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OBSERVATORY 2

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NOTE FROM THE EDITOR

Alarming news during this summer.

The first publications dedicated to a European survey of the construction sector have shown that in the Netherlands, for instance, on two thirds of the building sites there is no compliance with basic health and safety rules. The labour inspectorate visited almost 350 sites and found infringements of the safety rules on 68% of sites. 162 sites were even closed down because of the poor health and safety situation. The risk of falling from height was especially neglected. Statistics tell us that every year some 1300 construction workers die on building sites through falling from height.

The official results of the study carried out by the national labour inspectorates are not yet available.

However, the Netherlands seem to be somewhere in the middle of the ranking, with the Mediterranean countries having an even poorer record and the Nordic countries performing best. If the Dutch result is close to the European average then the outlook in construction with regard to the improvement of health and safety is really devastating. The strong argument against the policy of several free market oriented governments that wanted to deregulate health and safety regulations “*because they hinder the companies and create too much administration*” seems to have been forgotten. One can argue about what a worker’s life is worth but the risk of falling from height has nothing to do with an administrative burden.

It is time to remind vigorously these governments of article 31 of the European Social Charter where the right to healthy and safe working conditions is guaranteed.

We will certainly come back with a critical review of this European study.

We can probably combine that review with the outcome of a study on *work related stress in construction* that I am doing myself in close cooperation with the European partners in construction.

Several CLR colleagues prepared the national reports for this study, which will be completed with the results of a survey carried out by the EFBWW. But that’s for the future.

This issue of CLR-News is the second volume of our Observatory. In the number one issue I already praised Harry Beereboom for the great job he did with his fellow national rapporteurs.

I have to address myself also to Jörn Janssen who took over some of the editing as I myself was still campaigning for the European Parliament. As expected, I was not elected but as we won I will be the second successor for this period.

In this issue you will also find reports about the setting up of more regional CLR offices during the last months.

The discussion on trade union restructuring is going on, with a critical contribution from a British point of view including a discussion based on this critique. This discussion may stay on our agenda for as long as it remains an urgent issue in the trade union movement.

So be warned and join in.

Jan Cremers, 10-8-2004

CLR NEWS available for download

Please note that all the CLR News issues (as from 2002) can be downloaded for free from the EFBWW website:

http://www.efbww.org/EN/publications/available_publications/building.php

You will also find a link there to the CLR studies and on how to order these studies.

OBSERVATORY

Construction in Sweden

Sven Ljung, Swedish Building Workers' Union (Byggnads)

Introduction

The Swedish construction market is currently experiencing a prolonged downturn with a low level of production and high unemployment rates. In 2003 total construction output decreased by 3% and a further decline is expected in 2004. Volume is expected to be flat in 2005 and could experience an increase in 2006. Sweden has, for a long time, lagged behind other European countries in terms of output/GDP and should not be expected to improve the position in the short term.

Different sectors of the construction industry

Although the general business sentiment is improving, the demand for the construction of commercial property is limited. Investment in infrastructure is basically dependent on government funding, as PPP (Private Public Partnerships) has hardly been introduced in Sweden.

A key component is the production of new residential houses. Output fell dramatically from 69,000 new dwellings in 1990 to only 12,000 in 1993. Construction volume stayed at that lower level until 1998. Since then new residential housing has increased only slowly and other sectors, like infrastructure investment, cannot compensate for lack of demand in that sector. The recovery from 2001 to 2003 has been slower than expected.

According to estimates from the National Board of Housing, Building and Planning, around 21,000 dwellings were built in 2003. Production level should rise somewhat in 2004, but still remain far below the level to achieve a reasonable balance. Sweden has around four million dwellings, with a population of around nine million. If

we expect a dwelling to have a lifespan of 100 years, there should be a need for around 40,000 new dwellings each year. The difference from the current level is significant.

Conversion of older houses also experienced a downturn in the 1990s. There was no collapse as there was for new construction, but many agree that current conversions do not cover long-term needs. One million new dwellings were built in Sweden between 1965 and 1975 and many of these will need to be refurbished in the near future.

Why is the demand for residential housing (both new construction and conversions) so low? In many Swedish counties there is actually a good supply of flats, detached houses, etc. It is mainly in Stockholm and some other major areas that demand is higher than supply. Furthermore, Sweden has a rent control system and property owners claim that they cannot make 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.

Employment in the construction sector

Up until 2002 construction employment increased for several years from a low level. The unemployment rate has since increased again. In December 2003 16.5% of building workers were unemployed or participated in programmes for the unemployed. Although this is higher than the annual average due to seasonal variations, this was the worst level since February 2002. In Stockholm and other major areas the unemployment rate is relatively low, whereas the unemployment rate in northern Sweden still is significant at above 20%. For those outside the larger cities, the prospect of getting construction work often depends on working Monday to Friday in Stockholm or in another city with high demand. When construction activity was low in Sweden many workers took the opportunity to work abroad, particularly in Norway, but many have now returned.

After some years with moderate wage increases building workers in Sweden now experience a higher growth rate than average for blue-collar workers. This is particularly the case in major areas with a high demand for construction work, but the relative strength of the trade union has a substantial impact on wages in other geographical areas too.

Good employment conditions are necessary to attract young people to the construction sector. It was basically younger workers who left the sector during the recession in the 1990s. Thus more than 25% of our members are now over 50. Few building workers work until retirement at 65, so there is currently a challenge to recruit new skilled workers to match those who will leave in the coming years.

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 infrastructure. Sweden has experienced a development similar to other European countries where middle-sized companies have basically disappeared. Smaller companies compete for smaller projects that the large companies 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 and other European countries. Further, it has substantial US operations and is among the largest in the fragmented US construction market. Skanska has clear growth objectives, and around 80% of turnover and employees are now outside Sweden. For NCC, around 50% of turnover is still domestic, but the company is among the market leaders in each Nordic country. Its operations outside the Nordic region basically consist of larger infrastructure projects. PEAB, the third largest company, has a strong position in Sweden, with international operations only in the Nordic region.

Non-Swedish companies still play a marginal role in the domestic construction market. There have been a few acquisitions by foreign contractors, but not to the extent that Swedish companies have focused on other markets. There have been many mergers and acquisitions, but seldom with a foreign company involved. A new player in Sweden is Veidekke, the market leader in Norway. It has recently made some acquisitions in Sweden and aims now to become a major player here.

The German company Bilfinger-Berger is building a bridge between Sweden and Norway. Without any previous experience in Sweden it received the contract against stiff competition from the domestic competitors. Bilfinger-Berger has signed a collective agreement with the Swedish Building Workers' Union, but has so far not hired any Swedish workers. It has a core group of German employees and Polish and Czech subcontractors.

Working in Sweden

EU citizens normally have full access to the labour market in other EU countries and government policy has been to open the Swedish labour market to citizens from the new member states from May 2004.

Currently it seems as though most existing EU countries will impose transitional rules for access to the labour market. Germany and Austria declared their ambitions early on and now more countries are following suit. Thus the Swedish government has declared that transitional rules may be required. Currently we do not know what that will mean and until May we shall not know whether the legislation process may finalise the rules.

The Swedish Building Workers' Union, as well as the trade unions for painters and electricians, earlier suggested some form of transitional rules. LO, the Swedish Trade Union Confederation, has been in favour of full access for citizens of the new member states, but has required the government to impose stricter rules to restore

order in the labour market. There is a fear that citizens from the current candidate countries could be exploited by ruthless employers.

There is also a decision from the European Court that allows EU citizens to receive social benefits if they have employment of 10 hours a week. Some fear that this could lead to employers offering wages well below the standard level in exchange for access to Swedish social benefits.

It is already possible for the self-employed from the candidate countries to work in Sweden for a limited period. This experience has exposed some of the problems that we are facing with enlargement. Many workers are willing to accept low wages and work 10-12 hours a day under poor working conditions.

Collective agreements

There are currently negotiations for a new collective agreement between the Swedish Building Workers' Union and the Swedish Construction Federation. Thus there is great uncertainty over the outcome and what follows must be based on a few assumptions.

Wages for building workers increased on average by 3.5% in 2003. This is slightly better than the outcome for other blue-collar workers and higher than the levels in many other European countries.

The industrial trade unions and their counterparts are expected to reach an agreement before an agreement will be finalised in the building sector. There appear to be ambitions to negotiate an agreement for two or three years, but it is still too early to say whether this will be possible.

Demands from the trade union include:

- Increase in wages of 3.2%.
- 8 hours per annum shorter working time.
- Improved working conditions.

The employers state that the current potential for wage increases is extremely limited, based on the fact that the building workers received above average last year and current low construction volumes and poor profitability.

It is not only the matter of the controversy over the level of wage increases: in the end the parties will find a solution at an appropriate level. One issue that returns with every negotiation for a new collective agreement is who shall negotiate wages at local level. The employers want to negotiate directly with the employees whereas the trade union insists that local branches should keep that authority.

Working conditions

Working conditions, health and safety, are very important for the trade unions and their members. There should be safety representatives at each workplace and they have the authority to stop dangerous work until government officials have examined the workplace. Each local branch within the Swedish Building Workers' Union has an officer who works full-time/part-time on working conditions, based on the size of the branch. Despite good legislation and resources for the trade union to work on these issues, the building sector still faces significant challenges regarding accidents and exposure to repetitive tasks. The problem is in those companies where we have no collective agreements, based on having no members employed there.

In the current negotiations for a new collective agreement the trade union is requiring a joint working group to monitor personnel spaces. Furthermore there are demands for quality-assured occupational health care and for improved trade union influence on staffing and rehabilitation. A key issue is that the time allocated to a building project is often under pressure.

Very few building workers retire at 65 as construction workers and that is a challenge for the sector to reverse.

Vocational training

There is currently a joint working group between the Swedish Building Workers' Union and the Swedish Construction Federation whose objective is to evaluate and propose amendments to the current collective agreement for vocational training. One issue that is being discussed is the introduction of examinations for apprentices, as currently applies to apprentices who wish to become plumbers, in order to raise the status of work in the sector.

After a significant downturn in the 1990s many younger building workers had to transfer to other sectors, as demand for construction was significantly reduced. Although very few building workers manage to stay in the business until the age of 65, thousands of workers are expected to leave the sector within the next couple of years. Long term there will be great demand for the training of new building workers, while short term it has been increasingly difficult to acquire work for apprentices.

Appendix – Actors in the sector

Trade union:

Byggnads, Swedish Building Workers' Union

100,000 members

www.byggnads.se

Employers' Federation:

Byggentreprenörerna, Swedish Construction Federation

www.bygg.org

Organisation responsible for health and safety:

Arbetsmiljöverket, Swedish National Board of Occupational Safety and Health

www.av.se

The Dutch labour market in 2003: after the break, another year of recession

Harry Beereboom, Economisch Instituut voor de Bouwnijverheid (EIB), Amsterdam

In 2002 eight years of continuously rising production came to an end and fell for the first time (-3.1%). In 2003 there was a further fall in overall production of -3%, especially in new offices (-11%) and new roadworks (-4.5%).¹ The setback in repair and maintenance was less dramatic. As a consequence of this, the number of jobs in the third quarter of 2003 decreased by 5% in comparison with the same quarter in 2002. Unemployment rose to 4%, twice the level of 2002.² At present, excluding the installation³ and construction supplies sectors, approximately 275,000 people are employed in the industry.

Wage negotiations

Approximately a third of the 19,000 active firms with employees on their payroll are organised within the umbrella organisation AVBB. Among them are the general contractors' organisations in both residential and non-residential building (Bouwned) and in civil engineering, roadworks and the like (Vianed). A large number of specialised firms are organised in Conga,⁴ which is also a member of AVBB. On the employee side are the general union FNVBouw, the Christian Hout- en Bouwbond CNV and the union of mechanical engineers, Het Zwarte Corps. Approximately half the workers are organised into unions.

In Dutch construction there are at least nine collective agreements.⁵ All the arrangements negotiated by the employers' and employees' unions are by law applicable to all firms and employees in the

¹ EIB (2004) *Verwachtingen bouwproductie en werkgelegenheid in 2004*, Amsterdam.

² UWV, *Beleidsinformatie bouwbedrijf 3e kwartaal 2003*.

³ Installation (gas, water, electrotechnical) 125,000, wood supplies 9,500, construction supplies 8,000.

⁴ CONFederatie van Gespecialiseerde Aannemers. Included are specialist joining, roofing, tile-works, kitters, scaffolding and masonry firms. There is in addition FOSAG representing 3,500 housepainting firms and NOA representing 1,500 plasterwork and other finishing firms. Neither is represented in AVBB.

