

Local labour in construction: tackling social exclusion and skill shortages

This study examined the experience of 25 projects that aim to ensure that local people, especially school-leavers and unemployed people, obtain training and work opportunities from new developments and building maintenance programmes. It looked at the rationale for the approach, legal and contractual issues, the organisation of labour supply, training and local business support, monitoring and funding arrangements, and the outputs achieved. The study found:

- f** Although originally introduced to help tackle local unemployment, the schemes are now a key element in tackling local skill shortages in the construction industry.
- f** Public sector developers can operate a local labour approach within the existing legal and policy frameworks.
- f** The design of a local initiative needs to take account of local priorities (e.g. youth or adult unemployment) and the type and scale of the construction programme.
- f** Specifying the local labour requirements in the tender/contract helps to maximise 'value for money' and ensures equality for those submitting tenders.
- f** Providing appropriate recruitment and training programmes and a rapid job-matching service are important for achieving success.
- f** There are benefits in establishing a dedicated area-wide team to deliver the local labour initiative. Where this cannot be justified, improved networking between existing agencies can achieve good results.
- f** The researcher concludes that:
 - with emerging skill shortages, the greatest 'added value' will be achieved through innovative, flexible and 'fast-track' training programmes. These will make new demands on training providers, and may require additional funding;
 - supporting and marketing local construction businesses should be an element in a local labour approach.

Introduction

Local labour in construction (LLiC) schemes first emerged as a way of linking urban regeneration schemes and unemployed local residents. Regeneration programmes sought to ensure that new investment in both commercial premises and housing dealt with the physical problems, and that training and employment opportunities tackled 'social exclusion'. However, it is now recognised that LLiC schemes also play an important part in tackling skill shortages. While the construction industry remains committed to youth apprenticeships, recent data from the Construction Industry Training Board (*Construction Training and Employment Forecast 2000-2004*) shows a heavy reliance on trainees from other sources. In many trades, these provide over 50 per cent of the new entrants. So LLiC schemes can ensure that the future labour needs of the construction industry are met by:

- attracting more recruits;
- organising training to industry standards;
- arranging appropriate 'first jobs' to ensure that trainees become productive workers.

This study found a wide range of approaches to LLiC, using many different types of development and construction. It identified two important considerations in developing a local scheme:

- establishing who you are trying to help: young people, unemployed adults, small businesses etc.;
- the characteristics of the construction programme: the scale and duration of the works, and the trades that will be involved.

Legal and policy issues

Public sector developers need to take account of both UK and European legislation.

In the UK, there is concern that LLiC requirements will result in poor value-for-money and poor procurement processes. This position has discouraged governmental bodies from using LLiC approaches, and resulted in restrictive legislation (Section 17 of the 1988 Local Government Act) which applies to local authorities and some other public bodies. The Local Government Act 1999 has introduced a new legislative framework based on 'best value procurement' and potential changes to the restrictions on procurement deriving from the 1988 Act.

However, even with the earlier regime, numbers of local authorities and other public bodies have developed procurement procedures that obtain a commitment to the LLiC objectives from potential contractors, but don't take this into account in awarding the contract. Examples include:

- voluntary commitments by the contractors;
- separate LLiC agreements tied to the main contract;
- a 'two envelope approach' where an LLiC commitment is obtained with the tender in a separate sealed envelope that is not opened until after the contract is awarded.

The EC Procurement Directives apply to all public sector works contracts above a threshold value (5 million ECUs). The key requirement is that the procurement process must not place a non-UK firm at a disadvantage. Mechanisms for implementing LLiC in this context have included:

- specifying that work should be provided for 'socially excluded people': these could come from anywhere in Europe;
- specifying that a proportion of 'new workers' must be local;
- providing a training and recruitment service to the contractor (giving equal access to local labour);
- referring to 'industry training standards' rather than UK qualifications.

