Bar2

Behind the Numbers: Workforce Trends in Construction in 2025 and Beyond

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Introduction from Joss Lowery, Managing Director at Bar2

The UK construction sector, like many others, is at a crucial juncture. Growth is expected but remains fragile and is threatened by labour shortages, rising material costs, and regulatory pressures. This is an opportunity for businesses to reflect and take proactive steps to protect their future.

This paper provides businesses operating in and supplying the construction sector with a clear view of what is transforming the industry in 2025: shifting tax liabilities, tighter labour markets, and an ageing workforce, to name a few. Now is the time to work together and build trusted partnerships that create real value.

Decades of underinvestment in skills, ineffective government apprenticeship schemes, fragmented labour models, and inconsistent compliance standards have eroded trust. Rising material costs and the upcoming 2026 Intermediary reforms, which mandate due diligence, are increasing pressure on hirers and recruitment businesses.

By working together, we can unlock new opportunities—full collaboration across the supply chain will be more important than ever. Your supply chain's integrity affects your financial risk, operational resilience, and brand trust. Shared due diligence, data transparency across subcontractors, payroll, and recruitment partners, as well as joint responsibility for workforce development through apprenticeships, upskilling initiatives, and employee wellbeing, are all crucial to attracting and retaining talent.

Innovation in construction extends beyond design and build; it should also transform business operations, encompassing workforce strategy and planning, as well as compliance and risk management. Self-serve onboarding, labour planning, and integrated compliance systems will define those who grow. Collaborating with specialists who offer blended workforce models combining PAYE, CIS, and remote design talent provides increased agility and leverage, but requires strict controls, fair practices, and embedded compliance. These considerations should be incorporated into all future planning and tendering processes.

At Bar2, our role is to help clients adapt with confidence, giving them visibility, worker support, and responsible engagement models that build capacity without compromising compliance.
If we all get this right, construction can set a standard for how traditional industries embrace complexity with clarity and rebuild their futures through intelligent, collaborative innovation.

Rising Inflation and Material costs: the impact on industry growth and contractor pay

High inflation and **rising construction material costs have contributed to a projected 0.7% contraction in the UK's construction industry** in 2024, negatively impacting contractor wages. [1] However, ONS GDP data shows 0.5% growth between Jan–Apr 2025 and 0.9% growth in April alone, suggesting modest recovery. [2]

Like rising prices in food, energy, water, and broadband, inflation has driven up costs for essential construction materials such as steel, lumber, and concrete. Steel prices, as an example have risen by 66%, and oriented strand board (OSB), has soared in price, exceeding 500%. This issue initially stemmed from supply chain disruptions during the COVID-19 pandemic. However, more recent factors, such as the Russia-Ukraine war and supply chain issues with China, continue to push prices higher. [3]

According to the Office for National Statistics (ONS), total construction output declined by 0.4% year-on-year (YoY) in the first nine months of 2024. New construction work, which made up 56.5% of all construction activity between January and September, fell by 6.5% YoY during that period. [4]

Additionally, an increase in government-led infrastructure projects is driving up demand for construction materials. With plans for major projects—including Heathrow's third runway and 1.5 million new homes over the next few years—concerns arise about whether this surge in demand will further inflate prices or create further supply shortages.

Adding to these challenges, the construction workforce is shrinking. An ageing workforce approaching retirement, combined with more workers shifting to higher-paying industries, raises concerns about whether there will be enough skilled labour to complete these ambitious projects. [3]

Our data shows that 58.3% of our workforce falls within the 36–50 and 51–65 age brackets, highlighting a significant ageing trend in the construction sector. In contrast, only 7.8% of workers are aged 18–25, indicating a limited influx of younger talent (see page 12, figure 2).

For construction firms and agencies, rising costs create multiple challenges:

- **Increased project costs** – Higher material expenses put financial strain on clients, leading to budget overruns, project delays, or cancellations.
- **Liquidity risks** – Businesses forced to absorb rising costs may face financial instability.
- **Uncertain bidding processes** – Fluctuating material prices make it difficult for contractors to predict costs, leading to project estimates that may be significantly outdated by the time work begins. [3]

At the same time, the rising cost of living is driving construction workers to demand higher wages. Since the cost of living crisis began in late 2021, average wages have increased from £19.84 in Q3 2021 to £21.27 in Q4 2021, and further to £21.70 in Q1 2022 (see slide 14, figure 1). Construction companies must either meet these demands or risk losing skilled workers to competitors offering better pay.

For agencies, sourcing skilled labour will become increasingly competitive. To attract and retain workers, agencies must adapt to rising wage expectations and evolving market conditions.

Case Study

Travis Perkins: The UK-based builders' merchant reported a pre-tax loss of £38.4 million in 2024, a significant downturn from a £121.4 million profit the previous year. This decline is attributed to impairment charges and restructuring actions amid high inflation, elevated interest rates, and reduced consumer confidence. [5]

Rising Labour costs due to hikes in NMW and NLW

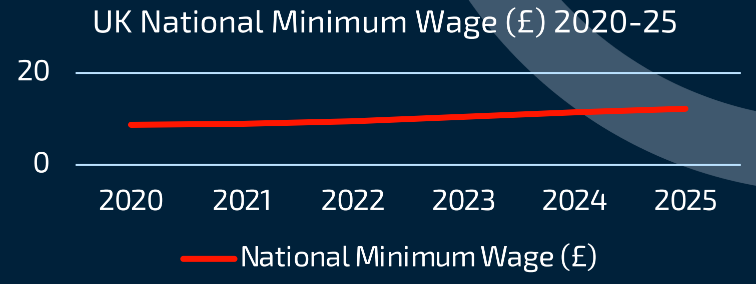
Labour costs in the UK construction industry are on the rise, due to increases in the National Minimum Wage (NMW) and National Living Wage (NLW), and the National insurance threshold changing in April 2025.

As of April 1, 2025, the NLW for workers aged 21 and over rose from £11.44 to £12.21 per hour - a 6.7% increase (77p) since 2024. [6] The increase in the National Minimum Wage has become a tipping point: in today's tight labour market, offering just the legal minimum often isn't enough to secure skilled talent. Construction firms have little choice but to go beyond minimum wage to stay in the game.

