



# Scotland's Retrofit Workforce

A Briefing on the Built Environment and Construction



# Contents

Background	3
The challenge	4
Key messages	5
Workshop overview - day one	8
Workshop overview - day two	11
Insights and findings	12

# Built Environment and Construction

## Background

The Commission is tasked with providing scrutiny and advice on the development of the Scottish Government's just transition plans for economic sectors and regions of the country. Following the publication of the draft Energy Strategy and Just Transition Plan in January 2023, the next three draft plans we expect the Scottish Government to produce cover the following sectors:

- Transport
- Built Environment and Construction
- Land Use and Agriculture

In advance of the publication of these draft plans, the Commission held three workshops April-June 2023, each supported by a programme of engagement, in order to agree advice to the Scottish Government on critical questions that will require to be addressed in the upcoming sectoral plans.

Given the breadth of live issues for each sector, each workshop aimed to bring into focus a specific theme or “challenge”. The sector briefings that form the outputs from these workshops are not comprehensive treatments of just transition issues within a given sector. The Commission will require to carry out considerable further engagement, information-gathering and deliberation to support robust scrutiny of the upcoming just transition plans.

In June, the Commission met in Glasgow and the West of Scotland to investigate how a new workforce can be delivered to retrofit existing buildings as part of the just transition.

This sector briefing describes the challenge ahead for policymakers. It provides a record of the format and participants in the Commission's workshop as well as the key findings and insights shared in these sessions. The briefing includes the Commission's key messages to the Scottish Government in developing policy for a just transition in the built environment and construction.

# The Challenge

A critical challenge in reaching net zero is how Scotland develops the competent workforce, supported by robust fair work provisions, at the scale needed to deliver the retrofit of existing buildings urgently required. Neither business as usual nor piecemeal efforts, however well intentioned, will suffice, especially given the well-documented, serious and persistent problems experienced by those already working in our construction industry in terms of pay, safety, security, terms and conditions, and systemic inequalities in the demographic of the workforce. A system change is required if we are to grasp the clear and obvious economic opportunities net zero offers up for this sector and achieve an equitable sharing of the costs and benefits of transition. What are the key strategic decisions that need to be made to deliver a new retrofit workforce for Scotland in a fair way?



*Commissioners visiting a large-scale social housing retrofit site in Coatbridge*

# Key messages

## **1. We won't get the new workforce we need without making construction a fair work industry.**

The challenge goes beyond skills and training. Achieving fair work is a key lever for decarbonising Scotland's built environment, not a distant end goal. For the sector to attract and retain a workforce that is representative of our society, and which can in turn be better equipped to understand and deliver on the needs of our society, critical actions including those set out by the Fair Work Convention's inquiry must be taken, including regulations by the Scottish Government and full use of procurement mechanisms, to address low pay and widespread bad practices such as bogus self-employment, precarious short term contracts, informal recruitment practices and funding arrangements that have made the industry more an employer of last resort than of choice.

## **2. Public sector procurement based on whole life value is the most likely short term catalyst for change at scale.**

Procurement for a just transition means whole life costing and value-based procurement mechanisms that provide the stimulatory incentives to unlock the ecosystem paralysis. Coupled with effective legislative and regulatory frameworks, there is the potential for the public sector investment to create the scale of demand which enables market forces to emerge and build positive momentum. This must ensure that with the right support, capacity and co-ordination, direct labour organisations play a central role in driving the delivery of retrofit at the quality and scale required, embedding social value via fair work, as well as the use of sustainable materials from local supply chains, taking account of positive macroeconomic effects of supporting high quality, secure jobs in manufacturing, as well as requiring meaningful engagement with communities. Paradoxically, we can no longer afford a "cheapest wins" approach, and clear mechanisms are required to move beyond this if we are to support the new workforce required.

### **3. The Scottish Government must provide transformative leadership.**

We have heard a consistent message from businesses and workers across the sector: it is now time for the Scottish Government to step up and take key decisions. Strong progress has been made via the Construction Accord to establish a shared vision for transforming the sector. The Scottish Government must now proceed to set the policy objectives and ensure the required legislation and regulations (both carrots and sticks) are in place to effect the systemic change required, establishing clear training requirements and invest in competency development to ensure the necessary competency supply is there in advance of demand, and recognising where subsidies or other mechanisms are required to support the required scale of necessary work that is currently commercially unprofitable. A step-change is needed if current efforts to decarbonise our built environment fairly, typically admirable but small-scale and piecemeal, are to scale up to the level required. Further delay to decisive leadership poses a clear just transition risk. Don't back track, cut corners or water down ambitious changes. The market will not drive the change required for this sector in the context of the climate crisis.

