

Evidence for the Business, Energy and Industrial Strategy Committee inquiry on the impact of coronavirus on businesses and workers

Written evidence submitted by the Chartered Institute of Building

Summary

1. The Chartered Institute of Building (CIOB) is the world's largest and most influential professional body for construction management and leadership. We have a Royal Charter to promote the science and practice of building and construction for the benefit of society, and we have been doing that since 1834.
2. The impacts of coronavirus are being acutely felt by businesses operating in the built environment, with projects facing supply chain issues, a halt to planning and inspection timetables, and new measures to ensure the health and safety of the workforce all changing the way the industry operates.
3. The construction industry is set to play a key role in restarting the economy and facilitating national recovery, and it is therefore crucial that the industry receives the support it needs to return to work and cope with the ongoing impacts of the coronavirus pandemic. Thought must be given to the immediate challenges around resuming construction work, as well as the long-term need for a stable pipeline of future work and the retention of the sector's skills base.
4. We recommend that the Government:
 - Integrates major construction sites into the recently launched NHS Test and Trace system to enable the regular testing of workers without risking further transmission of the virus.
 - Makes clear what measures are in place to ensure that construction businesses have access to the adequate PPE, and what steps it is taking to ensure that the Health and Safety Executive actively inspects workplaces where employees are at increased risk of contracting coronavirus.
 - Leads the industry in using Project Bank Accounts and shorter-term payments to support provide immediate cashflow support for SMEs in the construction supply chain.
 - Suspend the apprenticeship levy indefinitely, to provide immediate financial relief to construction employers, and introduce an apprenticeship guarantee to provide certainty for businesses providing training and prevent a future skills gap in the industry.
 - Be clear in its expectations for the construction industry in terms of the handling of contractual conflict arising from unresolved disputes regarding lockdown and site closures.

- Carry out an impact assessment on what large scale infrastructure should be prioritised under the Construction Industry Response Plan, and make clear what plans are being put in place for construction work in the event of a second wave of the virus.
- Pull forward long-term socially valuable projects that are labour intensive – in particular, repair, maintenance and improvement work – to support employment and ensure the built environment is fit for purpose into the future.

Ensuring the health and safety of construction workers

5. Build UK data indicates that 86% of infrastructure and construction sites in England and Wales have now reopened following the most recent amendment to lockdown restrictions.¹ With more workers returning to site every day, it is important that guidelines on operating safely are clear and that firms have the resources they need to ensure their employees are able to carry out their work in safety.
6. We welcome the Government's most recent guidance on working safely during coronavirus for construction and other outdoor work as well as the Construction Leadership Council's (CLC) Site Operating Procedures (now in its fourth iteration) which outline how sites should increase levels of hygiene and sanitation to prevent the spread of the virus.
7. The recent finding of the Office of National Statistics (ONS)² – that men in low-skilled jobs are almost four times as likely to die from coronavirus as those in professional occupations – raises further concerns about the mental and physical safety of predominantly on-site workers such as labourers. The CIOB and Construction Manager industry survey on coronavirus, conducted in April, found that only 46% of respondents were happy to continue working throughout the crisis and with construction workers now being advised to go back to work, it is only to be expected that many are concerned about returning.
8. The ONS' finding highlights the importance of equal access to coronavirus testing for construction workers in manual roles. Increased testing of both key workers and industry workers was identified by many of the CIOB and Construction Manager survey respondents as a potential route out of lockdown and we welcomed the Government's amendment on 28 April to include the construction workers on the list of those eligible for targeted coronavirus testing.
9. As workers return to site, we recommend that the Government integrates major construction sites into the recently launched NHS Test and Trace system. Locating testing stations on major construction sites will enable the regular testing of workers without them needing to make separate journeys and therefore risking further transmission of the virus. It will also help to improve public trust in the construction

¹Build UK, [Coronavirus Update](#), 20 May 2020

²Office for National Statistics, [Coronavirus \(COVID-19\) related deaths by occupation, England and Wales](#), 20 April 2020

sector, which was criticised early in the lockdown due to a perception that workers were carrying on as normal and putting the public at risk.

10. Inadequate access to hygiene and sanitary facilities on construction sites has been an ongoing concern for the industry, and one that predates the coronavirus outbreak. A 2019 study by Unite the Union found that many members did not have access to adequate welfare facilities³ and the CIOB's most recent report, *Understanding Mental Health in the Built Environment*, finds that 71% of manual workers found a lack of adequate toilet facilities on site either moderately or extremely stressful.⁴ It is vital that businesses across the construction supply chain have access to adequate hygiene and sanitary facilities in order to carry out their work safely and minimise the spread of the virus.
11. While it is the responsibility of the construction industry to ensure that these facilities are made available, we know from previous experience that the industry often functions at its best when operating under a strong regulatory framework. When asked what support they would like to see from Government in relation to the crisis, respondents to the CIOB and Construction Manager industry survey said they would welcome stronger regulations around site shutdowns and enforcement of official guidance for operating construction sites during the pandemic. We recommend that the Government makes clear what steps it is taking to ensure that the Health and Safety Executive actively inspects workplaces where employees are at increased risk of contracting coronavirus.
12. For cases in which personal protective equipment (PPE) needs to be worn, we have received reports that PPE stock arriving from overseas is sub-standard, and are concerned that for smaller firms, the cost of obtaining PPE may be prohibitive. Equally, it is important that the construction industry is not in competition with health workers for PPE. The construction industry has played an active role in supporting the NHS in the fight against coronavirus, by helping to boost capacity through the Nightingale hospitals and donating much-needed PPE to health workers. We recommend that the Government make clear what steps it is taking to support businesses across the construction industry to access the equipment they require to ensure their workplaces are safe.