Most housing associations and private companies are able to specify their LLiC requirements in the contract, and some regeneration agencies have established a local labour code or charter which private developers are asked to implement. This can include LLiC contract clauses. Some local authorities are using Planning Agreements to require co-operation with an LLiC code or agency (see *Findings 350*).

Good practice suggests that wherever possible the LLiC requirements should be specified in contract documents. This fits with the industry norms and good competition policy, gives the requirements due importance, and can ensure that monitoring information is provided.

Table 1: LLiC schemes on different types of development

Social housing	Waltham Forest Housing Action Trust, Penwith Housing Association (Cornwall), London Borough of Lewisham.
Housing maintenance	Newcastle Cityworks, Queens Cross Housing Association, 1066 Housing Association, B-Trac Services
Retail centres	Braehead (Glasgow), Forthside (Stirling)
Civil engineering (roads, tunnel, bridge, barrage)	Cardiff Bay Development Corporation
Cladded industrial 'sheds'	Speke Garston Development Corporation (Liverpool)
Office development	Canary Wharf (London Docklands)
Processing plant	St Fergus (Aberdeenshire)
Use of historic buildings	English Partnerships (Greenwich/Woolwich)
Leisure facilities	The Millennium Dome (Greenwich), The Wild Screen (Bristol)

A job-matching service

The study suggests that to get the best from an LLiC initiative, it is important that the public sector organises recruitment. Although Employment Services and other local agencies may contribute to this, there are advantages in setting up a dedicated service run by people with construction industry experience, which can provide the 24-hour response rate that the industry expects. Good practice includes:

- carefully assessing the suitability and experience of the people offered to employers;
- checking the on-site performance of recruits;
- regular site visits to maintain relationships with contractors;
- getting contractors to fax through job opportunities, ensuring that there is telephone or pager contact with potential workers;
- aiming to fill every vacancy: using other agencies if local people are not available;
- ensuring that the job-matching process offers opportunities for all workers, not just a reliable few;
- setting up a recruitment office on large sites.

Vocational training

The study found that providing construction training is a key part of an LLiC scheme because:

- over 50 per cent of those seeking construction work have no relevant qualifications or experience;
- the gaps in the labour market are for skilled workers;
- the number of unskilled jobs on construction sites is continuing to decline;
- changes to regulations mean that all workers will soon need to have their skills accredited, and to hold current health and safety and plant operating certificates.

However, good quality construction training takes time and is expensive. This makes it unattractive for

many training providers, and in many areas there is no appropriate training provision.

LLiC schemes have developed innovative training programmes designed both to tackle this issue early on and to meet local priorities. These include pre-apprenticeship training for under-achieving young people, pre-site training for adults, speed-training to increase productivity, long-term training programmes for unemployed entrants, in-service training to upgrade skills and accreditation.

For new entrants, organising the first job on site is a key part of the training process: they need site experience to increase their productivity. Many schemes therefore provide a wages subsidy or provide the trainees 'free on site' for a period (see Table 2).

Other key points relating to training include:

- recognise that recruitment may be a problem;
- draw up a training specification and use a training contract (with providers) to ensure that this is met;
- obtain flexibility on the date participants must leave the training centre, and develop relationships with a wide range of employers and sites: this will ease job-placement problems;
- provide welfare, mentoring, progress monitoring and problem-solving support to maximise the retention of trainees;
- pick up opportunities for short-course training.

Local business initiatives

In a number of areas, a high priority has been given to developing the capacity of local firms and helping them secure contracts from large developments. The rationale is that increased workloads will increase employment for local people and a strong relationship with local firms makes it easier to place trainees.

Capacity-building approaches typically offer business diagnosis, business advice and training for management and operatives. A database of local firms is then used to encourage local purchasing. In Canary Wharf, for example, the Business Liaison Manager was able to trace 221 'packages' of work worth £133.5 million going to local firms through her work (over two and three-quarter years).