⁵ See appendix.

industry whether or not they are members of one of the organisations. Employees from other countries within the European community are also bound by these agreements. General agreements are usually negotiated for a period of one or two years. The last collective agreement for construction firms (with 150,000 employees, the largest in construction) was negotiated in 2002. Negotiations were not easy then and there were selective strikes. In 2003, however, there were no strikes, mainly due to the fact that most general agreements will end in 2004. In 2003 there were though three new agreements, one for housepainters, one for roofers and one for woodworkers. Wage increases varied from 1.3% (house-painters) to 5.0% (roofers). An important part of the negotiations was devoted to secondary arrangements like leave, retirement, the position of older workers and the re-employment of partially disabled workers. These new agreements offer further opportunities for so-called ‘a la carte’ agreements, a recent trend in Dutch collective agreements. This means individualisation of working arrangements in that employees have the possibility of exchanging certain rights for others. For example, older workers of 55 years and over are entitled to a four-day week in exchange for a certain amount of holidays.

A new element was the introduction of a so-called ‘year model’ for housepainters. In essence this means that the workload of an employee is distributed differently on an annual basis. In summer workers have to work longer hours in order to ‘earn’ leave in the winter, a system devised in order to reduce seasonal unemployment.⁶ There are similar experiments in road construction. In practice employers are supporters of this system, but many workers are opposed because they have fewer opportunities for working overtime during the summer and autumn, which are paid extra.⁷ In the autumn of 2003 unions and government reached an agreement on a wage freeze until 2005. This will have consequences for seven of the nine general agreements, including those for construction firms, that have to be negotiated in 2004.

⁶ New measures to combat cyclical unemployment were implemented; see the paragraph on social protection.

⁷ Also because unemployment benefits are calculated on the basis of past wage levels, benefits for workers who had a lot of overtime will tend to be higher than for workers without overtime.

Working conditions, health and safety

Every two to four years an employee is invited to have a medical examination. These examinations are carried out by the so-called *Arbodiensten*, organisations staffed by medical doctors specialising in labour-related diseases, ergonomists, etc.⁸ Although there is no obligation to have one, 40,000 employees are examined each year. This is coordinated by Stichting Arbouw, the industry's own organisation for health and working conditions. The organisation also brings out publications that are regarded by the industry as norm-setting.⁹ In recent years much attention has been paid to lifting, dust, quartz and organic psycho syndromes (ops).¹⁰

The number of registered accidents amongst construction-workers in 2002 was 31,000 (latest figure available).¹¹ Two-thirds were work related. As a rough estimate, every worker in the industry has an 8% chance of being struck by an accident, but variations between occupations are quite large. For example, the chance of carpenters having an accident is twice that for housepainters and 10 times that for staff personnel.

Dutch construction is confronted with an ageing labour force. At the moment the mean age is 37-38 years and will rise in the near future. Given the fact that many older workers show signs of wear and tear (worn-out knees, hips, elbows, etc), an increase is to be expected in the attention given to the working conditions of older people, especially on building sites, the main reason being that older workers will be needed to keep the labour force at the desired level.

⁸ Periodiek Arbeids-Gezondheidskundig Onderzoek (PAGO).

⁹ The so-called '*A-bladen*'. In 2003 two new ones were published, one for tilers and one for pavement materiel.

¹⁰ Lourens, E. (2003) *Arbovoorzichting in de bouw*, May, Reed Business Information, Doetinchem.

¹¹ Arbouw (2003) *Arbeidsongevallen in de bouw in 2002*, April. Workers in the wood and mortar industries and railroad workers are not included.

Vocational training

The Dutch vocational training system is the joint responsibility of government and the construction sector. The school part of the system is the responsibility of the Ministry of Education is responsible and the practice-part the responsibility of the construction-sector. At the moment there are three institutions for vocational training: Bouwradius for the residential and non-residential sector; SBW for road construction, mechanical engineers and groundwork; and Savantis for the painting and finishing trades. In the Dutch system vocational training is developed at four levels. Traditional vocational training is at level 2 (basic) and level 3 (advanced).¹² The total number of pupils at levels 2 and 3 is 17,000, that is 9,800 in the residential and non-residential sector, 4,000 in road construction, mechanical engineering and roadwork, and 3,200 in the painting and finishing trades.¹³ The average duration of basic training is between two and two and a half years and for advanced training two years.

In 2003 further modifications took place in several training programmes. Of some importance was the foundation of the KwaliteitsCentrum Externe legitimering (KCE), an institution developed for the certification of training schemes. Schools, in principle the responsibility of the Ministry of Education, are allowed to use examination programmes drawn up by KCE without the need for approval by the Ministry. Another issue is the possibility for non-certified employees to obtain a certificate on the basis of their work experience. This is the so-called 'acknowledgement of competence acquired elsewhere or informally', or EVC. Arrangements have been made in many collective agreements for employees to obtain a certificate on the basis of EVC, for example in the collective agreement for construction firms for painters, plasterers and other finishing trades, and for railroad construction workers.

¹² Level 1 is for pupils with deficient schooling, level 4 for training of staff (*kaderopleidingen*).

¹³ Jaarverslagen 2002, Bouwradius, SBW Infra. Personal communication Savantis.

A special phenomenon in residential and non-residential construction is the possibility for pupils in the vocational training system to produce building products for the market. This phenomenon, called *leerlingbouwplaats*, has existed since 1965. Houses and other projects are built by pupils under the guidance of specially trained supervisors (*leermeesters*) and experienced craftsmen. Bouwradius is aiming at 'big' principals, like local authorities, housing corporations and developers in order to create a continuous flow of these projects. In 2003 several agreements were made.

Social protection

From the mid-1990s onwards the Dutch system of social protection for workers against the consequences of sickness and disability has been aimed at increasing financial risk levels for employers and employees. The rationale behind this is twofold: first, the responsibilities of individual firms are no longer carried over to society as a whole but placed within the firm, and second, by increasing the financial risk levels both employers and employees are forced to engage in proper behaviour in the field of working conditions and safety. Until 2004 employers were obliged to pay wages throughout the first year of absence due to sickness.¹⁴ Although there was a legal obligation to pay at least the minimum wage level, in many collective agreements this was 'repaired' to 100%. Since January 2004 employers have been obliged to pay the second year too. Social partners have agreed that no more than 70% will be paid by the employer, in exchange for some alleviation in penalties where an employee becomes long-term disabled or handicapped.

In the Netherlands employees are classified as disabled when sick for longer than one year.¹⁵ Until 2004, when an employee became disabled this implied an extra financial risk for the employer, amongst others a higher levy under the Labour Disability Act

¹⁴ At the moment the absence rate due to sickness is about 6%.

¹⁵ Employees are then entering the regime of the Labour Disability Act (WAO).

(WAO). The Dutch system is notorious for the high number of disabled workers. In construction alone there were at least 70,000 such workers at the end of 2003.¹⁶ This high number is due to the fact that entering the disability arrangements is much easier than leaving them. Disabled workers are (in a financial sense) not only a burden for society as a whole but also for the construction sector itself. That is why reintegration arrangements for (partially-) handicapped workers get primary attention in the negotiations over collective agreements. Since 2002 both employer and employee have to cooperate in order to facilitate redeployment.¹⁷ Their efforts have to be reported in a so-called redeployment file (*reintegratieverslag*) and submitted to the executive for social security, UWV, which then judges whether employer and employee have done everything they could.

Two years ago the government decided upon measures to counter cyclical unemployment.¹⁸ In general this means that an employee is not entitled to regular unemployment benefits if they were unemployed during the same period in the preceding year, with the same employer and for a similar length of time. Instead the employee falls back on social relief, which is usually much less than regular unemployment benefits. This arrangement came into operation for the construction industry during the winter of 2003/04, so its effects cannot yet be evaluated. For the moment it is valid to say that, despite occasional stimulation measures,¹⁹ continuity in Dutch construction is still hampered by seasonal fluctuations,²⁰ especially in sectors like roadwork, painting and roofing.

Retirement arrangements are under strain because of an ageing population. Some years ago many building-site workers retired at 57,

¹⁶ UWV, Dept. Beleidsinformatie.

¹⁷ Wet verbetering Poortwachter, April 2002.

¹⁸ 'Besluit gelijkstelling niet-gewerkte uren met gewerkte uren', 2001.

¹⁹ Several arrangements exist in Dutch construction to promote winter working. For many years there have been subsidies for painters' clients (*winterschilder*). In residential and non-residential building there is the so-called 'Eigen risico regeling' (ERP). On the other hand, the 'year model' mentioned earlier is also an attempt to avoid winter unemployment.

²⁰ RKW (2003) *Entwicklung eines Instrumenten- bzw. Massnahmenkatalogs zur gleichmäßigen Auslastung der Baukapazitäten auf der Basis von Erfahrungen aus Deutschland und ausgewählten europäischen Ländern*, Eschborn.

but although at the moment this is still possible it is only under very strict conditions. Until recently the Dutch scheme was based on a 'solidarity between generations' system, which in essence meant that workers were paying for non-workers. Due to the imbalance between the numbers of older and younger workers the system will become far too costly and is being replaced by a capital-based pre-pension-system.²¹ Workers will still be allowed to retire relatively early, but they will have to pay for it, for example in the form of a lower retirement pension or by saving holidays over a long period of time.

Statistical appendix : Central organisations of employers and employees

Employers:

- AVBB: www.avbb.nl
- General contractors civil engineering Vianed: www.vianed.nl
- General contractors residential/non-residential building Bouwned: www.bouwned.nl
- Painters: www.fosag.nl
- Finishing trades: www.noanederland.nl
- Other specialised firms: Confederatie gespecialiseerde aannemers (Conga): tel. 00 31 55 5062125, fax: 00 31 55 5062840

Employees:

- FNV Bouw: (150,000²²) www.fnvbouw.nl
- Hout- en bouwbond CNV: (50,000¹⁵) www.hbbcnav.nl
- Het Zwarte Corps: (12,000²³) www.hzc.nl

Organisations responsible for health and safety in the construction industry:

- Stichting Arbouw: www.arbouw.nl

²¹ At the moment 62 is seen as a 'normal' retirement age, but workers have to pay for this in the form of lower retirement pensions. In the near future even 62 will be seen as too early.

²² Number includes disabled and retired members.

²³ Number includes unemployed, disabled and retired members, some of whom are/were employed outside the construction industry.

- Research Institute for the Dutch construction-sector (EIB)
www.eib.nl

Institutions for vocational training, number of pupils, etc.

- Civil engineering: SBW Infra: www.sbw.nl
- Residential/non-residential building: Bouwradius:
www.bouwradius.nl
- Painters and other finishing trades: Savantis www.savantis.nl

Collective agreements (valid from until; number of workers):

- cao bouwbedrijf (January 2002-March 2004, 150,000)
- cao uta-personeel (March 2002-March 2004, 55,000)
- cao schilders-, afwerkings- en glaszetbedrijf: (May 2003-March 2005, 30,000)
- cao stukadoors- afbouw terrazzo en vloerenbedrijf (2002-2003, 12,000)
- cao timmerindustrie(January 2003-December 2003, 11,000)
- cao bitumineuze en kunststof dakbedekking (March 2003-March 2005, 6,000)
- cao railinfra (April 2002–June 2004, 3,500)
- cao betonmortelcentrales (March 2002–March 2004, 2,200)
- cao natuursteenbedrijf (January 2002–December 2003, 2,000)

Distribution of firms according to size

- 1-10: 74%
- 11-20: 13%
- 21-50: 9%
- >50: 4%

Distribution of workers according to age:

- <20: 6%
- 20-29: 25%
- 30-44: 37%
- 45-65: 32%

The German construction labour market in 2003: the emerging dark sides of liberalisation

Stefan Hochstadt, Fachhochschule Dortmund

For seven to nine years now (depending on the respective region, that is West or East Germany) the German construction sector has seen a sharp and deep crisis, with a more or less constant fall in all relevant aspects, such as number of employees, production, turnover and profits. This has been, and still is, very much caused by low demand in the domestic market. Apart from some particular cases (for example, the boom in housebuilding in the last few months of 2003 caused by the ending of, or reduction in, state subsidies at the end of the year), every single part of the construction sector is confronted with bad forecasts, making it difficult to see any light at the end of the tunnel.

Officially in February 2004 there were almost 3 million unemployed in West Germany and almost 1.7 million in the East, representing a slight improvement compared with the figures for 2003. This should not be seen as a sign of an improving labour market situation, but only as the result of changed statistics. On average the unemployment rate was 8.4% in the West and 18.5% in the East in 2003 compared with 7.9% and 17.9% respectively in 2002. Even economic growth of 2% in 2004 will bring only a small reduction in unemployment, which nevertheless remains at 4 million or more. On the other hand, the number of vacancies is getting distinctly smaller: in February 2004 in West Germany the respective figure was only a little more than half the level of three years earlier. At fewer than 270,000, there is only one vacancy for 11 unemployed people. In East Germany the decline has not been as deep, but, at a third within two years, is still enormous. Here the gap between unemployed and vacancies is even larger than in the West: only one vacancy for 36 unemployed.

