State of Trade Report

2015

Quarter 1
Introducing the NSCC State of Trade Survey

The National Specialist Contractors Council (NSCC) brings together the common aims of 32 specialist trade organisations within the construction industry and is the authoritative voice of Specialist Contractors in the UK.

The NSCC State of Trade Survey is circulated quarterly to NSCC Specialist Contractors and the results are analysed with the support of the University of Westminster to provide an overview of the state of trade in the specialist sector.

Where appropriate, the actual percentage of respondents reporting increases or decreases for particular variables is given, with the ‘balance’ indicator offering the best single measure of a trend.

The ‘balance’ is the difference between the percentage of respondents answering ‘more’ or ‘increase’ of a variable less the percentage answering ‘less’ or ‘decrease’. For example, if 30% of respondents report ‘increased orders’, 20% ‘no change’ and 50% ‘reduced orders’, the balance is –20%.

Generally, a positive balance implies that a variable has increased and a negative balance that it has decreased. Balances close to zero imply no significant change has occurred.
1. Executive Summary

This report presents the results for the first quarter of 2015.

- **Enquiries** – 65% of Specialist Contractors reported an increase in enquiries, the second highest result in the history of the survey, compared to 19% who reported a decrease. The balance of enquiries rose to 46 points.  
  *Page 3*

- **Orders** – 54% reported an increase in orders with only 19% reporting a decrease. The balance of orders is now 35 points, up 11 points from the previous quarter.  
  *Page 3*

- **Labour** – 47% of respondents reported more difficulty in recruiting skilled labour whilst only 2% reported less difficulty. The balance is now 45 points which is the highest for 14 years.  
  *Page 4*

- **Ability to Bid** – 28% reported being unable to bid for work because of skills shortages, which is the highest since Q2 2007.  
  *Page 4*

- **Anticipated Workload** – 65% of Specialist Contractors anticipate workload to increase over the next quarter, a 16% increase on the previous quarter. 78% anticipate workload to increase over the next 12 months, a record high for the survey.  
  *Page 6*

- **Expansion Planning** – 38% are planning to expand their businesses over the next quarter with just 2% expecting their businesses to contract.  
  *Page 7*

- **Tender Prices** – 54% of Specialist Contractors reported an increase in tender prices, another survey high, whilst just 11% reported a decrease for the third quarter in a row. The balance of 43 points is the highest ever recorded.  
  *Page 8*

- **Suppliers’ Prices** – 82% reported an increase in suppliers’ prices, which was the same as last quarter, whilst 4% reported a decrease.  
  *Page 8*

- **Margins** – 22% of respondents indicated an increase in margins, and 22% also saw margins fall. The balance of 0 points marks the first time since the recession that there has been a negative balance.  
  *Page 8*

- **Payment Periods** – 5% of Specialist Contractors reported being paid in under 30 days, which is below the five-year average of 6%. 75% were paid between 30 and 60 days and 20% waited more than 60 days.  
  *Page 9*

- **Payment Periods in the Public Sector** – 44% reported carrying out public sector work in the last quarter and 47% of these contracts were reported as being paid within 30 days.  
  *Page 9*

- **Retentions** – 81% of respondents had monies withheld in retention, 33% of which were overdue for release.  
  *Page 9*
2. Enquiries and Orders

2.1 Enquiries

65% of Specialist Contractors reported an increase in enquiries, the second highest result in the history of the survey, compared to 19% who reported a decrease. The balance of enquiries rose to by 31 points to 46 points.

2.2 Orders

54% of respondents reported an increase in orders with only 19% reporting a decrease. The balance of orders is now 35 points, up 11 points from the previous quarter.
3. Labour Availability and Expectations

3.1 Skilled Labour Recruitment

47% of Specialist Contractors reported more difficulty in recruiting skilled labour whilst only 2% reported less difficulty. The balance is now 45 points which is the highest for 14 years. The main reasons cited for the difficulty in filling vacancies were the low number of applicants with the required skills (77%), a lack of required experience (54%) and a lack of required qualifications (41%).