Maintenance work

In many neighbourhoods some of the largest expenditure is on housing maintenance carried out for the local authority and/or housing associations. However, the nature of maintenance work will affect the scale and focus of any LLiC involvement. The study found the key issues here to be:

- much of the expenditure is in electrical and heating work that must be carried out by qualified engineers: entry to these jobs needs good educational achievements;
- most tasks are carried out by single operatives: at best an apprentice could be placed with them;
- increased use of low-maintenance materials has reduced routine maintenance e.g. decorating;
- work in occupied homes may be unsuitable for employees with a criminal record;

Table 2: Summary of wages subsidy arrangements

<i>LLiC scheme</i>	<i>Wages subsidy</i>
Lewisham Community Refurbishment Scheme	Trainees provided free on site for 18 months
Penwith Housing Association	Trainees provided free on site for 6 months
Reidvale Housing Association	Pay £4 per hour extra to maintenance contractors who take on an apprentice
Nottingham City Wide Construction	£80* wages subsidy for up to 52 weeks
Hull Local Labour Initiative	£30* wages subsidy for 26 weeks
Portsmouth LLiC Scheme	The wages subsidy reduces from £104 to £42* over 26 weeks

* per trainee per week

Table 3: Assessing schemes' success

Approach	Benchmark
City-wide scheme	50 per cent of workers on major sites live in the city
Neighbourhood scheme	20 per cent of workers on local sites live in the neighbourhood
Job-placement scheme	750 jobs per placement officer per year
52 week adult training schemes	3 trainees on site per £1m in contract value 65 per cent get ongoing employment
Housing maintenance work	1 apprentice per trade in each four-year period

- maintenance and refurbishment work tends to be repetitive and limited, and may not provide an adequate range of experience for a trainee.

Nevertheless, a number of LLiC approaches have been based on maintenance work. Key lessons are:

- design a scheme that is suitable for the work available (e.g. a youth apprenticeship programme).
- provide sufficient continuity of work (e.g. longer contract terms) to enable contractors to commit to an apprenticeship or training programme;
- consider the benefits of recruiting an in-house maintenance team (e.g. no VAT charges).

Organisation and funding

Where there is a large programme of development there are benefits in establishing a specialist LLiC agency to provide a systematic and good quality service. This typically may be a partnership between regeneration agencies, the local authority, training bodies and Employment Services. The latter may provide secondees.

Projects where staff have construction industry experience will be better placed to assess the skills of local people, organise appropriate training, and market the scheme to developers and contractors.

There are significant differences in the funding provided for LLiC. While this may reflect the availability of funding for regeneration, it may also reflect the priority being given to LLiC. The areas with the largest budgets (e.g. Greenwich and Lewisham which spend £1 million per year) are able to deliver innovative training programmes. LLiC schemes which use existing training provision may not be able to introduce the innovative approaches that are needed.

Funding for LLiC schemes typically comes from a wide range of sources including regeneration programmes, European programmes, Government-funded education, training and employment programmes, and contributions from developers (possibly via a Planning Agreement).

LLiC outputs

It is important to set targets and to measure the outcomes. There are two approaches to this:

- counting the numbers of local people recruited through the LLiC agency; this is more typical of

voluntary schemes (which tend to produce poor monitoring information) and schemes led by Employment Services;

- counting the proportion of the total workforce from a target group, either in numbers of people or in 'person-weeks of work'. This requires more detailed monitoring information, but is a more appropriate measure of local benefits.

The study did not aim to evaluate different approaches. However, the schemes did suggest some possible ways of setting benchmarks (see Table 3).

Conclusion

The researcher concludes that achieving good results over a sustained period requires:

- determination;
- a well-designed approach, appropriate for the local context;
- the establishment of systems that routinely deliver a quality service;
- good progress-chasing, so that all parties know they have to fulfil their commitments;
- appropriate monitoring of progress and outcomes;
- adequate funding and staffing.

About the study

The study is based on information obtained from 25 projects, selected to reflect a wide range of locations and approaches.

How to get further information

The full report, **Using local labour in construction: A good practice resource book** by Richard Macfarlane, is published for the Foundation by The Policy Press (ISBN 1 86134 295 0, price £13.95).