The situation is far worse in the construction sector. Overall unemployment was 282,000 in 2003 (+2.8% compared with 2002), more than 153,000 in East Germany. Although in general labour

markets perform worse in East Germany, at the moment unemployment is rising faster in West Germany (+5.7% compared with 0.4%). Only very few vacancies are registered: 6,000 in West and another 5,000 in East Germany. In February 2004 the unemployment rate in the construction sector was an unbelievable 35.5% with clear differences between East and West: while in West Germany 'only' every fourth construction worker was unemployed, in East Germany almost every second construction worker was out of work. This is easily double the general figure. And even in the months of highest production (August to October 2003) one in every six in the West and in every three in the East was unemployed.

This brings us to sector employment: from a total employment in the building sector of 955,000 in 2001, employment fell to 814,000 in 2003, a loss of 15% in only two years. In East Germany the development was even worse: 20% of jobs were lost in this short period, while in West Germany 13% went. Most affected were colleagues on building sites: skilled and unskilled workers (most in the West) as well as apprentices (most in the East) and foremen. Since 1995 half of total employment in the construction industry has been lost (Bauhauptgewerbe).

Despite a reduction in employment the number of companies has remained almost stable. There is only one explanation for this contradiction: companies became smaller. But it is not only the size (in terms of employment) of established companies, but the size of the newly founded companies, which are often very small (with fewer than 20 employees and mostly with fewer than five), that keeps the sector one of small and very small companies. At the other end of the spectrum, the few large companies in the construction sector have reduced employment very heavily; number one, Hochtief, employed some 22,000 in Germany less than a decade ago; today there are only some 8,000 left on its payroll in Germany while employment abroad has risen.

Production has simultaneously fallen off – rapidly but not as sharply: in West Germany in 2003 it was only three-quarters as high as in 1995. In the building sector (Hochbau) production has shrunk more heavily than in the construction sector (Tiefbau). In East Germany the cut was much deeper: in the construction sector the production index in 2003 reached only three-quarters of its 1995 level, and in the building sector it was well below half the 1995 level.

Prices have been falling slightly but almost constantly since 1997 in housebuilding, there has been almost no change in office building, and a slight increase in road works. Sector turnover has fallen off in the last few years; in East and West Germany the decrease was almost 10% between 2001 and 2003. Due to a change in the law, the housing market saw a boom in building permissions in 2003, which had fallen off by some 18% between 2001 and 2002 but increased by 10% until November 2003 in West Germany. In East Germany this effect is at a lower level but just as high, so that the downward movement is also significantly interrupted: the number of permissions fell by a third between 2001 and 2002, and increased by 4% until November 2003. If all these permissions lead to real work, the housing market will probably have quite a good 2004. But then the decline will start again, because it is obvious that it will only be a short external shock and will soon fizzle out.

Wage negotiations

Wages in the German construction sector are under permanent pressure as a result of the difficult economic situation and ongoing illegal employment – which IG BAU (the German trade union in the construction and agricultural sectors) estimates at up to 400,000 employees. Nevertheless, the standard wage in construction has moderately increased over the last few years without losing its intersectoral position. Apart from a few exceptions the wage increase was higher than the inflation rate. In terms of real wages (Effektivverdienste) the picture is quite different. Over the last few decades the construction sector rose in the intersectoral league from a

back to a midfield position. This development came to an end with the beginning of the sectoral crisis some 10 years ago. Since then real wages in the competing sectors have bettered their position relative to real wages in the construction sector. In East Germany in particular the decline was remarkable: from number two in 1991 construction had already slipped to a midfield position in 1998 and today it is probably worse. This disparate development shows very clearly the difficulty in realising acceptable (not to say good) wages in real life as opposed to in a good collective agreement. In the East especially, where free unions still do not have the strong position they had (and still do have) in the West, it is current practice to find an ‘applicable’ wage that is below the collective agreement. Today the minimum wage, which is set by law exclusively for the construction sector, is a ‘line of demarcation’. Employers follow not the wage system but this minimum level. Since there are two minimum wages, one for unskilled, another for skilled workers, the impact on the wage drift can be statistically proven. While in the West wages negotiated by the social partners are still being taken as a ‘line of orientation’, in the East there are two peaks in the dispersion of wages: the two minimum wages. Here the problem for IG BAU is clearly visible: on the one hand the minimum wage(s) is/are absolutely necessary in order to have a (weak) weapon against social and wage dumping; on the other hand, it undermines (or has the power to undermine) the system of collective agreements.

Thus illegal employment, including different forms of dumping – both illegal employment of foreigners without work permission and illicit employment (‘black work’) – is a major problem not only for the sector itself but also for the whole economy and for the unions, especially IG BAU. This is an important reason for IG BAU's policy against all kinds of illegal employment and its principal support for a recent draft by the German federal government against illicit employment (‘Entwurf eines Gesetzes zur Intensivierung der Bekämpfung der Schwarzarbeit und damit zusammenhängender Steuerhinterziehung’; BT-Drucksache 15/2573 of 2 March 2004). EU enlargement is another strengthened point of trade union policy: IG BAU does not want to establish the right of free movement for

everyone straight away because it fears a huge pressure on the labour market, and especially on the construction labour market, that can scarcely be handled. As happened in the early 1990s, there is an evident danger of a new reality in which traditional (that is, regulated, normative) employment is weakened. This is not only a point in itself but also in terms of all kinds of factors affecting the reproduction of the sector, such as qualifications, quality and productivity. Therefore IG BAU's position is quite sensible but unfortunately against the spirit of the age, where not only the conservatives and liberals but also the social democrats are supporters of a free and deregulated market in which trade unions only disturb the never-proven but always-claimed natural tendency to balance.

Due to the sector's bad conditions and workers' fear of losing their jobs, IG BAU decided not to fight for more money in this year's collective bargaining round but for employment. Thus the collective agreements on wages and salaries will not be recalled and no action will be taken towards a reduction in working time. The employers' federations, however, obviously see opportunities for extending working time, which is in IG BAU's view the wrong approach. The goal is not to put any additional financial pressure on companies but to get an agreement on maintaining employment ('Kündigungsmoratorium').

An important issue will be year-round employment. Seasonal employment and moreover seasonal unemployment have always been major problems in the sector, but now, since 'Hartz III and IV' have come into force, construction workers' incomes will again worsen. Any person who has been employed for less than twelve months over a two year period will get unemployment benefit II instead of unemployment benefit I. Unemployment benefit I is the old ordinary unemployment benefit, unemployment benefit II is significantly less. Thus the old claim of year-round employment is as real and at the top of the agenda as ever.

Vocational training

Despite the fact that the number of apprentices has declined significantly for almost 10 years the construction sector still trains more young people than other sectors. Recently the number of new apprenticeship contracts has again increased slightly. This is quite normal: at times when young persons can hardly find any apprenticeships, the construction sector is not faced with the problem of being unable to find sufficient people seeking apprenticeships. Thus the resulting number in the sector is anti-cyclic: the better the overall situation for young people the bigger the gap left in the construction sector. The general situation is actually so bad that there is a new law under discussion allowing companies to pay a levy if they do not offer a sufficient number of apprenticeships ('Ausbildungsplatzabgabe'). So it is not surprising that in the construction sector this number is rising without any general levy; there is a sectoral levy that is supporting construction companies offering apprenticeships and taking money from those that do not. Despite all debates for deregulation and a free market this system has now been working very well for three decades.

Apprentices in the construction sectors have seen a remarkable reduction in allowances but still get more than other industries and services. The quality of apprenticeship is widely recognised. Therefore the reasons for the sector's difficulties in finding sufficient and appropriate young persons for training must be external ones. Recent investigations show very clearly that the construction sector has a major image problem for those who are not (or not yet) in it. This is underlined by the development of not following an apprenticeship before going on to higher education (that is, at university). So the danger of losing the productive workforce is evident. If this leads to difficulties in maintaining production, companies will strengthen their efforts to find alternatives. These alternatives could be either illegal employment or legally 'imported' employees from the new EU member states.

A federal law was recently passed in parliament to re- or de-regulate labour markets, including apprenticeship. The so-called 'Hartz-Gesetz' (Second Law on Modern Services Labour Market) will have some impact on (socially and mentally) disabled youngsters, being intended to give them better chances on the labour market by offering a pre-qualification. Because this target group is of some importance for the construction sector, where they still find applicable jobs, IG BAU is supporting this Act.

Social protection

The public pension funds are under enormous pressure. At first glance this looks like a demographic problem – fewer young people to finance a growing number of older people out of work – and indeed one has to admit that the rising average age in Germany (as in most other developed countries) causes a financial problem in a system that is mainly based on cross-generation financing ('Generationenvertrag'). But on looking deeper, the problem shifts towards the question of employment, taxes, and, not least, solidarity, as well as the inclusion or exclusion of certain groups (in Germany only blue- and white-collar workers have to make a regular payment into pension funds depending on their income; self-employed, freelance workers and civil servants are not obliged to pay any money into the general funds; in the case of unemployment the state makes the payments).

All action taken in Germany in recent years targets cost reduction and personal financial care. This started some three years ago with the so-called 'Riester-Rente' (the concept of a former minister to strengthen firm-based pensions – the 'third pillar' alongside the state pension fund and personal care). This was nothing but the privatisation of costs and a first step towards a system that does not stay on an equal footing. The so-called Rürup-Kommission (a group of experts who had the chancellor's duty to find a new system of financing pensions or to ensure financing) made some suggestions, some of which are now incorporated into government policy. The

trade unions involved in the discussions did not agree with the recommendations and therefore quit the commitment. Ursula Engelen-Kefer from the German TUC (DGB) and Klaus WieseHügel, president of IG BAU, wanted to implement a system covering everyone regardless of his/her professional or 'life' status. But – of course – this was only the position of a minority, so that pension funds are still being paid by employees only, with all the structural effects on the system.

Other changes in law have taken place in the last year that do have a negative impact on social security (on the grounds that they will have positive effects on social security in the long run – but this is only a claim made by neo-liberals). The most important one (after 'Hartz': labour market, and 'Rürup': health and pension systems) may be the weakening of the protection of notice Act ('Kündigungsschutz'), of particular importance for the construction sector with its many small companies. Now firms with up to 10 employees can hire and fire more or less on a day-to-day basis. The Act on trades ('Handwerksordnung'), for ages a 'holy cow', has also been weakened so that for most trades one no longer has to have a *Meister* qualification in order to run a trade. Some of these are building trades. To sum up these recent actions, Germany is on its way to copying 1980s Britain, when labour-only/self-employed/one-man-companies increasingly appeared in the construction market due to action taken by the Conservatives. We know what came out of that, but does the German government know?

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See also:

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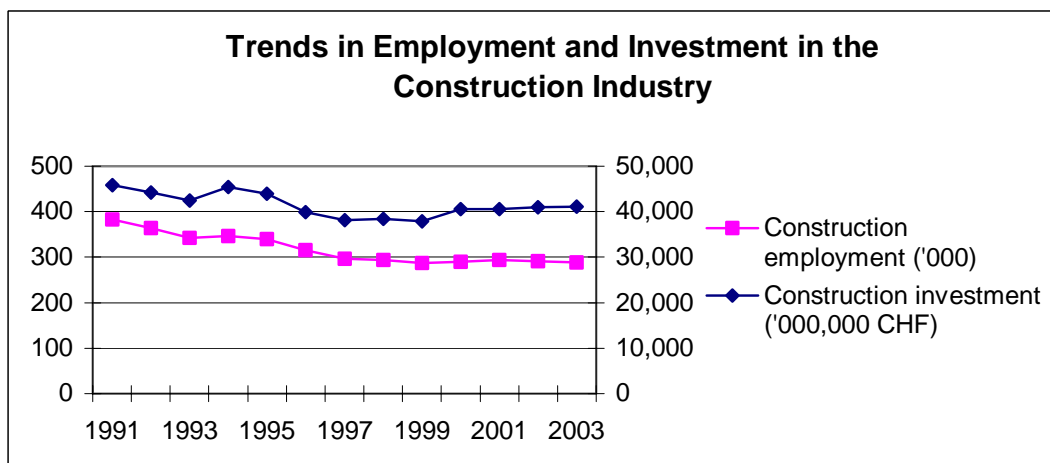
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Erosion of jobs in the Swiss construction industry

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1. The Economic situation in Swiss construction market

In the wake of the economic upswing of the late 1990s the Swiss economy grew by 3.7% during 2000, a figure unmatched in decades. At the beginning of the new millennium, the rate of economic growth plummeted: in 2001 the figure was still 1%, but in 2002 only 0.2%,²⁴ and for the year 2003 a negative rate of -0.4% is estimated.²⁵ However, the recession appeared to have bottomed out in mid-2003 and more recent forecasts point to timid economic growth for 2004. The economic downturn of the past years has had an impact on the



labour market: unemployment rose by 4.3% in January 2004, its highest point since 1997. The number of registered unemployed has more than doubled in the space of two years.²⁶

In terms of job levels in the construction industry, the last decade recorded a huge decrease. In 1991 there were 382,700 people working in the industry. Five years later, in 1996, this number had

²⁴ Real differences in GDP since the previous year. Source: Federal Statistical Office (BFS) based on revised calculations according to the European System of Integrated Economic Accounts (ESA 95).

