 'strategic' – rewards for performance take the form of longer-term contracts.
- Emphasis on innovation support for the supply chain including innovation forums.

- Emphasis on supervisory and management support to induce wider skills development in firms.
- Emphasis on behaviours and behavioural training and development.
- Support with upskilling and new entrants (Apprenticeships).

"A company's success relies on the effectiveness of its supply chain, whether it's in promoting collaboration and technical innovation or by improving customer satisfaction."

Costain

Conclusions

Homebuilder Perspectives

Homebuilders say their supply chain is vital to success but they have limited control and influence on subcontractor workforce investment decisions. They are concerned that growth targets will not be achieved owing to persistent labour and skills shortages, and some report being unable to achieve regional targets as a consequence in 2015/16.

Homebuilders say they fear introducing anything 'beyond minimum' training compliance conditions in PQQs at present because subcontractors have more power to choose who to work for than before and will gravitate towards those that insist on less rather than more.

Subcontractor relationship management is all done at regional/local levels and practice is reported to be inconsistent and not always progressive. Homebuilders are looking for suppliers

that can provide good performance and service delivery, appropriate insurance and H&S documentation, availability at critical times in the year, the provision of a 'good workforce' and a variety of more intangible assets including shared values, ethos, commitment to quality, customer service and willingness to adopt new processes as they are introduced over time.

Subcontractor Perspectives

- Two thirds of interviewed subcontractors want to grow their homebuilding business activity revenues but at a managed rather than rapid pace.
- Key factors that influence subcontractors' choice of homebuilder to work with include:
 - Payment Practice
 - Match between subcontractor capacity and the 'job' (size, type and location)
 - Quality of relationships and fair treatment
- Subcontractors prefer developers that give greater visibility of their future workload to avoid peak and trough demands for their services, because otherwise this exacerbates pressures on their ability to secure an appropriate mix of labour and skills. This is especially acute at half year and year end.
- 6 in 10 subcontractors say they intend to recruit more staff and employ them directly in the next 12 months. One in two of these firms say it is quite or very difficult to recruit direct employees at present. Recruitment solutions being used are traditional, short-term in nature, more costly and likely at the expense of more sustainable, indigenous solutions that build talent for their firms or the wider industry.
- There is a real divergence of opinion about taking on young people and Apprentices who are reported as lacking the right skills, mind-set and work readiness and / or who walk away part way through Apprenticeships for a few pence more to a competitor. 6 in 10 firms say they intend to recruit new Apprentices to their business in the next 12 months. Of these, 4 in 10 experience difficulties at present. Subcontractors also welcome practical, financial support to recruit older workers.
- 1 in 7 subcontractors report difficulties with training existing staff to meet skills/ compliance requirements of homebuilding requirements; and training them in new things e.g. modern methods, sustainable construction, using new technology or materials.
- Subcontractors differ widely in their training and development practices, awareness of available support and propensity to engage with 'workforce development' opportunities in general. There are concerns about the work-readiness and attitude of younger new entrants, the quality / currency of FE training provision and an appetite for more contextualised, modular training and development
- 1 in 5 subcontractors in this sample said they receive support from a main contractor homebuilder towards their workforce development. Four in ten get support from CITB and one in ten get support from a relevant Federation. During the research many subcontractors said they either did not know they could get support, or purposely elected not to access support.

Researcher Perspectives

Growth limitations because of a lack of supply chain development

- The industry's growth ambitions can only be achieved through

a shift in the way in which subcontractors are procured, managed and developed by homebuilders at local levels. Whilst there is some evidence of good practice in relation to supply chain procurement and management, the

emphasis is limited to performance management rather than a more progressive dialogue about how to 'develop' key suppliers.

Homebuilders are encouraged to make their training assets available to subcontractors

- Homebuilders could elect to be more proactive in supporting those subcontractors in their supply chain who have the potential and ambition to grow; and could open up the training infrastructure they have in place for their direct workforce to staff employed by their key accounts e.g. training centres, branded Academies, e-learning, behavioural training, coaching, dedicated tutors and assessors.

