National Economic Dialogue 2026

BREAKOUT SESSION 4:

Future-Proofing Construction: Building Capacity for Long-Term Growth

CHAIR: Minister for Housing, Local Government and Heritage, James Browne T.D. and Minister for Further and Higher Education, Research, Innovation and Science, James Lawless T.D.

RAPPORTEUR: Professor Michelle Norris, University College Dublin

POTENTIAL ISSUES/QUESTIONS FOR DISCUSSION

1. Taking a multi-decade long view, what structural changes need to be made to enable the housing system to deliver c. 1.5m new homes? What are the trade-offs with current priorities?
2. What can be done to ensure a continuous flow of domestic construction workers over the coming decades?
3. How can labour productivity be improved in the construction sector?

Background

The ending of the 2000s housing bubble triggered permanent scarring in Ireland's construction sector, via lower endowment of capital and labour within the industry. This structurally weaker foundation meant that the rapid recovery in most other areas of the economy from around the mid-2010s was not accompanied by sufficient scaling in the home-building sector; competing demands for construction sector resources (infrastructure, retrofitting, commercial building, etc.) has also been a constraint.

These dynamics underscore the importance of rebuilding sustainable and long-term capacity to address the housing deficit and to meet future housing need.

Capacity: looking backwards and forwards

Construction sector employment fell by two-thirds from its peak of c.240,000 in 2007, reaching a low-point of c.81,000 workers in 2012. Although the sector has added around 110,000 workers since then, employment nonetheless remains below pre-crisis levels. Moreover, the potential domestic labour force has been largely exhausted (**figure 1A**).

At the same time, housing output is still below the 50,000 units per year needed to achieved the Government's medium-term target of 300,000 homes delivered between 2026-30.

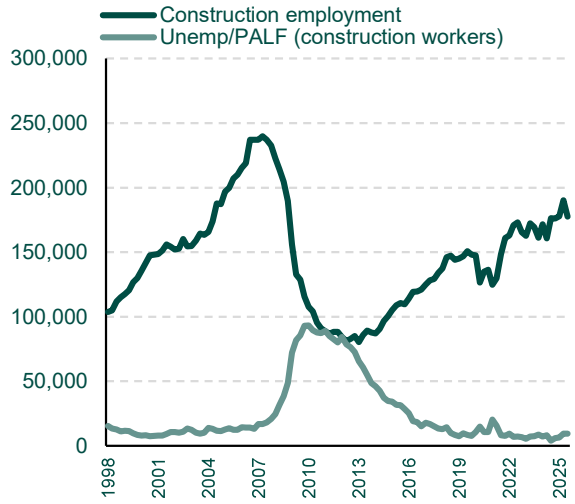
In terms of aligning desired levels of output with employment, analysis from the ESRI suggests that c. 40,000 additional workers will be needed to deliver the structural housing targets, while a further 40,000 workers are needed (assuming productivity at existing levels) for retrofitting and infrastructure projects[1].

These metrics underline the scale of the capacity shock and rebuilding required to meet targets through the middle part of this century. Indeed, *Future Forty* analysis from the Department of Finance outlines that around 1.5 million additional units will need to be added to the housing stock by 2065 (**figure 1B**), with demand driven by changing demographics and evolving household size.

[1] https://www.esri.ie/publications/quarterly-economic-commentary-summer-2025

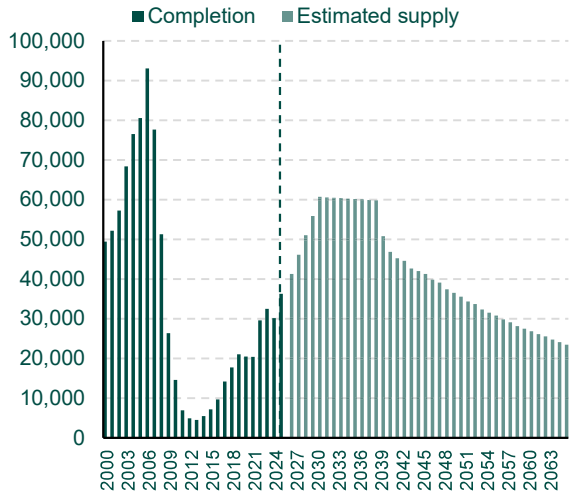
Figure 1: Labour force developments and future requirements

A: Domestic labour force



Source: CBI. PALF = Potential Additional Labour Force

B: New home completions and forecast



Source: CSO, DFIN. Forecast estimate from *Future Forty* Report.