²⁵ Estimates by the State Secretariat for Economic Affairs (*seco*) and the Economic Research Institute BAK Basel Economics. Other institutions have calculated a change of -0.3% (UBS Bank) or 0.0% (KOF Economic Research Institution ETH Zurich).

²⁶ In 2001 the average number of registered unemployed was 67,197, in 2002 the figure was 100,504 and in 2003, 145,687.

fallen to just 316,000 and again in 2003 to 288,800.²⁷ This means that the number employed shrank by 93,900 between 1991 and 2003 (or 24.5%), an erosion of one quarter in 12 years.²⁸ The number of registered unemployed in construction went up at the end of January 2004 to 12,879, and the unemployment rate of 4.1% in construction was just short of the average for all economic sectors.²⁹

By the end of 2003, the construction industry also seems to have reached its lowest point. Housebuilding in particular is following a more positive trend. In the main construction industry, order books are no longer shrinking. The economic institutions are predicting stagnation in construction activity for 2004 and no tangible recovery on the cards until 2005.

2. Trends in collective agreements, pay and current claims

The Federal Statistical Office recorded a total of 36,569 local units of a construction enterprise in 2001³⁰, of which 12,718 (34.8%) in building and civil engineering and 23,177 (63.4%) in building installation work and the completion industry.³¹ The Swiss Building Contractors Federation (SBV) is the largest employers' association in the main construction industry, accounting for at least 50% of all employers, with a total of 3,887 members³². The SBV has in any case been weakened by the general construction industry crisis, structural changes and also internal problems. There is a tendency to "take flight from the industry-level collective agreement". A number of

²⁷ Source: Federal Statistical Office, employment statistics, number of full-time and part-time workers. The figures in each case relate to the third quarter of the corresponding year.

²⁸ If employment trends in the main construction industry are considered, the reduction works out at almost double according to the figures of the Swiss Building Contractors Federation (SBV): the number of workers almost halved from 166,447 in 1990 to 90,789 in 2002 (-45.5%).

²⁹ This unemployment rate is however calculated on the basis of the population count in 1990, which owing to the erosion in jobs at that time leads to distortions.

³⁰ Local unit of an enterprise: where at least 20 hours/week of an economic activity are carried out. An enterprise may consist of more than one local unit.

³¹ In terms of the number of workers, approximately 52% work in construction and civil engineering and 47% in building installation and completion work.

³² Source: SBV, for 2001. Differences with the BFS data are explained firstly by the differing data collection units (the BFS uses the local unit of an enterprise, while the SBV uses enterprises), and secondly by the narrower definition of the main construction industry (unlike the BFS, the SBV does not include carpentry workshops, steel construction, general undertakings and public maintenance areas/deposits, scaffoldbuilding, wall and floor tilers, etc. in the main construction industry).

construction sub-sectors, which have become independent (e.g. scaffolding) today perceive themselves more as "customers" of the construction industry and no longer as belonging to the building contractors' group. In particular, an ever-growing number of plants are attempting to switch to a collective agreement that is more favourable for them.

On the other side of the SBV, representing the workers, is the Construction and Industry Union (GBI, Gewerkschaft Bau und Industrie), with a total of 100,000 members, and the cross-industry union Syna with 68,000 members. The unionisation rate in the main construction industry actually exceeds 70%³³. This makes the construction industry one of the best-organised economic sectors in Switzerland.³⁴

The most important cross-regional collective agreements in the Swiss construction industry are the national collective agreement for the main construction industry (LMV), covering some 100,000 workers, the collective agreement for the finishing industry in the French-speaking part of Switzerland, 15,000 workers, the collective agreement for the joinery trade in the German- and Italian-speaking parts of Switzerland, covering 15,000 workers, and the collective agreement for painters and plasterers in the German-speaking region, covering 13,000 workers.

The economic crisis of the 1990s saw a deterioration in the employment situation of the workers, while construction industry wages even declined in real terms. Only from 2000 onwards did pay trends turn back up again. The table below gives an overview of trends in real wages during recent years in the different economic sectors.

³³ In terms of workers covered by the The National Collective Agreement (*Landesmantelvertrag*, LMV).

³⁴ In the transport, storage and communications sectors, the unionisation rate is 42%, and in industry 30%. The lowest organisation rate is in agriculture, at 2%, as well as commerce and the hotel and catering industry, with 10%.

Pay and purchasing power trends 1996 – 2003

	1996	1997	1998	1999	2000	2001	2002	2003
Nominal wages								
Industry/trade	1.2	0.3	0.6	0.0	1.5	2.7	1.7	1.1
Tertiary sector	1.3	0.6	0.7	0.5	1.1	2.3	1.9	2.0
Whole construction industry	1.2	0.2	0.4	-0.5	1.9	2.8	1.6	1.2
Main construction industry	1.4	0.7	0.2	0.1	2.2	3.8	2.2	1.3
Inflation at the time of negotiations	2.0	0.8	0.3	0.0	1.2	1.9	0.4	0.9
Real wages								
Industry/Trade	-0.8	-0.5	0.3	-0.0	0.3	0.8	1.3	0.2
Tertiary sector	-0.7	-0.2	0.4	0.5	-0.1	0.4	1.5	1.1
Main construction industry	-0.8	-0.6	0.1	-0.5	0.7	0.9	1.2	0.3
Main construction industry	-0.6	-0.1	-0.1	0.1	1.0	1.9	1.8	0.4

Sources: trend in actual wages SSUV and/or SBV, for 2003 calculations of BSF based on results of pay bargaining, consumer price index for November of the previous year.

NB: the losses in income due to higher social security contributions have not been taken into account.

Besides the pay question, during last year's bargaining round, the GBI also focused on early retirement. A major success was achieved with the lowering of the retirement age in the main construction industry to 60, although this was only made possible after a number of industrial action campaigns and a national strike day in November 2002. Taking into account this introduction of early retirement, for 2003 and 2004 as part of the national collective agreement the compensation for cost-of-living increases was only negotiated as a pay adaptation. In other collective agreements for the finishing industry, inflation could at least be compensated and in some sectors wage increases in real terms were achieved. In addition, a number of sectors saw further improvements, e.g. more leave in the concrete products and cement industry and an obligation to draw up a redundancy programme in the brickmaking industry. Topics for future bargaining include shorter working times, improved health and safety measures and worker participation on the construction site as well as steps to prevent the national collective agreement from being undermined.

Of special topical interest is the campaign by painters/plasterers who are also fighting for an early retirement solution. The employers had agreed to such a solution in the course of bargaining two years ago. In the French-speaking part of Switzerland the employers have agreed to introduce early retirement at 62 with effect from this year, whereas in the German-speaking region the employers no longer want to keep to their agreement. The painters and plasterers in the German and Italian-speaking regions now want to fight for their rights. At the conference for these trades held on 21 February 2004, 400 delegates decided to give notice to terminate the collective agreement as from 31 March in order to be free to take industrial action. Provided that the employers do not give in beforehand, industrial action and strikes will come into effect from April.

3. First successes on occupational safety front

As a welcome development, the number of accidents in enterprises of the main construction industry has been steadily going down in recent years. In 1998 there was an incidence of 251 recognised occupational accidents and diseases per 1000 insured workers in these sectors. By 1999, this figure had sunk to 246, by 2000 to 240, 2001 to 232, and 2002 to 225. However, the average frequency of accidents in the main construction industry, at 241 per 1000 insured workers over the past six years, is still more than double the rate in other sectors.

It should also not be forgotten that the proportion of building workers not suffering from invalidity goes down with increasing age. While 73% of 60-year old construction workers do not have an invalidity, 65% of 62-year olds do and at age 64 this rate even sinks to 58.5%. These figures make it clear just how necessary “retirement at 60” is for workers in the construction industry. This year the GBI is also participating in European Year for Safety on Construction Sites. At the forefront of this campaign is the protection of workers from climatic influences (heat, bad weather) as well as environmental pollution (ozone, waste gases).

4. The challenge of the free movement of people

On 1 June 2004 the second phase of the agreement on the free movement of people within the EU comes into force, ushering in virtually complete freedom of movement for people with the countries of the current EU. This means that priority for workers of the home country as well as preventive controls on conditions of pay and employment of foreign workers will no longer apply. There are fears that these changes will lead to wage and social dumping, as already during the present transition phase more problems of this nature are cropping up, for example, in the construction industry. In order to combat abuses, flanking measures have been passed which facilitate the extension of the terms of collective agreements to cover the entire industry and, where there is no collective agreement, the possibility of also applying compulsory national minimum wages and Swiss occupational health and safety provisions to posted workers.

From the union viewpoint these measures entail, first, the problem that their implementation would only take place after repeated and proven abuses and by means of a long drawn out procedure and, secondly, the fact that the measures to protect posted workers are too heavily dependent on the potential, at present still inadequate, control instruments. Once the freedom of movement is extended to the new EU countries, the protective measures in place today are likely to be totally inadequate.

As to the actual scale of pay and social dumping and how effectively the new measures to combat abuses can be implemented, this will only really become clear in the months following 1 June 2004. However, the unions have already called for improvements.

5. Vocational training

About three fifths of young people in Switzerland follow their compulsory 9 years of school education with vocational training (*Berufslehre*), which as a rule takes three or four years. Practical training takes place in a training enterprise, and theoretical training in a state vocational training college. This division between training enterprise and vocational training college is termed a "dual system". In addition, in many occupations there are special training modules in the form of courses outside the plant ("triform system"). In the construction industry this is financed by the social fund set up jointly by both sides of industry (*Parifonds-Bau*, see below). The training is based on a set of training regulations drawn up jointly by the social partners with the relevant Federal Office. In construction, the triform system of vocational training has been maintained. The SBV is the responsible institution for basic training of bricklayers and through its specialist groups also for the occupations of joiner, roadbuilder and stonemason/quarryman.

Youth unemployment in Switzerland has also risen sharply and there are too few training places. The construction occupations do however provide the most training vacancies in percentage terms compared with other occupations. The average number of training vacancies in all sectors was 11% in 2003 and had risen again slightly compared with the previous year (2002: 8%).³⁵ In 2003, the construction industry accounted for 19% (2002: 21%) of training vacancies.

The joint industry fund "Parifonds-Bau" plays a key role in further vocational training in the main construction industry. This fund in fact consists of two separate funds with different functions, namely the Implementation Fund (*Vollzugsfonds*, financing of costs of implementing provisions of agreements and occupational safety measures) and the Training Fund (*Bildungsfonds*). The training fund defrays the costs associated with attending college and courses, e.g.

³⁵ Source: Federal Office for Vocational Training and Technology (BBT). The survey was conducted on 31 August 2003.

replacement of lost wages, college or course costs, contributions towards accommodation/meals and travel expenses. In addition, support is provided for campaigns to attract and support the next generation of workers. Contributions are paid into the fund by workers (deducted from wages) and all employers in the sector.

6. The social security battle

The achievement of the early retirement scheme negotiated in 2002 was without doubt a social policy milestone in the main construction industry. The early retirement agreement will be applied by a joint industry foundation operating independently from other welfare bodies. All construction workers who have worked for 15 of the past 20 years in construction are eligible for early retirement. The retirement age of 60 will be introduced in stages between 2003 and 2006, although early retirement is voluntary for the workers. The retirement pension is approximately 80% of the final gross wage (with restrictions for high income earners). In addition, during the period up to the official retirement age (65) contributions to the social security system will be paid. The calculated cost of flexible retirement, amounting to 5% of the total wage bill, will be paid by employers (4%) and workers (1%).