### **4. Education will be key.**

The competency required to decarbonise our built environment should be developed as a national utility, and this should be reflected in our education system, including early years and primary learning. Further education institutions require particular support from the Scottish Government in terms of clear signals on precisely what competencies are required from future workers and greater flexibility in how they develop and deliver educational interventions in relation to Scottish Funding Council funding criteria. It is critical Scotland develops a more robust competency profiling of the workforce as a precursor towards recognising and investing in competence as a national utility. Failing to develop competence in line with emerging demand is most likely to lead to the marginalisation of local labour and the importing of skilled labour, increasingly drawn from developing nations outside of the EU. Part of the ambition of a just transition is to 'do no harm', and the risk here, in terms of installers/contractors and the manufacturing base is that we will pull skilled labour from developing nations, exacerbating systemic inequalities and undermining just transition capabilities within those nations.

## 5. The difficult conversation about who pays for the decarbonisation of our built environment needs to start now.

In the absence of a viable financing model that enjoys public support, there is a clear risk that costs will be distributed inequitably across those in social, private rental and mortgaged housing, and that those who can afford to pay for the work required will be highly resistant to doing so. Recognising the complexity and scale of the challenge, and the work being carried forward by the Heat in Buildings: Green Finance Taskforce, it is nonetheless clear that a frank and sustained public conversation is now required in order to establish practical options for financing retrofit at scale and clear just transition principles that will be widely understood as ensuring this is achieved in the fairest way possible, with costs and benefits shared equitably and local value locked in for communities and workers. This will require bold and innovative thinking, since the tools currently available present a major obvious shortfall.



*Commissioners visiting a large-scale social housing retrofit site in Coatbridge*



*Commissioners visiting a large-scale social housing retrofit site in Coatbridge*

## Workshop overview - Day One

### Scottish Government update

The Commission met with officials from the Scottish Government's Just Transition Unit to discuss work underway to prepare a draft Just Transition Plan for the Built Environment and Construction sector, including the recently published discussion paper. The Commission heard about the key themes of the paper and its basis as the tool to develop the just transition plan for the sector following co-design and engagement over the summer period.

### Climate Change Committee

The Commission met with Chole Nemo, Senior Analyst on Just Transition at the Climate Change Committee to hear about their recently published report, "A Net Zero Workforce". Following a presentation, the Commission discussed the findings of the report.



## Construction businesses

The Commission met with specialist retrofit contractor AC Whyte and visited a large-scale social housing retrofit site in Coatbridge, North Lanarkshire. They were joined by Jennifer Phin, Managing Director; Alex Neil, Construction Site Manager; Stephen Bell, Customer Liaison Officer; Tommy Campbell, Skills Academy Principal; and Steven McNellis, Construction Director. Whilst touring the site they discussed funding cycles, procurement challenges, skills and the system changes that are required to stimulate industry.

The Commission visited the Morgan Sindall Riverbank Community Campus site where they met with representatives from Morgan Sindall, Tigers and North Lanarkshire Council. They were also joined by young apprentices and sub-contractors. Attendees included:

- Brian Carmichael, Director Tigers' Group
- Derek Johnstone, Joint Venture Manager
- Elizabeth Halliday, Head of Responsible Business, Morgan Sindall
- Lewis Forsyth, Apprentice, Imtech
- Thomas Currie, Apprentice, Paradigm Landscapes
- Callum Sharples, Imtech Project Manager (Subcontract partner of the Joint Venture)
- Jeanette MacIntyre, Managing Director, Indeglas
- Derek Brown, Deputy Chief Executive, North Lanarkshire Council
- Scott Black, Enterprise Development Officer, North Lanarkshire Council

The Commission heard from Tigers on their joint venture model for routes to work, apprenticeships and work programmes on offer. North Lanarkshire Council gave an overview of their plans in the sector and ways they are working to encouraging uptake of jobs in the built environment sector. The Commission heard directly from two apprentices on their experience and their hopes for the future.



*Commissioners meeting Jennifer Phin, Managing Director of AC Whyte in Coatbridge*

## Town hall

The Commission held an open “town hall” event in central Glasgow, where they heard from people working across the built environment and construction sector. They held roundtable discussions covering a range of issues relating to skills, fair work, health and safety, workplace culture, diversity and inclusion in the sector.



*Commissioners holding a town hall event at the Studio, Glasgow*

# Workshop overview - Day two

## South Lanarkshire College

The Commission visited South Lanarkshire College. A roundtable discussion focused on insights and issues related to the development of a competent workforce. Participants included:

- Stella McManus, Principal and Chief Executive
- David Innes, Associate Principal for Curriculum
- James Jamieson, Curriculum Manager for Building Services Engineering
- Alisdair McTavish, Curriculum Manager for Carpentry and Joinery
- Nicola Murray, Curriculum Manager for Built Environment

Discussion focused on curriculum development and future planning.

The Commission were then taken on a tour of the training facilities at the college, including classroom set-ups and a model affordable low-energy, low-carbon house for the mass market.

## Business and Industry

The Commission visited Scottish Gas where they met with Steve Petrie, Regional Director for British Gas Zero. Following a presentation about Scottish Gas Zero, the Commission were provided a tour of the training facilities for upskilling and retraining.

