No 4/2001

CLR OBSERVATORY

CLR News

Note from the editor

Another fine issue of CLR News.
For the trustful reader our fourth issue has become a classic one during the last years.
Gerhard Syben and his national correspondents come up with their annual Observatory. As you see our territory is expanding, we have more contributions as ever.
In the different national reports you will find an update of the socio-economic outlook in the construction sector in the different European countries.
In the meantime we are still working on a further expansion, and as it looks now we will have some country reports from Eastern Europe in next year's Observatory. A contribution based on the material that I used during a ILO/IFBWW workshop in this number can be seen as an upbeat to this expansion.

For this issue we also asked Philippe Pochet from the Observatoire Social Européen to introduce the OSE and the important work they are doing for years.
Earlier on an international Observatory originally initiated by the French SUEZ group was introduced to our readers (see CLR News 1/2001).
The reason why we come up with these introductions is that we want to avoid that double work is done.

Next to our normal content and the reviews we also have a contribution from Karl Heinz Zachmann, one of the European Commission civil servants who always was very engaged for the construction sector. He will leave the service and reports here about one of the last meetings he dealt with, the presentation of a database (dBuild) with CLR involvement.

Jan Cremers.

Observatory

DENMARK

Sustainable Working Life - A Decisive Step Towards Sustainable Development

This contribution to the observatory is a short summary of *The Nordic Federation of Building and Wood Workers' (NFBWW) position on sustainable development*, which was presented at a hearing in Malmø, Sweden, June 2001 [1]

The summary has been prepared and edited by
Sidse Buch, Lars Vedsmand, Elsebet Frydendal Pedersen and Sten Bonke

Sustainable development has been an important topic on the political agenda for over ten years. Discussions regarding the goals, means and scope of sustainable development will naturally continue over the next few years, in a global, European, Nordic, national, and also local perspective. The road towards a global "sustainable society" will be determined in tangible decisions and regulations that will have an impact on the economy, environment and social conditions, in the Nordic sphere as well as in the forestry, wood and construction sectors.

The European Federation of Building and Wood Workers (EFBWW) has primarily focused on the certification of forestry within the framework of the sustainable development debate. However, in the action plan for 2000 - 2003 an effort has been made to try to broaden the way the issue of sustainable development is handled. In the EFBWW's experience, when the objective of sustainable development is being discussed at the European level, those involved are able to agree on the actual objective itself, but that views on the *substance* of the objective varies enormously. In connection with the Community product directive, the trade union movement has argued that you need to look at the whole lifecycle of a product. However, it has been impossible to even agree on this. According to the EFBWW, it is high time to make union activities in this area more goal-oriented.

In 2000, the Nordic Council of Ministers presented a strategy for sustainable development in the Nordic countries, which stretches to the year 2020. The strategy includes the long-term goals for sustainable development in the Nordic countries, up to the year 2020, as well as goals and initiatives for the period 2001 - 2004 for the achievement of the long-term goals in a number of sectors and areas.

The Nordic countries are the first group of countries to adopt a joint strategy for sustainable development. The Nordic strategy is expected to be presented as a regional contribution at the Rio + 10 Conference in South Africa in September 2002.

Strategies for sustainable development interlock with core union areas: the development of business and industry, employment and working conditions as well as health and safety. Union involvement in these discussions is vital, both at the political, strategic level, as well as the practical, operational level. The NFBWW sectors will be enormously effected, which is why it is important for the NFBWW to raise its voice on the issue.

At least three dimensions must be taken into account in order to ensure sustainable development. The three dimensions affect each other.

- THE SOCIAL DIMENSION Social sustainability includes:

  Good living conditions, ability to support yourself and your family, right to accommodation, justice, solidarity and equal opportunities, democracy (influence and co-determination), right to work, good working conditions and a safe working environment.

- THE ECOLOGICAL DIMENSION Ecological sustainability includes:

  An approach towards the natural environment, where the natural environment has a value of its own and shall be passed on to future generations, the natural environment has a tolerance level, limited use of resources and recycling, widespread use of the precautionary principle

- THE ECONOMIC DIMENSION Economic sustainability includes:

  Companies and societies creating a value, economic development and growth in balance with the ecological and social dimensions, economic "lifecycle thinking" in the sense that short-term expensive "products" might be cheaper seen over the lifecycle of the product

A holistic approach to building

"Production in the construction sector differs from other industries." This is a statement that can often be heard in the construction sector and there does lie a great deal of truth in that statement. The NFBWW would like to emphasise that the whole lifecycle of a building must be thought through before the start of the building process: from conceptual development and realisation, to management and maintenance and lastly the demolition of the building. The building work cannot only be valued based on the price of the construction. The architecture, quality, lifetime, multipurpose, ecology and working environment on the building site are important factors that should be taken into account. A public building policy should contribute to the promotion of a holistic approach in construction where every stage of construction is taken into account in the decision-making process.

The following issues are stated as three important dimensions of sustainable development in construction:

A demand for *quality*. In our view, buildings must be "sustainable" in different respects, and by that we do not only mean sustainable in the physical sense, but also in the economic, ecological and social sense. In actual fact, the construction sector can play a very strategic role in various national strategies of recent years for the creation of a "sustainable society". The Economic and Social Committee in the EU has in an opinion pointed out that investing in construction and housing is a particularly suitable way of realising the goals regarding the sustainable restructuring of the industrial society.

Sustainable construction in the *economic* sense means that the cost of a housing project must take into account the fact that the products involved have an extremely long life span. A quality-oriented approach to construction costs means that if the pressure of cost in construction is too great, it may lead to poorer quality and thus an increase in maintenance and rebuilding costs in the long term. If high construction costs are due to high construction quality, which in turn might be due to an increase in craftsmanship in production, the result may be lower costs if you take the entire life span of the building into account. The time pressure in modern construction work can also be said to be a result of striving to minimise costs in the short term, resulting in a deterioration in the working environment as well as the quality of the building, and thereby leading to higher costs in the long term.

Sustainable construction in the *ecological* sense means that the building work in its different stages must be in harmony with the ecological balance in society and the natural environment. Firstly, it is a matter of reducing the *energy consumption* of buildings; secondly the ecological construction is about the *use of materials*. The building sector must use materials and constructions that do not cause either health or environmental problems...

Thirdly, ecological construction is about reducing *waste* in the building process. This third dimension of sustainable construction means that the building process and the results must also fulfil social criteria. It is fair to say that in the Nordic region there are a substantial number of residential areas that suffer from enormous social problems. It is true that "segregation" in the housing sector is not a new phenomenon - rich people have always lived more or less apart from the rest of the population. But in the post-war period, in all the Nordic countries, we have tried, through building, to rid society of the greatest social disparities by making the right to a decent home at a reasonable cost a part of the general welfare policy...

Working towards sustainable construction also means that you work towards a better working environment for building workers. If you replace dangerous building materials with healthy ones, you improve the working environment of the building workers; who thus do not have to subject themselves to emissions, chemical risks and so on. If the construction times are adapted to the demands for quality in production, the building workers are also given the time to do a good job. Furthermore, the health of building workers' must also be taken into account in demands for sustainability; it would be unreasonable to classify a building as "sustainable" if it involved health risks for the construction workers themselves.

The NFBWW's building and housing policy action plan

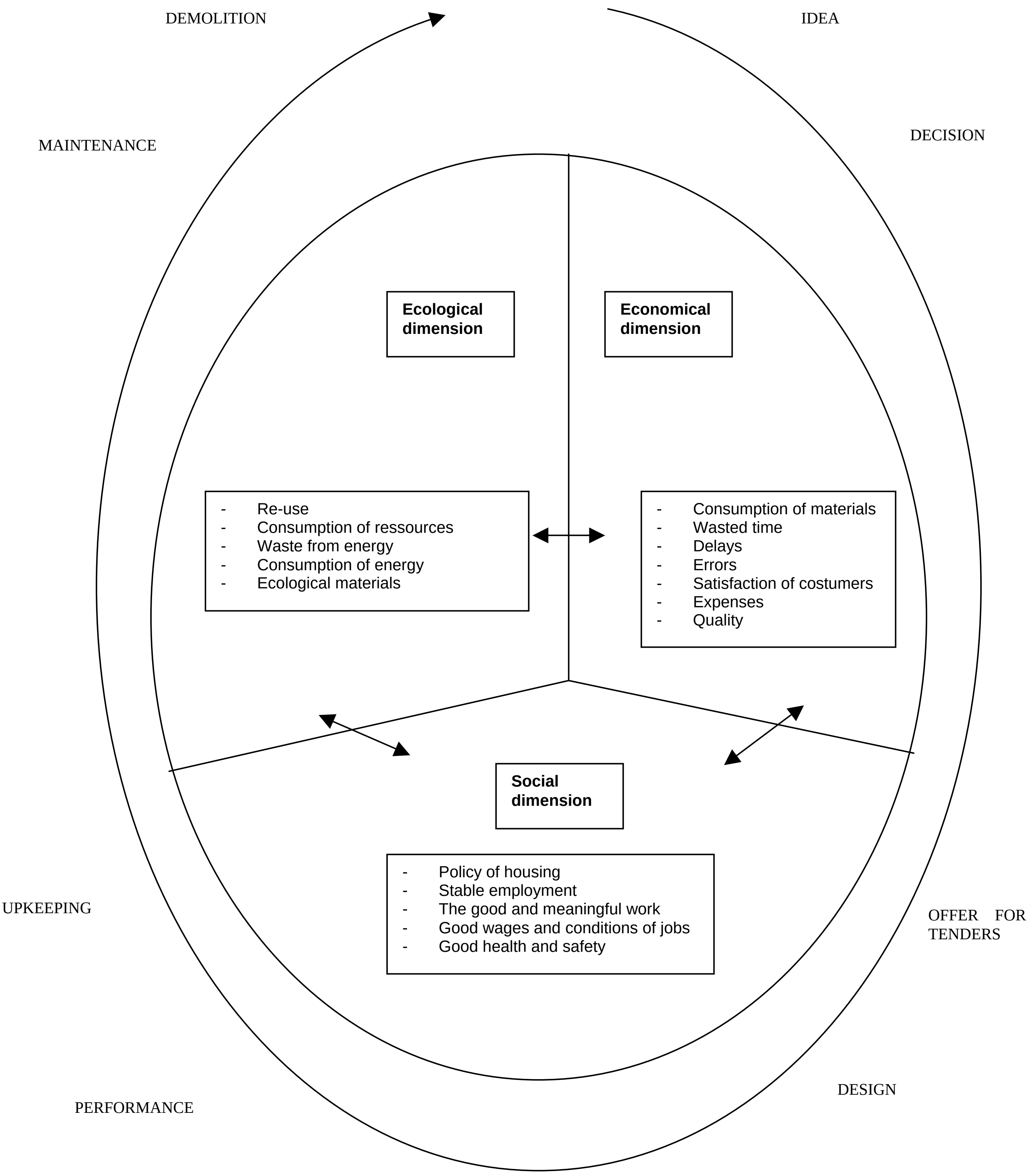
In 1999, the NFBWW put forward an action plan for a building and housing policy in the Nordic region. It was established that construction must be adapted to live up to the ideas about a sustainable society.
In the action plan the NFBWW states that it will work to:

1. Reduce energy consumption in homes and other buildings
2. Increase the use of sustainable products; for example wood products
3. Ensure that the working environment becomes a part of ecological sustainable construction
4. Ensure that all new or rebuilt homes are given an environmental declaration with regard to materials, construction, working environment and other employment conditions
5. Ensure that reconstruction work is ecologically sustainable

The question of sustainable development must to a greater extent be dealt with at a global level. The NFBWW supports the Nordic region as an active global participant. The NFBWW hopes that the Nordic region will become a role model as regards sustainable development, both at a strategic political level as well as at a practical operational level.