There are various provisions for financing the general social security system in Switzerland: contributions for old age, survivors', invalidity, accident and unemployment insurance are financed via a percentage of the wage, while sickness insurance is paid by per capita premiums for each insured person. The different types of insurance are confronted with differing problems. For example, invalidity insurance is encountering major funding difficulties due to the rising number of people drawing invalidity pensions and is in need of reform. The sickness insurance scheme also needs to be reformed as the annually increasing sickness fund premiums due to their financing from per capita premiums works out in a particularly unacceptable way in social terms. However, attempts to carry out reforms have so far failed, and a People's Initiative (*Volksinitiative*,

initiative to change legislation by collecting the required number of signatures for the matter to be considered) to introduce income-related sickness insurance premiums was thrown out last year. The old age and survivors' insurance schemes are still in the black, but the Parliament has passed measures further eroding the system (reducing the widows' pension and raising retirement age for women). The Swiss unions collected the required number of signatures for a referendum against this proposed legislation in a record time of two days. This national referendum is on 16 May 2004. There is the prospect of some tougher confrontations on the social policy front over the coming months now that the Swiss government has recently swung to the right.

The British Construction Labour Market in 2003

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Changes in the industry

Unlike the construction industries in many other European countries, the British continues to increase its output. Indeed, over the ten years 1992-2002 there was a 27% increase in output, to reach £22 billion, representing about 9% of GDP, though since 2000 the increase has been about 15%. This increase needs, however, to be seen in context. Levels of building investment in Britain have always been low compared with many other European countries (e.g. 58% of the Dutch level per inhabitant), especially in housebuilding, with only 2.8 new houses per 1,000 inhabitants compared with 4.4 in the Netherlands (Die Deutsche Bauindustrie 2003). In addition, whilst contractors' output has increased by 34%, the output of local authorities or Direct Labour Organisations (DLO) decreased over 58% between 1992 and 2002, indicative of the government's drive to privatisation. Related to this is also the fact that, in spite of increases elsewhere, public sector repair and maintenance output has decreased by 15% over the same period. The decrease in DLOs' output is especially significant, given the very important and exemplary role these have always played in maintaining and building council housing and other public buildings, providing good employment conditions, training the labour force and integrating women and ethnic minorities.

A puzzling aspect of the increase in output is that it appears to have been accompanied by very little increase in reported manpower. Manpower estimates in Britain are anyway notoriously problematic, varying from the 1.9 m construction workforce indicated by the employee-based Labour Force Survey to the 1.6 m of the employer-based Department of Trade and Industry (DTI) survey. The very small increase in manpower relative to the large increase in output can be variously attributed, including to: problems of manpower reporting; an increase in unreported labour; changes in the size

structure of firms as the number of firms in the 1-7 employees category has decreased from 94% of all firms in the industry in 1992 to 87% by 2002; changes in the type of output and construction process, in particular the decrease in labour-intensive repair and maintenance work; and, last but not least, increases in productivity. Whilst studies at micro and macro levels have consistently shown lower levels of productivity for construction in Britain than, for instance, France and Germany, recent research does indicate that the gap has been narrowing (Ive et al. 2003). Perhaps all the government-supported efforts to transform the industry because of its low productivity – from the 1994 Latham Report to Egan’s “Rethinking Construction”, the Movement for Innovation (M4I), the Strategic Forum for Construction and the current “Constructing Excellence” – are finally beginning to pay dividends.

In many other respects, however, the industry has shown little sign of changing. Subcontracting remains as high as ever, estimated at 65% of output or roughly double that of other leading European countries (Ive and Gruneberg 2000). So-called self-employment, often termed “bogus”, from decreasing slightly towards the end of the 1990s, has since increased to 38% of all manpower, or 605,000, significantly higher than any other sector and than any of the 15 “old” EU states (DTI 2003). Training levels have shown little sign of improvement. And since 2001 there has been a sharp increase in insolvencies and bankruptcies.

Vocational training

The withdrawal of employers from apprenticeship training in Britain has been called the “employers’ retreat” and is nowhere more evident than in the construction industry (Keep 2002). Here it has been aggravated by the excessive use of ‘bogus’ self-employment and the very high proportion of small firms. The result is an increasingly divided system of training provision consisting of:

- A declining Modern Apprenticeship route taken by 38% of trainees, almost entirely white male, who are based with an

employer and attend further education (FE) college on a day-release basis;

- A full-time FE college route, taken by 62% of trainees, many of whom are unemployed and/or adult, including women and those from ethnic minorities.

There are serious weaknesses in this system as evident from the estimated 40% trainee drop-out rate for the main building trades and the declining number of first year entrants from ethnic minorities, down from 5% in 2000/1 to 3% in 2001/2 (CITB 2002a and 2003). Those on the day release route have only minimal college input into their training, approximately half that of full-time students in terms of, for instance, practical work, theory, key skills development and tutorials. And those on the full-time college route have great difficulty obtaining work experience and subsequently employment, as apparent from the much lower female and ethnic minority proportion in the workforce compared with those in training. The transformation of the Construction Industry Training Board (CITB) into the new Sector Skills Council for the industry known as Construction Skills, and with a much wider remit covering also professional skills, has yet to show how this dilemma will be resolved.

As well as these built-in weaknesses, the 'system' of training provision has other serious shortcomings, including:

- a low proportion of trainees relative to that in other European countries, such as Germany or Denmark;
- its trade- rather than industry-centred character, with 86% of trainees in traditional trades (though only 59% of the workforce are employed in these) and a tiny proportion (0.5%) of trainees in plant operating, maintenance and civil engineering (though 25% of the workforce is employed in these) (CITB 2002a and 2003).

That this decades-long problem of construction training in Britain has reached critical dimensions is evident from the ever-louder reports of skill shortages in all areas, especially in housebuilding (CITB 2002b; Clarke et al. 2004). Not only do employers report

difficulties in recruiting, but also skill deficiencies in managerial, supervising and professional positions (BSL 2000; CIC 2004).

Such reports appear not to dent the new-found trust in the merits of learning-on-the-job as CITB efforts have concentrated on accrediting existing skills through its On-site Accreditation (OSA) scheme intended to recognise skills developed in the workplace and to encourage new entrants. This has succeeded in increasing the proportion of the workforce with National Vocational Qualifications up to at least the equivalent of NVQ 2, now estimated at over 60%. This is critical to the Construction Skills Certificate Scheme (CSCS), which seeks eventually to act as a register of all workers in the industry and currently covers 25%. More and more employers, especially the major contractors and clients such as the British Airports Authority (BAA), are demanding that workers on their sites hold CSCS cards and are therefore registered. To obtain a card workers must have completed health and safety training and in this respect improvements have been seen. Indeed, a recent survey found that half those directly employed worked for “Investors in People” accredited firms and most workers reported working conditions to be improving and more training, especially for health and safety (Construction News 24.6.2004).

Employment conditions

In 1999 the Construction Industry Scheme (CIS) was introduced, intended as a means to control and stem ‘bogus’ self-employment and encourage direct employment. After an initial rise in direct employment, the number of those claimed as self-employed has however risen and it is apparent that the scheme has not had the impact anticipated and that there is little or no attempt by the tax authorities to convert self-employment into direct employment (Briscoe et al. 2000). It is hardly surprising that this form of self-employment, in effect an employment subsidy, should continue to flourish and to have been given new impetus with increases in national insurance contributions and with the issuing of CIS cards to

the growing numbers of migrant workers in London and the south of England. For many workers, legally regarded as 'employees' though holding CIS cards, the problem of obtaining even minimal benefits such as holiday pay remains, and the number of industrial tribunal cases related to non-compliance with the Working Time Directive continues to be high.

So-called 'self-employment' is now widely recognised as responsible for undermining training in the industry (and hence contributing to skill shortages), furthering the casual nature of employment and poor employment conditions, especially through labour-only subcontracting, and weakening industrial democracy. But it seems that the louder the calls for change, the more entrenched the system and the more the character of the workforce is reinforced. The workforce is ever older, particularly those in the traditional trades, where training intake has declined. It is also as white and male as ever, in spite of all the efforts made through the Respect for People initiative to encourage women and those from ethnic minorities and by the CITB through its positive image campaign. Indeed, the proportion of women employed has declined from 11.7% in total and 1.6% in manual occupations in 1992 to 9.3% and 0.3% respectively by 2002 (CITB 2003). The proportion of those from ethnic minorities has also only increased from 1.5% in 1992 to 2.3% by 2002, though these represent 6.5% of the whole working population. And finally, the workforce is increasingly manual as the proportion of administrative, professional, technical and clerical staff (APTC) has declined, contrary to trends in other countries to increasingly non-manual, more abstract and technical skills.

As unemployment in construction remains relatively low and output increases, the CITB estimates that 76,000 new recruits are required every year until 2006. Many of these, especially in the south of the country, have consisted of migrant workers from eastern Europe. The use of migrant labour has been much discussed, especially the exploitative conditions to which many migrant workers have been subjected. The unions have successfully opposed the introduction of a seasonal category of employment on the grounds that migrant and

those from ethnic minorities should be integrated. Nevertheless the most critical issue remains the government's interpretation of the Posted Workers Directive, supposed to ensure that all workers (including those 'posted' from abroad whether through agencies, (sub)contractors, or just as individuals) are employed according to the pay and conditions agreed in the host country. Currently the government only requires employers to pay the national minimum wage rather than rates collectively agreed for the construction sector.

Earnings and collective bargaining

Like a Catch 22, the casual nature of employment undermines union organisation whilst the weakness of industrial democracy and regulation of the industry opens it up to casualisation. Union membership rates have continued to decline and are now estimated at 12% of employees. The number of working days lost through stoppages has increased, with 168,000 lost in 2002 through three major stoppages involving 16,800 workers (DTI 2003). In Manchester there has even been a 16-month dispute by qualified TGWU electricians over their sacking by the Carillion subcontractor Daf Electrical, following their complaints about holiday pay and the employment of unskilled workers on electrical work – a case the electricians recently won in an employment tribunal. This dispute exemplified the ways in which the unions remain however locked in competition against each other.

According to the Work Employment Relations Survey the rate of multi-employer bargaining in construction is higher than in manufacturing. Collectively bargained rates set out in the Working Rule Agreement for the industry are very much below the 2002 average weekly earnings of £411 or £8.76 per hour for a full-time manual construction worker, itself higher than other industries or services where earnings average £368 or £8.21 per hour. These earnings are on the basis of an average week of 45.7 hours, higher than the 43.9 hour average for other industries and very much higher than the rest of Europe. There are, however, very wide differences in

earnings, with 10% earning less than £255 per week, 10% more than £600 and 50% less than £382. Overtime pay averages 5 hours per week and is received by nearly half of all employees, constituting 13% of total earnings. Earnings for non-manual workers averaged £611 per week, with 10% earning less than £316 and 10% more than £937. In the local authorities the weekly pay rate currently on offer for carpenters and joiners and bricklayers is £240.10, though this is still the subject of negotiation at the time of writing and does not include a bonus element. The National Agreement for the Engineering Construction Industry (NAECI) has however recently included an increase of 8.7% over two years.

For those covered by the agreements there have been some improvements in benefits, in particular through the Building and Civil Engineering Benefits Scheme, jointly run by unions and employers. Higher employer pension contributions have, for instance, been agreed under the industry's EasyBuild stakeholder pension scheme. As shown by a recent survey, however, nearly 20% of those employed in the industry, including nearly 60% of labourers, receive no benefits at all, whether holidays, pensions, sick pay or health insurance (Construction News 24.6.2004). About 30% in total and 70% of labourers receive no holiday pay.

Working conditions

In terms of working conditions, though there have been clear improvements in standards of safety, the industry is still far short of targets set for reductions in fatalities, which currently stand at 72 for 2003/4. Throughout the 1990s there was a steady rise in the number of fatalities, reaching 113 in 2000/1 and giving rise to a summit conference called by the Deputy Prime Minister. The highest single cause of fatality is falling from heights and 12% of all fatalities in 2001/2 occurred as a result of the electrical finishing process. There are also many fatalities from occupational diseases. Indeed deaths in Britain from the asbestos-related disease mesothelioma are estimated at over 2,000 annually and predicted by the British

Medical Association to rise to 10,000 a year by 2010; many of these affected are former construction workers. New statutory regulations placing a duty on commercial building managers to locate and either protect or remove any asbestos on their premises are limited, especially as they do not cover domestic properties. Between 1995 and 2001 there was also an 82% increase in non-fatal major injuries in construction.

There have been improvements in attempts to regulate health and safety. For instance, UCATT has six 'roving' health and safety advisers in place to support safety reps on building sites. The Health and Safety Executive has plans for a pilot occupational health project, expected to be launched in the autumn, to provide free advice to architects, employers and workers on health issues, including help with risk assessment and case management, with direct access to the service for workers needing advice or help.

