

No 3/2010

CLR News

Observatory

CLR

European Institute for
Construction Labour Research

www.clr-news.org

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Note

from the editor

Jan Cremers,
AIAS,
06-10-2010

In the period November 2009 to May 2010 CLR organised a series of seminars and workshops with a small group of practitioners and academics, dedicated to the consequences of the crisis for the construction industry.

Some of the participants prepared short country reports in order to illustrate what was going on.

The reason for this was to come up with an issue of CLR-News. Till 2004 we brought regular country reports in a special issue called "Observatory". With the contributions available, we thought that this was the moment to pick up that "old tradition".

Going through the reports, the conclusion must be that there is both convergence and divergence at stake in Europe. All countries have suffered from the crisis and the construction sector has been hit hard. Investment in the sector has seriously decreased and employment figures are way down. However, some countries

perform better than others. The crisis hit Spain and Ireland extremely hard at the start, countries that had seen an enormous growth in construction-related activities, partly as a result of property related speculation. As investment in the sector decreased and the rescue operation of the banking sector resulted in a policy of withdrawal instead of investment, the effect of the crisis deepened and became more manifest in other countries.

The countries that survived best still have regulatory frames, of labour law and collective agreements, in which workers are protected and treated as stakeholders who keep an industry in good shape. Collective agreements and direct employment relationships are important contributions to a general feeling of justice and fair treatment, also in times of crisis. These regulatory frames are perhaps costly, but they were explicitly built up as anticipative instruments for bad times. Provisions to guarantee continuity in a sector, to maintain social security and to avoid extreme

poverty don't need to show evidence in prosperous times.

Austerity programmes, mainly characterised by cuts on public spending and with the aim of reducing state deficits, will lead to very modest perspectives even in time of economic growth. A large part of the sector is dependant on public works and social housing and the "exit" strategies that are proclaimed to get out of the crisis are not very promising for labour. Before the crisis, a rise in the number of atypical contracts and precarious working conditions took place across Europe, with about 19 million working poor in Europe in 2008. In recent years the burden of labour market flexibility was imposed on workers in non-standard employment relations, and especially on young people through the widespread use of atypical and temporary contracts and, as a consequence, easy lay off.

Major trends which have contributed to shaping European labour markets

have included the implementation of labour law reforms, seeking to increase the internal and external flexibility of enterprises and administrations, as well as a clear increase in labour recruitment within Europe - with the accession of 12 countries to the EU - and from non-EU countries.

Most "exit" strategies include new restrictions on employment protection such as the loosening of mandatory restrictions on dismissals or reform of unemployment and social benefits. The result of this budgetary cost-cutting policy is that crucial social risks are transferred away from governments and employers onto individual citizens and at the expense of the workforce. A dismantling of social insurance and other social protection provision guarantees no improvement in job or income security. Neo-liberal "reform" concepts from a drawing table, based on (theoretical and political) economic ideas and notions, can work out to be very negative. The first indications of economic recovery, whether sustainable or not, have not lead to more direct

Note from the editor

labour. In countries that have survived best, new jobs have been created not in the form of direct employment of workers, but by reintroducing various types of flexible contracts. The workforce has taken over the role of the buffer for bad times.

In this issue of CLR-News we have a broad range of contributions.

We have national reports from countries that seem to have recovered quite well but also from countries that will suffer for a very long time. Our reports and reviews fit well in the issue as they take up questions such as the function of labour market institutions and the problem for trade unions to formulate adequate responses to the economic crisis in different European countries.

As ever, feel invited to deliver contributions and feedback.

Announcement

Skills and Low Energy Construction

symposium

Friday 5 November 2010.

**University of Westminster,
Regent Street Board Room,
309 Regent Street, London W1B
2UW**

The requirements to create low carbon buildings relate to all aspects of construction, including design communication, contractual relations, site management and operative skills. The objective of the symposium is to understand how ownership of the whole process can be claimed across occupational and professional barriers in order to make a paradigm shift in the conception of "green buildings" - from niche market to industry standard. The symposium is organized by ProBE (Centre for the Study of the Production of the Built Environment), in association with the European Institute for Construction Labour Research.

Symposium Programme see www.clr-news.org under News.

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The effects of the crisis on the Greek Construction Industry: From the Olympus Mountain to the Kaida Cliff

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Introduction

The recent global financial crisis has aggravated the persistent problem of the competitiveness of the Greek economy. By the end of 2009, the level of public deficit and public debt reached 13.6% and 115% respectively of GDP (INE/ GSEE-ADEDY, 2010). After painful negotiations in Brussels, the government finally agreed in May 2010 to a rescue plan for the economy ensuring an EU/IMF bailout package. The decision was driven by the risk of a potential collapse of the Euro and the extension of the Greek crisis to a broader global and European scale. Nevertheless for the Greek people the rescue plan could be considered as shock therapy given the drastic character of the recently imposed economic austerity measures. For example Law No. 3833/2010 stipulates, among others, wage cuts and pay freezes in the wider public sector. So far there has been strong reaction by both employers' associations and trade unions to the introduction of these measures, albeit for different reasons (e.g. six general strikes took place in the first half of 2010). The available statistical evidence suggests a sharp increase in unemployment and a decrease in GDP that can further intensify both social unrest and economic recession in the near and mid-future.