3.2 Employment Expectations

For the first time in 18 years, half of all Specialist Contractors expected a rise in total employment levels over the next quarter compared to 2% who expected them to fall. Over the next 12 months 64% expected employment levels to rise and no respondents expected them to fall. Specialist Contractors stated significant recruitment difficulties with 18 out of 30 trades with the most serious being bricklayers, mechanical fitters and professional staff.

3.3 Ability to Bid

28% of Specialist Contractors being unable to bid for work because of skills shortages, which is the highest since Q2 2007.
4. Capacity and Business Planning

4.1 Capacity Levels

The percentage of respondents working at over 90% capacity was 46%, slightly down on last quarter. The combined percentage reporting over 60% capacity utilisation was 94%.

76% of the current workforce was directly employed, 2.3% of which were apprentices. 49% of respondents stated they currently employ apprentices and 56% expected to take on at least one apprentice over the next 12 months. The average percentage of the workforce possessing the correct CSCS cards was 87%.

4.2 Forward Planning

42% of Specialist Contractors plan less than 3 months ahead with 30% planning between 3 and 6 months into the future.

38% of respondents had less than 3 months’ work in-hand, 36% had between 3 and 6 months’ work in-hand and 26% have more than 6 months’ work in-hand.
4.3 Anticipated Workload

65% of Specialist Contractors anticipate workload to increase over the next quarter, a 16% increase on the previous quarter. 2% of respondents anticipate a decrease in workload during the same period.

78% anticipate workload to increase over the next 12 months, a record high for the survey, whereas just 2% anticipate workload to decrease. The balance of Specialist Contractors expecting more work was another survey high of 76 points.

As last quarter, market demand was ranked as the most important factor in terms of business planning, followed by the availability of labour and then material costs.
4.4 Expansion Planning

38% of Specialist Contractors are planning to expand their businesses over the next quarter with just 2% expecting their businesses to contract.

56% are planning to expand over the next 12 months whilst 2% are expecting their businesses to contract.
5. Prices and Margins

5.1 Tender Prices

54% of Specialist Contractors reported an increase in tender prices, another survey high, whilst just 11% reported a decrease for the third quarter in a row. The balance of 43 points is the highest ever recorded.

5.2 Suppliers’ Prices

82% of respondents reported an increase in suppliers’ prices, which was the same as last quarter, whilst 4% reported a decrease.

5.3 Margins

22% of respondents indicated an increase in margins and 22% also saw margins fall. The balance of 0 points marks the first time since the recession that there has not been a negative balance.
6. Procurement

Respondents indicated that 74% of contracts were obtained by tender.

52% used amended standard forms such as the JCT sub-contract (39%), NEC sub-contract (9%) and DOM 1 / DOM 2 (4%) with 31% using contractors’ own forms.

28% of respondents received their contract documentation at tender stage, a decreasing trend; whereas 26% only received their contract documentation after work had started, an increasing trend.

7. Payment Practices

7.1 Payment Periods

5% of Specialist Contractors reported being paid in under 30 days, which is below the five-year average of 6%. 75% were paid between 30 and 60 days and 20% waited more than 60 days. No respondents reported waiting more than 90 days in this quarter.

44% reported carrying out public sector work in the last quarter and 47% of these contracts were reported were being paid within 30 days.

7.2 Retentions

81% of respondents had retentions withheld, at an average of £98,410 per respondent. Of the monies withheld, an average of £31,354 per respondent was overdue for release, equating to 33% of all retention monies.

50% reported recovering all retentions. Of the remaining respondents, on average, 8% of outstanding retentions were written off as bad debts.

17% of Specialist Contractors had used a retention bond as an alternative to cash retention.
8. Contract Abuse

Respondents ranked late payment, under valuation and bid peddling as the three most significant issues affecting business.

9. Adjudication

20% of respondents had used adjudication to resolve disputes. For those that had not used adjudication, 68% indicated the primary reason was that it had not been necessary, followed on by 14% who feared losing work and 7% who perceived it to be too expensive.

73% of respondents that had used adjudication employed lawyers or consultants to represent their company.