This wage increase has significantly impacted firms employing construction workers, leading to higher overall labour costs and the need to re-assess project budgets. For some, this has meant passing on costs to clients, and increasing consumer prices. The BCIS General Building Cost Index shows that overall building costs rose by 2.9% in 2023–2024, and are forecast to increase by 4.7% in 2025—with labour (especially payroll costs) being a significant driver of this trend. [7]

Others face tighter profit margins, which could delay project timelines or even lead to cancellations. Furthermore, the Secondary Threshold decrease from £9,100 to £5,000 per year [8] has meant that employers must now pay National Insurance Contributions on a greater portion of each worker's earnings, increasing labour costs—particularly for lower-paid, temporary, or part-time construction workers.

The median annual earnings for full-time employees in the construction sector in the UK was £41,319 in 2024. [9]



Labour shortages

The UK construction industry is grappling with a significant workforce shortage, with the sector experiencing a consistently high vacancy rate, driven by an ageing workforce, decline in apprenticeships, Brexit and perception issues. The sector is facing a pronounced workforce shortage, with 38,000 vacancies recorded in the three months to February 2025 and 216,000 additional workers needed by the end of the year. [10]

This tight labour market has driven notable wage inflation: wages are up 9% on average, [11] and broader payroll data show an 18.9% surge in construction pay—more than any other sector. [12] Demand for skilled labour continues to rise, intensifying competition across the sector.

Contributing factors to the shortage:

Ageing Workforce
A large segment of construction professionals are nearing retirement age, reducing the pool of experienced workers. [13]

Decline in Apprenticeships
Fewer young people are taking on construction apprenticeships and entering the industry. There has been a 1.4% decrease in new construction apprentices in 2023/24, with starts falling from 24,530 to 24,230—a 14% drop since the post-pandemic high of 26,060 in 2021/22. [14]

Brexit
Stricter immigration policies post-Brexit have limited the availability of skilled workers from the EU, exacerbating the labour shortfall.

Perception Issues
Construction careers are often perceived as undervalued or physically demanding, leading to lower interest among younger generations.

From our data, the average age of a UK construction worker in 2025 is 39.

Adding to the pressure on the labour market, the government's ambitious plans to deliver 1.5 million new homes, expand Heathrow Airport with a third runway, and develop a multi-billion-pound theme park by Universal in Bedford are set to drive demand for skilled workers to new heights. While these major infrastructure projects are expected to generate thousands of jobs, the question remains: do we have the workforce to meet the demand? According to the CITB Construction Skills Network Forecast 2024–2028, the industry will need an additional 251,500 construction workers by 2028 to keep pace with these demands. [15]

Take the Universal theme park in Bedford, for example, scheduled to open in 2031, it's projected to create 20,000 construction jobs. To support this, Universal has committed to partnering with colleges and universities to deliver training and apprenticeships throughout the build phase, aiming to nurture a pipeline of talent. [16]

These developments offer a significant boost to the economy and opportunities for construction businesses however, they also highlight a pressing challenge: can the industry attract, train, and retain enough skilled labour to deliver on such a bold national agenda?

In response to the shortages, companies are offering higher wages to secure talent. For example, average wages in the construction industry have risen 9%, despite a reduction in advertised vacancies. [17]

For construction businesses, labour shortages and wage inflation are having a negative impact on project delivery. For clients, this could mean increased project budgets as businesses are having to pay out more for available skilled workers, delays due to lack of skilled labour, or compromised quality as businesses may need to employ less experienced workers.

Recruitment agencies face a shrinking talent pool, making it harder to meet client expectations within budget constraints. To remain competitive, agencies need to increase incentives or training investments to attract and retain candidates—driving up operational costs and potentially affecting margins.

Forecasted economic growth from major construction projects further underscores the urgency of addressing the industry's labour shortage. For instance, the Heathrow third runway expansion is projected to add £5.5 billion in economic benefit between 2020 and 2080, according to government estimates. [18] On the housing front, planning reforms tied to the delivery of 1.5 million new homes could generate an additional £15.1 billion in real GDP over the next ten years—equivalent to a 0.4% boost above baseline projections. [19] These figures illustrate the enormous economic potential tied to these developments—but they also highlight the critical risk posed by an under-resourced workforce. Without sufficient skilled labour to meet the growing demand, the UK risks missing out on these transformative benefits.

Mental health in Construction

The UK construction industry is facing a critical mental health crisis, with male construction workers nearly four times more likely to die by suicide than the average male population. [20] Over the last five years, suicide rates in the sector have risen from 26 to 34 per 100,000, highlighting a deeply concerning and worsening trend. [21]

Key drivers of the mental health crisis:

Job insecurity

With much of the work based on short-term contracts or project-based employment, many workers face uncertainty about their income and the future, fueling anxiety and stress.

Workplace culture

A longstanding stigma around mental health, especially among men, continues to dominate the industry. This discourages open dialogue and prevents many from seeking help.

Job requirements

Construction roles are physically demanding, often requiring long hours, early starts, and extended periods away from home. These conditions can lead to isolation, fatigue, and increased risk of depression.

Impacts for end hirers and agencies:

Reduced headcount

Mental health-related absences are contributing to ongoing labour shortages, making it difficult to maintain project timelines and staff levels.

Increased costs

Delays in project timelines and the need for additional recruitment of staff can increase project expenses.

Quality/Safety concerns

Poor mental health can cause a lack of concentration, decision-making, and communication, increasing the risk of workplace accidents and impacting the quality of work.

Addressing the crisis:

Access charity resources

Mates in Mind is a UK construction mental health charity offering tailored training and free online resources for teams and stakeholders.

Invest in an EAP

With the recruitment environment being so fast-paced, recruiters can benefit from the flexibility that Employee Assistance Programme's provide, having access to online support, anywhere and anytime.

Appoint mental health first aiders

on sites to identify and support individuals at risk. [22]

Environmental Initiatives

In April 2025, the government approved the expansion of the Rampion offshore wind farm in Sussex. The project will add 90 new turbines, delivering an additional 1.2 gigawatts of clean energy to power UK homes and businesses.