[1] For a full version of the presentation, contact the Federation of Building-, Construction- and Wood Workers' Unions through e-mail: BAT@sid.dk

Life-cycle of construction



GERMANY

German construction between unequal crisis and re-regulation

Gerhard Syben

In the German construction industry things go ahead like described in last years observatory. The entire industry is still suffering from low construction demand, profits in general are not-existent or just small, and prices, rare fact in modern capitalism, are falling. The big companies are still under reconstruction and the small ones seem trying to survive by cell division. Construction workers union IG BAU, after having agreed a two-years collective agreement in 1999 so that wages were not to dispute in 2000, started to enforce their long-lasting campaign against illegal work on sites. Their big issue of this years collective bargaining was an additional pension payment, but is jeopardised by the national employers federation.

Construction market and employment: No light in the tunnel

Construction volume in Germany continued to fall for the fifth year. Investment in construction in 2000 was by 1.9 p.c. lower than in 1999. In particular, housing market and public investment in building are declining. On housing market not only the number of delivered units is falling but also the number of permissions to build, so a further decline can be expected.

However, regarding the market in more detail, figures show, that the recent decline of construction volume is caused by a sharp fall in the East only. Whereas in Western Germany – after a weak period between 1995 and 1997 – construction volume recently is rising and has grown since 1996 by about 4 p.c., the Eastern market in the same time has lost more than 20 p.c. Forecasts for this year do not, despite a relatively low rate on mortgages, give hope for an increasing construction demand.

Employment in construction consequently has been reduced as well. The main trades, for which detailed and reliable statistics are available, in the year 2000 counted for about 1.07 million employees; these are about 360.000 or 25 p.c. less than in 1995. Number of employees in the East fell to a greater extent (31 p.c.) than in the West (19 p.c.), but the share of Eastern construction firms in total employment still exceeds their share in total turnover. Forecasts estimate that employment will fall under the one-million-border during this year. The total amount of employment in the year 2001 in the main construction trades in the unified Germany then would be just the same as it was in the former (only Western) Federal Republic – in the year 1950.

It may be of interest that the named decline in construction volume in Germany is much smaller than that in gross added value of construction industry, which fell by about 9 p.c. only in the last two years. It can be supposed that construction firms recently, if they earn money, are doing so by other services than by own works on site, e.g. by project development. The big construction companies are declaring since a couple of years that profits are only made on foreign markets whereas home markets only provide losses. Germans number one, *Hochtief*, in 2000 had 75 p.c. of their total turnover abroad and reported, despite a growing turnover on the home market, profits only from foreign markets. Other companies, less successful abroad, may have heard the words of the (German) president of the Confederation of the International Contractors Association, Mr Rogge, who recently said, asked by a newspaper, that German contractors are lacking competencies needed on foreign markets like e.g. BOT-competencies and use of sophisticated technologies.

On the other end of the line, also of possible interest, despite the shrinking market, the number of establishments in the German construction industry (and probably also that of companies even if due to lacks of reliable statistics one can only estimate it) is *in*creasing: it grew between 1995 and 2000 from 74.000 to 81.000. In particular the number of small and very small enterprises (with less than 20 employees) in the year 2000 was by about 12.000 higher than in 1995. Experts estimate since long ago, that bankruptcies in construction, whose high number is often seen as a dangerous characteristic of the industry, very often result in the fall of one firm and the rise, out of its ruins, of two new ones.

In the desperate situation for companies and workers in the construction industry the president of the *Hauptverband der Deutschen Bauindustrie* (federation of the bigger construction companies), Mr Ignaz Walter, has proposed that the entire industry – employers and trade union – should address a “distress signal cry” (*Notschrei*) in particular to the public authorities to get help. Doing so he unfortunately seemed to have forgotten that he himself was the one who in his companies personally put the strongest pressure on executives on site to exclusively employ workers outside collective agreements in force, giving a signal to clients that construction work always could be bought at a lower price.

Efforts to re-regulate construction

German construction workers union, IG Bauen-Agrar-Umwelt, will join the action of Mr. Walter only if at the same time efficient action is undertaken to re-regulate employment and work on sites (which will bring Mr. Walter personally in a quite delicate situation). From their point of view the industry suffers not only from a too low construction demand, but to the same amount from illegal employment, which is estimated – reliable figures of course cannot be available – still to sum up to several 100.000s, and, in the consequence, of a growing skill shortage. Articles in IG BAU’s monthly review *Der Grundstein* and a conference in Berlin, where this themes were addressed to the public, enforced the pressure the IG BAU had made since long ago towards in particular the public authorities to re-enforce regulation of construction labour market.

Aiming a re-regulation of employment, IG BAU is being supported by some of the governements of the *Länder*, in the forefront, a little bit delicate to the leftist Federal government, the conservative government of the Land *Bayern*. The Bavarians (and other *Länder*) proposed two new laws, to enforce legal employment on sites. The one should oblige all public authorities to give contracts only to construction firms working under collective agreements and, in particular, pay agreed wages and additional payments. Even if it seems to be strange, that public authorities have to be obliged by a specific law to obey existing labour regulation, but this is reality in Germany since the year 1990 and it was not just once that on sites of public clients illegal employment has been found. The other law proposed should oblige construction firms immediately when they get a new order, in case their client is another construction firm, to pay a 15 per-cent-tax on its total amount. Whereas taxes in Germany normally are paid afterwards, this should be a pre-payment which will offset against other taxes, but which will ensure tax (and labour) authorities that illegal employment will not pay (or at least not to the same amount as without that pre-payment). It shall be the client who will be obliged to execute the pre-payment to the tax-authorities in order to prevent that this part of the money ever will have a chance to disappear in the pocket of any subcontractor. The proposal will be discussed inside the two chambers of parliament in the month to come.

On the background of huge illegal and semi-legal employment one can understand that IG BAU supports the German Federal governments position on the enlargement process of the European Union. From their point of view enlargement should not lead at the same time to a full free movement of workers from candidate countries on the German labour market, but a longer period of adaptation should be given.

An additional pension payment for construction workers agreed – but its fate is open

The big issue in this years collective bargaining was an additional pension payment, agreed by social partners in spring. This payment should fill in the gap in level of pension payment which will emerge in the years to come for all employees and especially for the to-day younger ones. As in many European countries, due to the growth of the number of older persons and the decline of the number of young ones, the German pension system will collapse in a few years: either fees (paid by the younger) for the pension scheme has to be elevated to 30 per cent or more of ones gross income or pension payments (for

the older) had to be sharply reduced. To avoid both, the government decided a little reduction in pension payment in the future and at the same time a states support for those who now start to contract a private insurance.
In this situation IG BAU agreed with the industries' employers federations to offer such an insurance by the *Sozialkassen des Baugewerbes*, the industry-own, bipartite governed social security fund. More than three-quarter of the fee shall be paid by the employers and the state helps by tax reduction and an additional prime; IG BAU representatives say that this model is somewhat between those existing in The Netherlands and in Switzerland. It would not only help all employees in construction to get an additional pension payment, but would also safeguard the status of the *Sozialkassen*, in the past often attacked by the employers.

With this model, like several times before, social partners in construction and especially the construction trade union created what could be an example for other industries. But this time the national employers federation is possibly jeopardising it. To ensure all construction workers of the benefits of it, social partners in construction wanted that this collective agreement should be compulsory for all construction firms in order to prevent free-riders from stepping out of it. But to get a general compulsory status (in Germany called *Allgemeinverbindlichkeit* and declared by the Ministry of labour*)* one industries' social partners according to the law need the agreement of the national employers federation. But they declared immediately that they will not agree due to their principal refusal of a general compulsory status of collective agreements.

If they will succeed, construction workers of those firms, which are not affiliated to employers federations, will not get a compulsory fee from their employers and will not get an additional payment from their industry's own social security system. Nevertheless, there will be winners: in the meantime all big insurance companies offer individual insurance contracts in particular to those employees who do not get any payment for additional pension schemes in the frame of a collective agreement ...

SWITZERLAND

Swiss Construction Industry in the summer 2001 Robust Growth, a Sound Basis for the Renewal of the National Framework Agreement

H.Baumann

1. The economic environment: consumption and construction bolster the economy

After recording growth of 3% in real terms last year for the first time in decades, the Swiss economy has since lost a little steam. This is mainly attributable to the significantly worse outlook of the world economy by comparison with last year. The USA in particular is experiencing a downturn, whereas the EU area is likely to retain its relatively vigorous economy. The economic prospects in Japan, meanwhile, are fairly gloomy.

After the exceptional boom of recent years, this has lead to a decline in exports in Switzerland, which this year are running at almost half their previous figure. The prospects for the domestic economy, meanwhile, look fairly good. Private consumer expenditure is continuing to gather considerable momentum thanks to the pay rises implemented this year, and the expanded budgets of the Confederation and Cantons have once again allowed public expenditure to be stepped up somewhat. The construction industry will also be contributing over the coming months to supporting the economy.

During the current year the economic institutes are therefore reckoning on steady growth of at least 2% in real terms. For the year 2002, however, the forecasts are still divided. Whereas the ETHZ Economic Research Institute is expecting a fall in growth, the Basle Economic Research Working Party BAK is anticipating a slight uptrend in the Swiss economy.

2. *Good orders situation in the construction industry*

The construction industry grew strongly last year. Activity in the construction industry proper rose by 7.7% in nominal terms up to the autumn of 2000 and orders on hand were appreciably increased. This is mainly due to the good situation in civil engineering (orders on hand +18%). But construction and house building also made appreciable progress during the course of the year (orders on hand +11% and +7%, respectively).

Orders on hand in the construction industry proper, comparison with the previous year

	1.10.2000	1.1.2001
Orders on hand construction industry proper	+15%	+14
Incoming orders construction industry proper	+ 9%	+7

Source: Quarterly statistics of the Swiss Building Contractors Federation (SBV)

This healthy situation has continued into the early part of 2001 as well, although with slightly less vigour. As the civil engineering sector benefits to a disproportionate degree from the large-scale public infrastructure projects and new construction, the finishing industry is recording rather less upbeat figures. Whilst the joinery industry is posting similarly high growth rates to the construction industry proper, the increase in orders in the painting and plastering trade is somewhat lower. Architects offices are working at full stretch, which is a significant indicator for future construction activity. The same is also true of the construction materials industry. For example, cement deliveries last year went up by 6% in real terms.

Unlike in previous boom periods, when the construction industry experienced above-average growth, the increase in construction investment last year by 2.7% in real terms fell just short of the level in the economy as a whole. But this year building activity is expected to expand by roughly the same amount as the gross domestic product and thereby help bolster the economy. The substantial regional differences in construction activity are likely to persist, however.