91% of reported that adjudication usually results in a decision. For those adjudications that did result in a decision, just 55% were satisfied with the outcome which is the lowest satisfaction result ever reported by the survey.
10. Comments from Specialist Contractors on Issues Affecting their Businesses

1. Restrictive planning laws for the expansion of business premises, the high cost of business rates and restrictive employment laws. (The National Federation of Roofing Contractors)

2. PQQs are a mess and a single cross-industry scheme is needed. (Association of Technical Lightning & Access Specialists)

3. The growing number of different accreditation schemes that we have to join and pay for in order to bid and undertake work. (Specialist Access Engineering & Maintenance Association)

4. The excessive paperwork regarding health and safety that we have to complete. (Contract Flooring Association)

5. Late payments. (Finishes & Interiors Sector)

6. Much of our work is in the insurance market and the length of time taken for settling indemnity claims has an adverse effect. (Association of Specialist Underpinning Contractors)

7. Retentions should be abolished and there should be strict payment laws implemented where all sub-contractors are paid within 45 days. (Thermal Insulation Contractors Association)

8. The lack of available experienced roofers. (The National Federation of Roofing Contractors)

9. Delays in firming up a design and build contract due to main contractor and architect indecision on design issues. (Specialist Access Engineering & Maintenance Association)

10. The short tender periods for sub-contractors. We have received some tenders that needed a next day response in order to be considered. (Federation of Piling Specialists)

11. In the short term, election uncertainties may hold back contract awards. In the long term, we need sustained confidence in the economy and stable interest rates to encourage increased capital expenditure. (British Drilling Association)

Compiled by:

Rob Garvey
Email: r.garvey@westminster.ac.uk

Ian J. Murdoch
E-mail: ianjmurdoch@btopenworld.com

April 2015
PRESS RELEASE
11 May 2015

Specialist Contractors Facing Severe Skills Shortages as Demand Soars

The number of Specialist Contractors struggling to recruit skilled labour is at its highest for 14 years according to the latest NSCC State of Trade Survey, following significant increases in both enquiries and orders in the first quarter of 2015.

47% of Specialist Contractors have experienced more difficulty in recruiting skilled labour this year compared to just 2% who have found it less difficult. The balance of recruitment difficulty, which is the difference between those reporting more and less difficulty, has reached its highest level since 2001 and the main reason is the low number of applicants with the required skills. As a result of this skills shortage, 28% of respondents were unable to bid for work which is higher than at any time since the recession.

With 65% of Specialist Contractors reporting an increase in enquiries, up 27% on the previous quarter, and 54% reporting an increase in orders, the industry is facing a skills crisis which will continue to impact on prices. A record 54% of respondents experienced an increase in tender prices last quarter, which has doubled since this time last year. Suppliers’ prices are also rising in line with demand with 82% of Specialist Contractors seeing higher prices from their suppliers for the second quarter in a row.

Any uncertainty in the run up to last week’s election appears not to have undermined the confidence of Specialist Contractors with 65% anticipating an increase in workload in the next quarter and a record 78% anticipating an increase over the coming year.

NSCC Chief Executive Suzannah Nichol MBE said:

“The growing construction market is great news for Specialists Contractors but we need to tackle head-on the skills crisis that is facing the industry. If we do not invest in recruiting and training people with the right skills, the industry will not be able to meet demand and this will impact on the wider UK economy.”

NSCC contributes its findings to the State of Trade Survey published by the Construction Products Association (CPA), enabling the experiences of the specialist sector to be compared with the wider industry.

~ Ends ~

For further information, contact NSCC:
T: 0844 249 5351
E: enquiries@nscc.org.uk
Notes to Editors

1. The National Specialist Contractors Council (NSCC) brings together the common aims of 32 specialist trade organisations within the construction industry and is the authoritative voice of 7,000 Specialist Contractors in the UK – www.nscc.org.uk.

2. The NSCC State of Trade Survey is carried out quarterly across the specialist trades represented by NSCC with support from the Faculty of Architecture and the Built Environment at the University of Westminster.

3. The NSCC State of Trade Report for Q1 2015 can be viewed at www.nscc.org.uk/news.

4. The Construction Products Association (CPA) represents the UK’s manufacturers and suppliers of construction products, components and fittings. The construction products sector has an annual turnover of more than £40 billion and accounts for over 1/3 of total construction output - www.constructionproducts.org.uk.