Business support measures

13. The CIOB's report, *The Real Face of Construction 2020*, finds that the construction industry accounts for around 6% of the UK's total economic output and provides jobs for 2.3 million people, about 7.1% of the UK total. These figures predominantly account for on-site construction, and with the value added by architects, engineers, surveyors and other professionals working within the built environment, the contribution of the sector is closer to 15.3% of GDP.⁵ The industry is set to play a key role in restarting the economy and helping the nation to recover from the impacts of

³Unite the Union, [Construction Period Dignity](#), 1 February 2019

⁴Chartered Institute of Building, [Understanding mental health in the built environment](#), 11 May 2020

⁵Chartered Institute of Building, [The Real Face of Construction 2020](#), 24 February 2020

the crisis. If it is to facilitate these efforts, it is crucial that the industry receives the support it needs to weather the storm in the short-term.

14. The coronavirus pandemic has had a dramatic impact on sectors across the economy, and the construction industry has been particularly affected. The IHS Markit/CIPS Construction Purchasing Managers' Index fell from 39.3 in March to 8.2 in April. This reading was the lowest since records began in April 1997, reflecting a decline in construction outputs due to site closures and shutdowns across the supply chain.⁶
15. Of those businesses who continued to trade between 20 April and 3 May 2020, construction (at 43%) was one of the main sectors to have turnover decreased by more than 50% relative to the sample within each industry.⁷ While there has been a significant increase in construction projects resuming or opening in recent weeks, concerns remain about the long-term economic impacts of the pandemic, and especially weak levels of new contract awards and tenders, supply chain constraints and the forward-looking pipeline of work.⁸
16. The construction sector also had one of the highest proportions of workforces furloughed (40%) under the terms of the UK Government's Coronavirus Job Retention Scheme.⁹ This is consistent with the findings of the CIOB and Construction Manager industry survey, which showed that with almost 57% of respondents accessing the Scheme, it has been most common form of financial support used by construction industry professionals. Statutory Sick Pay reclaim was the second most commonly accessed form of support (21%) followed by the Coronavirus Business Interruption Loan Scheme (19%).¹⁰
17. We welcome the measures put in place by the Government to support businesses through the crisis, and particularly the extension of the Coronavirus Job Retention Scheme to October 2020. This will help to prevent any cliff-edge as the furlough scheme is phased out and to support work volumes, which will assist businesses to restart and plan for the future.
18. Around 99% of businesses in the construction sector are SMEs, and in an industry which is heavily reliant on sub-contracting small and micro businesses, it is not uncommon for businesses lower in the supply chain to wait for months to receive payment for their work. This has significant consequences on their cashflow, and combined with the financial consequences of the lockdown, many businesses are now at risk. The failure of a single business due to late payment has knock-on effects across the supply chain and can delay entire project pipelines.

⁶Chartered Institute of Procurement and Supply, [IHS Markit/CIPS UK Construction Purchasing Managers' Index and the Chartered Institute of Procurement and Supply](#), 6 May 2020

⁷Office for National Statistics, [Coronavirus and the economic impacts on the UK: 21 May 2020](#), 21 May 2020

⁸Barbour API, [Covid-19 Construction Update](#), 7 May 2020

⁹Office for National Statistics, [Coronavirus and the economic impacts on the UK: 21 May 2020](#), 21 May 2020

¹⁰Construction Manager, [CM coronavirus survey: Final results](#), 22 May 2020

19. The public sector is one of the largest procurers of buildings and the Government can therefore play a key role in implementing best practice for payment of those in the construction supply chain. We recommend that the Government utilises Project Bank Accounts and shorter payment terms to support immediate cashflow for firms and reintroduces the Public Sector Supply Chains (Project Bank Accounts) Bill 2017-19 to address this issue in the long-term.
20. The construction industry has traditionally relied on apprenticeships as a means of building and maintaining a skilled workforce, and these apprenticeships have been equally invaluable as a route to positive social mobility. Recent research from the Sutton Trust highlights the severe impact of the coronavirus pandemic on apprenticeships, with 1 in 13 being made redundant, and employers stating that up to 61% had lost out on work experience or learning.¹¹
21. We welcome the decision of the Construction Industry Training Board (CITB) to suspend the issue of levy bills, due for payment in 2020, for an initial period of three months.¹² However, the apprenticeship levy paid by larger employers has not been suspended during the pandemic and we urge the Government to suspend the apprenticeship levy indefinitely, to provide immediate financial relief to construction employers.
22. We were pleased to see the Prime Minister's recent announcement of his intention to consider an apprenticeship guarantee, and we strongly encourage the Government to pursue this form of support, to give certainty to businesses providing training and prevent a future skills gap in the sector.