This expansion is part of the government's broader strategy to transition away from fossil fuels and tackle the rising cost of living. By increasing the supply of renewable energy, the aim is to drive down energy prices and build long-term energy security. As of April 2025, the Ofgem price cap set the annual dual-fuel bill at £1,849, up £111 from Q1 and still approximately 43% higher than pre-crisis levels in winter 2021–22. [23]

The Rampion extension is a key step toward achieving the UK's ambitious clean energy goals: doubling onshore wind, tripling solar capacity, and quadrupling offshore wind power by 2030. Beyond environmental benefits, the project is expected to power 1 million homes and create around 4,000 construction jobs, helping to fill industry gaps and boost the number of people entering the industry long-term. [24]

Over the past decade, there's been a strong and growing focus on improving energy efficiency and cutting carbon emissions within the construction industry. Looking ahead, the UK construction sector is set to prioritise two key areas:

- **Upskilling the Workforce:** Empowering the current workforce with training and resources through industry bodies to adopt greener methods and sustainable building practices.
- **Sustainable Materials:** Driving investment in low-carbon materials and eco-friendly construction methods that reduce environmental impact.

Since the early 2000s, many construction businesses have set ambitious sustainability targets to be achieved by 2025. As that milestone arrives, 2025 marks a year of reflection and reassessment. Industry leaders will evaluate progress against their goals and set new benchmarks for the future. This could lead to a surge in the adoption of sustainable materials, renewable energy solutions, and passive design strategies as companies work to elevate their sustainability credentials and future-proof their operations. [25]

Update to regulations

In response to the 2023 consultation on tackling non-compliance in the umbrella company market, the government have announced plans to introduce new regulations by April 2026 that shift tax liabilities to end hirers or recruitment agencies, rather than umbrella companies.

The primary objective of this reform is to address widespread tax avoidance and non-compliance across the umbrella company sector. By transferring responsibility for PAYE to those higher up in the supply chain, the government aims to close loopholes, ensure proper tax deductions, and protect workers from unforeseen tax liabilities. [26]

Agencies will bear the legal responsibility for operating PAYE on workers' pay, even if an umbrella company is used for payroll processing. They must ensure that the correct Income Tax and National Insurance Contributions (NICs) are deducted and paid to HMRC. In instances where there is no recruitment agency in the supply chain, this obligation will fall directly to the end hirer. [27]

Businesses can follow **HMRC's Check, Act and Review** supply chain due diligence principles when assessing compliance of their supply chain and umbrella companies. HMRC will continue to monitor for mini umbrella fraud, particularly around VAT abuse and Employment Allowance misuse. Choosing the right umbrella partner is no longer just a matter of convenience, it's a critical decision that can directly impact the longevity and resilience of your business. With liability shifting up the chain, engaging with non-compliant or poorly managed providers could expose you to **financial penalties, legal risk, and reputational damage**. By prioritising transparency, compliance, and operational integrity in your supplier relationships, agencies and hirers can build a more secure, sustainable foundation for workforce management, one that stands up to regulatory change and protects both people and profit in the long run.

To prepare for the changes, construction businesses and recruitment agencies should:

Review existing contracts

Review existing contracts with umbrella companies to understand the impacts of the new regulations. [28]

Conduct a supply chain audit

using HMRC's supply chain due diligence principles of Check, Act and Review.

Implement compliance measures internally

to monitor and ensure correct PAYE deductions and payments.

Seek expert guidance

from legal and tax professionals to understand the changes and develop strategies for compliance

Update to regulations

CIS Vs PAYE: Clarity Under the 2026 Reforms
The upcoming 2026 PAYE liability reforms represent a major shift in how HMRC enforces tax compliance across labour supply chains, with significant implications even for construction firms relying primarily on the Construction Industry Scheme (CIS). While the reforms are designed to target non-compliant PAYE setups—particularly those involving umbrella companies—they indirectly affect CIS arrangements as well.

From April 2026, agencies could be held liable for PAYE if they're part of a labour chain involving disguised employment, even if the worker is technically engaged under CIS. HMRC will expand oversight to intermediaries across the supply chain, scrutinising worker status more rigorously. This means that if a CIS subcontractor operates under supervision, direction, or control (SDC), the arrangement may be challenged as false self-employment. [29] Construction firms using mixed models will now face increased pressure to justify employment status decisions with clear, defensible reasoning.

What Agencies and End Users will need to do differently:

Evidence Employment Status

Agencies will need to:

- Carry out robust SDC assessments for every CIS subcontractor
- Keep clear documentation of why someone is CIS-eligible
- Be prepared to defend that decision in an audit [29]

Strengthen Supply Chain Due Diligence

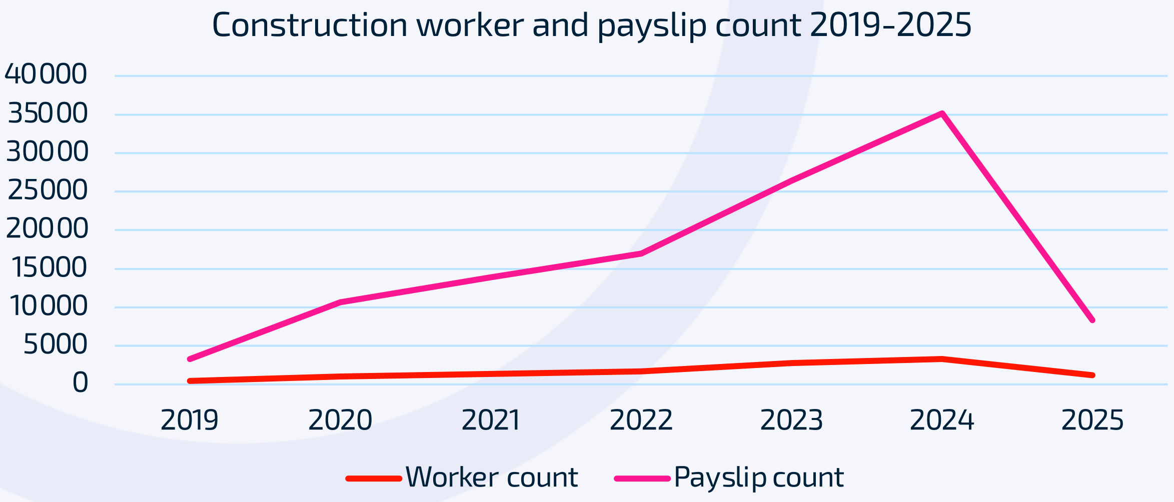
- The "I didn't know" defence won't hold.
- Agencies must vet umbrella/CIS providers more thoroughly
- Regular audits and compliance checks will become the norm [30]

Offer Clearer Status Pathways

Many workers sit in the grey area. Now's the time to:

- Offer clean, compliant PAYE options alongside CIS [31]
- Help contractors understand the pros and cons of each
- Ensure all deductions (on both routes) are transparent and legal

Bar2 Data – Industry Growth



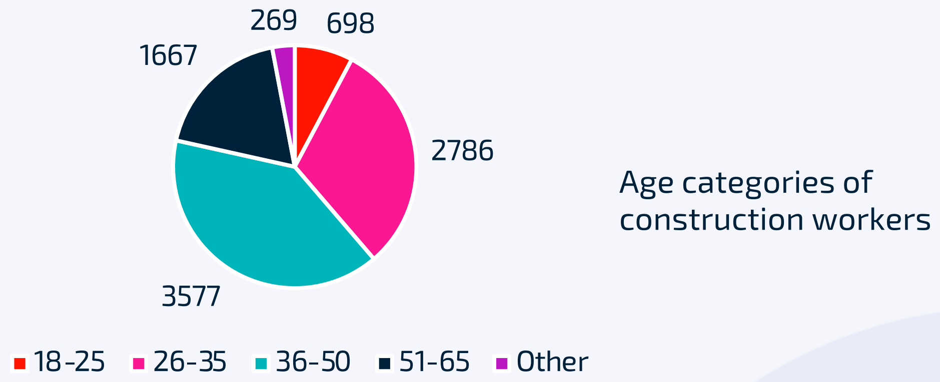
Our data challenges the claim that the construction workforce is shrinking due to an ageing population and a shift toward higher-paying industries.

In fact, our data shows consistent growth in both the number of construction workers and their earnings from 2019 to 2025. While the workforce has grown steadily over this period, the number of payslips has increased at a much faster rate, with a significant spike in 2024.

Although there is a slight dip in the 2025 figures, this is attributed to the limited data available so far for the year. Based on current trends, we are on pace to set another record year in the construction sector.

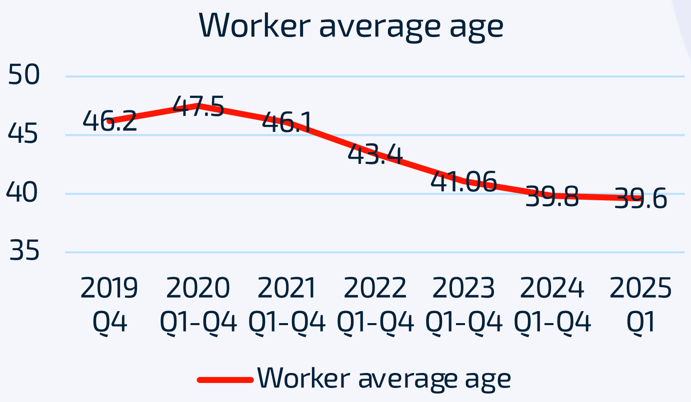
Why could this be?
This sustained growth could suggest that either younger workers are gradually entering the field, or retirements are being offset by hiring, immigration, or retention strategies.

A significant rise in payslips could imply that there's more project-based or contract work, reflecting strong labour demand.



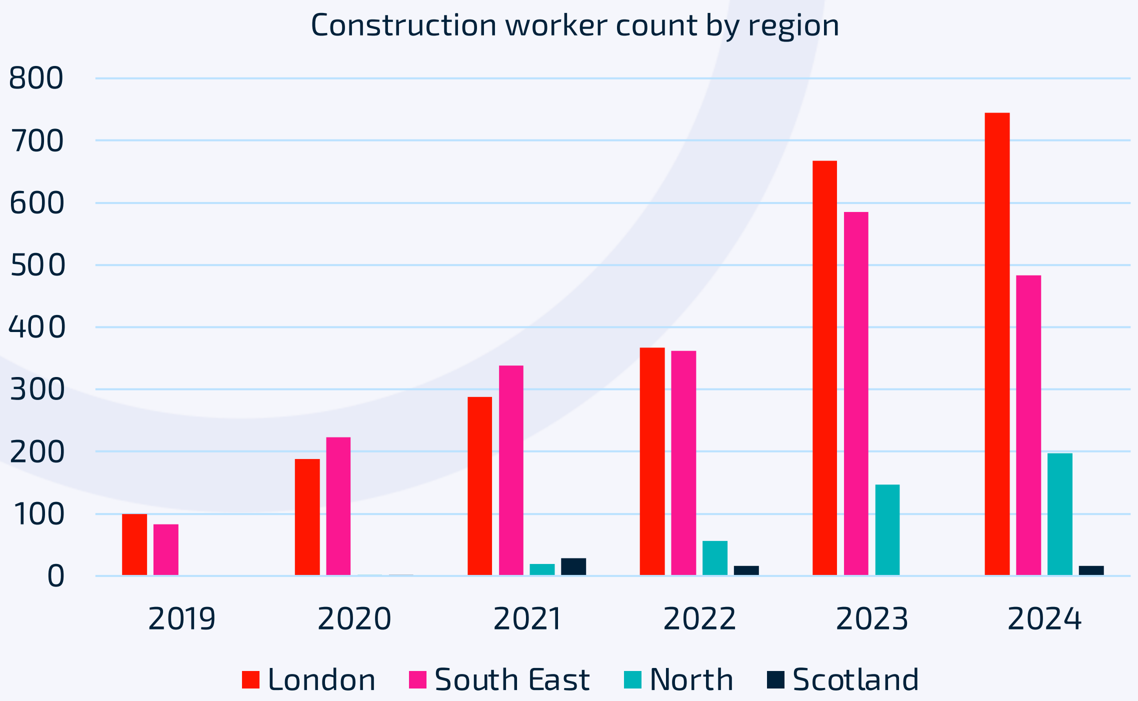
Our data shows that 58.3% of our workforce falls within the 36–50 and 51–65 age brackets, highlighting a significant ageing trend in the construction sector. In contrast, only 7.8% of workers are aged 18–25, indicating a limited influx of younger talent. This imbalance suggests that the challenges of an ageing workforce are being compounded by insufficient entry of new workers into the industry.

This trend raises long-term concerns for workforce sustainability. Without targeted efforts to attract and retain younger workers, such as offering apprenticeships, promoting career pathways in schools, and improving job appeal, the industry risks facing severe labour shortages in the coming years as older workers retire.