Meeting this level of demand will require a transformation in how housing is delivered over the next four decades, and attention should focus on how policy can support the additional capacity required to achieve that level of sustained output. In that regard, it is clear that policy must address short-term needs by ensuring an immediate pipeline of skilled workers from both home and abroad. Longer term, policy measures must deliver a well-functioning pipeline of domestic workers through *inter alia* apprenticeship pathways, further and higher education, and lifelong learning.

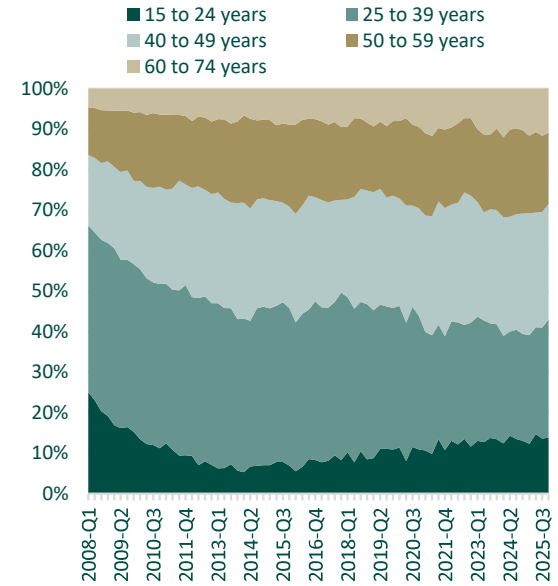
Labour force: opportunities and challenges

Given the economy is operating at or near full employment, the labour needed to increase capacity is unlikely to be met from the existing domestic labour force. Indeed, a closer examination of the construction sector labour profile highlights an important demographic dynamic (**figure 2A**): the sector is ageing rapidly, with a rising share of workers remaining in employment into later working years. In 2008, for instance, around two-thirds of construction workers were under the age of 40; by 2025, this had fallen sharply to just 41 per cent. In absolute terms, the number of workers aged under 40 declined by around 41 per cent over the period, from roughly 133,000 to 75,000. In contrast, the number of workers aged 60 to 74 has continued to increase, rising by 15 per cent since 2024.

This challenge is not unique to Ireland (**figure 2B**), with similar ageing pressures evident across the EU. In 2008, just over 20 per cent of construction workers across the EU27 were aged 50 or over, compared with 17 per cent in Ireland. By 2025, this share had increased markedly, reaching over 35 per cent across the EU27 and 30 per cent in Ireland. Although immigration has been a key release valve for labour force constraints in the construction sector in the past, the broad-based ageing of the construction workforce somewhat limits scope for Ireland to draw on labour from elsewhere in Europe, with many advanced economies facing comparable skills shortages and capacity constraints.

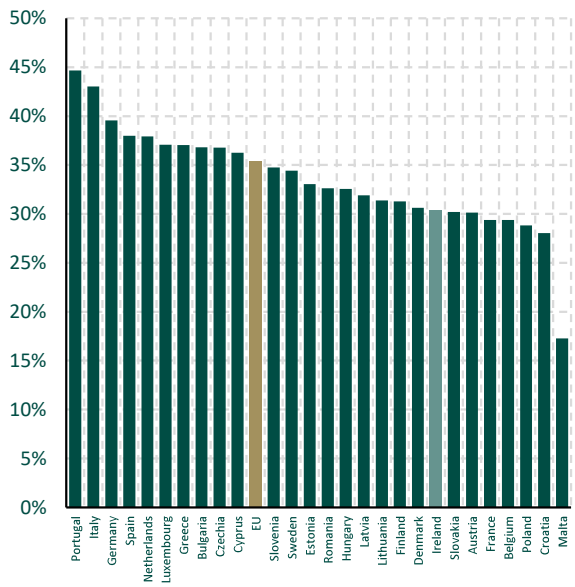
Figure 2: Construction workforce ageing across EU

A: Share of construction employment by age



Source: Eurostat

B: Share of construction workers aged 50+, 2025



Source: Eurostat

Historically, foreign workers have played a core role in plugging sectoral labour and skills gaps. At peak in 2007, over 40,000 non-Irish citizens made up around 17 per cent of the sector in Ireland – the majority from post 2004 EU enlargement 'A10' countries. Following the sovereign debt crisis, the share of non-Irish workers in construction declined to around 9 per cent by 2013.