KPIs for subcontractor training and development days and investment

- Strong, visible KPIs for 'training days offered to subcontractors', benchmarked across the industry might also be a useful development in future. Some homebuilders already do this, but not all.

Incentives to drive quality and 'new' talent as well as 'old hands' in supply chains

- Given that growth will not be achieved solely through the capacity of the existing supply chains because of their preference for managed rather than rapid growth, more new entrants will need to be attracted, procured and supported. At local level, those with responsibility for designing and growing the subcontractor base must be incentivised to attract new suppliers and develop longer term pipelines of talent rather than default to short-term fix labour solutions

reported as being costly and lower quality.

Apprenticeship and older worker financial support requested by subcontractors

- The demand for Apprentices was strong within this sample, and yet complaints about their work readiness, attitude and propensity to drop-out or walk away to a competitor for a few pence more were equally striking. Subcontractors said they welcome support with tackling this challenge, but also asked for additionally or enhanced financial support to bring on and develop older workers

There is a relatively passive, traditional approach to training and development

- Training and development practices are largely driven by regulation. There is little advocacy amongst this sample of homebuilders and subcontractors for the quality and relevance of training and qualifications available from Colleges. Subcontractors that do really value training, say there is a 'testing' rather than 'learning culture' and not enough on-site practical training. Very few subcontractors were however able to articulate what they felt their future training needs might be or say what exactly is missing from the mix or what needs changing. Vision was myopic in this regard and would

need to be stimulated by the homebuilders and manufacturers in unison. The forthcoming Homebuilding Training and Development Needs Analysis tool can be pointed firmly at some of the subcontractors in this study to benefit their business and help identify specific skills and unmet training needs.

Homebuilder cultures can more positively influence subcontractor behaviours in future.

- The market is operating almost entirely around the driver of cost instead of best value say subcontractors; they want a procurement model where those who invest in their workforce have this recognised and rewarded through ITTs and the offer of longer, secure contracts. Homebuilders more likely to succeed in future are those that focus joint success by doing work more effectively on site and in a more evenly planned way with built in reward and recognition for subcontractors that perform well and have a view to building future capacity and capability i.e. collaboration. The researchers call for a shift towards a culture of 'supply chain development' within homebuilding and a co-ordinated effort to target resource and support through collective solutions at those firms who aspire to grow, and improve the quality of their output.

Recommendations

Opportunity 1

Creating more responsive subcontractor supply chains in homebuilding

Homebuilders

- Give greater visibility to the future pipeline of work at regional levels.
- Reduce the half year and year end pressures.
- Identify each subcontractor that has capacity to grow and prioritise support for these firms.
- Pay promptly and increase CSR supply chain commitments.

Subcontractors

- Be proactive in seeking out homebuilders' workload plans for the next year; attend their events.
- Be active in accessing financial support available to recruit Apprentices so that a future pipeline of talent is continuously built within the supply chain.

CITB

- Consider engaging with the HSP on a nationally co-ordinated programme of supply chain collaboration events which would see CITB personnel raising awareness of, and giving advice and guidance to, subcontractors at agreed regional/local level events.
- Provide brokerage support and the skills matching service to those subcontractors saying they require support to become more responsive to homebuilder needs.
- Encourage support for 'growth aspirant' subcontractor micro and small businesses who wish to grow the % of homebuilding business activity to 2020 making use of channels such as Structured and Flexible Funds (particularly the Skills and Training Fund for smaller companies).

Homebuilding Skills Partnership and other Stakeholders

- Involve the supply chain in designing solutions that emerge as a result of the Homebuilding Skills Partnership's 'Attract' Action Group which will seek to co-ordinate a sector-wide image, attractiveness and recruitment campaign.
- Promote best practice and practical toolkits that subcontractors can apply.
- Co-ordinate an industry bid to support growth aspirant SMEs starting with those in this sample.

Opportunity 2

Improving subcontractor supply chain quality in homebuilding

Homebuilders

- Make the training infrastructure they have in place for their directly employed workforce available to a greater proportion of their key subcontractors and those who aspire to grow.
- Agree a national supply chain strategy which embeds 'workforce development', supplier codes of conduct/charter and agreed resource to make blended learning opportunities available.
- Consider mandating half day learning sessions for all key suppliers on commencement of significant contracts.
- Explore the appetite for more e-learning and coaching solutions.
- Explore opportunities for collective bargaining with Managing Agencies and Colleges to meet Apprentice demands.

