

The Colin Wiles blog

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Going home: Part two

In last week's blog I wrote about the fall in the UK population of 1.3 million, mostly due to EU nationals heading home as a result of coronavirus and Brexit, and people having fewer babies. It seems many of the returnees worked in the construction sector and this is likely to have a major impact on both housebuilding and maintenance across all sectors.

This [report](#), from Oxford's Migration Observatory, suggests that during 2019 the number of EU-born workers in construction fell from 208,000 to 113,000, a decrease of 46%, largely as a result of Brexit worries. Though this pre-dates the pandemic, the trend has clearly continued during 2020 when housebuilding and house moves came to a stop during the first lockdown. According to the Migration Observatory, 15% of the construction workforce were foreign born, split between 9% EU and 6% non-EU – but in London around 28% of construction workers are EU nationals.

A census by the Home Builders Federation adds some detail to these figures. Romania, Poland, Lithuania and Ireland were the most common countries of origin. 14.3% of all brick workers were EU nationals, with Romanians comprising 36% of the total. The sector with the greatest proportion of EU nationals was demolition, groundwork and frames, with 23% of EU nationals, 44% of which were Romanian. Anyone who has queued for the ferry at Dover in recent times cannot fail to have noticed the number of Romanian vans filled with men of varying ages.

The share of foreign-born workers across the economy as a whole had increased steadily, from 9% of the total workforce in 2004, to 18% by 2019. Pre-pandemic, a visit to any sandwich chain in London would have borne out this trend. But this is now in reverse.

Under the government's new points system, EU construction workers looking to come to this country will have to earn at least £25,600 and speak English, and there will be no allowance for unskilled workers, which could have a major impact, not just in construction, but across care, agriculture and hospitality.

What are the likely impacts of this reverse diaspora on our sector? Firstly, construction projects could face delays if skilled and unskilled staff are not available. Secondly, there could be inflationary pressures on build prices as contractors compete for the best workers. There will no doubt be knock-on impacts on maintenance, as many of the EU nationals in construction were sole traders. The legendary Polish plumbers of Notting Hill will be few and far between.

But the wider impact will to a large extent depend upon the shape of the housing market in the next couple of years. If the market stagnates once the Stamp Duty holiday ends in March, we could see a significant fall in house prices, perhaps 5% or more. This will have a big impact upon the housebuilders' build-out strategy, as they will have made their assumptions on house prices holding steady. Crucially, the market depends upon continued demand from first-time buyers who make up around half of the market. (In 2020 there were 304,657 purchases across the whole of the UK, down from 351,260 in 2019.)

The latest housing [market review](#) from Halifax says that demand from first-time buyers held steady during 2020. The average first-time buyer deposit rose by £10,000 last year, with the average price paid being £256,057, up by £22,939 (10%) from the year before. But the shocking thing about these figures is the amount of deposit required to make a purchase – the average deposit put down by first-time buyers in 2020 was £57,278, up from £46,449 the year before; and in London the average deposit went up from £110,145 to £130,357. That is a staggering sum of money to find if you are a young person who has been furloughed or who faces losing your job as a result of the pandemic. Personally, I cannot see how that continue to be sustainable. The pandemic will have severely affected the purchasing power of first-time buyers, as it is the young who have suffered most over the last year.

If first-time buyers fail to materialise over the next few months and the market does stagnate, where does that leave the government's target (ambition) of 300,000 homes a year in England? I very much doubt it will be met.

Anyway, back to the departure of foreign workers. If you are a housing provider, it is likely that this will impact upon your business model and you need to start thinking about how to respond. If construction and maintenance costs rise, you will need to re-forecast your schemes and cashflows. There will also be major impacts on care providers, especially in London and the south-east where non-British care assistants comprised 42% and 25% respectively of the total workforce. Are the people available locally who can fill their shoes?

The bigger picture is that, as a country, we have failed for years and years to invest in training and apprenticeships and have instead relied upon skilled, unskilled and often cheaper foreign-born workers. The old saying 'chickens coming home to roost' seems apposite.

About the author

Colin Wiles has worked in affordable housing for almost forty years, for local authorities and housing associations. For the past eight years he has worked as a consultant, working on a range of projects for dozens of clients across the sector. He specialises in governance, service reviews, research and policy work. Colin has written extensively on housing and planning issues for Inside Housing, 24 Housing and The Guardian. He is a co-founder of SHOUT, the Campaign for Social Housing.



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