In conclusion

At the heart of all the problems that beset the British construction industry is its preoccupation with rewarding output and performance rather than time, quality and the ability and skills of the workforce. Symptomatic of this is the obsession with price work that allows the artisanal system of self-employment and labour only subcontracting to flourish. There are small, if almost imperceptible, signs of change as the industry takes on board the registration of building workers through CSCS and sustainable construction through the recent Pearce Report (2003) and Egan Review (2004). But without a comprehensive system of training and a wage structure that recognises the value of this, it is difficult to see how the workforce necessary to achieve sustainability can be created and reproduced.

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DISCUSSION

Debating trade union structure and decline: is a different approach possible ?

Regan Scott/former TGWU National Secretary for Research, then National European Coordinator.

This note starts from the premise of being impressed by the factual and more or less candid nature of the discussion sponsored by CLR. Maybe this is a reflection of desperate need, since construction and building trade unionism doesn't seem to be in a good state in many places. My comments are more general than construction specific, though my union was a major player in the sector historically as general union in the UK (not a sectoral/industrial union), and I can see the sectors' experiences in the back of mind as I write. So while there is no direct match between UK and mainland European union experience, there may be a bit of value in a somewhat different perspective.

Equally, the CLR debate, while specific to the construction and building sector, nevertheless is conducted in mainly *generic* terms in the sense that the regrouping solutions look to be similar to those being explored in other sectors, while the presumed causes of decline and difficulty come across as pretty much the same.

Looking at the terms of debate set in CLR so far, union mergers in particular have been seen as a natural solution in both mainland Europe and in the UK. Labour market changes – not very well delineated in this debate – are assumed to have played a common part, but depth of analysis is sadly absent.

There are a number of obvious comments. I think there is a need to look more closely at myth and reality in labour market change and to think historically. Difficult-to-organise trades and 'new' workforce sectors and employer hostilities are not new – early union struggles are full of hard but ultimately successful examples of organisational breakthroughs. Though it's not my theme as such, I can't resist

making the observation here that a reasonable element of inter-union competition, both institutional and ideological, may be a positive ingredient in early struggles for organisation and legitimacy. The corollary is that union mergers producing organisational monopolies without legal supports to wage extension may not be a good formula for membership expansion and retention, even if a bargaining agency monopoly results. (Incidentally, that's how I see the French scene, despite the multiplicity of union federations. It is a form of competitive but licensed bargaining agency system. Maybe too much competition means no single actor gets significant membership levels and therefore real hegemony, of course).

Secondly, and closely associated, I would have expected some deeper analysis of the new dynamics and structures of the industries and sectors to which the unions in re-organisation mode relate. While remaining a firm advocate of union autonomy and militancy and 'left' political orientation, I think we all need to be reminded that the unionism we are concerned about is actually 'trades' unionism. Trades and industries are specifically structured, and in the period of decline of union membership – with the exception of the Nordic countries and maybe Italy and in some respects Spain, the industries and trades at the core of traditional unionism have themselves undergone massive change and upheaval. Outside the building and construction sectors, which have their own examples of companies no longer doing what they used to do, the world is now full of leading companies who no longer do what they did: brewers who no longer brew but produce 'leisure industry logistics': car 'manufacturers' who buy in 95% of their parts, including design, and make money from financing their customers, not producing and selling cars..... My point spreads through to the status of actual work in these companies and sectors, but more of that later.

And, just to get it out of the way, I think the public sector of employment has changed as much as the private sector, maybe even in those areas where deregulation and market exposure have not yet produced a dramatically changed work culture.

The attitudes of union professionals are seen as crucial and in some cases as the essential blocking element on the spirit and intent of reorganisations, if not the formal structures: that's no surprise, but if at the same time in re-organisations there have not been any very clear objectives other than the pursuit of size for cost efficiencies and maybe , in a very basic way, some simple institutional weight, then maybe officials are right to be cautious about what I can only term mechanical re-organisations. Certainly that was my experience under the recent (1990s) TGWU leadership which brought in outside consultants and espoused all sorts of commercial managerial mantras and strategies with no real content, but 'consultation' and 'feeling comfortableness' to smoothly and professionally 'rescue' and 'reform' a union which in my experience needed some hard-headed, back to basic organisation and membership led dynamics. More of this below, because there are other lessons in this experience.

The limits of institutional voluntarism

These are some starting comments for my rather sceptical view of the debate so far: it sounds to me far too voluntaristic, too much to do with a concept of a kind of free strategy choice which unions as autonomous institutions are fully empowered to take if only they can get the right formula on the table for self-reform. To me this organisational debate feels too much like an importation of standard management consultancy thinking about companies and organisations which need modernising and restructuring, simply because they are 'failing' or 'under-performing'. But the terms of this approach, for me, are far too limited and complacent . There are dangerous basic assumptions present (not so in anti trade union thinking, I fear !) that

- 1 the product which we, as unions, are producing and selling is basically OK and securely embedded in basic societal needs

- 2 that as far the markets for the product goes, that this is not the problem in itself (ie. objective conditions for union remain good etc)
- 3 that the problem is simply not having the resources to get to the market on sufficient scale, as somehow was achieved in the past.

Unless there is a deep analysis of these three assumptions – their causality, their dynamics and nature , the underlying question of why and how the employers are winning won't be answered except perhaps by accident or through very costly and debilitating trial and error.

Coming from a big general union background with a history of massive swings in membership and long periods of stasis, and a highly flexible organisational form (an enabling constitution, not a prescriptive one) and periods of historic merger activity when it was expanding (not declining), and a capacity for spreading its eggs in many baskets; and a structured commitment to seeking industrial solidarity linkages so that one group of workers can help another *inside* the union's own structure (lorry drivers and dockers, factory workers, lorry drivers and supplier industries etc), I have been brought up to think somewhat differently about union structures. This does not mean to say that in recent years dockers – notoriously - have not been let down, nor that law can block these mechanisms, as it has in recent years, of course. My point is that futures thinking and reorganisation can be motivated by designing by internal political debate mechanisms and modalities of strength for bargaining groups, rather than simply servicing resources for unions as corporate institutions.

I am more conscious now than ever before of the different 'model' of my union's tradition because in the 1990s a weak, moderate and 'modernisation'- minded new leadership set aside its tradition and went over to trying to create a new professionally smooth, externally validated and utterly consensually legitimate corporate model of

partnership and servicing unionism depending on moderate ‘political exchange’, rather than organising and bargaining and struggling for answers in a difficult world. In effect, this leadership offered up a doctrinally based industrial moderation (not opposing privatisation at all actively, for example) in a unilateral bid for hopes that a new labour government would rescue it and sponsor easy union membership. As we know, this did not happen, and membership and trade unions’ civil society influence declined further. Other major UK unions have followed more or less similar paths, perhaps with more open internal political differences, but overall a near unanimous pursuit by UK unions in the 1990s of a unilateral moderation and modernisation outlook has not been a problem solving success.

A bargaining-led (classical) model of re-organisation ?

The principles of the old, core model – happily being restored at the moment under new leadership – can be seen as committed to creating labour-market-smart (my awful branding !) organisational structures and competences – within regulatory limits and outside them if necessary - for organising, agitating and bargaining for groups of workers with - and against- employers and with and against governments, on the assumption that these aims will be pursued largely on terrain and terms controlled by employers who most of the time are directly or indirectly aided by governments.

There is therefore not a simple re-radicalisation to the left and rejection of traditional defensive moderation: the analysis shows a mixture of aspiration and realism, in place of a uniform bureaucratic and managerial moderation. While there is campaigning for improved legal support for trade unionism, there is no dependency on this or sacrifice of autonomy to gain legitimacy, even though the aim of a restored trade union balance of power with governments and employers may well be some form of bargained social contract rather than simply ‘free collective bargaining’ and oppositionism. I have tried to persuade colleagues at various points to adopt the terms

‘hard’ and ‘soft’ social partnership to capture the political parameters here. I think the distinction is especially important for approaching European industrial relations futures within the deeply embedded social dialogue/Social Europe model. Some of the issues and experiences in this equation are explored on an eight country comparative basis in a forthcoming book on Strategic Unionism, to be published this Autumn by Palgrave Macmillan, edited by Tony Huzzard, Denis Gregory and myself.

My ‘T&G’ model is certainly in the ‘hard’ social partnership camp, but its deeper than that, and while it’s not perhaps quite the correct term for this classical union model, it might usefully be called a bargaining-led model, as opposed to an institutional and regulatory partner model. The difference is not just formal, or ‘political’: it is a quite substantially different model to the merger/re-organisation/resourcing model that seems to dominate so much union futures debate.

Can an alternative model be practical ?

Let me try to articulate some differences. Mergers and takeovers of other unions should be led by bargaining logic, not simply by a mechanical sectoral affinity. The industrial politics motivating alliances should not be the socially consensual mantra of ‘being part of the solution, not part of the problem’ (ie. a new common unified ideology of cooperation and moderation), but maximal bargaining at the workplace and organisational development to achieve it when it is beyond current reach. Rejecting consensus does not mean rejecting the politics of positive engagement, as long as the politics of protest is not subordinated. So it is a participatory and committed model – committed to ‘our’ factories and ‘our’ workplaces, challenging private ownership and unconditional market objectives. And working through works councils and consultation procedures, but always with autonomy of position and action. The fair and just wage philosophy should not be ‘inflation plus a share of productivity’, as it has been almost universally across Europe. This consensual and almost

universal current union doctrine might sound like a robust redistributive formulation, but it is more a defensive and apologetic formula for a declining share of wages in national income. Bargaining led unionism needs a different wage doctrine, aside from sensible common social goals on working time, pensions etc .It might be formulated as the systematic extension of best wage and conditions practice for its own sake and also to see that wage and labour cost inequalities do not get so out of kilter in any specific labour market such that they undermine any reasonable capacity to maintain and develop best practice. The difference in union financing is that instead of union subscriptions being set by some sort of guilt formula about what the lowest paid and unorganised worker can afford, the argument is set on its head and developed from the point of necessary resources. If legal representation, political lobbying, industrial and policy research, media intervention and product marketing (union recruiting campaigns) require big resources - as they certainly do in the commercial world – the argument is put for them. And if organising new members and retaining them in membership – a common UK problem – is expensive, then the argument that the established and stronger union sections should support the newer and weaker ones needs to be put too. If bargaining and wage setting are becoming deeply decentralised – as they are in a European if not global trend, then the information systems and research and communications back-up to monitor and coordinate and regulate union inputs needs to be fully resourced. It can't be done on a shoe string.

Resource lessons for a changed world

Experience may be useful here on this basic question of appropriate resources: when I went to the TGWU in 1966, it had just over half a million members, 500 officers across the country and about the same number of staff. It participated in and represented members in about half of the approximately 250 national sectoral bargaining structures (in effect, the private sector version of Whitleyism, all multi-union, and few with majority memberships) established some forty years

earlier and was a leading force in the tiny handful of major company bargaining systems. A radical new leadership, committed to organisational extension, espoused new doctrines of decentralised bargaining and productivity bargaining, empowered shop stewards and lay democracy over official hierarchies, and set ambitious social goals, both on wages and conditions and on social development such as pioneering full equality for women. It treated the Labour Party as both a political servant inside government, and as a potential turncoat always likely to absorption by Britain's subtle and often brutal ruling class.

After expansion by horizontal and vertical membership extension and union mergers to over two million members, with a maximum of about 700 officers and maybe a thousand plus staff, its long decline has brought it back to about one million members who can only afford 250 full time officers and a staff of a few hundred. Meanwhile the world of legal regulation has been revolutionised with individual employment rights bursting the seams of the industrial tribunal system, Europeanisation has brought major organisational and competence challenges and globalisation has bitten into the private manufacturing and service sectors and undermined through privatisation and deregulation more than half of the whole previously massive public sector of the economy. The sheer scope and quality of change and the moderate and minimalist internal political economy of the union have meant that it is a miracle (a little one) that it has survived. To my mind, it's going to take a lot more miracles than simply re-organisation for it to recover: that means an agenda of much wider dimensions. To put the matter bluntly: if you are drowning in deep waters and currents, a pair of water wings and some trendy flippers aren't going to save you.

A revised framework of understanding ?

There are a few other observations to this admittedly polemical piece. They concern the reference framework for the debate, rather than simply (*sic*) the paradigms and assumptions of the immediate

union re-organisation debate. It would be nice to see the whole debate put into a sequential theoretical chronicle: from Webbsian inclusion and extension through the socialist movement and union agonies of the twenties, to a close examination of the inter-relation of secular social partnership (soft) with union decline, especially in the European Union after the Delors period. For the moment, here are some suggestions.