In an effort to alleviate skills and labour shortages, several updates to the employment permit lists were made to make it easier for firms to hire non-EEA workers. As a result, all construction occupations are now eligible for an employment permit. This policy shift has been accompanied by a sharp increase in permit issuance, with the number of construction permits rising by 235 per cent — from 607 in 2021 to 2,031 in 2025.

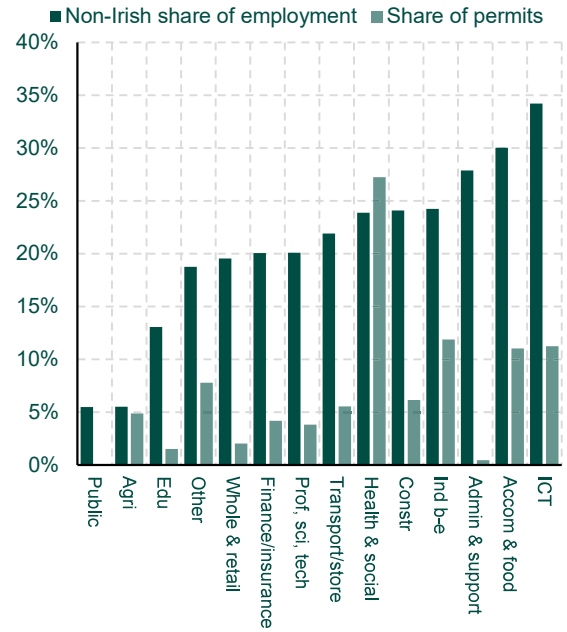
Recent developments suggest a positive response to the changes. The number of non-Irish workers has increase to some 24 per cent of Ireland's construction workforce currently, about 10 percentage points higher than 2019 (**figure 3A**). Despite this significant increase, the employment permit system has not yet been utilised in construction to the same extent as in other sectors, with construction accounting for around 7 per cent of all employment permits issued in 2025 (**figure 3B**).

Structural features of the sector might be a limiting factor in this respect. Approximately, 97 per cent of enterprises in the construction sector had fewer than 10 employees in 2022. While most construction occupations are now eligible for a General Employment Permit (GEP), this route typically involves a more complex administrative process than the Critical Skills Employment Permit (CSEP). These challenges were identified in a 2024 report by the ODI[2]. Both the ODI and ESRI[3] have suggested that expanding the Critical Skills Occupations List to include a wider range of shortage occupations in construction could reduce administrative burdens and improve access to non-EEA labour for firms[4].

[2] Kumar and Donoghue, (2024), "Decarbonising Ireland's Building Stock", ODI Working Paper
[3] Egan, Kenny and McQuinn, (2022), "Increasing Future Housing Supply: What are the implications for the Irish economy", Quarterly Economic Commentary Special Article
[4] Schedule 3 to Critical Skills Occupation list expanded recognition for civil, structural and site engineers. More traditional trades remain on General Employment Permit list.

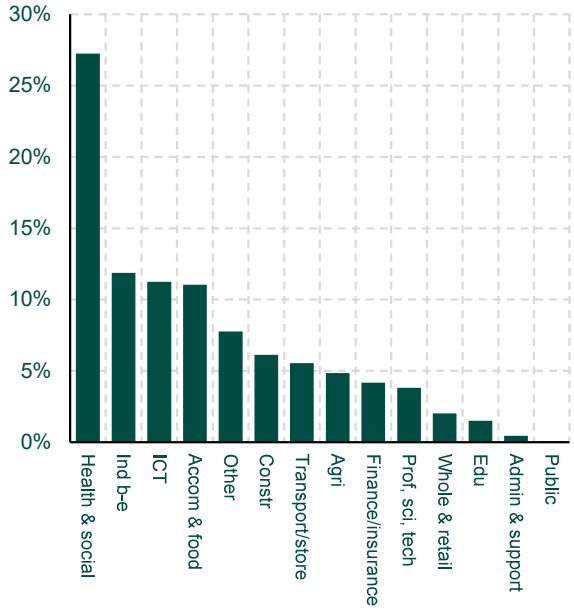
Figure 3: Work permits plugging near-term gaps