Subcontractors

- Put themselves forward for a (free) Homebuilding Training and Development Needs Analysis visit which will help identify areas that can improve quality.
- Seek feedback from homebuilder performance reviews to identify areas for improvement, and invest in training or development, or site behavioural training to increase capability.
- Commit to using the new homebuilding specific resources available from the Supply Chain Sustainability School.
- Join the HSP and champion the ambitions of the Supply Chain Collaboration Group, especially where it will need local 'champions' in future.

CITB

- As part of the 'Right Training for Construction' Strategy and ongoing development of the 'Supply and Demand' evidence base, work with the homebuilding sector to provide an assessment of the key shortfalls to tackle i.e. relevance, accessibility and quality of training provision at an agreed local level (e.g. with each LEP area) to meet local demands.
- Ensure the Strategic Partnership Directors at CITB are aware of this research and the opportunity to work together to identify a small number of prioritised localities towards which joint investment could be targeted in future.
- Explore any potential for a National Skills Academy for Construction inspired approach to support developers embed skills and employment planning at scale across multiple UK sites in a co-ordinated way.

Homebuilding Skills Partnership and other Stakeholders

- Share widely the development work being undertaken in 2016 by the 'Occupational Working Group' to identify industry standards for critical roles.
- Ensure the 70 firms showing interest in this research are 'first customers' of the new Homebuilding Training and Development Needs Analysis tool and service in 2016/2017.
- Co-ordinate collective investment bids and business cases to establish at least 3 local 'HSPs' between 2016 and 2020 that will support a critical mass of subcontractors that aspire to grow and improve their capability in homebuilding.
- Revisit solutions suggested in 2013 <http://www.homebuilding-skills.com/> where they still feel relevant in 2016.

Recommendations

Homebuilders

- Be inspired by supply chain development practice in other parts of the construction sector, with procurement, incentives and programmes that emphasise innovation, sustainability, supervisory and management capabilities and behaviours.
- Explore the potential for bespoke productivity-focused programmes such as the 'Good to Great' pilot funded by the UK Commission for Employment and Skills that might be co-ordinated across a number of large homebuilders and their growth aspirant suppliers at scale.
- Help shape the design and promotion of industry standards and vocational learning to support subcontractors in supply chains.
- Joint effort to meet latent demand for Apprentices.

CITB

- Be ready to receive co-ordinated bid(s) from the HSP to take the multiple solutions identified through this research forward from 2017-2020 so they are joined up and cost effective for the industry.
- Look at opportunities for effective On Site Assessment and Training (OSAT) opportunities where this is most needed and appreciated in the sector.
- Explore opportunities for helping homebuilders and those subcontractors looking to grow with recruitment support for older workers.
- Make a joint effort to meet latent demand for Apprentices identified in this research.
- Maximise Grant reform, Structured and Flexible Funding routes to support collective bids submitted by the HSP over time.
- Communicate new opportunities and investment priorities to the sector around CITB's approach to support training e.g. any changes to the scope of Training Plans in future.

Subcontractors

- Where they exist, maximise support via Regional Training Groups and Federations at local levels.
- Be proactive to join the Homebuilding Skills Partnership in 2016/17 in order to connect to the various workforce development solutions that will be promoted and developed through that vehicle in the 2016-2020 period.
- If local 'Homebuilding Skills Partnerships' evolve, be proactive in joining such Partnerships as they can likely join up industry needs for skills with local training provision.
- Joint effort to meet latent demand for Apprentices.

Homebuilding Skills Partnership and other Stakeholders

- Empower the new Supply Chain Collaboration Group to prioritise this report's many solutions.
- Use this research as an evidence base from which to then create collective bids to address identified workforce challenges.
- Consider early prioritisation of co-ordinated efforts to raise the capabilities of site managers employed by homebuilders in parallel with the capabilities of supervisors employed by subcontractors.
- Target those specialist trades, where homebuilders believe they are most critical in terms of shortage and value, and where those firms are reporting least confidence to grow to homebuilder demands in the next 3 years.
- Seek supply chain input to formulating training requirements and standards.