The emergence in globalisation analysis of the ‘market state’ (the neo-liberal state) – which I take to be a true reflection - may not be a singular as it looks for the purposes of analysing trade union problems: when were governments, even friendly ones, ever really friendly to genuinely active and strong unions ? I coined the term ‘global pessimism’ many, many years ago to describe the feeble attempts of many 1990s union leaders to adjust to the new world. I now think that globalisation as such is less important as an explanation of union decline than changed work cultures and industry structures and dynamics. I hasten to add that saying they are all part of the same process, while true, does not help much. Amongst the many themes suggested by the mega-trends analysis promulgated by the ETUC in its analysis of its woes (see Hofman and Waddington’s work, and the big report ‘Trade Unions in Europe’) a changed culture of formal and informal skills and personal labour market and work-life style choice deserves further attention.

Secondly, maybe the great union expansion period should be seen as special rather than normal, and, equally, be respected for the skills it developed in organisational extension. Too much of the union movement’s acquis may have been thrown out with the political bathwater after the grand defeats suffered in the 1980s when employers and government turned the tables on unions. In the UK, the ‘new unionism’ banner waved by most unions through the TUC in the 1990s was based on profound historical ignorance, or, perhaps in some more subtle if spineless quarters, on a cynical joke about New Labour. This is because New Unionism in the UK was the flag of the 1889 revolt of dock workers which led to the historic

formation of big general unions, the Labour Party itself in its original socialist clothes (when most organised respectable workers voted Liberal), and subsequently to forms of syndicalism and even the formation of the UK communist party ! New Unionism was a profoundly radical, socialist break against previous union accommodations. By contrast, the 1990s new unionism was a strategic choice to reject the classical unionism of the 60s, 70s and then the failed maximalisms of the anti Thatcher years and replace it with a supine social partnership, which has, of course, been almost totally unrequited by employers and the New Labour government.. Beware packaging when reorganising – look for the contents and the real value-added !

Thirdly, that the people who should be contributing their understanding and experience to union recovery are not the existing members of unions, but those not in them! In other words, if union market extension is needed, maybe the last people to set the terms should be the insiders in the institutions. This requires considerable skills of empathy, and, in effect, a bid to remake working class identities. That can be a modern project, involving new cultures and living modes etc but, in my view, it is a requisite, an imperative of societal interaction. This is quite different to promoting unions as simply professional service organisations with freely contracting members who are seen simply as consumers. This is why bargaining and industrial policy led unions looking for extension of wage and conditions standards are more likely to recruit and retain members than under-resourced institutions seeking mergers to share costs. In the real world both need to happen, but debate is not prominent on bargaining-led dynamics.

Fourthly, with weak resources, union techniques need a real re-examination. Instead of symmetry of means with employers and governments, go for specialisation of methods, selective battles and tactical maturity and smartness. In practice that means less resources on perfectly phrased press releases from union media departments which rarely make the news, even if they genuinely deserve that status, and more brain-storming about clever methods: US unions

who've never been empowered or enabled by law or supported by popular consensus may have some organisational resourcing lessons to extend, despite their low overall unionisation rates.

Fourthly, set the recovery and structure debate in the relevant causal field: it seems to me this is obvious, and while there are lot of different terminologies for it all, basically what has been happening is (1) European integration and (2), heavily associated, global economic integration/exploitation. That much is uncontroversial. But look at how unions have responded to these processes. The whole of Europe's trade union structure is hierarchic, adding a further storey to the centralised spires and lofty towers of traditional social partnership unionism. This has achieved quite a lot in terms of regulatory harmonisation, but has not had the debate about reaching out and downwards. In the industry sector organisations, horizontally much further than EWCs and even here has not seen the importance of grouping EWCs to undermine single employer hegemony. In response to globalisation, unions in the rich North and South have adopted institutional lobbying instruments as though they have the weight and calibre of full and powerful partner legislators, which they do not have, and simultaneously adopted modest minimum legal regulatory standards which cut little ice as instruments of organisation, although their value as human and social rights benchmarks cannot be disputed. Europe could do with a cross border union merger drive, and a concomitant bid to benchmark bargaining aims and seek for solidarity agendas within either single multinational company agreements or in parallel sectors. Small beginnings – metal working, banking and possibly some food sectors – are trainee pilots, not fully formed and serious aircraft !

Fifthly, recognise that employer wage setting needs and objectives are highly changeable and need to be understood as real determinants both of past patterns of unionisation and bargaining structure and also of future structures. That might mean recognising that sectoral bargaining cannot hold under such great competitive pressures as we now have, so that company and regional bargaining are more likely to relate to realities: but, and a strong BUT, in comparison to my own

union's experience of decentralisation, which lost control, monitoring and auditing and policy coordinating resources and procedures really have to be 100% professional and effective. Decentralisation of bargains, but centralisation of control is the mantra.

Sixthly, on Europe, and to repeat the point above, I would look at the pros and cons of the essential political moderation and common sense of the EU social model: maybe it has reached its limits, which is not to gainsay it at all: a levelling and sometimes advancing regulatory regime in Europe is essential, but surely not sufficient for a re-organising and problem laden trade union movement, surely ?

So, I have a sense of the inadequacy of the terms of the some the debate, and some obvious lessons suggest themselves. But its a longer and harder journey than that, of course, so that all that I have tried to do is to sketch some of them and propose an outline agenda of additional or alternative terms for the debate.

Trade Union Restructuring, discussion London 7th July 2004.

Regan Scott's paper on 'trade union structure and decline' (see above) represents his contribution to the debate initiated by the workshop under the heading 'Which Unions Survive' in Zurich 20th October 2003 (see CLR-News 3/2003). It was intended to include the experience of British trade union restructuring, absent at the workshop in Zurich, into our debate. The paper gave rise to an organised discussion accentuating certain issues. It is assumed that this subject needs more attention if the ongoing process of union restructuring and mergers, which we are witnessing in European Union countries, is to be led more by strategic considerations than short-term convenience.

The discussion was opened up by questions from Jan Cremers put to Regan Scott. Stephen Gruneberg, chaired the discussion. Further participants joining in: Hans Baumann, Brian Bercusson, Linda Clarke, George Fuller, Rebecca Gumbrell, Richard Hyman, and Jörn Janssen. Instead of minutes we shall summarise systematically the essential points raised.

The dominant item was the ‘logic’ of union organisation relating to Regan’s statements that sectoral unionism is dead and bargaining logic should prevail.

A non-sectoral logic of organisation may arise from labour market structures due to altered ownership in Europe such as multinational conglomerates on the one hand, and the fragmentation or decentralisation of industries on the other. Union organisation along production chains also transcends sectoral boundaries.

A number of arguments, however, were put forward not to dismiss sectoral organisation. There often remain specific conditions and problems to be bargained separately. Sectoral organisation includes all employees of different skills and status. As bargaining is absent in large segments of British industry, a bargaining logic would leave the majority of workers in Britain without union organisation. Many unions are actually organised within sectoral demarcations and would lose their identity and membership when giving up this logic. In particular most small enterprises, employing the vast majority of workers, are defined by sectoral characteristics. These arguments, however, do not advocate autonomous sectoral unions. Top-level mergers do not invalidate sectoral representation and sectoral issues may well be dealt with in departments (branches) of wider unions.

Whilst the private-public division is increasingly becoming obsolete, there are sectors such as the National Health Service in Britain where the absence of sectoral union organisation has left employees without effective protection.

The bargaining logic also concerns the levels of union organisation. Though bargaining issues usually arise at workplace level, a central

organisation is needed to provide power and information. This is particularly the case for the support of workers' representatives according to the information and consultation directive and in works councils. Generally a multi-tier organisation would allow workplace as well as regional and national bargaining. European bargaining of wages and conditions under 'sectoral' transnational organisation is still missing.

Labour legislation (e.g. providing for extended agreements and their enforcement) and the political agenda call for trans-sectoral central organisation at national and transnational level.

A number of other points concerning union structuring were raised:

Unions have turned into large bureaucracies, often unnecessarily complex, whilst information technology would allow for much simpler structures.

Inter-union competition on the one hand and solidarity on the other hand may be determinant factors in the structuring of unions.

A focus on company bargaining and large firms excludes the self-employed and employees on short-term contracts.

Unions depend on legislation, which may, as happened in Britain, weaken them.

Union membership largely consists of those skilled workers whose bargaining power is relatively strong, whereas the most vulnerable such as labourers, migrants, ethnic minorities etc. are underrepresented and unprotected. As a result there is a decline in numbers of those represented by the unions.

Union organisation has to respond to two distinct fields of activity, bargaining wages and conditions with employers at various levels and lobbying government on social and labour legislation centrally.

Umbrella organisations such as the (European) Trades Union Congress are not unions in the strict sense. So there is often an organisational vacuum at central level.

Unions reflect complicated relationships and, consequently, many different structures exist side by side.

CLR will monitor and report on the process of union restructuring in particular in relation to the construction industry. Contributions to this issue are most welcome.

REPORTS

The Dortmund CLR Office

Wolfgang Richter

The regional CLR-office in Dortmund was set up on 2nd of April 2004, a beginning marked by a conference on “EU enlargement and Collective Agreements in the Construction Industry”. Harrie Bijen, General Secretary of the European Federation of Building and Woodworkers in Brussels, and Ernst-Ludwig Laux, vice-chair of the German construction union (IG BAU), gave addresses. They analysed the present situation, pointing out the severe difficulties facing the industry with the social and political process of enlargement and outlining short and long-term strategies for protecting the interests of the working people. This was followed by a big discussion. The participants in the meeting agreed on the increasing importance of and need for exchange concerning aims, methods and results of research in order to improve working conditions and the social dialogue.

Jörn Janssen, Linda Clarke and Wolfgang Richter presented their ideas and thoughtfully discussed aspects of regionalisation within the international scientific debate and the political and social dialogue.

The regional CLR-office is now established as an institution within the University of Applied Sciences in Dortmund and situated in the Department of Architecture. There the office is well combined with the elder and still active research centre for Labour in Construction (“Forschungsschwerpunkt Arbeit im Bausektor”).

The conference and inauguration of the regional CLR Office represents a considerable success locally and regionally with regard to the participation of experts from the construction industry and scientific institutions as well as to its great resonance in the regional media. Some small research projects are being carried out in the regional and international areas. The office will be part of the international network of CLR and will provide services regarding national and regional issues. It will publish regional news and hold regional meetings twice a year.

The Denmark CLR Office

Elsebet Frydendal Pedersen



The CLR office in Denmark was launched at a well-attended conference in Copenhagen on April 20th 2004 on migration workers in the new EU.

The issue of migrant workers is of great interest in relation to the enlargement of the European Union (EU) with ten new member states in May 2004. The importance of allowing workers from the new member states access to the more prosperous labour markets of the old member states has been the issue of many forecasts over recent years. These have, however, mostly been part of a political programme, either in favour of or against free movement from day one of the enlargement. More rarely have they been non-political sector studies, investigating such issues and their implications and answering some of the many questions raised. Transitional periods of up to seven years have been allowed for the old member states before they are obliged to open their labour markets fully to migrant workers. In the negotiations it was implied that this compromise was for those countries most fearful of free migration, namely Austria and Germany. But the question is, to what extent will migration be of mutual benefit for both the home and the host country of the migrant worker? This was the background for a conference “*Free mobility and EU’s enlargement – migration of the construction workers May 2004*”, which took place in Copenhagen on the 20th April 2004.

The conference took a historical perspective to present developments and focused specifically on employment relations in construction. *Justin Byrne* from Fundación Juan, Centre of Advanced Study in the Social Sciences in Spain presented analysis of the flows of migrant labour out of, but more significantly into, the Spanish construction industry since Spain joined the European Community (EC) in 1986. *Gerhard Bosch* from the Institute of Work and Technology, IAT, Germany, pointed to the lengthy tradition of using foreign workers in the German construction industry. He described the quantitative trends in recorded postings from EU countries and Eastern Europe

and concluded that the traditional regulatory system of the German construction industry is being undermined and that a new regulatory framework for social and economic policy is needed in order to preserve an innovative construction sector. *Jan Cremers* from the Institute of Construction Labour Research, Brussels, linked his observations to the free movement in the “new” EU, looking back first at developments in Europe since the start of the internal market project - from the middle of the 1980s on - and the fall of the Berlin Wall and reasoning for the importance of understanding what happened in the CEE and former Comecon states as a consequence of European and American pressure to open up their markets via “shock therapy”, as for instance in Poland. *Nikolaj Lubanski* from the Department of Research at the School for Social Work in Copenhagen addressed the outspoken fear of unregulated migration of construction workers into the Danish construction sector and considered whether the traditional Danish model of cooperation between the social partners will be able to cope. The Danish government has taken action with the East Agreement from December 2003 to restrict migration by ensuring equal employment conditions for migrant workers as for Danish workers. The agreement can, however, be criticised for insufficient social security. The fact is, however, that Denmark will probably only have limited migration. The social partners represented by *Arne Johansen*, chairman of the Danish Trade Union of Construction- and Woodworkers (TIB) and president of the European Federation of Building and Wood Workers (EFBWW) and *Jens Klarskov*, Managing Director of the Danish Construction Association (DB), were convinced that the traditional Danish model of cooperation is able to cope with the new situation and stated that migrant workers are welcome as long as work is organised on equal terms and in accordance with collective agreements.