This analysis aims to discuss the effects of the crisis on the construction industry in Greece, arguing that the industry has - as elsewhere - entered a period of deep recession and uncertainty (ILO, 2009; Ward and Coughtrie, 2009). The construction industry is of particular importance for the national economy, since it exerts a substantial influence on the development of basic macroeconomic indicators and employment. Analysis of up-to-date statistical evidence indicates that it is also one of the economic activities most

heavily affected by the deep recession period that the Greek economy has already entered. The unfavourable predictions regarding the future of employment in the industry have also had a negative impact on industrial relations in construction, traditionally characterized by widespread violation of labour law, inadequate measures to address the risk of accidents at work, and high rates of casual and undeclared work (Kretsos, 2004). The report that follows is divided into four parts: i) how and why Greece is now trapped in a vicious cycle of recession and high unemployment; ii) the impact of the crisis upon the Greek economy and the labour market; iii) the impact of the crisis upon Greek construction industry; iv) conclusions.

How and why Greece is now trapped in a vicious cycle of recession and high unemployment?

Between 1995 and 2008 Greece was characterized by increased prosperity and economic development, indicated by rising trends in national GDP and in the rate of labour productivity. The achievement of crucial milestones set by consecutive successful governments since 2000, such as the inclusion of the country into the Euro zone area and the successful completion of the 2004 Olympic Games in Athens, established a broader sense of euphoria that Greece was moving away from its Balkan past and gradually joining the club of the rich countries of Central and North Europe. The creation of modern airports, national highways and shopping malls, the existence of more luxury cars on the streets and yachts in the ports signalled the broader economic and social modernisation steps that the country was taking at the beginning of the new century.

Nevertheless improvement in various macroeconomic figures represented only one side of the story. The competitiveness of the economy throughout this period remained low across the EU area and income inequalities increased (Kretsos, 2010). This situation (economic development – explosion of public deficit and public debt – income/ class polarisation) is related

to both broader dynamics of the European monetary union project and certain characteristics of the Greek economy. Given the limited space here I will not focus on the international dimensions of the Greek economic crisis (e.g. how the entry to the Euro zone affected the competitiveness of the economy or what was the role of international financial speculators in the emergence of the crisis etc.). As such the analysis will only try to describe in broad terms the national peculiarities that led to the current situation.

According to the National Bank of Greece the main reasons for the economic crisis are the low level of savings and the constant increases in public spending in the last decade. Relevant estimates by the Bank indicate that national gross savings rate, public and private, was just above 7% of GDP in 2008 and 5% in 2009 due to excessive public deficits and the fast growth of private consumption. Both these conditions prompted successive national governments in getting loans and economic help from international investors, thus increasing the size of public debt. In an opposite vein the Labour Institute of the Greek Trade Union Congress (INE/GSEE-ADEDY) has argued that other conditions and policy priorities have proved more influential in provoking the current crisis. First of all, the State has been unable in the last two decades to collect many taxes and to reduce the symptoms of tax evasion due to the insufficiency of established mechanisms. In this framework the inconsistency between high economic growth rates (observed over a period as long as 1994-2008) and the simultaneous rising levels of public deficit and debt is explained by the lack of ability by the State to increase public revenues. This inability has also become more serious due to a variety of regulations that reduced or abolished tax obligations of big companies and the shipping industry.

According to the latest INE/GSEE-ADEDY 2010 outlook for the economy and employment, the size of direct taxes represents only 7.7% of GDP in contrast to 13.1% of GDP across the EU-

27. Further, the contribution of dependent workers and pensioners to public revenues from direct taxes was as high as 78.7%. In simple terms ordinary working people and pensioners contribute much more to public revenue than do the employers. Furthermore the trends towards income polarization are high, as the income of the 20% richest Greeks is almost six times higher than the income of the 20% poorest ones (INE/GSEE-ADEDY, 2009). According to OECD (2009), the State loses 25% of GDP or 12-15 billion euros each year. An important issue is, who systematically avoids paying taxes? According to data from the national accounts, the tax burden to working and retired people is more or less the same as the average for the EU-25 area (35.1% in 2007 and 36.4% in 2006 respectively). Nevertheless the tax burden for corporate profits in Greece is almost half (15.9%) that of the EU-25 (33.0%). In this framework it becomes clear that national governments in the last decades have chosen to cover public revenue loss by taking more loans, thus increasing public debt.