Potential legal issues arising from lockdown

23. We are concerned about the possibility of contractual conflict arising from unresolved disputes regarding lockdown and site closures, and there is real apprehension that the industry will become embroiled in costly and time-consuming disputes if it does not seek to work collaboratively to solve issues arising from the pandemic. The construction industry is unfortunately susceptible to contractual conflict, and in the past delays and disruption to work programmes have been magnets for litigation.
24. Currently, there is consensus among the industry about the need to collaborate to restart work as soon as possible, and it is important to take advantage of this consensus to address potential legal wrangles that arise from the delays and disruption caused by coronavirus. Not to do so will only leave problems that are likely to fester, and this will have a significant impact on an industry which is expected to play a key role in helping the UK economy to recover from the crisis.
25. The results of the CIOB and Construction Manager industry survey also highlighted concerns about the behaviour of certain firms during the lockdown, with respondents reporting that main contractors have attempted to enforce contract law as a way of

¹¹The Sutton Trust, [Covid-19 Impacts: Apprenticeships](#), 20 May 2020

¹² Construction Industry Training Board, [CITB to suspend industry levy collection](#), 26 March 2020

pressuring furloughed workers to return to site. Contractors and subcontractors must not feel pressured into starting work when they have genuine fears for the safety of their workforce, nor should they be allowed to hold clients to ransom. All projects must have legal agreements in place to avoid potential litigation further down the line.

26. At an industry level, the CIOB is encouraging all parties to engage with each other as soon as practical, to work together to find solutions to contractual issues. The Construction Leadership Council COVID-19 Task Force has published guidance for companies involved in the construction supply chain on how to minimise potential disputes, and we welcome the UK Government's endorsement of these guidelines, as well as the Cabinet Office Guidance on responsible contractual behaviour during the coronavirus pandemic. However, while this guidance deals with issues in extant projects, it does not offer suggestions for dealing with future contracts, and as parties choose to address these issues now before entering into new contracts, we encourage the Government to continue to monitor the situation and be clear in its expectations for the industry in terms of the handling of contractual conflict going forward.

Mitigating future risk

27. It is unlikely that threat of coronavirus will disappear in the foreseeable future, and there are fears of a more vicious 'second wave' of the disease. It is critical that a strategy is put in place to deal with this possibility if the industry is to have the confidence necessary to restart as lockdown measures are eased.
28. We encourage the Government work closely with trade groups and professional bodies in the built environment when implementing the Industry Response Plan, to evaluate the relative levels of risk associated with ways of operating and forms of construction. This would allow the response to a potential second wave of viral transmission to be regulated both geographically and in accordance with the risks of transmission, rather than forcing the closure of the entire industry and further economic consequences.
29. We recommend that the Department for Business, Energy and Industrial Strategy carries out an impact assessment on what large scale infrastructure should be prioritised under the Construction Industry Response Plan, and make clear what preparations are being made for construction work in the event of a second wave of coronavirus. This will prevent uncertainty as work resumes and will allow firms to plan for the future.

Restarting the construction industry and supporting the economy

30. Thought must be given to the likely levels of construction work following the crisis, and the need to develop a stable long-term pipeline of work for the industry. As the UK braces for a global recession due to coronavirus jobs will be threatened, and in a year or so with workloads significantly down, there will be a need to preserve skills within the workforce ready for the inevitable upturn.

31. Previously, there has been a tendency for Government to focus on large-scale civil engineering projects which garner public attention, but do not support large amounts of labour or a stable pipeline of work for the industry. In planning future construction, we recommend that the Government pull forward long-term socially valuable projects that are labour intensive – in particular, repair, maintenance and improvement work. This would keep more people employed while undertaking work that will need to be done to ensure our built environment is fit for purpose into the future.
32. Heating and powering buildings currently accounts for 40% of the UK's total energy consumption, and we welcome the Government's recognition that buildings must be constructed to high standards of energy efficiency and that the regime for regulating the energy performance of buildings is robust, if we are to meet our obligation to bring greenhouse gas emissions to net zero by 2050.¹³
33. However, the energy performance of the UK's existing housing stock must also be improved if we are to achieve our long-term emissions reductions target. We believe that the enhancement of the existing UK housing stock to improve its energy efficiency is an example of a socially valuable project that could be undertaken to support a stable long-term pipeline of work for the construction industry. This type of work is labour intensive and equally spread geographically, making it an ideal project to maximise employment within the construction sector, support regional growth and get the economy moving again.
34. Starting this work early will support employment when the workloads are low, and as the economy improves and workloads increase to pre-lockdown levels, more labour-intensive work can be eased, and greater progress made on less labour-intensive work. While we recognise that this is a complex task, we believe it would greatly reduce strain on labour supply.

¹³Ministry of Housing, Communities and Local Government, [Energy Performance of Buildings: A Consultation on changes to The Energy Performance of Buildings Regulations 2012](#), 19 May 2020