A: Non-Irish share of employment by sector, 2026 Q1



Source: CSO, Labour Force Survey, DETE

B: Share employment permits by sector, 2026 Q1

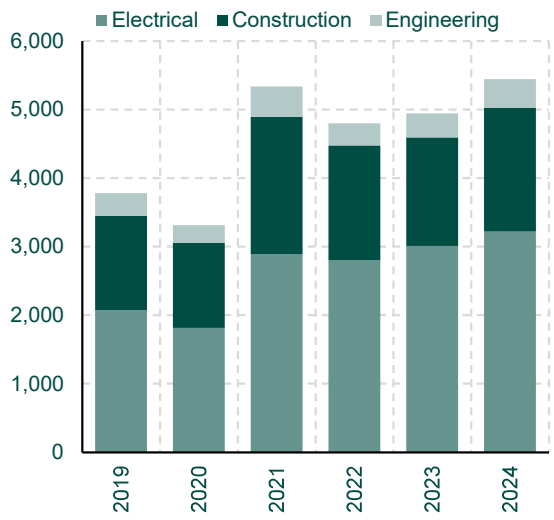


Source: DETE

While attracting foreign workers is both necessary and welcome, it is not 'cost-free'. At the most basic level, for instance, inflows mechanically raise the demand for (supply-constrained) housing. Accordingly, the solution is to ensure an adequate supply of domestic labour. Progress has been made in this regard, with an increase in apprenticeship registrations (**figure 4A**), supported by the *Action Plan for Apprenticeship 2021–2025*. Moreover, the public consultation process for the next action plan (2026–2030) is now concluded, meaning further measures to expand the domestic skills pipeline are likely to be considered. While the recent increase in registrations is a positive development, demand for key trades and subsectors continues to outstrip supply (**figure 4B**), pointing to a need to continue progress in attracting younger people into the apprenticeship system.

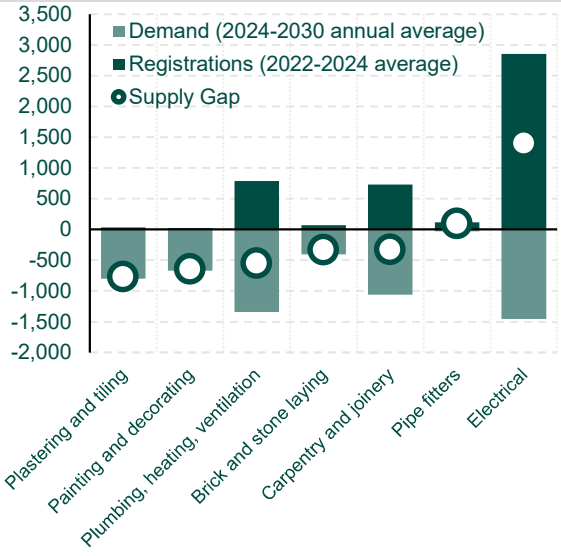
Figure 4: Pipeline improving but excess demand

A: Apprenticeship registrations



Source: DFHERIS.

B: Registrations v estimated labour demand



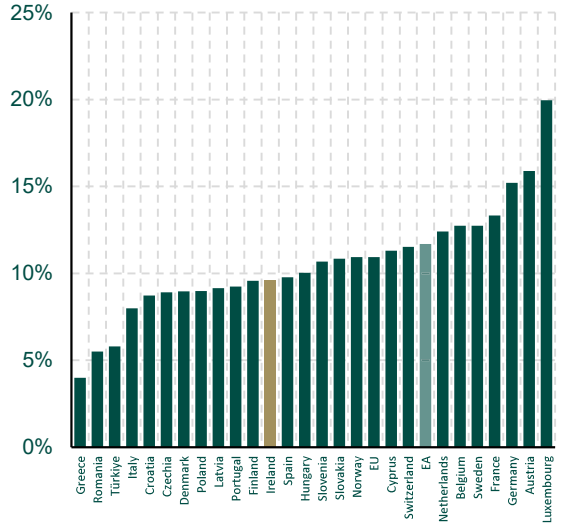
Source: National Apprenticeship Office, DFIN.