For the year 2002, the forecasts are still very divided. Whilst all the economic institutes and the banks expect construction activity to continue on its uptrend, there is a considerable gulf between the level of growth forecast, ranging from 1.5% (KOF/ETH) to 2.7% (UBS).

Forecasts: % real change compared with previous year

	2001		2002	
	KOF	UBS	KOF	UBS
Gross domestic product (GDP)	2.1	2.2	1.6	2.0
Capital expenditure	6.6	5.3	3.8	6.0
Construction investment	1.6	3.3	1.5	2.7

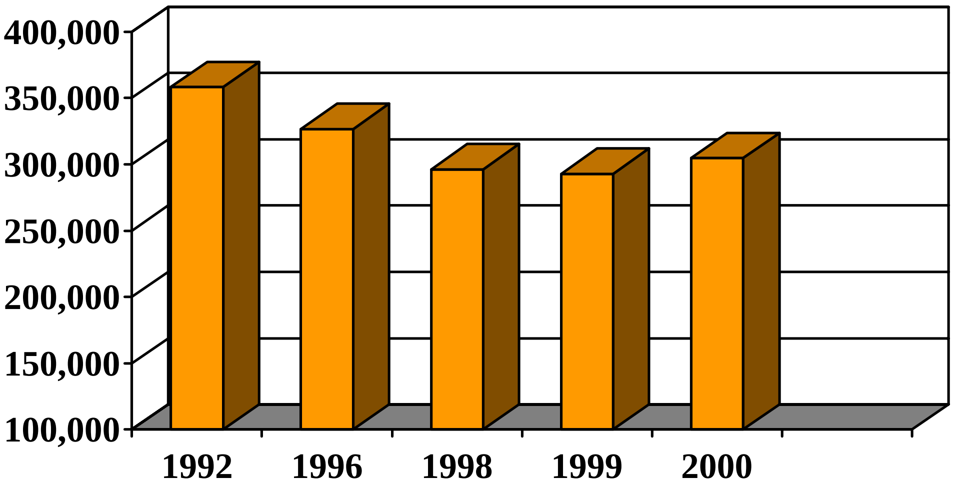
Source: KOF/ETH, UBS-Outlook

3. Healthy situation in the labour market

This positive trend is also reflected in the employment situation. Across all economic sectors taken together, the growth in jobs last year came to upwards of 2%. In the construction industry as a whole, the number of jobs last year again exceeded 300,000, which is an increase of as much as 3% plus. The construction industry proper, which according to figures from the SBV was still experiencing an erosion in jobs in 1999, also reported in 2000 that employment was levelling off for the first time in two years. However, this was at a level which is over one third less than the figure for ten years ago.

The unemployment rate in construction, which in recent years was well above-average, fell sharply in 1999 and for over one year now has been running at below the rate in the general economy. Even in the winter months, the unemployment rate rose only slightly. In the summer of 2000 it came to just 1.0%. In all regions, there is currently an acute shortage of skilled workers once again.

Employment trends in the construction industry as a whole (in each case 3rd quarter):



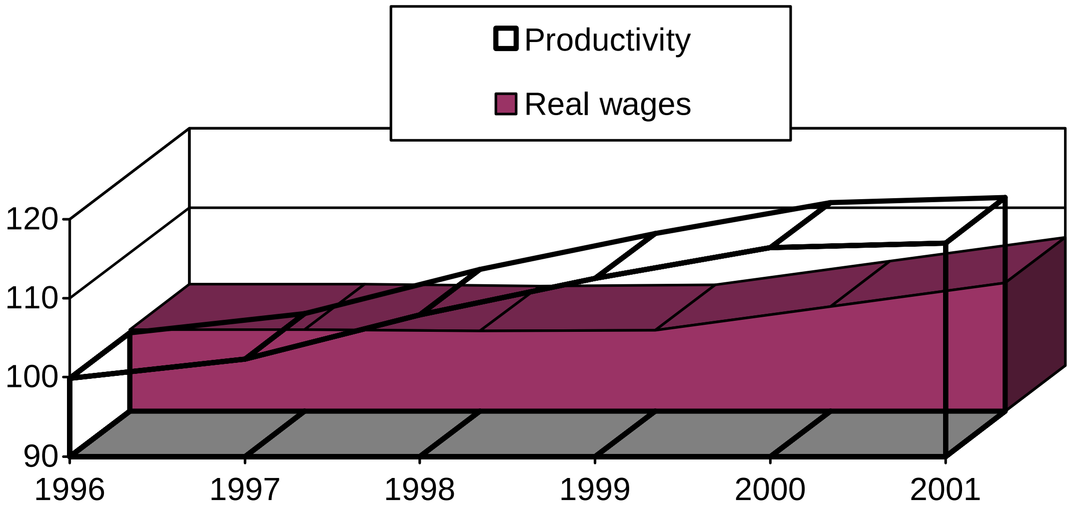
Source: Confederal Office for Statistics, full- and part-time jobs

4. Productivity and profits up

The pay trend in recent years has certainly not kept pace with the rise in productivity and, since 1999, the improved profit situation of construction firms. As a consequence of technical advances, the new organisation of work and greater pressure on the workers, construction productivity has been raised further. Another contributing factor is the introduction of flexible working time arrangements making it possible to work when the orders situation and the weather are good, but also leading to greater pressure on the workers. The significantly higher prices applied in 2000 (according to the Confederal Office for Statistics, depending on the category of construction project, between 3.5 and 6.0%) confirm the improvement in the profits situation of the construction industry.

According to BAK figures, productivity in the construction industry as a whole has not gone up over the past two years. In the construction industry proper, however, there is thought to have been a considerable increase in productivity as construction activity rose by between 3 and 4% in real terms during 2000 without any significant numbers of new workers being recruited.

Productivity and real wages in the construction industry proper (1991=100%)



Source:
Statistics of the SBV on construction activity and employment in the construction industry proper

5. Decline in real wages brought to a halt

As a consequence of the economic recession, between 1996 and 1998 the purchasing power of wages in the construction industry fell considerably, by around 0.8%. This does not take into account the higher contributions to social insurance. If, for example, the higher contributions to the sickness insurance funds are taken into account in the calculation of the real wage figure, the erosion in purchasing power would be significantly higher.

No wage increase was achieved in 1999. However, owing to the low inflation rate, there was no further erosion in purchasing power. After protracted negotiations on the pay agreement for 2000, in the spring a wage increase was agreed for all construction workers of 100 francs per month, which is an increase of at least 2.2% for the average wage.

This was only achieved under threat of strike and after the mediation of the Confederal Council. So, for the first time in many years, real wages have again risen significantly. A result of this wage dispute is also that the term of the existing national framework agreement has been extended until March 2002. The same applies to the declaration of general applicability by the Confederal Council.

Pay and purchasing power trends, 1996 – 2001

	1996	1997	1998	1999	2000	2001
Nominal wages						
Industry/trade	1.2	0.3	0.6	-0.1	1.1	
Tertiary sector	1.3	0.6	0.7	0.4	1.1	
Whole construction industry	1.2	0.2	0.4	-0.7	1.7	
Construction industry proper	1.4	0.7	0.2	0.1	2.2	4.3
Inflation at the time of negotiations	2.0	0.8	0.3	0.0	1.2	1.3
Real wages						
Industry/Trade	-0.8	-0.5	0.3	-0.1	-0.1	1.5-2.0
Tertiary sector	-0.7	-0.2	0.4	0.4	-0.1	1.5-2.0
Whole construction ind	-0.8	-0.6	0.1	-0.7	0.5	2.0-2.5
Construction ind proper	-0.6	-0.1	-0.1	0.1	1.0	3.0

Sources:
Wage statistics of the SSUV and SBV, for 2000 and 2001 estimate based on results of pay bargaining
Consumer Price Index for October 2000

The result of bargaining for 2001 was a wage increase across the board of 160 francs per month for all construction workers. On top of this, the total wage bill has been increased by 40 franks per month per worker, which the employer can distribute individually. This is equivalent to a wage rise of 4.3%. The minimum wage was raised by 200 francs, which for the lower wage categories means an increase of up to 5.6%.

6. *New national framework agreement: improvements necessary and possible*

For the workers of the construction industry this wage round at last brought with it a significant increase in real wages (3% on the average wage). The improvement in real terms for 2000 and 2001 therefore broadly matches the productivity increase over these two years. This means that at least part of the erosion in purchasing power during the recession years has been made up again, and construction workers should have made up some of the ground lost by comparison with the other sectors of the economy.

However, average wages in construction are still running at levels below those applying in many other sectors. The last survey of pay structure dating from 1998 shows that construction wages (construction industry as a whole) fairly closely match the Swiss average. But quite a different picture is obtained if men's wages alone are taken – male workers predominating in the construction industry. It is apparent that construction wages are still lagging behind those in other sectors by some considerable way:

Gross monthly wages (mean value) 1998

	Total, Swiss Francs	Men Swiss Francs
Whole private sector	5040	5417
Sector 2 (incl. construction)	5137	5325
Sector 3	4952	5571
Construction industry	4931	4945

This year the national framework agreement is up for complete renewal. The favourable outlook and much improved profit situation in the construction industry should make it possible to improve the collective agreement considerably, both with respect to pay and to other material provisions. This is not only necessary to improve the material situation of the workers. In the coming years, the construction industry is going to have to compete with other economic sectors in the labour market. Competition for skilled workers is already very much tougher. In future, the industry will only be successful in recruiting workers if it can offer attractive employment conditions.

UK

The construction industry and employment relations in the UK

Jan Druker (University of Greenwich) and Linda Clarke (University of Westminster)

Introduction

The last year has been a buoyant one for the construction industry with activity high in most regions and sectors of the industry. Orders in the twelve months up to May 2001 rose by seven per cent compared to the previous twelve months. However there were indications of a slow-down over the summer with a diminished level of demand and it is significant that orders in the three months prior to May were two per cent lower than in the same period last year. Concern about the state of the industry and about the need for fundamental change continue, in particular through the various initiatives of the government-promoted Movement for Innovation in Construction (M4I) which has been encouraging and supporting innovative demonstration projects.

In previous issues of this Observatory we have drawn attention to the short-term approach to employment adopted by many organisations in the British construction industry. We have flagged up particularly the problems resulting for workers and trade unions in the UK industry, with especial reference to the use of self-employed labour, to standards of health and safety and to implications for training and skills formation.

Within this issue, we turn firstly to the question of health and safety since there have been growing problems, exacerbated by the high demand and the pressure and pace of work over the last year. We then consider the right to paid annual leave. Finally we consider the changing face of UK contracting and continuing skills and training problems.

Health and Safety: the growing problem

The construction industry experienced a devastating increase in fatalities over the last year. More than one in three of all of the fatalities that occurred at work were in the construction industry and construction workers were six times more likely to have an accident at work than the average British worker. There were 106 deaths in 2000/2001 compared with 85 in 1999/2000 - a rise of 25%. On average there are now two deaths every week and the fatality rate of six deaths per 100,000 workers is the highest for ten years.

