

Levack at Large
Project Scotland – October 2011

Recently reported labour market statistics for the second quarter of 2011 showed Scotland outperforming the rest of the UK with overall unemployment apparently continuing to fall. But take a look at the detail of those figures, and you will find a much less rosy picture of how the Scottish construction industry is currently performing.

In fact, the figures show 10,000 Scottish construction workers lost their jobs between April and June – a reduction in the Scottish workforce of 5.5% compared to a 3% reduction in construction employment for the UK as a whole over that same period.

Further confirmation if it were needed that economic recovery remains weak and the construction sector is still vulnerable to further losses in capacity, skills and jobs.

This party conference season, there has been no shortage of good ideas across the political spectrum for supporting the industry's recovery. It would be nice to see our politicians rise above party politics and put into practice a combination of these policies to kick-start the industry.

At the Labour Party Conference, Ed Balls' call to cut VAT on home improvements to 5% was a welcome acknowledgement of a long-standing industry campaign.

My only regret is that the Shadow Chancellor proposed to limit the reduction to a year. On the Isle of Man, the positive economic impacts of reducing the VAT rate on this category of spending to 5% were such that a decision has now been taken to make the reduced rate a permanent fixture of the tax system.

At their own party conference, the Conservatives responded with a radical proposal of their own. The Coalition Government at Westminster proposes to release sufficient redundant publicly owned land to allow 100,000 new homes to be built in England. There can be no doubt that private sector housebuilding badly needs a boost, with the number of private sector homes built in Scotland having slumped from 21,674 in 2007 to 11,171 in 2010.

Meanwhile, the Scottish Government has brought forward its own proposals to support the industry, announcing a commitment to transfer £750 million of public money from resource spending over the next three years to provide a continuing pipeline of new capital projects.

The Scottish Government is to be applauded for having re-energised public sector housebuilding in Scotland following years of neglect. But even with the additional investment in public sector housing we have witnessed, the private sector still contributes the lion's share of Scotland's housebuilding volume year-on-year. Therefore, kick-starting private sector housebuilding is vital if we want to build a sustainable recovery. The new UK Government proposal to sell unused public sector land to build new

private sector homes on a 'buy now, pay later' basis has much to recommend it. I hope we can see something similar brought forward north of the border before too long.

Similarly, cutting VAT on home improvements to 5%, as recommended by Labour – and supported by the SNP – would provide a further welcome boost to the industry. I hope common sense can prevail here as well and that the Chancellor will show himself willing to take that policy forward when he announces the UK budget later this autumn.

No shortage of policy ideas to revive the construction industry, then. My plea to our politicians now is to set party politics aside and implement the combination of measures best designed to put our industry on the quickest possible route to recovery.