In general, the model of economic growth that was adopted, especially after 1990s, was based on two main pillars: a) growth in the rate of private consumption; b) tolerance of tax evasion practices from which many employers took advantage. At the same time, the cost of certain public infrastructure works - and especially that of the 2004 Olympics - dramatically increased, adding further burdens to the future of younger generations. In addition, the loss of monetary policy control by national governments after the country joined the Euro zone has become crucial to the rescue of the economy under current conditions, as it has removed the option from the national authorities to follow a currency devaluation that could boost exports and improve the competitiveness of the economy.

It should be mentioned that between 1995 and 2009 the rate of labour cost per unit increased by 1%, while the level of competitiveness of the economy was reduced by 26.8% (INE/

GSEE-ADEDY, 2010). As such, any claims that nominal wage increases and trade union pressure to increase the income of workers diminished the competitive position of the economy are wildly inaccurate. Long before the crisis trade unions had warned of the danger of economic collapse and the need to improve the composition of demand and production through more sophisticated, environmentally-friendly policies driven by a progressive redistribution of income (INE/ GSEE-ADEDY, 2006).

In essence, even if the crisis is strongly related to relevant developments in the global economic and geopolitical landscape, the Greek economy has serious, long-term structural problems. National governments in turn have not dealt with them effectively by following a progressive policy to promote investment in higher level productivity and technologically-advanced products and services (e.g. renewable energy sources, green technologies, regional clusters etc.). They basically chose instead to keep the economic engine warm by boosting private housing/building activity, tourism, the shipping industry and retail trade through policies that aimed to keep real wages low and to increase consumer credit. Private debt (companies, households) increased from 43.3% of GDP in 2000 to 107% in 2010 (INE/GSEE-ADEDY, 2010).

Such a model - of boosting domestic economic growth and consumption rates through a long-term (1994-2008) expansion in average household debt and systematically neglecting structural aspects of the Greek economy (the labour intensive economy, high levels of undeclared work, serious problems of tax evasion, lack of progressive taxation policies, a negative balance of payments etc.) - not only has its drawbacks, but also its limits. In 2009 the first serious symptoms of the crisis began to emerge. Construction was one of the first economic sectors that proved to be heavily affected by the crisis. Before going into greater detail on this, it is crucial to clarify how far the recession and recently

imposed measures are going to affect the whole economy and employment in the country.

The impact of the crisis upon the Greek economy and the labour market

The dynamics of regulatory change have become stronger with the 2009-10 economic crisis and the consequent imposition of measures agreed and prompted by the government, the IMF and the EU. In essence the government has initiated a drastic programme of economic and labour market reform, including dramatic changes in wages, collective bargaining, pensions and the public sector. Under such conditions, it is reasonable to expect growing anxiety and uncertainty across Greek society.

According to a survey of the Greek Trade Union Congress (GSEE) in June 2008, 75% of employees, including public servants who enjoy a more or less permanent job status compared to workers in the private sector, declared that they feel great insecurity about their future work prospects (GSEE, 2008). Such feelings may be greater now with the worsening in economic conditions that took place in 2009-10 and which is more than evident in the analysis of Robolis (2010), presenting alarming findings on how serious the economic recession is moving in Greece. The income of dependent workers and pensioners will be reduced by at least 30% and the actual number of unemployed will be increased to one million people in 2011. Such a level of unemployment is higher than that of 1960.

In a similar vein other scholars and surveys have highlighted the multiple consequences of the crisis. For example Kouzlis (2009) has argued that the panorama of work insecurity and precariousness is extremely widespread across the labour market. The demonstrations and industrial action that took place in the country in 2010 signified that there is a profound crisis of confidence in the entire social and political system, especially among young people (VPRC, 2010). Kritikidis (2010) also examined how many persons have moved into and out

of jobs in the first quarter of 2010. His findings indicate that the number of jobs lost is much more than the equivalent number of jobs created ; almost half of those losing their job are currently unemployed. This is a clear sign that there is an increase in both redundancies and in the number of companies (mainly small and medium) that have been closed due to the harsh economic climate that prevails at the moment in the country.

Further, the research showed that the employment replacement rate (number of new jobs/ number of jobs lost) is much lower in 2010 (70%) than in the period before the crisis (134% in 2008). The survey of IOBE (July 2009) indicated that 85% of private companies expects a worsening of economic conditions in 2010 and faces significant financial difficulties. GSEE (2010) has also argued that a considerable share of households faces serious economic problems with the recent austerity measures that have reduced household income. Many households spend more than 40% of their disposal income in loans and mortgages. The tough economic situation is possibly forcing many to emigrate. A recent (July 2010) survey found that 73.6% of 5,442 young (22-35 years old) graduates reported they would leave the country if they had the chance, while 42% had already taken certain initiatives to emigrate. Not surprisingly 77.9% of the survey sample believed that the memorandum signed between the government, the EU and the IMF would not manage to lead the government out of the crisis (Xiotis, 2010).