Year	Construction fatalities	Major Injuries
1998/99	68	5,034
1999/2000	85	5,040
2000/2001	106	

Everyone is clear that something has to be done about this carnage and government and unions have launched campaigns for improvement. There is a lot of rhetoric about the need for improvement but the structure of the industry - with many small firms and self-employed workers - mitigates against it. So too does the pace of work, where price and project deadlines seem to weigh more heavily than the lives of people. In a blitz on construction activity in one London borough in July 2001, Health and Safety inspectors visited forty four sites and issued twelve prohibition notices (preventing further work until breaches of safety standards had been remedied) in just two days.

Trade unions have long campaigned for a change in culture and their efforts have been stepped up recently. The Construction Confederation (the major employers' confederation) last year turned down a union request for a nation-wide system of multi-site safety representatives.

John Prescott, Deputy Prime Minister and Bill Callaghan, Chairman of the Health and Safety Commission hosted a Construction summit in February this year involving stakeholders within the industry, including employers, professional bodies, customers and trade unions.

The aim is to reduce accident rates by two thirds over the next two years. The government is seeking tougher penalties to deter health and safety offences with an action plan for imprisonment for many health and safety crimes and an increase in the maximum fine. The Health and Safety Commission has initiated a scheme for 'Worker Safety Advisers' (WSAs), who will visit workplaces where there is no safety representatives to consult both the workforce and management and advise on safety improvements. The scheme, which has been criticised as inadequate by some safety campaigners who point to the critical importance of a workplace safety representative, will initially be applied in five sectors - one of them construction. The new scheme will provide advice for small firms and for self-employed people who are usually outside of the arrangements for worker representation.

The Right to Paid Annual Leave

Construction unions have continued to campaign on behalf of self-employed members over the last year to ensure that they receive paid annual leave in accordance with their entitlement under the UK Working Time Regulations. The right to a paid holiday is extended to 'workers' and not merely to 'employees' - thereby including many workers with bogus self-employed status. There have been some notable successes and the principle is now clearly established, but there remains widespread abuse and non-payment.

However, restrictions were imposed by the UK government when implementing the right to paid annual leave under the Working Time Directive, providing that workers with less than 13 weeks service with their employer had no entitlement. This was challenged by the Broadcasting, Entertainment, Cinematographic and Theatre Union (BECTU) and a recent decision by the European Court of Justice (ECJ) has important implications in the UK for all workers who are engaged only on a short-term basis - including construction workers. Most BECTU members - like many construction workers -are engaged on contracts of less than 13 weeks by a succession of different employers. Under the Working Time Regulations they were therefore denied the right to take paid annual leave. The ECJ decided that this national legislation imposing a pre-condition of 13 weeks negates the right conferred by the Directive. The UK government must therefore amend the regulations to provide for paid annual leave for workers inside the first 13 weeks.

The Takeover of large UK contractors

Foreign contractors have increasingly been entering the UK, almost all with marked success, and the UK has seen a dramatic demise of its large contractors and the rise of transnational activities. Many of the old established companies have been taken over by foreign companies, Bovis by the Australian group Lend Lease and Trafalgar House by the Norwegian conglomerate Kvaerner and, in autumn 2000, by Skanska. One strong contender for the general contracting arm of Laing was the French contractor Bouygues, which already has a small UK operation. In the end Laing Construction was acquired by O'Rourke, which has seen a meteoric rise from a subcontractor specialising in concrete and shuttering. Laing – one of the most prestigious and old-established contractors in UK, responsible for amongst other projects the British Library, the Severn Bridge, and the Cardiff Stadium - has thus disappeared.

The list of the 40 largest contractors in the UK measured in terms of the orders received in the last 12 months is now led by Skanska with an order book of over £1,250m (79% in traditional contracting), followed by Bovis Lend Lease with £1,047m (54% in management contracting). Hollandische Beton Group (HBG), with orders of £811.3m (87 % in traditional contracting), together with its subsidiary Edmund Nuttall (£390.3m) (81% traditional), in total £1,202m, is closely behind the largest, Skanska.

At project level, continental European contractors are present to an even larger degree, partly because they are attracted by PFI (Private Finance Initiative) projects, previously only linked to large infrastructure projects. The largest infrastructure project under construction since the Channel Tunnel project is the high speed train link through Kent, valued at £5.2bn. In section one, a 3.2 km tunnel under the North Downs and a 1250m bridge over the river Medway are the major challenges, carried out by Eurolink, a consortia of firms consisting of the UK Miller Civil Engineering of Rugby, the French Dumez-GTM of Nanterre (French) and the Austrian firm Beton- und Monierbau of Innsbruck. Many contractors are involved in the second part of the project, such as Hochtief jointly with J. Murphy & Sons Ltd, which will construct the 2.5 km tunnel under the river Thames. UK civil engineering firms are underrepresented on this project as UK contractors and consultants withdrew from the tendering process due to the lack of engineering skills in the UK.

Skills and training problems

Insufficient engineering skills in the UK and, in particular, the failure of the education system to provide the skills needed to design modern structures, have also now been held responsible for the famous ‘wobbly’ Millennium Bridge and the Cardiff’s bouncing Millennium stadium. But the problems of skill shortages are much more widespread, with firms reporting shortages in almost all areas, in particular bricklayers, carpenters and joiners, and plasterers. A recent report by the Further Education Inspectorate highlights declining recruitment to the crafts at national vocational qualification (NVQ) level 3 and technician courses at level 2 and 3 over the past three years. Level 3 is that required to achieve craftsperson status in most crafts. This picture is mirrored in the numbers of those undertaking Modern Apprenticeships, also to Level 3, at only 1.2% of the construction workforce, (compared to apprentice levels in Denmark and Germany – also to level 3 equivalent - of 16-20% of construction operatives!!). The Construction Industry Training Board complains of considerable shortfalls in formal training but continues to focus its efforts on the on-site accreditation of existing skills. This is in part to meet the elusive targets set for recruitment into the Construction Skills Certification Scheme, introduced as a means of registering construction operatives, which has currently (after a number of major concessions) 140,000 registered members but plans to recruit a further 200,000 by 2003.

NETHERLANDS

High quality production in the Dutch construction industry

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Editorial note: In stead of a regular discussion on actual developments in The Netherlands for CLR-news, this text on the Netherlands includes some empirical parts from a longer chapter that is forthcoming in Gerhard Bosch and Peter Philips (editors), 'The construction industry world-wide', Routledge, 2002. This book will also contain chapters on nine other countries: Germany, France, Spain, Great Britain, Denmark, United States, Canada, Korea and Australia. In the introduction the editors will point out from a comparative under what conditions construction labour in different countries is truly productive. The Netherlands is presented in the book as a case of high quality production.

Introduction

In the period of recovery after the Second World War until 1970, the Dutch construction industry showed uninterrupted economic expansion in all categories and industries. Afterwards, production and employment levels stagnated and even declined to it's deepest point in 1983. This resulted in a so-called 'cold restructuring' of the industry by way of bankruptcy and job loss. The industry also had to redefine its position vis-à-vis its most important customer, the government, who went to restrict its Keynesian demand policy.

Since the late 1980s the construction industry stepwise recovered, though the level of employment stayed behind the growth in production. Arguments for the subsequent increase in labour productivity include the innovation of building materials, the automation in offices, the use of pre-fabrication, and the increased flexibility in the use of workers and machines resulting in a better organisation of the building process itself (EIB 1994).

After a new conjuncture dip in 1991-1993, all segments of the construction industry developed positively in the period 1994-2000. Annually output levels have gone up and reached the largest output level of 57 billion Euro in 2000, produced by 472,000 persons working in the industry at large (CBS 2000). Though at mid-long term a moderate decline in employment levels is being expected of 0.2% per year, the demand for construction workers stays high, especially due to the large annual job flow out of the industry of 12% per year (1999). In the labour market, signals of scarcity and vacancies occurred.

Polarisation of firms

The 62,000 construction firms vary in size and activities. Apart from the few high-graded internationally operating construction companies with stock exchange quotation, the medium and small sized enterprises take the largest share in employment and production. The number of companies in the construction industry in strict sense has risen from 41,880 in 1994 to 62,090 in 1999. About 99% of all firms have less than 100 employees. Most of the companies are small companies with less than 10 employees (54,185). Of this number 28,925 people are self-employed, a number that is rising fast. There are 7,490 medium-sized companies with 10-100 employees and there are 415 companies with more than 100 employees (data AVBB 2000).

The larger enterprises offer, in comparison with smaller enterprises, a total product by executing themselves (parts of) the architecture, design, planning, management, structural work, and finishing activities. Larger main contractors increasingly occupy a more co-ordinating position in the building process. They undertake negotiations with a number of spokespersons, clients, architects, and government agencies, while in the meantime contracting out the concrete work to co-makers and sub-contractors.

The 400 larger enterprises are looking for diversification of their activities in order to reduce the risk of an one-sided portfolio. Enterprises seek gains in mergers, co-operation, co-makership, and other forms of scale enlargement by integrating technical know-how and economic resources. Some main examples include Volker and Stevin; Kondor and Wessels; NBM and Amstelland and Wilma; and DURA and Vermeer. Many times, mergers are set up for reasons of economies of scale and share holder value, while in practice the formerly independent companies keep their own customers and business at local level.

The construction industry used to be a purely national market, which was sheltered from international competition, with the exception of the water management and dredge companies, such as Boskalis and Ballast Nedam which have a substantial fleet of ships. Since the process of European integration increased, more companies cross over the border with neighbouring countries, especially Germany and Belgium, but the economic impact is moderate, in 1994 export was less than 3% of output. The largest Dutch construction company, HBG, is only at about number 25 in the European top.

Subcontracting

Because the larger companies are taking a role as general contractor, subcontracting is an increasing, although still moderate, phenomenon. The share of gross turnover for main contractors declined with ten percent in the last twenty years, whereas the share for the subcontractors doubled. The use of subcontractors may be found in different reasons: the discontinuity of economic investment implies a spread of risks when main contractors make use of other firms. Secondly, there is a specialisation of certain trades (e.g. brick layers, road workers) when technological innovation and tacit knowledge are implemented in the machinery of the work process. Thirdly, also the introduction of self responsibility in the Sickness and Disability Act has made employers more reluctant to directly hire operative labourers, which are the most vulnerable part of the construction labour force. Instead, they place the risk indirectly with the subcontractor (EIB 1997a).[1]

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[1] Within the Dutch welfare state, social security provisions are in reconsideration. In 1993, access to the Disability Act was restricted, and in 1994 own risk clauses were introduced for firms, putting the risk for disability of employees with the employer. In 1996, the Sickness Act was privatised, making the risk on sickness an individual hazard.

Subsequently, the composition of the work force of main contractors is changing. In 1986, main contractors employed one administrative or technical persons relative to three operatives, in the late 1990s this relationship is reduced to one and half to one (own interview). Simultaneously, an increasing proportion of the labour force is employed at the smaller, subcontracting firms. A main contractor employs on average nineteen persons, a subcontractor nine persons. Within the work force, 67% of all employees works for a main contractor, 25% works with a subcontractor, and 8% works for companies that serve both as contractor and subcontractor (EIB 2000).

Although the small and medium-sized enterprises lack the organisational resources and capabilities of the larger enterprises to undertake large projects, such as for example in the modern infrastructure or housing projects, their number is rather stable. Moreover, research reveals that the smaller SME's with 6-10 employees perform worse than the SME's with 11-20 employees (EIB 1997b). Especially the smaller enterprises loose relative position vis-à-vis the self-employed, the specialised workers, who have no cost-bearing staff.

