

Vector

from SAMI Consulting



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Workforce planning and future skill requirements



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ConstructionSkills (see www.constructionskills.net) has recently published the report by SAMI Consulting and Experian earlier this year into the future shape of the UK construction industry and the resulting workforce skill and training needs. In particular, it considers the implications of the possible future level and composition of demand for construction, innovation and developments in construction technology, changes in construction materials, methods and processes, and the consequences for productivity and skill requirements.

Because of evolving skill requirements and the time taken to train, the study used a scenario-based approach with 2020 adopted as the time horizon – sufficiently far ahead to enable meaningful planning of training programmes to meet longer-term skill needs, yet not so far ahead as to result in pure ‘blue sky’ thinking. Desk research was combined with extensive industry consultation through a combination of workshops, interviews and a questionnaire survey.

Demand for UK construction is inevitably dependent upon developments in the wider environment, both national and global. It was therefore considered essential to base the study’s development of alternative future scenarios for construction firmly within a broader economic, financial, social and political framework. For this latter purpose, the study team adopted the existing Foresight Futures Vision 2020 scenarios, developed for the then UK Department of Trade and Industry, which provide four alternative and contrasting views of the future, ranging from a higher-growth yet stable and

sustainable internationally focused outturn, down to a prolonged period of inwardly focused low growth dominated by global insecurity and relative economic hardship. They also incorporate varying levels of government intervention and regulation.

Additionally, the implications of a high-innovation future for the construction industry were examined and, mindful of the risks inherent in the current level of global economic and financial turbulence, the potential impact of a Japanese-style ‘lost decade’. With respect to the construction scenarios themselves, issues of climate change, sustainability, security and cost of energy supplies, industry application of ITC, use of new materials and modern manufacturing methods feature strongly.

The resulting report combines both a qualitative and quantitative look at future construction skill needs. It identifies a need both for new skill-sets as well as the likelihood of more subtle shifts of emphasis in required capabilities and skills among existing trades and professions.

To help cope with future uncertainty, the study highlights the skill requirements which appear common to all scenarios, as well as those restricted to a specific scenario and dependent upon a particular future pattern of activity and development. Early warning indicators are identified for each of the scenarios in order to provide those planning future training programmes with a degree of advance warning as to which future particular skills needs are likely to emerge as time progresses and events unfold.

Perhaps one of the most compelling messages from the study is the need to plan and develop the necessary recruitment and training programmes now, if the industry’s workforce and associated skill-sets are to prove adequate to meet construction needs over the coming decade. At a time when short-term industry output and employment look set to decline, a retrenchment in training and ill-planned cuts by companies in their workforce may well exacerbate future resourcing problems, not only in the long term but also quite possibly in the relatively near future. This is a message likely to be common to many sectors of activity, public and private, and to individual organisations. For those currently facing pressures to retrench, it underlines the importance of thinking carefully about possible future medium- to longer-term workforce needs before wielding the axe, particularly as the business environment ahead may prove to be very different from that of the recent past.

The report, entitled *Vision 2020 – The Future of UK Construction*, can be viewed and downloaded from the SAMI Consulting website at www.samiconsulting.co.uk/4constructionskills.pdf.

If you would like to talk over the report’s findings in more detail, or discuss how SAMI Consulting might be able to assist you with your own workforce planning, please contact Colin Fletcher at colin.fletcher@samiconsulting.co.uk or on 01707-690168

THE FUTURE OF GLOBAL FINANCE

The world – not just the financial world – is going through torrid times. SAMI has been warning, as long ago as December 2006 (in e-Vector), of the risks inherent in the unstable global economy and, in the February 2007 e-Vector, drew attention to a subsequent report by the FSA that highlighted the global imbalances. Much has been written about the origins and causes of the current turmoil and there seems a general consensus on what went wrong and why. There is much less consensus on where exactly the world will go from here.

The recent measures taken by many governments have partly stabilised the worst of the initial chaos, but whatever equilibrium this has brought appears to be of a very unstable nature. Further financial stresses in the system are highly likely, since there remains considerable uncertainty over the risks of credit default swaps and just how much toxicity is still to be uncovered and unwound deep in the system; and further potentially destabilising effects could come from hedge fund liquidations and failures. Moreover, the impacts in the real economy are starting to be felt, as what is generally described as the ‘credit crunch’ is now affecting the availability of finance, disposable incomes and consequently the levels of business and consumer spending – which are leading to a contraction of economic activity.