Finally, INE/GSEE-AEDY's outlook for the economy and employment, presented in mid September 2010, considered that the focus of attention in the current crisis should not only be on the twin problem of high public deficit and debt. It stated that, even if we eliminate the deficit and the debt, the same problematic economic conditions will re-emerge in almost 10 years. According to the analysis of the outlook, the roots of the current problem are strictly related to the model of economic growth chosen in the past decades. Such a

model places an emphasis only on adopting labour cost strategies and deregulating the labour market instead of establishing terms that ensure the production of high quality advanced products and services through greater innovation in production, higher wages, stricter control of the black economy and a more equal redistribution of income. In terms of the outlook, it is also considered that:

- The end of the economic crisis and recession will not be feasible in 2013, even after the full implementation of austerity measures.
- Domestic demand, which was the main accelerator of the economy between 1995 and 2009, will be reduced by the end of 2011, returning to the levels of 2000. Such a development eliminates any positive expectations for corporate profitability in the future, resulting in turn in lower investment activity. Lack of investment will result in higher levels of unemployment and economic stagnation.
- The rate of public investment has also been drastically reduced between 2008 and 2010 as an immediate result of the serious crisis faced in private housing building activity and the commitment of the government to reduce drastically the public spending rate.

The impact of the crisis upon the Greek construction industry

1. The period of 2000-08

Construction is a very crucial industry for the whole economy and it could be considered as the driving force of economic development and employment in the period 1995-2008. Even after the economic crisis the industry still remains a very important sector for the national economy, as its share, directly and indirectly, of GDP and employment is 15% and 17% respectively (Panagopoulos, 2010). Construction showed rapid growth and expansion in the last decade, especially during 1995-2004. This development was strongly associated with the Olympic Games in 2004 and the

model of economic growth followed up to 2008. In essence, the effort required to hold a first-rate Olympics in 2004, in conjunction with the influx of EU funds in order to achieve this goal and also to modernize the country's transport infrastructure, helped the expansion of construction activity and the increase in the number of people employed in the building/ public works sector. The expansion was also prompted by a gradual fall in interest rates and increased consumer credit, which caused the number of housing loans to rise and directly resulted in more private building activity.

By obtaining funding from the EU and the national budget many infrastructure works were completed (Egnatia Odos, Attiki Odos, Athens-Elftherios Venizelos airport, Athens Metro etc.) between 1995 and 2004. The emphasis on investment in infrastructure work could be considered as a hybrid of Keynesian economic policy, taking advantage of the Olympic Games event as a guarantee for the absorption of EU funding. By 2004 many jobs were created in construction, the country was improving its position as an attractive place for investment and a transportation centre of the Mediterranean and the largest Greek construction companies were taking the lead across the markets of the Balkan peninsula and South-Eastern Europe. At that time more than thirty large construction companies gained entry into the Athens Stock Market. Profitability rates were high and actually much higher than for their counterparts in the rest of Europe (Tarpagkos, 2010). For this reason Greek construction attracted the interest of international players in the market, such as Hochtief, Vinci, Dragados.

In terms of employment, between 2000 and 2008 the construction industry created more jobs than any other economic sector of activity in the country (INE/GSEE-ADEDY, 2009). Employment levels in the industry increased in the period by 29.9%, adding 88,419 new jobs to the economy. At the same time, the added value of the sector showed dramatic increases (+55.8%), the labour productivity rate

increased by 17.5%. and the contribution of the industry to the formation of national GDP also increased (8.2% in 2007, from 7.0% in 2000) (Kritikidis, 2009). According to data from the National Statistical Service (ESYE), the industry's share in overall employment was quite substantial, at nearly 8.2% in 2008, showing a dramatic increase on the previous decades (+58%). More specifically, 231,200 people were employed in the industry in 1987 compared to 399,331 in 2008. Since then employment in the construction industry in Greece has followed downward trends.

A characteristic element of employment in the industry is the increased share of foreign migrant workers, mainly employed as unskilled workers. No serious differences are observed between the average wages of workers of Greek and non-Greek origin. The average monthly wage in the industry is 1,100 euros. The net monthly wage for Greek workers is 1,024 and for foreign immigrants 917 euros (Panagopoulos, 2010). As the following table shows, the crisis seems to affect all employees irrespective of nationality.

Year	Employees with Greek nationality	Employees with non-Greek nationality
2008	274,437	124,892
2009	246,797	119,797
Total	399,331	366,589

Table 1: Employment in Construction per nationality, 2008-09
Source: ESYE.

2. *Construction industry after 2008*

The table also indicates that between 2008 and 2009 and since the emergence of the crisis more than 32,000 jobs have been lost (27,640 Greek and 5,095 non-Greek workers). Other scholars and institutional reports have suggested that the number of jobs lost is much higher given the high level of undeclared work in the industry. For example the

Technical Chamber of Greece (TEE) argues that 40,000 jobs have been lost in the last three years and that the crisis in construction is the highest in the post-war period (press release TEE, 10 April 2010). According to Labour Force Survey data, the peak in the number of people employed in the industry was (in the third quarter of 2007) 402,000, representing almost 9% of total employment in the country. Between that time and the first quarter of 2010 about 61,400 jobs have been lost and in 2010 the share of construction in total employment is 7.7% (the lowest share in the last 8 years).