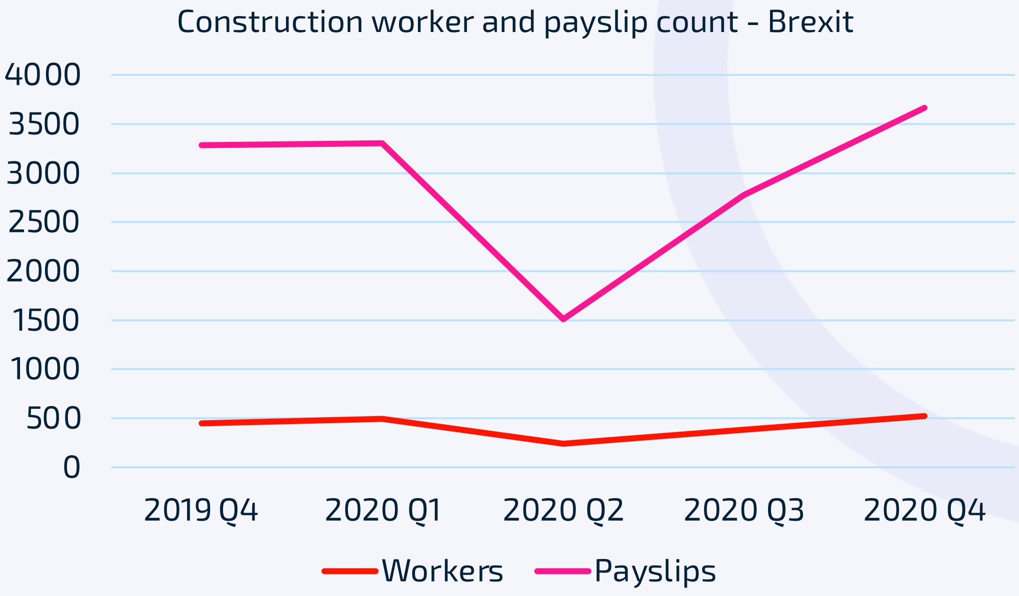
While the average age has dropped, this does not necessarily reverse the ageing trend. It may reflect a temporary influx of younger workers, possibly via short-term roles, not a long-term solution to the sector's ageing workforce.

Bar2 Data – Industry Growth

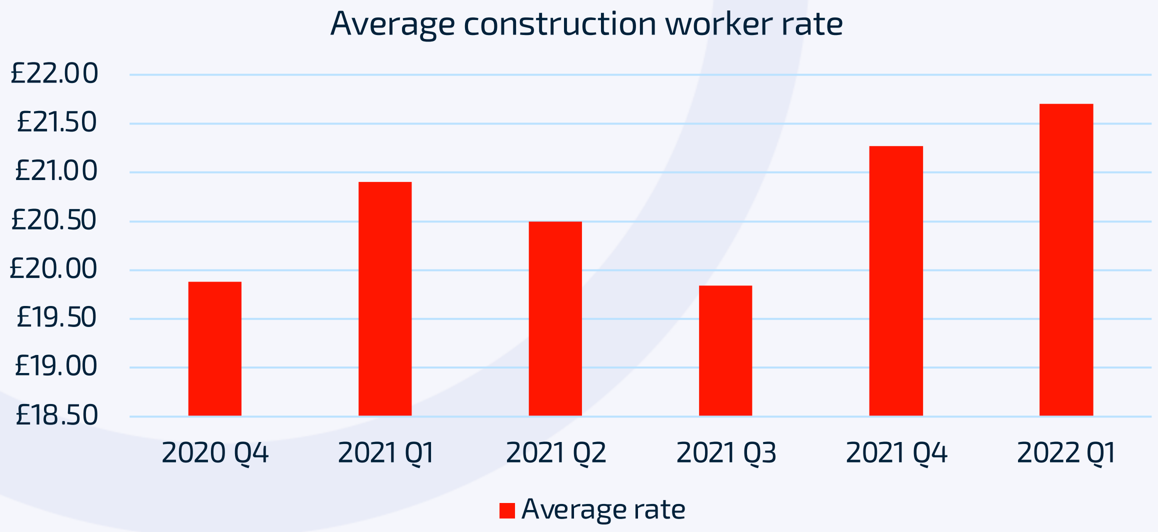


Our data shows that worker numbers are significantly higher in London and the South East compared to the North and Scotland, exceeding national trends. This suggests that the reported industry-wide contraction may not be uniform, with localised areas of growth challenging the broader narrative.

Our data reveals a noticeable decline in both the number of construction workers and issued payslips following Brexit, which officially occurred on January 31, 2020. In the months immediately after, the industry experienced a dip that reflects the uncertainty and potential disruption caused by the UK's departure from the EU.



Bar2 Data – Contractor pay



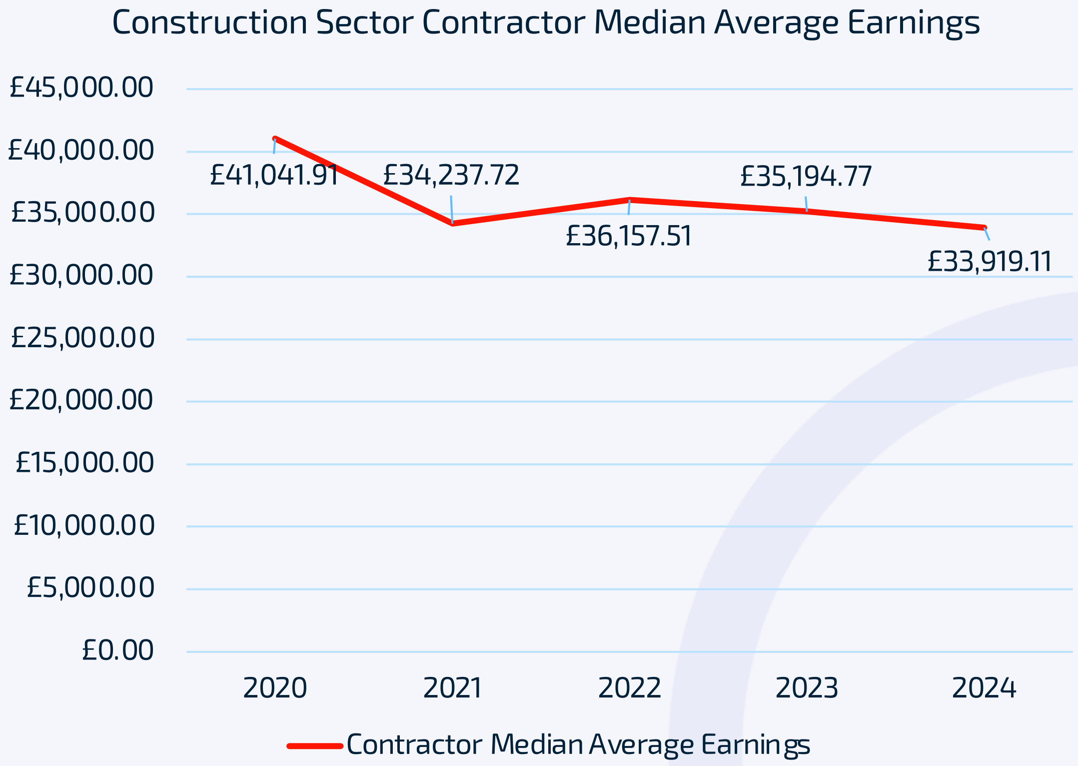
As shown in the dataset below, the cost of living crisis that began in late 2021 is reflected in rising contractor wages, as construction workers increasingly demanded higher pay to keep pace with inflation and economic pressures.