Collective agreements

In the construction industry, there are 11 collective agreements in different domains. Perhaps the most important is the collective agreement for executive manual workers in the construction industry, which covers 150,000 workers in both building and civil engineering. Supervisory, technical and administrative staff personnel (40,000 persons) in building and civil engineering have their own collective agreement. Separate collective agreements also exist for painting, finishing and glass workers; natural stone workers; wet grind dredge personnel; mortar transport workers; plasterers; plumbers, fitting and heating personnel; roofing workers; and dredge personnel. In the related wood industry another number of collective agreements are signed such as furniture industry; wood trade; carpenter firms; wood and brush industry; emballage, pallet and wooden shoe industry; house design firms; yacht construction; and the housing corporations.

Wage-setting for the eleven domains in the industry is an issue of national-wide bargaining. Trade unions and employers' associations (bi)annually bargain over wages and employment conditions. Agreements are publicly protected since 1927 by the government, which gives collective agreements the status of law. Due to erga-omnes clauses, these agreements are in addition to the coverage of unionised workers, also binding to non-unionised workers employed in those enterprises that are affiliated with an employers' association. Moreover, collective agreements are since 1937 routinely declared generally extended by the Minister of Social Affairs and Employment, to workers in enterprises that are not affiliated with an employers' association. For example, in the construction agreement, in addition to the 5,000 enterprises affiliated with an employers' association, whose 120,000 employees are directly covered due to erga-omnes bargaining, also the 8,000 non-organised firms with 30,000 employees are covered due to general extension (data 1998).

The trade union organisations have fame to be strong, whereas the employers' associations, whose rank and file is competing in product markets, were often internally divided. In their wage policies, the trade unions uphold some normative principles, which include, among others, the need for compensation of inflation, an equal wage increase for all workers, no application of productivity wages, and a ban on over-work, and respect for health and safety. It is due to their power that the collective agreement is extended and covers so many qualitative issues that are regulated via collective funds. Notwithstanding, and in contrast to the restrictions of management decisions by demarcation of crafts in the United States, the allocation of the labour force in the enterprise is a single management prerogative, outside the competence of the trade unions.

The wage schedules in the collective agreement prescribe minimum rates. At firm level employers and individual employees may discuss additional salaries and bonuses. At the work floor, 66% of the employees currently receives a performance related bonus, at a fixed level of on average 16 per cent (EIB, 2000). About 10-15% of the labour force every now and then works with piece rates. In addition, the collective agreements regulate the compensation for clothing, boots and travel expenditure. The working week is 36 hours, divided on five days of 8 hours. Per week four hours are entitled for additional holidays and training leave.

Continuous training for incumbent workers

Nowadays ‘life long learning’ and ‘employability’ are on top of the agenda in many Western countries as a joint instrument for employers and employees to anticipate eventual job loss by keeping skills up-to-date. The Dutch collective agreement for construction workers contains already since 1988 an article 35.b, regarding a right on life long learning. The costs are paid by a 0.8% premium on the wage bill into the sectoral ‘training fund’. The article stipulates that all employees have the right of receiving two days of training a year, while the fund pays 100% of course costs, about 10 Euro for travelling expenses, and wage compensation for training hours. In addition, training days can be used to prepare workers for other jobs in the future. The evidence of this successful initiative shows that especially larger firms with a specialised human resources department use the funds more extensively than smaller firms who can hardly miss a worker for a few days. Nonetheless, in 1998 and 1999 200,000 training days have been provided for employed workers, double the rate of 100,000 days in 1995. An average participant consumed three days of training per year.

Labour market characteristics

Ten to twenty years ago, operative construction workers used to occupy temporary positions in firms for the duration of the building project. Nowadays, long term relationships between enterprises and employees occur, in spite of the fluctuating economic climate and the elevated number of small sized companies. The vast majority of the work force in the industry is men working full time with permanent contracts. In 1997, 83% of the work force in construction has a permanent contract, and only 1% a temporary contract, 16% were self-employed. This compared positively with the national labour market. The stability is possible due to the system of regulation, which reduces the risks of individual employers for example for bad weather.

Moreover, lay-offs are relatively easy accepted by trade unions given the extended unemployment compensation. As such, investment in skills and qualifications is enabled, developing the labour force into a scarce and highly productive asset, that cannot be substituted by unemployed job seekers. The average tenure in enterprises is ten years, the average seniority in the industry almost 18 years, whereas seniority of less than one year within one firm occurs only for 17% of the employed working population.

Employers have thus realised that recruitment and investment in skills is cost-bearing, which makes long-term contracts relative efficient. For this reason, companies have a hiring strategy employing an inner circle of staff. The needed additional flexibility in the construction process is being created especially via collegial hiring, over-time and subcontracting of other enterprises. The allocation of employees often takes place directly between enterprises, as such mutual trust between enterprises plays a substantial role. Surveys reveal that alternative forms of flexible recruitment, via temp agencies (that were forbidden between 1982 and 1997), personnel with fixed-term contract, and job seekers from the public employment service in the construction industry were used to a far lesser extent (EIB 1998).

Within companies, personnel management in the construction industry is relatively traditional. The relationships are predominantly top-down oriented, where managers instruct employees what to do, notwithstanding the relations are also informal with direct and open communication. Surveys reveal that 70% of the operatives estimate the working conditions as ‘good’, while an increasing share of the employees judges their work of high competence, with room for improvisation, own initiative, responsible behaviour and own decision-making (EIB, 2000). It should be added that the larger companies have more developed HRM-departments and a wide ranging practise of institutionalised co-determination with a role for works councils, that have advisory, information and negotiation rights. Most smaller firms do not have works councils.

Finally

From a comparative perspective, one may conclude that the labour force in the Dutch construction industry is highly productive due to its attention to both training and skill formation, health and safety and low levels of conflict at the work floor. In spite of the flexible nature of the production process, the elevated tenure profiles in firms and the reproduction and dissemination of the skills and capabilities of the work force are also worth mentioning as a remarkable difference in comparison to construction labour in many other countries.

The collective regulation in the Dutch construction industry is however also put to the test of efficiency and effectiveness, due to several driving forces both at enterprise and policy level. At firm level, the application of new technologies result in pre-fabrication, specific products, faster production processes and specialised co-operation between firms. Larger main contractors increasingly take a co-ordinating role in the production of infrastructure and housing, leading to temporary coalitions of enterprises that in principle are strong enough for developing a labour regulation independent from the industrial wage policy, while contracting out work to co-makers and sub-contractors. Technology changes the handicraft of the work force in the industry and makes more general management competencies and computer skills needed. The consequence is a process of de-sectorisation, with less clearly defined boundaries between industries, with the risk of crowding out the relatively expensive construction labour to cheaper collective agreements for wage-earners or to self-employment.

In addition, policy processes change. The internationalisation of the rule-making machinery (especially the process of European integration) supports market forces and does define new criteria for national specific regulation. At national level in the industry, there is a change from centralised to decentralised decision-making on employment conditions, allowing for more individual solutions at branch and work floor level regarding the flexible distribution of the agreed working hours, wages and health and safety, within the structure of the collective wage agreement.

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SWEDEN

The Construction Market in Sweden 2001

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Construction activities in Sweden

The Swedish construction market has still not fully recovered from the severe downturn in the mid nineties. New residential housing fell by 75% from 1990 to 1993 and the construction volume stayed at that lower level until 1998. Since then, new residential housing has increased by (on average) 20%, but the production of flats, detached- and semi-detached houses is still less than 50% of the level ten years ago. According to estimates from the Builders' Federation, around 22,000 dwellings will be produced in 2001 and further 25,000 dwellings in 2002. In year 2001, total construction volume is estimated to increase by six percent, with further six percent in 2002.

This is a bottom level compared to all other EU countries which can be measured in two ways. The first way is to measure new residential flats/Million residents. Sweden has a ratio of around 2,700 vs. the EU average of around 5,000. Investments in new residential housing as part of GDP is another way to compare and this ratio is lower in Sweden than in other OECD countries. In Sweden it is less than 2% of GDP compared to the average OECD figure at 5%. When we study the life expectancy for new houses, the current production rate would probably need to be 100% higher in order to keep the residential housing (in terms of standard and numbers) at today's level. However, dwellings in Sweden still have a high standard and compared to many other countries, which must be considered.

The essence of the above is that the level of new residential housing is too low in a long term perspective. Other sectors like infrastructural investments can't compensate for the lack of demand in the residential sector.

Conversion of older houses also had a downturn in the nineties. There was no collapse as was the case for new construction but many agree that current conversions don't cover the long-term needs. Between 1965 and 1975, one million new dwellings were built in Sweden. Many of these now need to be modernised in a near future.

Why is the demand for residential housing (both new construction and conversions) that low? In many counties in Sweden, there is actually a good supply of flats, detached houses etc. It's mainly in Stockholm and some other major areas where demand is higher than supply. Further, Sweden has a rent control and property owners judge they can't get new houses with rented flats profitable at current rent levels. Thus, the majority of new projects in Stockholm consist of tenant-owned flats that are market priced.

The production costs is only one explanation for the low level of production. In the early nineties, government subsidies for residential housing production were cut and the tax deduction for mortgage interest is no longer that beneficial. Property taxes have been increased and municipal and utility fees are much higher. Swedish households pay, on average, 27% of their net income for their dwellings and they are not likely to pay a higher degree of their net income. Real wages need to be higher in order to increase the demand.

Construction employment is expected to rise by three percent p.a. in 2001 and 2002. However, demand is not evenly distributed. Even though employment in the sector continues to rise, many building workers in northern Sweden still are unemployed. For those, the prospect of getting a construction work often depends on working Monday to Friday in Stockholm or in any other city with high demand.

The sectors in the construction industry that currently show the most significant gains are residential housing and civil engineering projects. Residential housing is expected to increase by 11 percent p.a. in 2001 and 2002 but it is important to consider that the increase is from a very low level. Within the civil engineering sector, investments for the third generation of mobile phones (3G) will form a significant part of the increase. Due to the process of distributing licences (Sweden has applied a “beauty contest”), there has been a delay in the start-up of these works. However, there is expected to be major investments in 2002 leading to a substantial demand of construction works. The two leading construction companies Skanska and NCC have both formed specific business areas to deal with the 3G investments and both companies anticipate getting the major part of these contracts.

Due to the improvement in the construction market, the unemployment rate has decreased consistently for several years. In May 2001, 7.6 percent of the building workers are unemployed or participate in programs for unemployed. However, in Stockholm and other major areas, the unemployment rate is now 3 – 5 percent, whereas the unemployment rate in northern Sweden still is above 15 percent. When construction activities were low in Sweden, many workers took the opportunity to work abroad, particularly in Norway. Currently, there are not so many Swedish workers there any more as the domestic market can offer employment.

The company perspective

The construction company structure in Sweden is such that a few large domestic companies dominate the market for larger projects – both housing and infrastructural projects. Sweden has experienced a similar development to other European countries where middle-sized companies basically have disappeared. Smaller companies compete for smaller projects that the giants are not interested in or where they can offer niche services.