Further the crisis affects not only employment prospects, but also working conditions in the industry. For example, according to the press release of the TEE 3rd of May 2010, the income of self-employed engineers was 36% lower in April 2010 compared to April 2009. It should be noted that 56% of Greek engineers are self-employed, but in practice most of them are working as freelancers on short-term projects or they are recorded as independent contractors instead of typical dependent employees. In doing so, their employers avoid paying social security contributions and redundancy compensation (Lampousaki, 2010). Such problems became more apparent with the recent (June 2010) social security reforms that, according to TEE estimates, will reduce the pensions of engineers by on average 62% (press release TEE, 30 June 2010).

Regarding the future of the construction industry, it is clear that the industry has - as with the whole economy - gradually entered a phase of recession. Some indicative symptoms of this development are:

- The reduction in the size of gross investment in construction activity, by 24.8% during the first half of 2010 relative to one year earlier
- The reduction by 22.4% in the index of construction projects taken on by civil engineers since 2009
- The reduction by 16.8% in the number of private housing building projects, representing the highest fall in the last ten years.

- A reduction in people employed in the industry by 7.4% (or 27,300 jobs) in the first quarter of 2010 compared with the first quarter of 2009 (SATE, 2010).
- The contribution of the industry to national GDP is estimated at 3.9% in 2010 in contrast to 5.3% in 2009 and the much higher levels of 9% and 8.5% in 2007 and 2000.
- During 2008 many large construction companies recorded economic losses, while 17% of SMEs had lower turnover and profit rates than in the previous year. Many SMEs have decided to close their operations or to shrink their profits, as discounts in the few remaining projects funded by the State are extremely high (65% and 50% for sewage system works and real estate buildings respectively) (Tarpagkos, 2010). Despite the recent reduction in the price of construction materials, such conditions increase the danger of work intensification and low construction quality in order to cover losses in corporate profits.
- Due to their inability to pay their debts, the management and the future of many large construction companies has gradually passed into the hands of the banks (e.g. the cases of Entechnos, Mesochoriti brothers, Edrasi-Psalidas, Mixaniki, Attikat, Proodeytiki etc.) (Tarpagkos, 2010).

According to a recent (January 2010) survey by the Industry Federation of Northern Greece (SBBE) of a sample of construction companies, eight out of ten reported a lower turnover rate and net profits. Such conditions had a negative impact on their investment decisions. In general, the main reason for the recession hitting construction at the moment is the broader negative climate in the economy and the lower demand for construction work in the areas of either private housing or projects to modernize public infrastructure. Household income is to be reduced by 30% in the near future as the recession becomes deeper (Robolis, 2010). At the same time, the government is committed to

the EU and IMF to reduce the rate of public investment for the period 2010-12 by 500 million euros every year (SATE, 2010).

In addition to the low demand for construction services, other factors have proved heavily influential for reduced activity in the industry. More specifically, these factors are related to the following:

- The government has recently announced that the programme of public investment will be reduced further by 600 million euros, resulting in a total loss of 1.1 billion euros for the industry for 2010. In this situation it is possible that many on-going projects will stop or slow down.
- There are no government plans for a housing policy for low income workers or new households and young people.
- Banks are very reluctant to provide financial assistance for private housing. Housing loans and mortgages were increased by 35% in 2005 in comparison to just 4% in 2009.
- There are high expectations of further price reductions in the real estate market due to the economic problems of many households. According to estimates, there are between 200,000 and 270,000 houses and other buildings that have not been sold or used for any other economic purpose.
- New regulations have increased the cost of housing and real estate ownership. According to Kanellopoulos (2010), there are about 40 different taxes that burden property owners and landlords.
- In Greece the rate of private property ownership is quite high (80%-85%), while a significant share of households has also a second house.
- Greek society is an ageing society, while the economic level of the foreign migrant workers is low. Both factors are discouraging to increased demand for private housing.
- There are still construction companies that have not been

paid by the State for the projects they took over and completed for the 2004 Olympics. It is estimated that the State has not returned almost two billion euros to companies involved in various Olympic Games projects. Such a delay has worsened their financial situation with an immediate negative effect on investment activity and the continuation of employment of many workers (SATE, 2010).