There are, therefore, two dimensions of uncertainty. First, how long it will take for the global financial system to re-establish some semblance of coherence, and what form any new regulatory regime will take. Secondly, what will happen to levels of real economic activity in the meantime. In addition, there could be subsequent problems if too much liquidity is pumped into the system, stoking up a further round of inflation. To estimate where the world might be over the next year or so



will be impossible to forecast using conventional econometric methodologies. There will likely be considerable shifts in the world as we know it – and such shifts are more amenable to the application of scenario techniques to help navigate through the uncertainties. SAMI Consulting has undertaken a number of projects in the recent past that provide an approach to evaluating possible futures.

SAMI’s work for the City of London Corporation on ‘Scenarios for India and China: Implications for the City of London’, provided a framework that has proved reasonably robust in examining the possible interactions between those countries and London. (The scenarios were the subject of a review update by SAMI Fellow John Ormerod in the last issue of Vector.) China and India are by

no means immune from the financial turmoil, but the banking excesses in Asia are not anywhere near the scale of those of western banks. China’s economic growth has slipped below 10% for the first time in three years. While this is still an impressive performance, it does highlight that the real economy in China – primarily its export sector – will still be affected by the world economic slowdown. This is likely to strengthen moves by the Chinese authorities to further stimulate domestic demand to compensate for the weakness in the external sector.

A recent report from the City of London Corporation has picked up many of the themes of the SAMI Report, and extended them to the wider Asian region. High-growth Asian economies are of great and growing importance to the global economy at large, and to the international financial

services industry in particular. On many indicators, such as current account surpluses and foreign exchange reserves, the Asian economies have become major powerhouses. The report says it is likely that a number of Asian financial centres will become increasingly important globally, each with unique specialisations. It focuses on three centres: Hong Kong SAR, Tokyo and Singapore. Given the current market uncertainty the centre of gravity in the international economy is increasingly shifting towards Asia and financial centres there are set to grow.

The study says that Asian financial centres will play a greater part in the global financial industry and this will bring a range of challenges and opportunities for the world’s leading financial centres of London and New York. It also emphasises the fact that the ability of UK-based financial institutions to maximise their business relationships within Asia is of vital importance. The report also highlights that the rapid growth of sovereign wealth funds (SWFs) has been one of the defining features of the global economy in recent years. Asia’s SWFs now account for almost one-third of the global total and are likely to account for half of such funds by 2015

SWFs in the Middle East, including Abu Dhabi, Saudi Arabia, Kuwait and Qatar, are even more significant in financial terms and centres – also such as Dubai – pose a threat to the traditional dominance of London. Their influence also extends over major western financial institutions such as Barclays. A key factor in how this will play out could lie in the future of financial regulation in the UK, which has generally had an attractively ‘light touch’ on the financial community in recent times. Any clampdown on the activities of institutions, such as hedge funds, that have prospered through leveraging lending on slim capital



FINANCIAL TURMOIL

ratios (what has been described by some as indiscriminate gambling) could lead to a shake-out in the City. This could in consequence result in City talent being attracted to Asian financial centres.

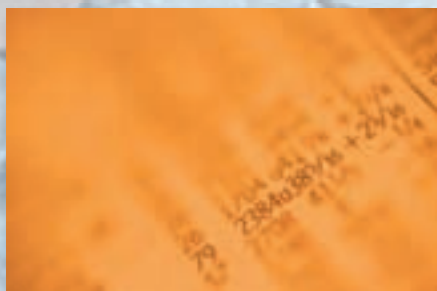
These shifts in global influence are not likely to be confined to financial sectors. The effects of such a movement in the global centre of gravity towards the Asian bloc will also be felt in consumer and industrial demand, which will affect the economics of location, distribution and relative labour costs.