Expanding female participation offers a sustainable way to grow the domestic workforce, reducing reliance on external labour while making better use of existing talent. Women remain an underutilised source of potential employment in the sector, accounting for just 10 per cent of the workforce at present. While the female participation in construction in Ireland is slightly below the EA average of 12 per cent, it is markedly lower than top performing countries like Luxembourg (20 per cent) and Austria (16 per cent) (**figure 5A**).

A number of positive initiatives have been launched by DFHERIS in this regard, including the *Careers in Construction Action Plan*, which contains twenty actions with the aim of making construction careers more attractive to women; the Building Heroes campaign highlighting the experiences of young adults, including women in craft trades to promote female participation; and the National Apprenticeship Office's *Facts, Faces, Futures* campaign aims to increase the number of women in craft apprenticeships through engaging directly with all girls' schools.

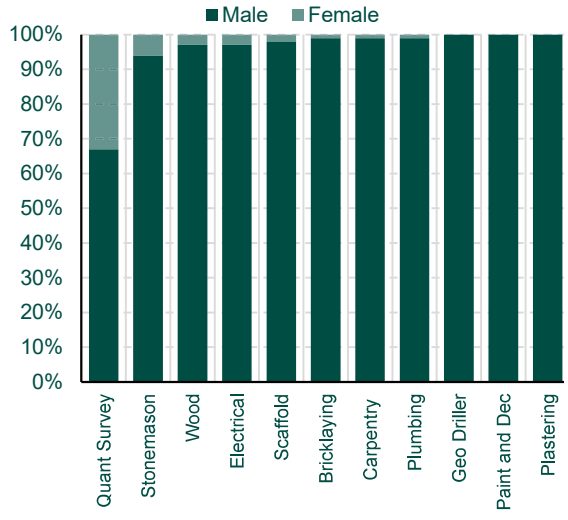
Figure 5: Female participation underutilised

A: Share of female construction workers, 2025



Source: Eurostat

B: Share of female apprentice registrations, 2024



Source: National Apprenticeship Database

Nevertheless, this is an area where continuous momentum is needed as women in Ireland comprise only c.1 per cent of craft apprenticeship enrolments currently (**figure 5B**) and around a quarter of students in higher education construction-related fields[5]. This highlights a significant talent pool and strategic opportunity for the sector. Harnessing this potential could help to build a resilient future construction workforce capable of meeting Ireland's long-term housing and infrastructure needs.

Productivity Challenges

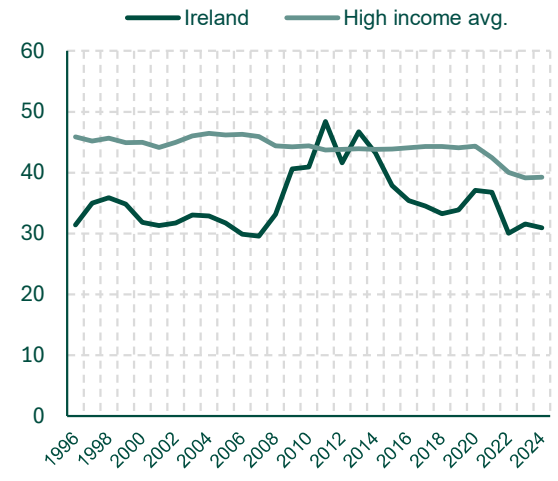
Addressing immediate labour shortages is a near-term priority – but taking a long-term view – the sector must improve productivity. Productivity growth around the economy is likely to slow until the mid-2040s. That said, even modest improvements in productivity could significantly enhance economic growth, living standards, and the sustainability of public finances – underlining the importance of investment in skills, innovation, and workforce development to offset these long-term challenges. In overall terms, moving closer to the productivity frontier for construction would significantly lessen the need for additional workers in the sector.