Opportunity 3

Driving financial benefits through greater levels of collaboration

1. Disseminate the findings of this research to stakeholders that need to know about it and who can be encouraged to collaborate on the small number of key areas.

2. Use the evidence to develop bids and investment cases to secure the support required by subcontractors in this study. Route these bids through the HSP as a collective where possible to achieve scale and impact.

3. Galvanise subcontractors to be proactive in accessing the support available and joining the Partnership to become active users of new solutions developed over time.

4. Commission follow up research in 2016/17 to address the questions raised by this study e.g. the quality and relevance of training to meet the sector's needs; as well as repeat this study in 2018 to see if anything has changed.

5. Influence and positively shape the use of CITB's resources and expertise to support the homebuilding sector in future, especially in respect of Grant Reform and its Structured and Flexible Fund processes.

6. Consider how best to activate solutions at local levels – including on-site - where the subcontractors do their business and need to access the labour market and training provision to solve their most pressing workforce challenges.

More generally, the greatest opportunity presented by this research is by co-ordinating actions through the brand new Homebuilding Skills Partnership who can:

Research Contributors

Our thanks to representatives⁴⁹ of the following 20 homebuilding organisations for providing extremely detailed insights about the way they manage supply chain relationships in their business.

- Avant Homes
- Barratt Developments Plc
- Cala Homes
- Countryside Properties
- Crest Nicholson
- Croudace
- Davidsons Homes
- Galliard Homes
- Grainger PLC
- Hill Residential
- Jones Homes North West
- Keepmoat Limited
- Kier Living
- Linden Homes
- Lovell
- Miller Homes
- Persimmon
- Redrow Homes
- Strata
- Taylor Wimpey



⁴⁹ Representatives included a mix of individuals with job titles including: Production Director, Group Development Director, HR Director, Commercial Director (3), Central Procurement Manager, Group Head of HR, Divisional Managing Director, Building Director, Land and Planning Manager, Group Procurement Director, Human Capital Investment Manager, Group Training Manager, Head of Learning and Development, Supply Chain Director, MD Logistics Division, Group Learning and Development Manager, Head of Strategic Procurement and Supply chain.

Our thanks to representatives from all of these SMEs in the homebuilding supply chain:

3D Flooring Ltd	Crest Roofing Ltd	J N Dunn	Patrick Traves Joinery Ltd
A J Ashcroft and Sons Ltd	Crest Scaffolding Ltd	J.O.M Construction Ltd	Paul Pittock Painting
A J Moran Ltd	D P Lawless (Painting & Decorating Services)	Jackson Jackson + Sons Limited	Paul Sellick Brickwork Ltd.
A Kennedy Construction Ltd	D S McG Ltd	Jacksons Plastering	Paula Rosa Manhattan Kitchens
A.J. Shooter Decorators	D Sellars Joinery	James Lammond Ltd	PCM Carpentry Contractors Ltd
Access 2 Ltd	D&B Scaffolding Limited	Jim's Carpets	Phoenix Flooring Services Ltd
Acorn Scaffolding	D&E MACKAY (Cont) Ltd	JNJ Bricklaying	Plastering Contractors (Stanmore) Ltd
Alarmfast Supervision Security Systems Ltd	DA Cook Builders	John Cawrey	Prestige Plastering.
Allied Scaffolding Ltd	DBD Distribution	Justin Swales Ltd	PRS Plumbing
Alno Contracts Scotland	Dickinsons (Plumbing and Heating Contractor) LTD	KJW Drylining Ltd	PRS Plumbing and Heating Services Ltd
Altrad NSG Ltd.	DJR Smith LTD.	Knox and Wells	PSS Scaffolding Ltd
AM Flooring Services	DKB Electrical Services Ltd	L. Cain & Son	R G EVans
Anthony Waite Building and Roofing Ltd	Dovend Electrical	L+P Walton Construction Ltd	R M Poole Decorating Ltd
APE Scaffolding Ltd	Edenway Contractors Ltd	Lakeside Plumbers Ltd	R Thomson Electrical
Applebridge Construction	Editquest	Lanes Landsape Contracors	RBK Engineering Ltd
Aqua Interiors	Electract	LD Plumbing	Reconomy
Arrow	Elite Scaffolding Yorkshire LTD	Leamick Building Systems Ltd	Rilmac Scaffold
Artisan Brickwork Ltd	Ellicon	Lightline	Rolec Electrical and Mechanical Services Ltd
Astral Communications Electronics Ltd	F.P. Heating and Son PLC.	Lintill	S&I Groundworks
Atkinsons Fencing Ltd	Flahive Brickwork Ltd	Liyo Clough & Sons Ltd	Scotia Double Glazing Ltd
Avonside	Flannery Civil Engineering	Luro Electrical	Service Electrical
Avonside Group Services	Focus Scaffolding Ltd	Lysander Scaffolding	Sharland Roofing Ltd
Avonside Roofing	Ford Windows	M Bryan Groundworks	SIK Electrical Ltd
AW Tiling	Formark Scaffolding (Holdings) Ltd	M.A. Broughton Electrical	Sliderobes
B Gallagher	Forster Roofing	M.C. Phillips	Smarta Construction and Technology
B Woods	Foster Group	Marley Contract Services	SMP Brickwork
Barkemp Construction	Freafer Finish Services	Marshall Construction Ltd	SP Cleaning Services LTD
Bassett + Ryder Ltd	G.S.James Carpenter and Builder	MDM Roofing Services Ltd	Speedier Scaffolding
Bilson Manufacturing Ltd	GlenAvon Plumbing & Heating Ltd	MDM Specialist Trades Ltd	SPS (Plumbing Contractors)
Bracknell Roofing Limited	Gleneast (UK) Limited	Mitchell and Urwin	Stanmore Ltd
Brackwell Roofing	Glevum Windows	Munster Joinery UK	Symphonm Group PLC
Brandwells Construction Co Ltd	Gordon Bow Engineering Ltd	MV Kelly	System Method Building Ltd
Brick Baron	Gregor Plumbing	NC Plastering and Rendering Ltd	T Costello Building Services Ltd
Bridges and Buckle	H2O Plumbing & Heating Services Ltd	Neal Stoneman Scaffolding Ltd	Tilecraft
Browns Plasterers	Harker's	Neil Shacklocks Plumbing Heating and Electrical	TONE Scaffolding Services Ltd
C + D	Harley Finishings	NJS scaffolding	Tonic Construction
Cary Samways Carpentry	Harlyn Enterprises Ltd	Nolan Hardman	Total Protection (Painting Solutions) Ltd
Chestman Decorators	Henry Boot	Norfolk Dry Wall Ltd	Toulson Carpentry and Joinery Ltd
Choice Plumbing	Houlihan Excavations Ltd	North London Lofts	Train
City Scaffolding	Houseman Joinery	Northern Groundcare Ltd	Treforest Tiling Ltd
Clarkson Evans	Howard Plastering	Olphert and Lambe Ltd	Wallace Electrical
CMB Building Contractors Ltd	Ian Okby Joinery Ltd	Oregon Timber Frame	West Yorkshire Joinery
Colne Valley Electrical (South) Ltd	Ibstock Brick	Oxford Spires Scaffolding Ltd	Westpoint Construction Ltd
Connaughts Construction	Interserve Industrial Services Ltd	P.W.Phillips Carpentry and Joinery	Wheeler Electrical
Connect Scaffolding Ltd	J & L Carpentry Ltd	Parker Tiling	Whitcrom
			WM Donald

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Skyblue Research welcomes feedback on this report.

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Professional Research and Evaluation Specialists based in York.

Please visit our website to see further evidence of the work we complete for clients in the homebuilding and wider construction and built environment sector as well as clients across the skills, employment, training and careers spectrum.

Disclaimer: Information is presented in this report in good faith and is deemed accurate at the time of publication, May 2016, but the authors cannot accept responsibility for errors or omissions.

All photos and images have been kindly supplied by the Home Builders Federation, Construction Industry Training Board and Fotolia.

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