This trend highlights the sensitivity of wage dynamics in the construction sector to broader economic conditions. As living costs rise, competitive wages become essential not only for retaining skilled labour but also for attracting new workers into the industry. It also underscores the importance of aligning wage structures with real-world economic challenges to ensure a stable and motivated workforce.

Construction worker projected annual income
Gen Z Vs Millennials

Gen Z
£29,153.84

Millennials
£33,590.23

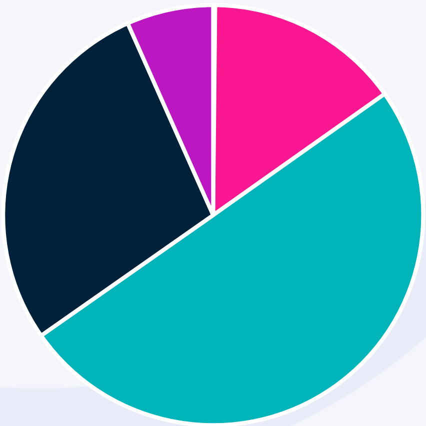


According to Statista, the median annual earnings for full-time employees in the UK construction sector in 2024 was £41,319. [32] In comparison, our dataset shows that the median annual earnings for workers with 46 or more paid weeks in 2024 was £33,919.11. This figure has fluctuated over the past five years, reflecting varying market conditions and workforce dynamics.

The gap between national and internal earnings may be attributed to differences in workforce composition, project types, or regional pay scales. Fluctuations in earnings could also indicate the impact of external economic factors, such as material costs, project availability, and seasonal demand.

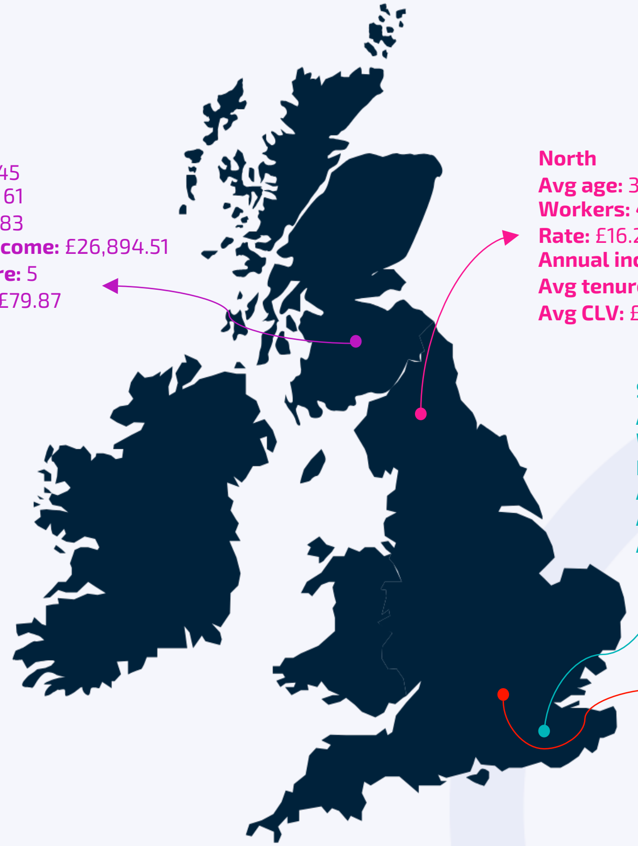
Bar2 Data – Labour shortages

Construction worker count by Generation



Millennial

The average age of a construction worker in 2025 from our data is 40



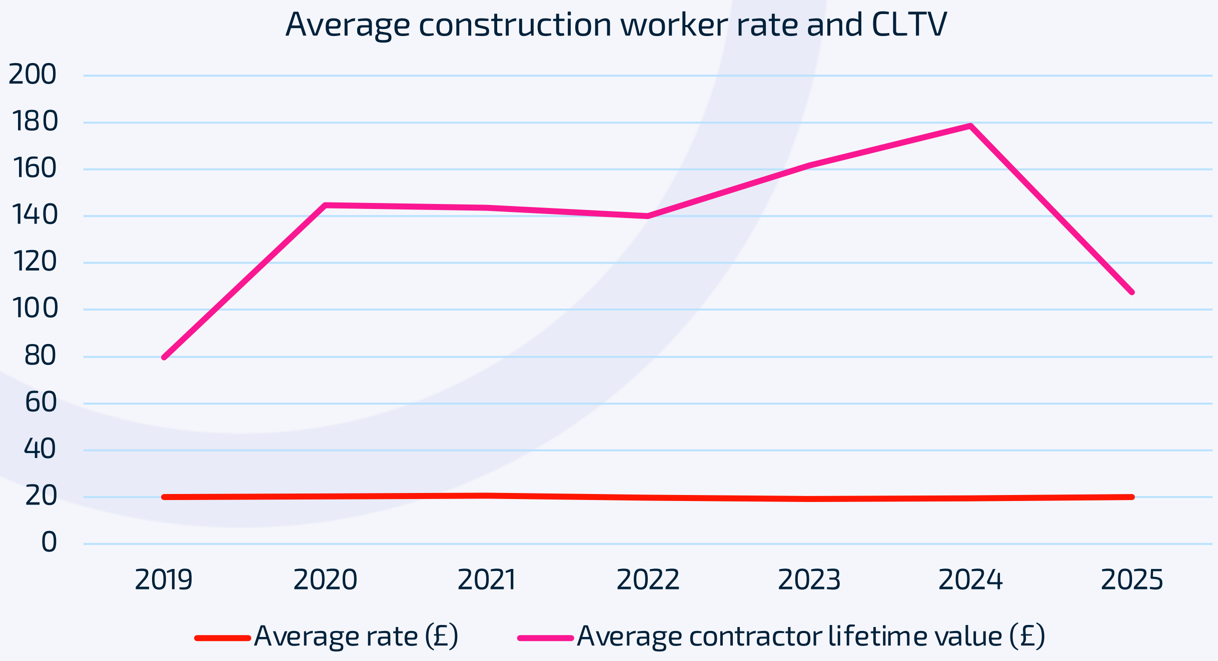
Our data clearly shows that few young people are pursuing construction apprenticeships or entering the industry. With Generation Alpha making up just 15.21% of the sector, while Millennials and Generation X accounting for a dominant 78.12%, it's evident that greater efforts are needed to engage and attract younger generations to careers in construction.