Conclusions

For more than a decade the economy was booming, showing higher than the average EU-15 rates of economic growth. Throughout this period the economic policies followed and the Olympic Games event helped the domestic construction industry to expand. This development was strongly related to a number of factors, such as:

- The high growth in domestic demand for new housing and real estate property due to the extension of the Greek credit banking system and the relaxation in the rules and conditions for providing housing loans and mortgages to households and companies.
- The high increase in the rate of public investment based on economic and political priorities to establish Greece as an important and modern southern European transportation and commercial centre by modernising its public infrastructure.
- The high rate of profitability of construction activity attracted the investment interest of national and international consortia and companies. Greater access to EU funding due to the 2004 Olympic Games, the reduction in international transaction costs due to the inclusion of the country in the Eurozone, the lack of strict public authority control concerning employers' tax compliance and labour law obligations, and the existence of a large pool of cheap labour (foreign migrants) in the domestic labour market provided great incentives to invest in the industry.

Nevertheless, by 2009 the emergence of the economic crisis in Greece signalled the end of the golden era in construction. Private debt (companies, households) is at the highest level of the post-war period. Recently imposed austerity measures have dramatically reduced the ability of households to increase domestic demand. Unemployment is also rising and the income of many workers has been reduced. In this climate of job insecurity and profit uncertainty, working people and companies are forced to act very cautiously as far as concerns investment in the field of housing and real estate.

Furthermore, the new regime of governance in Greece excludes any possibility of revival for the industry. First of all, the State has been forced to reduce the level of public investment earmarked for the improvement of the country's infrastructure. According to the memorandum of cooperation between the government and the EU-IMF signed in May 2010, the extreme, for the international accounts, size of public debt and public deficit leaves no space for the State to be involved in infrastructure work in the future. By 2012 the government has to reduce public investment by one and a half trillion euros and any violation of the austerity measures agreed in the memorandum will result in certain financial punishment. As such, from now on public infrastructure work and relevant projects have to be delivered privately and strictly through market rules. In broad terms the State can not follow anymore Keynesian-inspired policies to boost domestic demand through public investment.

In this framework, the austerity measures adopted put the country into a state of economic asphyxia deepening the recession and economic uncertainty. Austerity measures push the government to collect more taxes and relax employment protection in order to pay back the country's debt at the expense of its sustainable economic development and of employment that could help Greece pay back its debt faster and more surely. The future of the Greek construction industry appears gloomy, with employment and activity

levels following downward trends. Perhaps the only hint of hope is the enduring national tradition of collective bargaining and strike militancy. in the sense that this will force renegotiation of the current economic policy priorities and will stop the current neo-liberal attack on workers' rights.

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The financial crisis and its impact on the Swedish Construction Sector

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Introduction

The construction sector in Sweden has experienced a significant downturn since 2008. Both construction output and employment in the sector have fallen due to the financial crisis and the recession that followed. Residential housing is the most affected sub-sector and the production of new residential property fell by almost 40 % in 2009. However, the situation has stabilized slightly in recent months and the effect from the crisis may not be as high as previously anticipated. In 2010, we have seen the first signs of a recovery in construction.

The crisis came rapidly in autumn 2008 and the following months were dramatic:

- Orders fell
- Companies started reducing their workforces
- Credit was often not available. Initially, banks had severe liquidity problems and, when that situation stabilized, they re-priced credit and reduced perceived risks.

The construction sector has been hit hard by

- Uncertainty among households, reducing the demand for new residential property
- The recession-reduced demand for commercial and industrial construction
- Lack of sufficient financing causing problems for construction companies, households and other clients.

The surveys by the National Institute of Economic Research express the concerns of construction companies:

- 50% of companies complain about the backlog in orders
- Prices have stabilised after the previous price pressure in the sector
- Early signs of recovery and emerging long-term optimism

Positive factors to stabilize the situation have been:

- Historically low interest rates
- Increased public investment in infrastructure

Construction output

Total construction output peaked in the first half of 2008 after several years of steady growth and then experienced a rapid decline during the second half of the year. The negative trend has continued during 2009. There are early, but still not consistent signs of a recovery in 2010. Due to a good first half year of 2008, total construction output actually increased by about 2 % during the year, compared to 2007. However, different subsectors experienced different trends: Residential housing fell by 5 % whereas infrastructure increased by 4 % and the difference between the peak during spring and the autumn level was significant. Thus, during the second half of 2008, construction output and employment fell.

The residential housing market contracted significantly after the summer of 2008. Prices for existing property fell, although not to the extent that has been seen in some other European countries. In 2009, statistical figures for the subsector residential housing show a decrease in production of 23%. As residential housing normally covers around 40 % of total construction output, this has contributed to falling output. The production of new residential housing decreased by 42% in 2009. In September 2010, there are early signs of increased demand and the production of residential housing is expected to increase by 4 % this year.