The two largest construction companies, Skanska and NCC, have significant international operations. Skanska is a leading European company with a strong position in the Nordic region, UK, Poland and other European countries. Further, it has substantial US operations and belongs to the largest in the fragmented US construction market. Skanska has clear growth objectives and less than 25% of operations are now domestic. For NCC, 60% of turnover is still domestic, but is among the market leaders in each Nordic country. Their operations outside the Nordic region basically consist of larger infrastructural projects. PEAB, the third largest company, has a strong position in Sweden, but international operations are still limited.

Non-Swedish companies still play a marginal role in the domestic construction market. There has been a few acquisitions by foreign contractors, but not to the extent to how the Swedish companies have focused on other markets. There has been many mergers and acquisitions, but seldom with a foreign company involved.

Domestic turnover has increased in recent years and the next 2 – 3 years should offer attractive market conditions for the construction companies. However, the profit margin is still just around 2.5 – 3.0 percent, which is significantly below the companies' own targets. All major companies have in recent years sold off property and other assets that is not considered to be part of its core assets. Shareholder value is modern in these companies too and they try to find a capital structure that offers a higher return on capital employed.

Private- public partnerships are expected to be more frequent in the future. Both Skanska and NCC have created specific BOT (Build, Operate, Transfer) business areas that will compete for contracts, both in Sweden and abroad. In order to get a competitive position for new orders, the companies need to have access to capital which is one reason for the disposal of non-core assets.

Conclusions

The conclusions are that the Swedish construction market is on its way to catch up for some lost years. The immediate future looks fairly positive with higher demand for residential housing and with major 3G investments to come.

The larger companies have expanded outside Sweden in the nineties and for Skanska and NCC, the market leaders, Sweden is just one of several home markets. These and other construction companies can expect increased demand (and turnover), possibly with a higher profit margin than today.

ITALY

A Positive Scenario For The Construction Industry

Federico della Puppa

The Italian industrial economic model is characterized mainly by four factors:

- specialization in traditional sectors and low presence in sectors with high technological content;
- modest degree of internationalization;
- small-size companies;
- low level of investment in Research & Development.

These factors are present even more strongly within the construction section, which discounts, in addition to its own internal structural dynamics, the evolution of some contextual factors, which change and can change the balance.

The Demographic Revival

In this respect, one of the most important contextual factors involves the demographic situation, which shows clear signs of revival (an increase in births and a decline in the death rate) and constitutes a first sign of overcoming a transition demographic phase which has affected Italy in recent years. A significant contribution to the revival of the birthrate has been provided by the increasingly sizable presence of immigrants. In 1999, foreigners represented 2.2% of the total population (they were 31.5% in 1996), but their contribution to the total number of births was slightly below 4%. The picture is characterized, however, by a resumption of the natural trends, accompanied by a significant increase in migrant flows and in particular in applications from abroad, in the range of 12% in 1997 to 14% in 1999.

Positive Signs in the Employment Outlook

In the total picture, and in a context of overall growth in employment, after almost a decade of systematic contraction, in 1999 the construction industry showed evidence of substantial revival, going from 1,544,000 employed in 1998 to 1,575,000 in 1999. The annual increase was equal to 2%, with an increase both in salaried employment and in self-employment. Analysis of the first two quarters of 2000 highlights an increase in the proportion of self-employment in the overall employment figure for the construction industry and, even if the annual data confirm the trend toward an increase in the self-employment share, we are witnessing a significant slowdown of the phenomenon: whereas between 1993 and 1999 the rate for self-employment rose from 33.5% to 39.8%, between 1998 and 1999, that share increased only by 0.1%. In the light of these elements, there has been confirmation of the increase in activity for established construction companies with a significant force of salaried employees, against a backdrop of a substantial resumption in new building sites and in new building activity generally.

A Market Experiencing Strong Growth

In 2000, the value of the production in the construction market reached ITL 270,000 billion, with a growth in constant currency values of 5.5% (+5.6% for investments, +5.1% for ordinary maintenance). Thus, after the 1999 increase of 5.1% and the 1998 increase of 2.8%, the construction market had another year of strong expansion. In 2001, growth will still be 2.9%; 2002 will witness growth of 1.1%, and growth will then slow down in 2003. The recovery increasingly represents the primary market reference, with 60.6% of turnover for the industry. With the growth registered in 2000 and with that expected for 2001, we are confronted with the seventh consecutive year of growth, starting in 1995. Beyond that, the construction industry is attaining, in constant currency values, the greatest amount of expenditures in its history, exceeding the peak reached in 1992 and even those registered in 1970 and in 1973, the highest points ever reached since the postwar period.

Some Questions

Thus, the overall picture, against which the economic development of the construction industry is taking place, presents many positive aspects, but also raises some questions about the future:

The first aspect to be considered is the overall evolution of the Italian economy; we are in a full economic upturn, and the construction industry is following that trend. As often occurs, however, faced with possible constraints against runaway expansion, the construction industry might react more abruptly, strongly reducing the positive gains of recent years.

The second aspect to bear in mind is the change in the market system, increasingly dominated by reclamation, into which public works procurement has been changed (the new "SOA" system) and to which all companies that want "to play the game" must adapt. That means that every company, from the major contractor to the artisan/craftsman-based company, will be obliged to select strategically, through an expected typological and territorial segmentation of the market, its own operational area.

The third aspect relates to the fragmentation of supply and the need to develop qualification policies at all levels, as regards the subject either of the "black economy", or of the unprofessional conduct encountered in the industry, where there is often too much overlapping of areas of expertise and responsibility. All the players, at all levels (from the companies to the designer-planners) must be able to compete in the market through transparent and homogeneous supply mechanisms, insisting on quality and without recourse to expedients of any sort in order to "extract" something from the customer. It is necessary to thoroughly review supply policy, which before being supply policy must be a "philosophy of supply".

Three Fundamentals for Change

These three aspects represent the framework within which the construction industry will develop in the future, and they represent the fundamentals of a "revolution in building thinking" which, typical of the current favorable market situation, must be allocated in order to be available to confront the next inevitable crisis. If we think back on what has happened in Italy from 1992 until today, we can recall that a lasting effect of the crisis of those years was the evolution of the enterprise system: crisis in the medium-size company and resulting fragmentation of the system. That contributed to downward equalization of capabilities and opportunities. But today -- and the employment data confirm this -- the favorable economic situation has made it possible for many construction companies to be structured, not so much on the crest of market successes produced, as in the past, by a quantitatively strong demand, as on the acceptance of the need to specialize and to get into specific typological and territorial market niches. The construction market in Italy today is worth ITL 270,000 billion. It is an important market, but one which today requires players increasingly specialized, capable of responding to new and diverse local requirements. Confronted with this picture, the players (be they companies or planner-designers, distributors of materials or installation firms) today find themselves at a critical juncture: either remain tied to a "productivist" image, tied to quantitative development scenarios and therefore able to respond to all the demands placed by the market (according to a model very rooted in some local realities) or move toward a more complete and strategic supply of services (therefore not merely building "product") highly specialized and integrated at the overall industry level. The importance of highlighting this choice, this opportunity, this necessity, arises precisely from the favorable economic situation which, although favorable today, could hold some (downward) surprises in store tomorrow.

Some Final Thoughts

We conclude with some selected elements for thought:

In the last year, the building market has revived substantially, providing new opportunities to companies and planner-designers, even if there are few who use this opportunity to equip themselves with new tools and with innovative technology.

The computer revolution is, very slowly but ever more strongly, entering the building market. For now, however, the new information & communications technology tools are used almost exclusively as vehicles of communication (e-mail), and still only slightly for information and as an engine to generate synergy.

In the future, competition will be determined by the increase in productivity, on the one hand, but also by the increase in quality and of quality control, as well as by cost reduction. Today, many companies, especially large-size companies or highly specialized ones, are investing in quality, in innovation and in quality certification. But for the others, which represent the major share of supply, innovative operational models must be identified which begin modestly and succeed in increasing the scarce managerial resources available in the industry. In this way, a fundamental role, toward change, will belong to the those who can -- through specific and targeted policies of assistance and collaboration -- enhance the quality of company activity, especially in the case of small-size companies.

The free movement of construction workers in Central and Eastern Europe

Jan Cremers

1. First findings

The collapse of the Soviet Union and the reform of society in the Central and Eastern European countries have had a giant impact on the mobility of workers of these countries.
In the old days state owned companies from the CEE countries went to the East to build bridges, houses, roads, and there was a vivid East-East mobility.
After 1989 the landscape changed completely.
The construction industry became privatised, important parts of the industry went into foreign (Western) hands, the sector as a whole shrunk and it took quite some time before a national segment of small and medium sized companies emerged.
A new mobility started with individual workers moving legally or illegally to Western Europe; first and for all to Germany where a system of bilateral agreements (Werkvertragskontingente) regulated to a certain extent the posting of workers from the CEE countries. The illegal part of the mobility of workers was organised by all kind of agencies and post-box companies.
We have reported about this phenomenon elsewhere.

At the moment some 13 countries work towards the membership of the European Union.
This enlargement process implies the application of the liberalisation principles of the internal market as these are part of the acquis communautaires. This implementation has again consequences for the mobility of workers.

In this contribution I want to come up with some first findings of an in-depth study that is running at the moment. A team of CLR-researchers from the East and the West examines the preconditions of a system for industrial relations in 6 of the CEE countries. A small part of the findings of this pilot study is dedicated to the mobility, internal and external, eastward and westward.

The final study will not be focused on this item and is expected in late summer 2002.

2. *Some official statistics and data.*

As a starter I would like to come up with some figures. It has to be said that there is an enormous difference between the countries if you look at data available. The Baltic States' figures for the construction sector are very limited as are those for Bulgaria. Other countries have very detailed and specified statistics.

In *Poland*, after the economic bankruptcy of the Soviet Union at the end of the eighties, a downward fall on activity abroad by Polish contractors occurred. Before that time these state-owned companies were very active in Russia and in other Eastern European countries. Construction workers confronted with massive unemployment, also as a result of the privatisation that lead to continuous rationalisation, found a way out by going to the West.
Some of them crossed the border every day, some went to building sites all over Europe.
The recession in the bigger EU countries and notably in Germany from the middle of the nineties again hit hard.
As a consequence the Polish export in construction and building services decreased further to a level of about 0.5 billion EURO in 1999 (77% in Germany, 7.4% in the Czech Republic, 3.4% in Russia).

As a comparison: Swedish construction had in that same year new contracts abroad for about 10 billion EURO (mainly in the U.S. and Western Europe).

The construction sector's activities abroad have always been very modest in the *Czech Republic*, certainly compared to Poland. Nevertheless also for Czech activities abroad there was a decrease in the share of total output. In 1993 this share was still 2.7% of total turn-over, by 1999 this figure had decreased to 0.8%. Being one of the few countries with relatively good market conditions and a steady housing demand the Czech Republic nowadays has to fight against illegal migration and social dumping and is discussing a decent regulation of its own construction labour market. In general terms migrants from former socialist countries form nine tenth of the labour migration. The majority of the legal migration is coming from Slovakia.