This underrepresentation raises concerns about the long-term sustainability of the industry's talent pipeline, highlighting an urgent need for younger talent, modernised training programs, and a refreshed image of construction as a viable and rewarding career path.

The Average Annual Earnings are £34,360.62 across all of our internal data. But some demographics have it better than their counterparts:

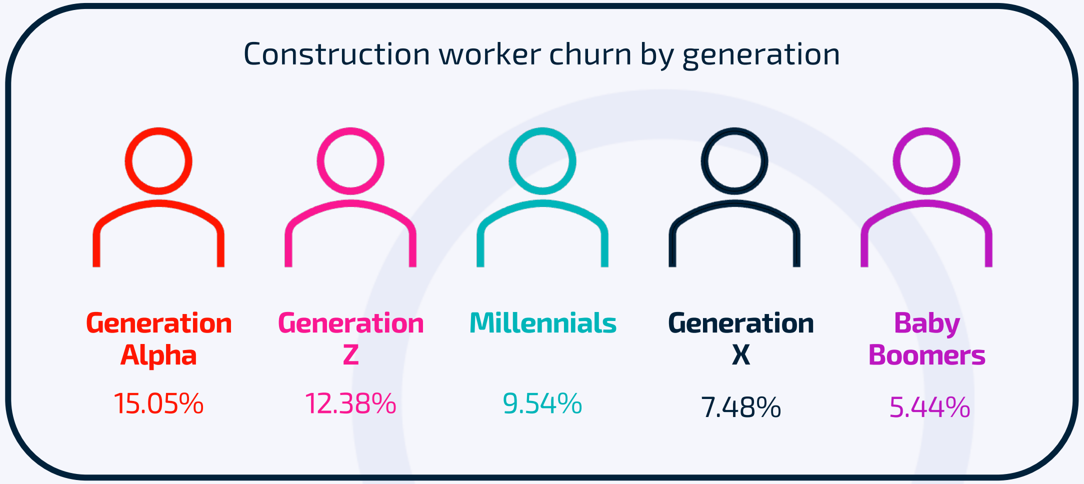
Generation Alpha	Generation Z	Millennials	Generation X	Baby Boomers
Born 2010 onwards	Born 1997-2012	Born 1981-1996	Born 1965-1980	Born 1946-1964
£25,644.98	£29,153.84	£33,590.23	£34,159.64	£43,513 (6.6%) Remainder £33,262

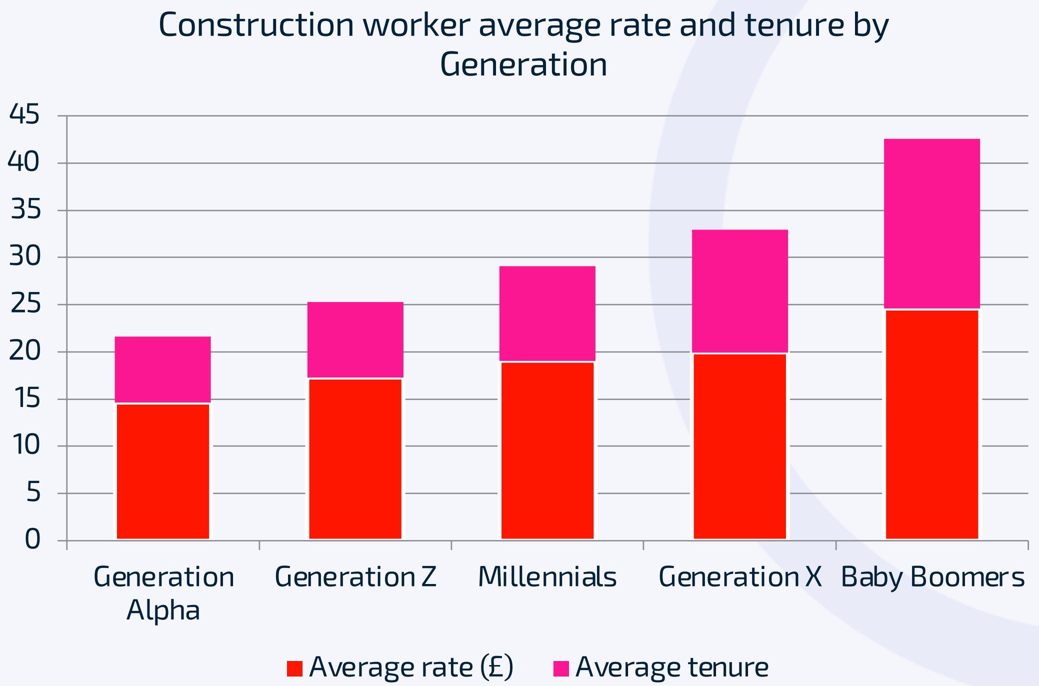
Bar2 Data – General



As illustrated in the chart, if Generation Alpha and Generation Z are being paid less than their older counterparts, how can we expect to attract and retain them at the scale needed to counterbalance an ageing workforce and tackle persistent labour shortages in the construction industry? To secure the future of the sector, wages and other meaningful incentives for younger workers must increase.

This is further evidenced by the fact that average tenure is lowest among younger generations, gradually increasing with each generation, and churn is higher amid younger generations.