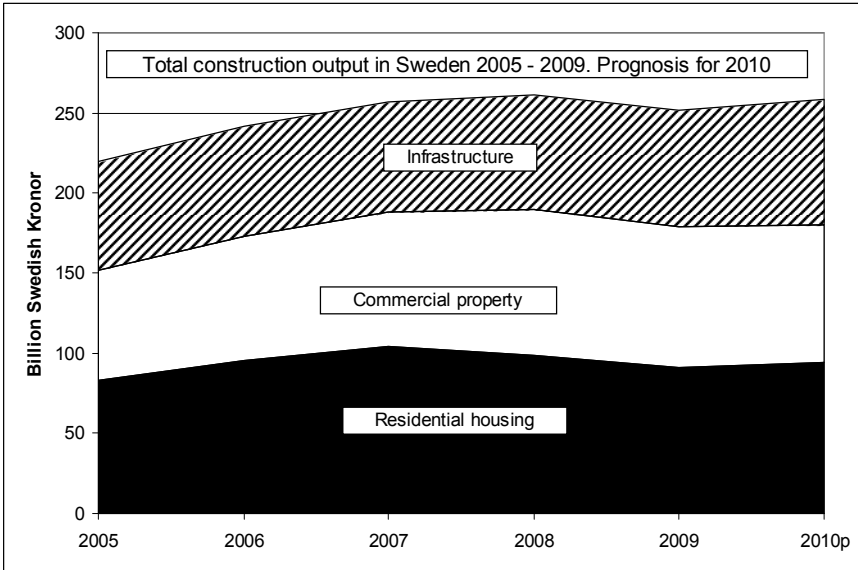


Chart – construction output

Lack of financing has been, and still is, a major constraint for construction companies. According to an Economic Tendency Survey from the National Institute of Economic Research, 25% of companies experience greater difficulty in obtaining appropriate finance for projects, compared to a more normal environment. However, this is an improvement compared to November 2009, when the figure was 50 %. More than 70% of companies experiencing such difficulties stated that banks are much more likely to decline loan applications. If the banks approve the credit, they require better security for the loan and/or higher interest rates. 16 % of companies say that their lack of sufficient capital is a problem. Even well-established construction companies with a proven order backlog experience problems with financing. The situation is even worse for smaller companies and sub-contractors.

Government spending on different infrastructure and civil engineering projects is expected to have increased by 13% in

2009, thus reducing the negative impact from the residential sector. However, those sectors are less labour intensive and require a start-up process. Thus, there will be no major short-term positive impact on employment. In 2010, public infrastructure investment is expected to increase another 11% and should have a positive impact on employment. The market for Public-Private Partnerships is very limited in Sweden; the concept has never been developed as in the UK and some other countries. The current situation whereby financing is less accessible and more expensive does not favour the introduction of Public-Private Partnerships.

Impact on large and small enterprises

Four Swedish and one Norwegian company dominate the domestic construction market. With regard to how demand has fallen in 2009, profits among the larger companies have actually been better than expected. Operating profits and profit margin fell, but not as much as many had expected. The largest companies had, on average, a profit margin in excess of 4%, which is not that poor during a recession. However, profits could come under pressure in 2010, when projects started in 2009 will be completed.

Larger companies have managed to adapt to the changes in demand by cutting costs, both for employment and building material. The larger companies were quick to lay off workers when they saw demand falling. During 2009, a major part of production has been from the existing backlog of orders from before the crisis. Profits and profit margin have been fairly stable but we should see both profits and the profit margin at a lower level. The question is whether companies can balance lower prices with cost-cutting and higher productivity.

In the nineties, many middle-sized companies disappeared through bankruptcies or acquisitions, whereas larger companies strengthened their position. The number of smaller companies is high, with low barriers of entry and

exit – leading to a fairly high turnover of companies.

Thus, during the Swedish construction and property crisis in the nineties, the structure of the building sector changed. The question is whether this current crisis will have an impact on industry structure. The bankruptcy level has increased, but from a low level. So far, we have seen very little industry consolidation during the recession. There has been an evident impact on many subcontractors and small enterprises as they are often quite weak in financial terms, with little or no reserves to manage even a short downturn. Larger construction companies generally have a higher capacity to resist a downturn. Some sub-contractors complain that main contractors often delay payments. 16% of the companies complain that lack of their own capital is a problem.

Declining employment

There was an immediate impact on unemployment when the decline in the residential sector began. In July 2008, 4% of construction workers were unemployed. In September 2009 unemployment rose to almost 9%. In February 2010, the unemployment rate in the construction sector rose to 4 %. Since then, employment figures have improved and the overall unemployment rate is now below 8%. Although construction investment may increase slightly in 2010, we can expect unemployment to remain at a high level as infrastructure projects are less labour intensive than, for instance, residential housing. One factor that is an uncertainty is whether the market share for posted companies to Sweden will increase or not. This factor could have an impact on workers resident in Sweden. As usual, there are large differences in unemployment rates between different parts of Sweden. The larger cities normally have a better employment market than the northern and rural areas.

The typical construction worker in Sweden is male and of Scandinavian origin, although there is a small minority from

new Member States predominantly employed by non-Swedish sub-contractors. The number of women in the construction sector is low. There is no evidence that minority groups so far have been worse off as a consequence of the financial crisis in construction.