The UK economy has become quite dependent on immigration to offset the demographic consequences of an ageing population. The effects of a downturn in the UK – both in the financial sector as well as the wider economy – could lead to a reversal of these flows as well as putting greater financial pressure on the public sector. SAMI Consulting research on ‘The Future of Services to the Public’, published by CIPFA last year, highlighted the challenges of funding public services for more demanding citizens (more akin to ‘empowered consumers’) where the division of rights and responsibilities between the state and the individual is the subject of continual debate and evolution, with new demands such as that of climate change adding to the problems.

What are the implications from this complex pattern of forces and events?

As noted earlier, the current global economic turmoil does not lend itself to being analysed adequately by means of conventional modelling methods based on statistical projection. The range of uncertainties – and the crucial role that ‘confidence’ will play in the speed and direction of recovery – requires the utilisation of scenario technologies. SAMI Consulting is well placed to harness and apply such technologies to help organisations future proof their activities.

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From the CEO



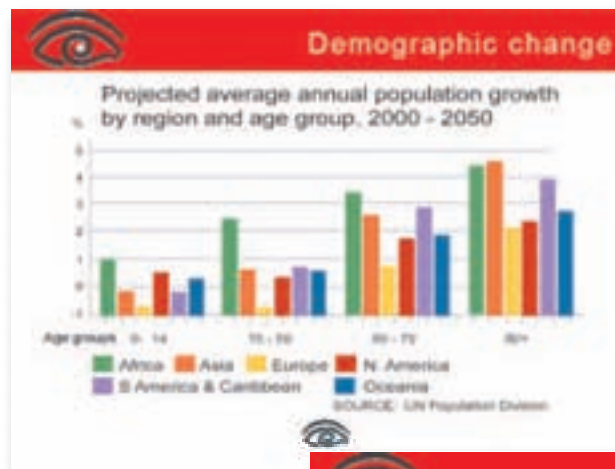
Gill Ringland, CEO

In 2006, the Governor of the Bank of England warned that, after a NICE (non-inflationary continuous expansion) decade, things were about to change. We started or work on Global Drivers of Change at that time, convinced that the equilibrium of the second half of the 20th century was likely to break down in the 21st, and captured this on a DVD which we are using to help our clients face the changes in the world order.

Meanwhile, in spite of the turmoil, at SAMI we have been growing – with eight Fellows, six Principals, and 24 Associates. We have been winning business from new clients such as the Department of Health, and Natural England, where we are working with their team to develop scenarios for the English natural environment in 2050, and with previous clients – it is always nice to get a call: “You may remember that you helped us five years ago...

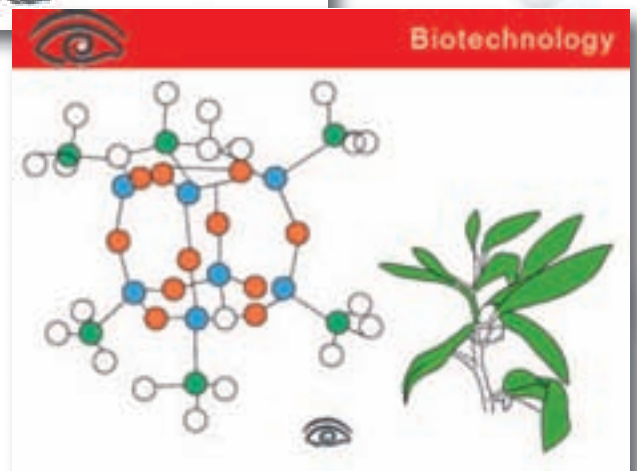
Could you help us again?”

This year we have also worked in Malaysia, where we managed a cross-national task force in developing a road map for a new industry; in Mexico, where we led seminars



We have also been running a competition to find a good acronym for NASTY: contenders so far are

- Not A Smooth Ten Years
- New Actions Simply Take Years
- Non-Accretive Socially Turbulent years
- Next Appalling Stretching Taxing Years
- Notable Absence of Share-growth – Troublesome Years
- Never Assume Stability This Year
- New Asia Starts Training Yanks
- Never A Smile This Year
- Never Another Stable Ten Years



on Mexico's future and tools for Foresight; and in Estonia where we led a seminar on using futures thinking for industrial development.