The construction sector in *Slovakia* developed almost similarly to that in Poland and the Czech Republic. A lot of contracts in those days were in the Soviet Union, later on in cross-border activities in Austria, the Czech Republic and in Germany (based on the bilateral Werkvertragskontingente). Then from 1995 of activities decreased.
The total construction output carried abroad represents at the moment 4.7% of the total annual volume of construction works, mainly with activity in Russia, Ukraine, Germany and the Czech Republic. Free movement with the Czech Republic is relatively easy, as the inhabitants of Slovakia do not need a labour permit.

As a comparison: the French public works related export accounts for 32.4% of the activity of this branch. This means that one third of the French construction activity in this branch is done abroad.

For *Romania* we have only some first figures. Construction work abroad was in 1999 about 1% of total construction activity. Two third of this work is executed in EU countries.
The most important market for the labour force is Germany with 19.000 workers present.

The *Hungarian* construction industry is, as in most countries, mainly oriented to their home market. However, until 1995 some 14.000 workers per year were posted to Germany based on the Werkvertrags-system, nowadays this figure has dropped to less than 6.000 workers.
What is left in 1999 is a total 120 million EURO of construction export to the EU.
Still 80 % of it is represented by activities in Germany. Next to this figure another 240 million EURO accounts for revenues for abroad activities in CEE-countries, with some 9.000 Hungarian workers involved.

As a comparison: the value of orders received by the German construction industry from their activities abroad accounted in 1999 to the record sum of 14 billion EURO (activities mainly in the U.S. and Western Europe).

Let’s finally have a look at *Turkey*.

Turkish contracting abroad started in the second half of the 1970’s, first and for all in the Middle East. In the eighties Turkey also entered with construction activities in the Soviet Union. After 1990 the work abroad stayed for more then 50% in the Russian Federation and the other CIS countries with a value up to almost 10 billion EURO in 1999.

Estimations of the value of total work performed abroad (building and civil engineering) go up to more than 30 billion EURO.

3. Main reasons for the decline in the abroad activities in the nineties.

Free movement of workers is and has always been one of the fundamental characteristics of construction work. For economic reasons construction companies and individual workers got motivated to work abroad, for economic and demographic reasons countries, clients and contractors engaged workers coming from elsewhere. The reasons why there was a sharp decrease in the volume of construction works carried out abroad was, according to most observers, obviously due to:

- The economic and political collapse and the instability in CEE countries and even more important the Russian Federation and the CIS countries.
- The problem to find credible and solvent partners.
- The competition with the cheap work force of other foreign suppliers, the increase of illegal work and social dumping practices.
- The uncertain legal and political environment.
- The privatisation and the liberalisation of the sector created a giant fall in the size of the construction companies. Only few big companies could stay upright. On the other hand there was and is still no stable (national) group of small and medium sized companies. The focus is on local work.
- Finally the reduction of the work permits based on the bilateral agreements with Germany had an impact for almost all the CEE countries.

Illegal work

Illegal work was and is a general and widespread disease in construction.
It contributes to a distortion of competition, a downward trend in prizes, wages, productivity and quality and gives the industry a bad image.
If illegal work becomes dominant in a market it is difficult to develop industry-wide arrangements, provisions and agreements that can strengthen the continuity of a sector, or to keep these provisions upright. As a result the majority of companies are no longer interested in social regulations in the industry.
What we can see now in the economies of the Central and Eastern European countries, is a decentralisation of bargaining to the lowest level, the company level, on the one hand, and no strong feelings or arguments for any sectoral arrangements on the other.
An important black economy stabilises at short term those companies and workers that go for themselves, but is in the long run destructive for the construction sector.
Illegal migration is not the dominant characteristic of the market for illegal work in the countries mentioned. But it must be clear that the application of the legal regulations and the collective agreements of the country where the work is done, or better said, the application of the equal treatment principles, can take away the problems with migrating foreign workers.
This was the leading principle for the policy of the European building unions with regard to the free movement of workers at the start of the unification of the European market.

Observatoire social européen: A different perspective on Europe

The Observatoire social européen was founded in 1984 to foster a better understanding – and hence greater mastery – of the social implications of the building of Europe. Its main tasks are to monitor developments in Community policies, particularly social policies, and to analyse the forces and players at work. To this end, the Observatoire follows European events carefully and endeavours to interpret the emerging challenges and major trends.

In doing so, it has gradually become a reference point and a repository of information for trade union organisations, NGOs, researchers and policy-makers, but also for civil servants, journalists and students wanting to obtain specific, critical information concerning the EU and European integration. It attempts to act as an interface between the public authorities, the university world, the trade union movement and social groups, by putting forward critical views while duly respecting academic research criteria. To consolidate this approach a scientific advisory Board was formed in 1999.

Our analysis and monitoring of specific fields is enriched by teamwork and feeds into co-operative projects with other organisations. Some of these projects have become permanent fixtures, several of which are listed below:

- ever since the Treaty of Maastricht, the Observatoire has been commissioned by the European Trade Union Confederation (ETUC) to analyse institutional developments in the European Union. Now we are involved with ETUI in the following of the preparation of the next IGC.
- various teaching materials have been produced for the FEC (Training-Education-Culture, CSC and the Italian CISL),

- the Observatoire is jointly responsible, with the IRES (France), for producing an overview of collective bargaining in the European Union countries, commissioned by the French Ministry of Employment and Solidarity for its publication "*Bilan annuel de la négociation collective*" (Annual Review of Collective Bargaining);
- since 1995 the Belgian Ministry of Social Affairs has entrusted us with several research projects concerning social convergence in Europe. For the past two years we have been responsible for a new section on social Europe in the Belgian Review of Social Security.
- since 1993 we have been responsible for the "Digest" on European matters in the Journal of European Social Policy;

We would also mention our regular collaboration with the Swedish trade union sponsored research programme entitled "Saltsa". One current study financed by the Saltsa programme will examine the impact of "Open method of co-ordination " on pensions, employment and income taxation.

Given that the issue of European Union enlargement has taken on increasing importance in recent years, a network of correspondents in the countries applying for EU accession has been created and is to be further developed in the future.

Numerous European and international conferences are organised, often in conjunction with other bodies (Hans-Böckler Foundation, European Trade Union Institute, European Policy Study Group - GEPE), on themes as diverse as "social pacts in Europe", "new governance" and "the social dimensions of enlargement".

Research fields

European integration and its repercussions in the social sphere, in the broadest sense of the term, form the common denominator of the research and analysis we undertake. This work focuses on topical events in Europe and aims to identify emerging problems. We have devoted a particular attention over the past ten years to the social consequences of monetary union. The Observatoire is now focusing more closely on the social challenges for social security, and on the impact of new forms of governance such as the open method of co-ordination and its practical impact on the European process, above all as regards indicators.

Institutional aspects
Since our creation, we analyse progress in European integration, the outcome of intergovernmental conferences, decode the Treaties and their reforms, and disseminate this information in the form of newsletters and dossiers.

We are currently devoting a good deal of attention to new forms of governance, and in particular the open method of co-ordination, especially in the context of a joint research project with Saltsa and the University of Wisconsin-Madison (USA).

The social dimension
The social dimension of European integration has evolved markedly since its inception, forcing us to redirect our research whenever events take a different turn. The first book published in 1989 was entitled "*Le défi social*" (The Social Challenge), Thereafter we examined the various social programmes and the Charter of workers' rights. During the 1990s we held training sessions, financed by the European Union, on European works councils for trade union representatives in various sectors (automobile, chemicals, banking, insurance and textiles) and published various documents on this topic.

The Observatoire has monitored the social developments of the European Union every year since 1995, now published as a book by the ETUI and the OSE. Various studies have likewise been conducted on social convergence and on social pacts in Europe.

The subjects of employment, with the Luxembourg strategy, and more recently social protection (poverty and social exclusion and pensions) have been at the forefront of European debate for some years. These emerging issues are being scrutinised carefully. Given their complexity, we are working in a network with researchers from different backgrounds on these topics. We are currently examining the question of social indicators concerning poverty/social exclusion and quality of employment.

The OSE has recently devoted particular attention to the impact of European integration on the healthcare systems of Member States. We co-ordinated an international conference under the Belgian presidency, entitled “European integration and national healthcare systems: a challenge for social policy” (December 2001).

Monetary union and its social consequences

The OSE has attached particular importance to economic and monetary developments in Europe since the end of the 1980s. We have held four international conferences on this theme dealing alternatively on the impact on wage bargaining and on Welfare state.
We would single out the conference on the social implications of EMU, which was supported by the Belgian Ministry of Social Affairs and the Finnish Ministry of Social Affairs and Health. That event resulted in various publications, relating in particular to the social aspects (wages and social protection) of economic and monetary union, and some contributions on sectoral and multi-industry collective bargaining in the context of EMU. Our coverage of these aspects has benefited from co-operation with the IRES, on behalf of the French Ministry of Employment and Solidarity. This has led to publications describing specific developments in the metalworking, textiles, chemicals and construction sectors.
We have in addition carried out a literature survey for the Dublin Foundation on the theme “the impact of EMU on employment and social protection”.

We support also the reflection of the European Textile sector around a specific wage norm. The main idea was to propose a snake where when all the indicators are good (growth, profit, unemployment, competitiveness), the objective is to have all the national productivity gain (plus national inflation) and when they are in red the national trade union should obtain at least the national inflation. So doing, the wage norm is strictly defined but also flexible enough for taking on board national circumstances.

More recently, a conference on “Wage policy in the Euro zone " has been organised with the support of the Belgian Deputy Prime Minister and Minister for Employment, in connection with Belgium’s

presidency of the EU. This conference has also been organised in collaboration with the European Commission, the European Trade Union Confederation, the European Trade Union Institute and the Belgian Conseil central de l'économie.
The idea behind it was the consideration that the Cologne process devoted to fostering a dialogue between various players (Finances and Social Affairs Ministers, European central bank and the social partners) was not really functioning well. On the other hand, there is a need of dialogue between the trade unions and the academic community on these questions. Finally the social agenda has opened a window of opportunity stating as one of the goals for the future:
"Improve the functioning of the macro-economic dialogue provided for at the Cologne Council so that it fully contributes to the positive and dynamic interaction of economic, social and employment policies. Encourage exchanges of information between the Community institutions and social partners, on on-going changes in the make-up and content of wages and salaries". The interest of having such sentence is that we can organise activities around these questions for the next five years. The first conference has indicated a distance between academics generally sceptical on the possibilities of wage co-ordination at European level and trade unionists underlying the progress already made in this direction. A general conclusion was that more discussions are needed and that we should anticipate changes and not to try to reproduce old frameworks.

Information instruments

There are five strands to our information policy: the bulletin *Notabene*, electronic newsletters and the website, books, dossiers and brochures, and the documentation centre.

The **periodical** *Notabene* (only in French) is our principal vehicle of information, offering a critical and analytical overview of major developments in Europe.

Our **website** www.ose.be is regularly updated and makes most of our publications available free of charge in French and English and our newsletters appear in several languages (French, English, Italian and German).

The **electronic newsletter** *InfOSE* covers the latest European events, particularly their economic and social aspects. Added to the texts are a number of hyperlinks to documents offering a more in-depth analysis. Thematic websites have also been created on certain topical themes ("EMU Info" on monetary union; "CIG Info" on the Intergovernmental Conference, Tomorrow Europe on the debate on the Future of Europe).

