Economy, Jobs and Fair Work Committee
Economic Impact of Leaving the European Union
Scottish Contractors Group Limited

Opening remarks

i. Scottish Contractors Group (SCG) provides a strong collective voice for the construction supply chain by bringing together construction Clients, Main Contractors and the leading Trade Associations.

ii. SCG believes it is important for Scottish Government to continue to work closely with UK Government to ensure the best outcome for both Scotland and the UK, given the UK’s decision to leave the EU. This decision has left a great amount of uncertainty over the implications Brexit will have on the construction industry and such a level of uncertainty does have a destabilising effect on construction activity.

iii. SCG’s immediate priority following the referendum has been to call on Government to maintain stability, and to prevent uncertainty following the referendum result impacting on construction activity. Build UK’s message has been that Government must:
   - Adopt a business as usual approach
   - Provide re-assurance that the public sector construction pipeline will remain on track
   - Have a clear plan on next steps regarding Brexit.

iv. This paper outlines what SCG consider the priorities to be, from an industry perspective, and puts forward the position we believe supports all stakeholders in the Construction Sector.

Key industry priorities

1. EU legislation
2. Access to a skilled workforce
3. Access to markets
4. Currency
5. Impact on future investment

1. EU Legislation

1.1 Once Brexit is complete and the UK Government is under no obligation to continue implementing any EU inspired laws or regulations, it is imperative that there is a suitable regulatory model in place to ensure standards remain effective. SCG believes there is an opportunity to develop a reformed model
that can create an effective balance between what is required while also reducing bureaucracy.

1.2 SCG would propose that the Government engage with industry on their intentions with EU legislation that affects industry and consult where necessary. SCG would welcome the opportunity to present their views on whether each piece of legislation should: remain in place, be reformed to suit or be retracted altogether.

2. Access to a skilled workforce

2.1 Prior to, and independent of, the referendum, it was widely acknowledged that there was a skills shortage within the construction industry. To meet the demands, it is imperative that we have an adequate pool of skilled workers, not only from within Scotland and the UK but from the wider EU group and beyond. Industry forecasts are confident that the demand will mean we need both.

2.2 Under the principle of free movement of workers, EU nationals have the right to work in the UK without being subject to immigration controls. Labour Force Survey data shows that in 2015 there were almost 140,000 EU nationals working in construction, equating to 6.7% of the total construction workforce.

2.3 Even with the recruitment of EU and overseas labour, construction is still experiencing skills shortages. The latest Build UK State of Trade survey found 43% of contractors reporting rising labour costs in the first quarter of 2016, with a lack of suitably qualified staff a key factor.

2.4 Industry forecasts show construction employers will need to fill an additional 230,000 roles by 2020 due to increased output and the churn of people leaving the industry. Levels of training within construction are currently not sufficient to fill these needs.

2.5 SCG acknowledges that the UK Government is likely to impose stricter immigration controls following the completion of Brexit and the continued free movement of EU workers is unlikely to remain as is.

2.6 SCG would therefore place priority on two areas:
   a. Ability to recruit skilled workers from the EU
   b. Retention of EU workers already employed in Scotland and the UK

   a. Ability to recruit skilled workers from the EU

2.7 The system currently in place for workers out with the EU could be adapted and extended to include EU workers. i.e. a list of certain jobs where it is acknowledged there is a shortage of skilled workers is established and if
workers from the EU have the necessary skills to perform these jobs employers should have the ability to recruit them.

b. Retention of EU workers already employed in Scotland and the UK
2.8 EU nationals who are currently working here should be allowed to remain, if desired, and their right to do so should be protected. SCG supports the statement released by Government that states: “when we do leave the EU, we fully expect that the legal status of EU nationals living in the UK …will be properly protected”.

3. Access to markets
3.1 There is uncertainty over whether Brexit will impact Scotland and the UK’s access to the single market and tariff free trade within EU countries. SCG would support a position where Scottish and UK businesses continue to have open trading relationships and full access to the single market of the EU and the rest of the world. We would also place importance on any changes to the existing trading relationships not causing a significant increase in construction costs due to higher tariffs.

4. Currency
4.1 Since the decision to leave the EU, the value of the pound has fallen substantially. This has a direct and immediate impact on the cost of delivering projects. SCG would like to see stability and confidence on currency exchange rates.

5. Impact on future investment
5.1 The uncertainty following Brexit and the actuality that UK will no longer be part of the EU/single market has led to concerns over reduced investor confidence in the UK. This reduced confidence may lead to reduced investment in private and public sector construction projects. SCG would call upon the Scottish Government to increase its investment in Infrastructure and Housing. In addition we would like to work with private and public clients to highlight the economic value of continuing to invest in construction projects and raise the profile of future project pipelines.

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