Growth of the Construction Industry in 2025 and beyond

Overall growth
The UK construction industry is entering 2025 with cautious optimism after an uneven performance in 2024. According to the Construction Products Association's (CPA) Winter 2025 forecast, overall construction output is expected to grow by 2.1% in 2025, followed by a more robust 4.0% growth in 2026. [36] However, this projection marks a downward revision from earlier expectations of a 2.5% growth for 2025 in their Autumn 2024 forecast, reflecting a more cautious economic outlook influenced by continuous rising inflation, delayed interest rate cuts, and slower than expected GDP growth.

Despite this forecast, other sources present a more optimistic view. PwC UK anticipates 2.9% growth in 2025, highlighting signs of stability across segments like infrastructure and repair and maintenance (R&M). [37] Additionally, The Construction Industry Training Board (CITB) predicts construction output to grow at an average annual rate of 2.4% between 2025 and 2028. Within this, R&M is projected to lead the way with 2.8% average growth, outpacing new work, which is expected to grow by 2.1% annually. [38] But, why the difference? The CPA takes a more cautious view based on the wider economic outlook. PwC and CITB are more optimistic, focusing on growth in areas like public infrastructure and repair work, which are expected to stay strong even with broader challenges.

Sector-specific growth
Sector-specific performance will continue to vary. The private new housing market, which saw a sharp 6.0% decline in 2024, is forecast to recover with 3.8% growth in 2025, building momentum into 2026 with an 8.0% increase. [36] On the other hand, the infrastructure sector is expected to see growth of around 1.4%, supported by ongoing investment in major energy and transport projects such as Dogger Bank Wind Farm expansion and High Speed Rail 2. [36]

Despite differing forecasts, all sources point to a gradual return to growth. Stability in the short term will likely stem from public investment and maintenance activity, with slower recovery in private new work. Sector performance will continue to vary, but clearer momentum is expected beyond 2025—especially if inflation and interest rates ease.

Looking to the future: Skills shortages, Compliance, Labour models and Technology advancements

Skills shortages

As the UK construction sector enters a period of cautious but forecasted recovery, payroll dynamics are expected to shift significantly in response to broader economic conditions, regulatory changes, and workforce trends. A critical pressure point continues to be the industry-wide skills shortage, which remains a top priority for both employers and policymakers. According to the Construction Industry Training Board (CITB), the sector will require an additional 251,500 workers by 2028 to meet projected demand, equivalent to over 50,000 new workers annually. Government planning reforms and major project commitments, such as Heathrow's third runway and the target to build 1.5 million new homes, are expected to further drive long-term labour demand across the industry. To close this gap, firms are investing in recruitment pipelines, apprenticeships, and digital upskilling programs aimed at making construction careers more attractive and future-ready. [38]

Compliance

Simultaneously, construction businesses must prepare for possible reforms to tax and compliance legislation. Industry analysts have flagged the likelihood of updates to off-payroll working (IR35) rules and broader employment status clarifications, as HMRC continues its crackdown on disguised employment and non-compliance in labour-intensive sectors. These changes could alter how contractors are classified and paid, particularly within umbrella company models and CIS arrangements, and may introduce increased administrative burdens or liabilities for construction firms. [37]

Technology and automation

Additionally, technology is playing a transformative role. As automation, robotics, and digital workflows become more integrated into construction processes, from modular builds to autonomous machinery, the sector is expected to see shifts in labour demand and role types. The Construction Products Association (CPA) notes that while this may reduce dependency on certain low-skilled, repetitive roles, it will also require a new wave of digitally literate workers capable of managing and maintaining emerging technologies. This evolution will likely influence how payroll is structured, with demand growing for more technically skilled, and often higher-paid, positions. [36]

Digital transformation and self-serve onboarding are emerging as critical enablers for the construction sector — but adoption remains uneven. Unlike logistics and warehousing, where technology has long streamlined workforce processes, many construction firms still rely on manual, paper-based systems. A 2024 maturity model study found that UK construction SMEs remain clustered among the least digitally mature sectors—often relying on paper forms and fragmented labour models for onboarding—despite the critical need for transformation. [38]

However, with compliance pressures rising and the skills shortage intensifying, the sector is approaching a tipping point. Firms that digitise onboarding and workforce management are seeing not only faster deployment and improved accuracy, but also better worker experience — a key differentiator in a tight labour market. The challenge now is to move from early adoption to broader sector-wide implementation.

Contractor wages

In this changing environment, contractor earnings and payroll costs are anticipated to fluctuate throughout 2025. With inflationary pressures lingering and materials costs still elevated, wage expectations may rise, especially in specialist trades facing acute shortages. At the same time, tighter project margins may force firms to reassess labour spend, productivity incentives, and contract types to remain competitive and compliant with regulatory expectations. [36]

Labour models

Finally, there is growing evidence that the sector is moving toward more flexible and blended labour models. A mix of PAYE employees, self-employed subcontractors, and umbrella company workers is becoming increasingly common as firms seek to manage risk, ensure continuity, and respond to changing workloads. CITB and other sector bodies note that the choice of labour model is often influenced by both commercial flexibility and regulatory scrutiny, making labour strategy and payroll compliance a key focus for 2025 and beyond. [38]

Conclusion

As the UK construction sector navigates a period of economic uncertainty and structural transformation, **2025 stands as a pivotal year**. From rising material and labour costs to ongoing skills shortages and regulatory reform, the industry faces a convergence of pressures that demand both strategic resilience and forward-thinking adaptation.

The data is clear: while workforce numbers and earnings show encouraging signs of growth in some regions, the sector continues to grapple with long-standing challenges—an ageing workforce, low apprenticeship uptake, and persistent perception issues that deter younger generations. At the same time, major infrastructure projects and net-zero initiatives are accelerating demand for skilled labour, sustainable practices, and technological innovation.

Regulatory changes, particularly the forthcoming 2026 reforms, signal a shift toward greater accountability and compliance across labour supply chains. For construction businesses and agencies, this means **rethinking hiring models, enhancing due diligence**, and **investing in digital transformation** to remain competitive and legally compliant.

Ultimately, the future of UK construction will be defined by how effectively it attracts, develops, and retains its workforce, especially younger talent, while embracing new technologies and meeting the rising expectations of clients, regulators, and workers alike. With the right strategies in place, the sector has a unique opportunity not only to overcome current challenges but to build a more sustainable, inclusive, and dynamic foundation for growth in the years ahead.

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