The construction sector is characterised by low productivity, both in Ireland and internationally. This reflects a range of structural factors, including the labour-intensive nature of much of the work, limited adaption of technology, lack of economies of scale, and the cyclical nature of activity[6]. Measuring productivity in the construction sector is inherently complex, as changes in building quality, construction methods and regulations all distort comparisons across time. That said, in terms of sector productivity Ireland compares relatively poorly against other high income European countries. In fact, sectoral productivity in Ireland has averaged around 25 per cent lower (**figure 6A**).

Focusing on residential construction only, today around 120,000 workers are in employment on (mainly) new housing developments and renovations. While the size, type and quality of houses have changed significantly since 2007, output in terms of the number of dwellings produced has fallen from approximately half a house per worker in 2007 to less than one-third of a house by 2025 (**figure 6B**). Increasing this ratio would impact residential construction output with positive spillover effects for economy wide productivity and competitiveness. In an Irish context, policy preference for higher-density housing introduces additional complexity, as apartment delivery requires specialised expertise. At present, there are just an estimated 10–12 contractors with the capacity and experience to deliver apartments at scale.

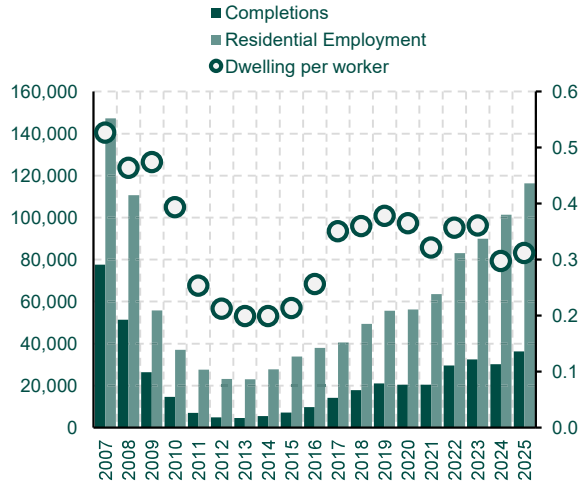
Figure 6: Construction productivity a key frontier

A: Gross value added per hour worked, euro



Source: Eurostat
Note: Chain-linked prices 2020. High income Europe = Belgium, Denmark, Germany, France, Italy, Luxembourg, Austria, Sweden Norway, Switzerland.

B: Dwellings per worker (rhs)



Source: CSO, DFIN
Note: Values for 2018–23 residential employment estimated due to break in series

[5] National Framework for Meeting Priority Construction Workforce Needs
[6] See KPMG Economic analysis of productivity in the Irish construction sector. Available at: https://assets.gov.ie/75034/5ea76039-b46b-434d-9b66-ab2936df38f7.pdf

As housing output expands, there will be a growing need for firms to scale their operations accordingly. A report from DHLGH suggested that widespread adaption of Modern Methods of Construction (MMC) has the potential to reduce overall labour requirements by up to 10,000 workers[7]. Within this context, Government policy is increasingly focused on promoting MMC, with commitments to deliver 25 per cent of social housing using these methods alongside initiatives such as the National MMC Action Plan, the MMC Innovation Fund, and support under the National Development Plan, all of which are expected to accelerate the adoption of more efficient construction techniques over time.

Conclusion

The future of housing supply depends on a strong and well-functioning pipeline of skilled domestic workers. This spans apprenticeships, further education and higher skilled roles such as engineers, architects and planners. DFHERIS has made significant progress in strengthening this pipeline, and further efforts will be required to future-proof construction capacity.

Continued momentum will be critical if housing delivery is to increase meaningfully over the coming years. Building on recent initiatives, further efforts to expand the domestic skills base, attract specialised talent, and embed MMC at scale will be essential to boosting housing output. In this context, while the foundations for a more capable and efficient construction sector are now in place, sustained policy focus and implementation will be needed to ensure delivery of the housing output required.

[7] DHLGH: Meeting the Demand for Construction and MMC Skills