110 persons participated in the successful conference, which also marked the launch of CLRdenmark. The contributions in full can be read in the conference book, which can be purchased for 12 EURO.

Contact: CLRdenmark, c/o BYG.DTU, Building 115, 2800 Lyngby, Denmark. efp@byg.dtu.dk

Initativgruppe Denknetz

The initiative group Thinknet was founded as an association on 27th November 2003. The Thinknet is a forum for exchange on topics of economic, social and labour policies. It is committed to the fundamental norms of freedom, equality and solidarity. The Thinknet observes increasing social inequality and a trend towards decreasing solidarity within the society. It aims at a better understanding of this dynamic and at exploring and discussing alternatives. The initiating people of the Thinknet are from university, researchers, from trade unions, political movements and NGOs, from critical magazines and publishing houses. The Thinknet

- promotes exchange of ideas and the cooperation between researchers, political and trade union actors and institutions within and outside Switzerland
- connects research results to the political practice and suggests ideas for research projects
- develops impulses for the political orientation on current topics, without directly intervening into the political debate

The Thinknet organises conferences on a regular bases, it promotes research and concept work, develops an internet-based turntable for networking and exchange and carries on an own office linked to CLR. (Conference 26 June 2004 see CLR-News 1/2004)

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REVIEWS

Gerhard Bosch and Peter Philips (eds.)

Building Chaos – An international comparison of deregulation in the construction industry

Routledge, London 2003, ISBN0-415-26090-6, 240 pp., 75.- £

My initial thought when I heard about this book was whether the title should be understood as Building Chaos or Building Chaos? The title itself is somewhat provocative and may lead to premature conclusions by the reader. On the other hand, a title like this creates an interest to read the book.

The book consists of country analyses from The Netherlands, Germany, Denmark, Canada (Quebec province), Australia, Spain, United States, United Kingdom and the Republic of Korea. Bosch has written about Germany and Philips has written about the United States and they have both written the introduction. For all other countries, authors with specific knowledge of the country have written the contributions. Each country report follows a similar format, but as different persons are authors, the structure differs somewhat between the contributions.

The book describes the principal choice for the construction industry (country perspective) for what path to choose:

- *The high road path:* A capital-intensive, human-capital-intensive and technically dynamic construction sector where the cost of training, maintaining health and safety of the workforce, unemployment benefits etc are financed by the state or industry-wide systems, or
- *The low road path:* A low-skill, less well-equipped, labour-intensive path with a small core workforce. Here, a contractor's best competitive strategy may be to take the free ride by using the labour force trained by someone else. Workers may be less motivated to train for new skills.

The purpose of the book is presented in the introduction:

“The purpose of the book is to describe these two paths along which the construction industry has developed. Based on these nine case studies, we ask how these labor markets function and what public policies, regulations, market contracts, and customs foster development along the high-skill, high-quality growth path, and what policies and approaches foster the low-skill, cheap construction growth path.”

Four dimensions are considered in ordering construction labour markets from the more to less regulated:

- Is there generally extensive or limited labour-management co-operation in setting labour and industry standards?
- Is there established and active collective bargaining?
- Does the state engage in codifying and generalising the results of labour management co-operation and collective bargaining?
- Are the arrangements in the construction industry and labour market typical of the overall regulatory framework of the economy or is construction an exceptional case?

The nine countries have all a different background and culture. They have also chosen different paths, according to the high road/low road options that have been described. Thus, all countries have not experienced a “Building Chaos”.

The summary of the introduction describe the characteristics of the countries that have chosen the high road path:

“... most workers have a permanent job, or the risks of fluctuating demand are buffered by an extended industry-specific safety net. To build up and continuously modernize this safety net and the training of the workers in these countries, trade union density in the construction industry is higher than in the rest of the economy and industrial relations are based on mutual trust among labor organizations, employers’ organizations, and the state. The reason for this mutual trust is the common interest in building up and retaining a skilled workforce in the sector, with unions interested in protecting

workers from job instability and employers interested in safeguarding their investment in training.”

Building Chaos is not an unbiased or completely neutral book. The authors see the high-road path as preferable and some countries have chosen it. In those cases, you can't really talk about “Building Chaos”. Nevertheless, the comparison proves that active choices do make a difference.

Building Chaos gives in-depth knowledge about the construction sector in nine selected countries – each with a different background and culture – and what choices they have made. Those of us who appreciate the *high road path* have valuable information to find in the book. A development towards *the low road path* in further European countries would certainly not be in the interest of the construction workers.

The book is very interesting and well worth reading. Unfortunately, the price is fairly high which probably will limit the distribution of the book.

Sven Ljung, Research Department Swedish Building Workers' Union

NEW PROJECTS

Report on Research Projects: *Linda Clarke, University of Westminster:
Education, Training and the Labour Market Research Group*

1. Overcoming marginalisation: Structural obstacles and openings to integration in strongly segregated sectors

This project, part of the EC Framework 5 targeted socio-economic research programme, ran from September 2001 until December 2003. At a time when female and ethnic minority participation in European labour markets is rising, the integration of both groups is a critical political issue and the nature of employment is undergoing significant change. The project has sought to examine the nature and extent of gender and ethnic minority participation at sectoral level by investigating the structural obstacles to inclusion in terms of access, retention and promotion and the policies that may be effective in overcoming these. A main objective was to determine differences between the sectors, and differences between women and ethnic minorities. Three strongly male (and white³⁶) dominated sectors (Construction, ICT and Print) and one female (and ethnic¹) dominated sector (Health) were examined in Britain, Denmark, Germany, Italy, the Netherlands and Spain³⁷. These sectors, two industrial and two services, are of differing sizes but have relatively similar importance in each country. In a number of cases they are beset by skill shortages and are in need of a larger labour pool from which to recruit. In each sector the study focussed on particular 'typical' occupations, namely carpenters, software engineers, printers and nurses respectively in order to investigate occupation-specific career ladders and possibilities for training and promotion. The practical work conducted included a literature and statistical review as well as interviews at European level and at national macro- (social

³⁶ In some or most of the countries in the study.

³⁷ The teams involved are: 1) Education, Training and the Labour Market Research Group, University of Westminster (Coordinator), 2) AIAS, University of Amsterdam, 3) FAOS, University of Copenhagen, 4) Monitor Lavoro, Rome, 5) Juan March Institute, Madrid, 6) VAUST, University of Osnabrück.

partners and training organisations) and firm levels (HR managers/owners of firms).

There are indications that it may be easier for women to access employment and be promoted when formal qualifications are a prerequisite. Acquiring the education and training necessary can be difficult for those from ethnic minorities. In situations where women and ethnic minorities are dependent on the cooperation of individual employers, they find it more difficult to arrive at required skill levels. Graded wage structures are more inclusive with respect to the female-dominated (public) health sector where grades (especially for nurses) are linked to qualification levels. Recruitment via networks or word-of-mouth acts as a means to recruit 'likes' and works against women and ethnic minorities. The UK is the only country with formal *Equal Opportunities Policies*. Even in the UK, however, institutionalised EO policies do not overcome discrimination. EO activities are often limited to the national or sectoral levels, with firms yet to be convinced by the business case for EO. Active Labour Market Policies are scarcely used (with the exception of Denmark) because there are problems relating to the skill level of clients, firms' knowledge of schemes, the time necessary to implement the schemes and the support systems required.

The crossover between gender and ethnicity should be more directly addressed by policy. However, at the European level, this is virtually impossible as the terms and definitions of what in Britain is termed 'ethnic minorities' differ in each country. Moreover, consideration should be given to how national and EU anti-discrimination laws and practices have been or could be translated into practice.

2. Housing Forum: Survey into Skill Shortages and Good Practice in Recruitment and Retention in the Housebuilding Industry

This survey (by Georg Herrmann) began in July 2003 and was completed in January 2004. It included a survey of builders and other organisations involved in housebuilding in the private, social and public sectors, and then an in-depth examination (by Barbara Susman) of a small selection of those shown to have particularly good practice. The survey identified those occupations where firms experience severe skill shortages and shows that there are considerably more recruitment difficulties in firms – with higher levels of direct employment – involved in social housing. Companies mainly recruit or ‘poach’ from other companies when replacing staff or expanding and although training issues are taken seriously, training and internal promotion are little used as recruitment strategies. Indeed, only a minority have formal recruitment and retention policies and plans. In addition, firms tend to rely on informal and ‘word-of-mouth’ recruitment and selection procedures, which discriminate against women and ethnic minorities. The research showed how good-practice firms are considerably more inclusive and concludes that the informal ways of the construction sector and the lack of human resource policies contradict good practice.

CALENDAR OF EVENTS

European Seminar on “Stress in the construction sector”

Amsterdam (NL) - 8th October 2004

During this seminar the results of the EFBWW/FIEC/CLR study on “Stress in the construction sector” will be presented and evaluated.

For more information please contact the EFBWW secretariat:

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European Conference "the implementation, practical application and operation of the posting directive 96/71 EC"

Scheveningen (NL), 15 – 16 October 2004

This Conference aims to improve the implementation, application and operation of the posting directive 96/71 EC in the EU Member States by exchanging experiences, best practices and ideas between the participants. It will provide an excellent opportunity for debate and exchange of experiences on the application of the posting directive 96/71 EC practice between the participants.

The results of the EFBWW/CLR research project on the implementation, practical application and operation of the posting directive 96/71 EC will be presented and evaluated.

For more information please contact the EFBWW secretariat:

Tel: +32/2/227 10 40 - Fax: +32/2/219 82 28 - E-mail: info@efbh.be

Seminar: ‘Contracts of employment versus contracts for services?: collective bargaining and the nature of the employment contract in construction today‘

Thursday October 28th, University of Westminster, London

The question posed by this seminar is one becoming particularly urgent given the proposed new EU Services Directive, the problems in implementing the Posted Workers Directive, the increased use of agencies, subcontracting and self-employment, and migration from the new EU eastern European countries. The seminar will include academic, social partner and legal contributions and will conclude with a platform discussion with representatives of employer associations and trade unions focussed on Britain. Confirmed speakers so far include:

- Ernst-Ludwig Laux (Deputy General Secretary of the German building union IGBau) who will speak about disparities in wages and social protection between Germany and surrounding EU countries;
- Hans Baumann (Swiss building union) on the possibilities of transnational collective agreements, drawing on the example of the very large Alp-Transit tunnel project.
- Brian Bercusson (Professor of European Labour Law, Kings College London) on the development and nature of the employment contract and the legal basis to achieving equality of employment conditions;
- Jan Cremers (European Institute for Construction Labour Research) on the background to and current problems in implementation of the Posted Workers Directive.

What we hope will emerge from the different contributions is, first, an understanding of what the standard employment relation/contract in construction in Europe is and factors undermining this – in particular the use of self-employment and labour-only subcontracting. Second, the possibilities of European bilateral agreements will be illustrated and changes in the role of collective bargaining and the social partners (employers associations and trade unions) in construction today identified. Thirdly, the different

contributions and discussion will highlight the disparities in development. And finally the specific problems involved in implementing the Posted Workers Directive (especially in Britain) and the implications of the proposed new EU Services Directive will be clarified.

This seminar is part of the series 'People in Construction: comparisons, practices and policies', supported by the British Economic and Social Research Council (ESRC), organised with CLR and running until the end of 2005. The series aims to: examine and identify the key levers of social change in the construction industry in Europe, and particularly in Britain; understand and compare the employment of labour, whether operatives, administrative and technical staff, technicians or professionals, male, female or ethnic minority, past or present; provide a forum for discussion of research from different perspectives – social, historical, economic, international and comparative; contribute to the improvement of industrial relations by discussing current issues with relevant policy-makers, the social partners, practitioners and academics; consolidate and extend the network of researchers in cooperation with the European Institute for Construction Labour Research (CLR); and produce a book. Those interested in attending should contact:

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