At Built Environment – Smarter Transformation, the Commission met with Sarah Buchanan, Retrofit Impact Manager. They toured the training facilities and observed a classroom session being given to a social housing company which was focused on upskilling the workforce in Low Carbon Learning

# Insights and Findings

## Approach to just transition planning

- “Retrofit” is a broad term that can cover efficiency measures, mechanical ventilation, and heating. It will be helpful for the precise scope of retrofit to be defined as clearly as possible for the purpose of just transition planning for this sector.
- Heat should be included in the just transition plan for this sector. Heat is an output rather than a source. Conversion takes place within buildings. The pertinent engineering and physical principles mean that heat policy will be of direct relevance to people involved in the design and delivery of buildings.
- Greater courage and decisive action is especially required in this sector. Current aspirations, however laudable, are not currently achievable in the absence of detailed action plans and rapid progress is urgently needed. Bold leadership in this sector, now, will have a particularly high value for achieving a just transition.
- The solutions required already exist. There are a lot of good pockets of work on-going however these need to be scaled and accelerated.
- The lack of legislation and long-term strategic vision in this area mean employers and housing associations lack clarity as to the roles and skills required within the emerging retrofit industry.
- One experienced practitioner said: “People don’t know what these jobs are.” Legislation and public messaging can help boost the profile of retrofit roles.

## Workforce

- The industry has issues around health and safety which need to be addressed. There are still unacceptable levels of on-site injuries.
- As documented by the Fair Work Convention’s inquiry into construction, the sector operates on short-term, site-to-site contracts which makes training and up-skilling harder, jobs more precarious and the industry less attractive.



*Tigers apprentice discussing their experience and future plans*

## Finance

- The just transition plan for the sector needs to set out a clear narrative for how this work will be paid for and by whom. Without clarity on the financing model to be applied, the core justice considerations of what will be very considerable investment will be impossible to track and evaluate. Who pays? And how exactly will it be paid for?
- Industrial policy will be required in order to make the transition affordable and just. A plan is required that sets out the suite of tools, including consideration of regulatory tools and subsidies, that will be applied to deliver the required investment for the decarbonisation of buildings, provision of housing (a key cross-cutting theme underpinning the success of the transition across all economic sectors) and local supply chains.
- There is a risk the required investment will not be delivered at sufficient scale if it is assumed that private investment will be directed towards commercially unprofitable activities.
- The level of funding support available to colleges will be critical as we make this transition.
- Innovative financing models will be required to deliver retrofit and heat decarbonisation at scale. All viable approaches should be explored, including, for example, for local authorities to take equity stakes in homes in return for funding required improvements which enhance the value of a property.

## Local authorities

- Local authorities need to be supported and empowered to deliver retrofit and heat decarbonisation at scale, including the upskilling of workers currently within the industry, which cannot be left to small companies, however well intentioned.
- Scotland's strategy should be centred on expanding the capacity of direct labour organisations, giving them greater responsibility and capacity, as is common across continental Europe. We should use the small capacity we currently have and expand it rapidly.
- Good practice is happening in pockets of Local Authority areas, but this needs to be joined-up to create system-wide change across the country.

## Education and skills

- A lack of flexibility in training schemes has led to an increase in the number of businesses in the industry pursuing private training provision and/or setting up in-house academy models.
- Employers report flexibility, cost, locality, and relevance of learning as being key priorities in their pursuit of training.
- Colleges must be better supported to develop and mainstream curriculum models which represent the shifting landscape of stakeholder needs and expectations.
- Highly publicised funding pressures are resulting in redundancies across the college sector, with the resultant loss of skilled educators placing additional pressure on an already fragile system.
- Lack of job security among college teaching staff makes it harder to adapt and change to emerging curricular needs.
- They must be supported to transition from a system, and particularly an apprenticeship system, mired in administrative assessment relating to work-based learning, towards a system predicated on optimising the student experience.
- Courses for “green jobs” are not always delivering due to the lack of appetite and lack of knowledge from potential students on what these jobs are.
- The lack of awareness for new skills in the “green” sector meant reduced uptake and cancellation of some courses.
- Career services tend to point school children towards the sector when they have lower levels of attainment/qualifications or are disengaged with school.

## Procurement and value

- Public sector procurement is a critical lever, but needs to give adequate weight to social value, including the use of sustainable materials and working practices, not only price. A ‘cheapest wins’ approach cannot deliver a just transition in this sector.
- High quality data exists around the optimal whole life value of materials and should be a key consideration in procurement processes.
- Scotland has a wealth of natural capital that brings with it significant supply chain and manufacturing opportunities in this sector. The just transition plan for the sector should join up the policy on retrofit with the creation of manufacturing opportunities and explore links to production of sustainable materials in our Agriculture sector.
- While a developer-led approach will emphasise green-field development, it will be essential to embed a strategy for brownfield, derelict and vacant sites.