The Observatoire engages in producing and editing **books,** for instance "The Social Challenges of EMU" and "Monetary Union and Collective Bargaining in Europe", published by PIE/Peter Lang. Social Pacts in Europe with ETUI or "*Comprendre l'Europe sociale. Le rôle des syndicats*" (Understanding social Europe. The role of trade unions), published by Vie ouvrière.

Among the topics most recently covered by our **working papers** are globalisation (Globalisation: The Community's response), social security (Does EMU threaten European welfare?"), pensions ("*Les retraites par répartition dans le collimateur européen*" - Pay-as-you-go pensions in Europe's line of fire). A joint series with the European Trade Union Institute is devoted to working papers in English.
We also produce some brochures with a more educational slant (leaflets on the EU Treaty, European social policy etc.).

Our computer-based **documentation centre** has several thousand bibliographical references. This service is available upon request.

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Presentation of the dBuild prototype of a database produced by the Northwest network of training institutes in cooperation with the European Institute for Construction Labour Research (CLR). Held in Brussels on 16.11.2001 *report by K.H.Zachmann/edited by Jan Cremers*

Mr Jan Cremers, former General Secretary of the European Trade Union of Construction and Woodworkers (EFBWW), chaired the presentation meeting of the independent experts. He welcomed also Mr Paetzold (FIEC) and Mr Zachmann (EC-DG ENTR – Construction Contact Point).

The initiators of the dBuild project are coming from the training institutes working together in the Northwest European network of vocational training Institutes. It is felt that the work and surveys previously done by CEDEFOP need substantial updating and deepening.

Behind “dBuild” hides a plan to create a permanent updated database on the Internet containing information on occupations, qualifications and competencies in the construction sector (understood in a wide sense: building and civil engineering; from painting and plastering to carpentry and masonry).

The pilot database as it has been presented to the audience can be understood as a matrix comprising on the one side 8 countries within the NWE-Network (DE, DK, BE, FR, IRL, POL, NL, ENGL) and 7 information categories on the other. These categories are: educational systems/ occupations/ vocational qualifications / country update/ useful addresses and relevant links/ news.

For the first pilot purpose only Germany and the Netherlands are chosen and out of the 10 CEDEFOP occupation categories only “mason bricklayers” have been retained. This was done to have a prototype ready for demonstration.
The database may already be visited on an experimental database: **www.werkplaats-afranse.nl/dbuild/opening**.

For the time being the project is focussed on the following nine potential user groups: staff managers, employees, training centres, trainers/teachers, apprentices, vocational training organisations, public authorities, research institutions, European and national social partners, other European organisations.

It is intended, after a first trial phase, to involve as much of the EU countries as possible and of the candidate countries as well. Furthermore the idea is to link up with other existent networks and the network partners.

Following the question risen by Mr Paetzold (FIEC) it is intended, now that the technical preparation is well advanced, to inform the social partners within the frame of the Social Dialogue and to make relevant presentations and demonstrations.

As far as financing is concerned the dBuild pilot project is standing so far on its own. A submission to the Leonardo programme was not successful. Social Partners will be asked for their moral assistance on European as well as national level.

In the near future it may also be relevant to consider the linguistic problems introducing other languages besides English.

Closing the meeting, Mr Cremers stressed the need to put the dBuild project on the Agenda of the Social Dialogue. It is deplored that the human resources within the EC, devoted to the Social Dialogue, are by far not sufficient at the moment.

Uwe Hunger
Der Rheinische Kapitalismus in der Defensive,
eine Komparative Policy-Analyse zum Paradigmenwechsel in den Arbeitsmarktbeziehungen am Beispiel der Bauwirtschaft
(Rheinian Capitalism in the Defence, a comparative policy analysis in labour market relations, the case of the construction industry)
Nomos-Verlag, Baden-Baden 1999.

The book is structured in three parts. The first extensively documents the structural changes in the construction sector in Germany: starting from changes in the legal framework, the posting directive and contract law - such as the increase in contracts of service replacing contracts of employment - and the abuse of the systems. The German construction is in a process of rapid change and the author illustrates the deep crisis of the German construction industry extensively:
Large firms have started to restructure their personnel, reduce manual and non-manual employment and largely replace them with subcontracts. The pricing strategies are now based on using subcontracting labour or firms from low wage economies. Numbers of business bankruptcies have risen, in particular of medium sized 'Mittelstand' firms, training figures have declined and accident levels have risen. The collective bargaining system has been weakened as the employer's associations and the union have a reduced coverage, in particular in the new 'Länder'. Wage settlements in the collective agreements have often not been complied with.

The empirical evidence presented certainly paints a very bleak picture of the state of the German construction industry. Unfortunately, most of the data refers to 1994 to 1996 which makes the reader wonder whether this might have been the worst moment in the 90s. The resilience of the institutions and of the regulating mechanisms seem remarkable, surviving this crisis relatively unscathed.

Part 2 makes exciting reading and is a thorough, well informed and well written discussion of the various European national laws and European directive concerning the posting of labour. He describes in detail the political process leading up to passing the 'Entsendegesetz' in Germany. The positions of the political parties, employers' and employees' organisations, the results and implications of the law are discussed. The state, under the new 'red-green' coalition government, took decisive action in the latest revision of the law. The 'Tarifausschuß', the committee of the social partners' representatives used to be the only body deciding about the extension of collective agreements, now the minister has the right to regulate.

Part 3 analyses the structural changes in the German construction industry. The higher proportion of foreign, low skilled and low paid labour in Germany is to stay. It is anticipated that the sector will differentiate into a high and low-price market segment with distinctly different characteristics similar to the construction markets in deregulated economies of the US and the UK. The labour market will be affected by many problems: a downward spiral of qualification and skill as highly trained labour will be substituted by less skilled (sinking wages are not an incentive to invest in training). In the training system the multinational companies will withdraw their financial contributions; management personnel on site will be in short supply as the mechanisms of skill reproduction via progression from skilled to management positions cannot continue to operate anymore. There will be a loss of productivity as highly trained labour is substituted in the low wage market segment at an increasing rate as the skill infrastructure is weakened on the national level.
The author discusses policy issues addressing and advising policymakers on how to respond to the structural changes in the construction industry. He proposes the following measures should be taken. Minimal standards, such as wage levels should be set either through agreement by the social partners or by state legislation; and thus a level playing field would be provided for the sector. Most importantly, however, is a restructuring of the sectorial social funds. The state has partly used the social funds to finance the rebuilding of the GDR. The pension and training funds were thus misappropriated. This huge financial commitment has to be financed through general taxation and thus shouldered by the whole society.

This book is a valuable contribution to the understanding of the anomalies in the German construction industry in the 90s. The main question in this ongoing debate leads the author to use the title ‘paradigm change’. Yet the time horizon is too narrow to make a well founded analysis of whether the extent of the crisis is as deep and structural as the author indicates. The process of Europeanisation, however, will nevertheless proceed. The competition between different governance system and regulated and deregulated business systems will thus be part of a future European development in particular with regard of the extension to the East.

Georg Herrmann, University of Westminster, London

Stephen L. Gruneberg and Graham J.Ive
The Economics of the Modern Construction Firm
MACMILLAN PRESS, London 2000, pp.xxv+307.

This is the companion volume to ‘The Economics of the Modern Construction Sector’, which was reviewed in CLR-News 4/2000.
In the present volume the authors try to provide a theoretical framework for understanding the construction firm at a practical level. That is, to understand its decision making, strategic thinking and planning effort. The theoretical position is mainly eclectic, there are analyses based on neo-classical theory, but other economic theories are applied as well.
In the first chapter a conceptual framework is presented for the analysis of economic processes in general. In any economy there are four types of institutions, i.e. systems for the provision of labour, of land and infrastructure, of money and information. In chapter 2 the concepts developed in the first chapter are applied to construction or the provision of the built environment as it is called. There is a scheme which relates actors in the building process to the roles they perform (developer, designer, builder, owner and user) and the type of relationship that exists between them. In the third chapter, the point of departure is the observation that several variables related to the construction sector (for example the distribution of firm size) are polarised. Duality of the labour market is discussed. Also there are some paragraphs devoted to differences in productivity between small and large firms. Chapter 4 defines the position of the construction firm in terms of markets. The pricing behavior of construction firms is

discussed in relation to different market structures. In chapter 5 the construction process is treated from a transactionist point of view. Williamson's general theoretical concepts are applied to construction firms. Basically three factors generate transaction costs in construction: uncertainty, small numbers of competitors and low asset specificity.

Chapter 6 deals with the nature of construction markets, with an emphasis on price setting. Chapter 7 and 8 deal with production capacity. Firm capacity is defined as the point where unit cost rises dramatically in order to achieve additional output. Over- and under-capacity are discussed in relation to pricing behavior. In chapter 9, investment decisions of construction firms are modeled in terms of a specific (so called Eichner-Wood) model. With this model, investment-, sales- and pricing decisions of the modern construction firm are analysed. In chapter 10 pricing, sales and investment decisions are discussed opposing speculative builders to contractors. In the final chapters the construction process is analysed in terms of capital circuits, and the behavior of construction firms is treated from the standpoint of capital ownership.

Conclusion

By placing construction firms in broader social structures the authors have drawn the construction firm more into economic theory, but on the other hand succeeded at remaining at a practical level. This is the main contribution of the book. On several occasions, the authors provide the reader with original views. To me, most interesting were chapters 6 and 9, but other readers may judge differently. I can't imagine that there are readers who don't find anything new at all.

As mentioned before, the book does not adopt a single theoretical position. Different theories are applied in a sometimes impressionistic way. This does not add to the internal coherence of the book and makes it less suited as an introductory text. Compared to the volume on the construction sector, this volume is clearly on a more advanced level.

In the book, many hypotheses are put forward. Sometimes answers are given, but not always in a convincing way. For example in chapter 3 the authors suggest that the size distribution of construction firms tends to polarize (p.62). However, the presented statistical evidence (fig.3.1) is not very convincing, nor is there much proof elsewhere.

For example in Dutch construction (where subcontracting has been steadily growing in the past decennia) medium sized firms made up 11 percent of the total distribution in 1980. In 1998 it was 13 percent.
There are some other points of critique too. The analysis seems more directed towards larger construction firms than to smaller ones. Small firms act differently from large ones. Wages (and wage theories) are not discussed, which is strange for an industry that relies so much on labour. The introductory chapter falls short of what it should be. The authors could do a little more to explain why they have set up the book in the way they did. This means that they should have been more explicit about the justification for leaving certain topics in and leaving others out. Also the concluding remarks at the end could be more tuned towards the contents of the respective chapters.
One is tempted to compare this book with Hillebrandt's 'Economic Theory and the Construction Industry' (1974). There is a resemblance, but there are also differences. The resemblance lies mainly in the selection of topics. In both volumes subjects like firm objectives, cost, supply, demand and price determination are discussed. The differences are in the way these subjects are treated. Patricia Hillebrandt's book is clearly aimed at teaching. It is compactly written and theoretic. On the other hand Ive and Gruneberg's book is more loosely written and is more digressive. But don't be fooled. 'The Economics of the Modern Construction Firm' is a stimulating book. It deserves to be read by everyone who is engaged in economic or social scientific research of the construction industry.

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