The situation for apprentices is worse than for the average construction worker. With falling output, it is more difficult for young people to obtain an apprenticeship, as companies tend to give apprentices lower priority in a time when other workers face the risk of redundancy. The experience from the long downturn in the nineties was that a lot of younger people disappeared from the construction sector and never came back, which increased the average age in the sector. A recent agreement by the social partners and the public Employment Agency has the objective to mitigate the effects on apprentices and to find employment solutions.

Many residential property companies have plans for quite substantial renovations. There is now a non-binding agreement with the Swedish Public Employment Service whereby companies are encouraged to employ apprentices and will be offered the cost of skilled training for these.

Despite rising unemployment, this still has a limited impact on wages. The average wage increase in the sector during the last year was 3.5 %. As wages are subject to collective bargaining, this could prove that trade unions can defend members' wages even during a recession.

The chart shows how total employment in the construction sector has fluctuated.

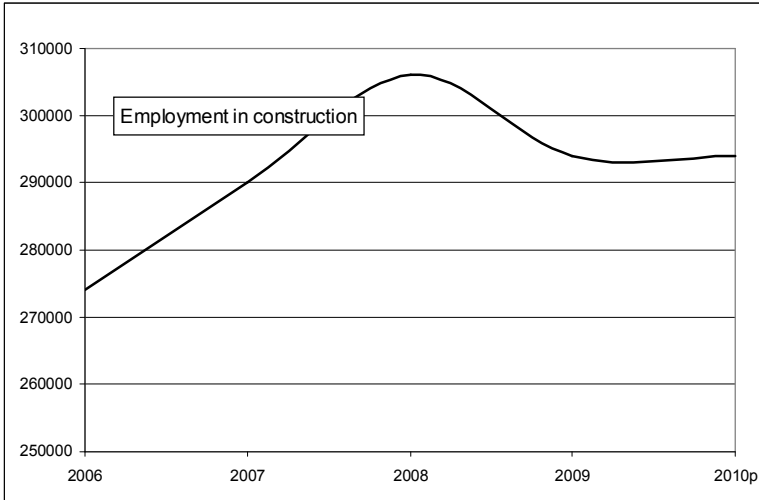


Chart – Employment in construction

Government action and inaction

Government has so far shown a “wait and see” approach in relation to the construction industry and decided to start some infrastructure projects – requiring long preparation before actual start-up - earlier than planned. Public spending in infrastructure projects increased by 14% in 2009 and is expected to increase by 17% in 2010, according to the most recent estimates from the Builders’ Federation. However, total construction will still fall this year. One reason for the lack of government action may be that the construction market is fragmented and redundancies in one company may seem small in comparison to redundancies in, for instance, the car industry.

Effects of intervention

The Swedish Central Bank understood early the severity of the financial crisis, initiating, like its peers in Europe, an aggressive monetary policy through several cuts in interest rates. In March 2010, the official repo rate was at the historic low level of 0.25%, compared to 4.75% in September 2008.

In late June 2010, the repo rate increased for the first time and in September stood at 0.75%. Although money has become cheaper through low interest rates, higher margins and tougher credit conditions have had a significant impact on the amount of credit actually available.

In addition to monetary easing, the Central Bank has initiated other measures to support liquidity in the market and provide guarantees. Swedish banks, like other European banks experienced liquidity problems in late 2008 and early 2009. Thus, the Central Bank has taken measures to restore confidence in the financial system. Three of the four major banks have carried out rights issues but no major bank has had to ask government for direct support. The government still has a substantial holding in Nordea, a leading bank, since the crisis during the nineties.

STIBOR (Stockholm Interbank Offered Rates) increased substantially in comparison to the official repo rate, thus showing the lack of trust and efforts from the banks to reduce risk. The margin has recently reduced, but is still not back to the pre-crisis level and is not expected to get there in the short-term. Banks have reduced their perceived risk in several ways. The banks' margin from lending has increased and companies often feel that borrowing is expensive, given the low repo rate. Further, there is evidence that the banks have been much more careful in lending to residential housing. Both companies and households experience much more difficulty in borrowing money, even though there may be security in property. Government has also introduced a programme of tax allowances for certain renovations, though this can only be used by homeowners and not by tenants or landlords. Although there has been some argument that this initiative is to mitigate the effects of the financial crisis, the main reason has been to transfer undeclared construction work to declared work.

Employment priorities – Initiatives for the unemployed

There have been very few initiatives from government to meet the increased number of unemployed. Before the recession/financial crisis, the government actually cut spending on labour market programmes for the unemployed. Experience from previous crises shows that a lot of workers need training and other measures to get a new job; training especially has proven to be very successful. In construction, there have been proposals from the sector for workers in housebuilding to be given training for work on infrastructure projects, but the government has not taken any serious measures so far. Employers and trade unions should have a common interest in difficult times like these but, in reality, external threats often cause tensions. There have been few examples of joint representation to government. However, joint action in relation to apprentices is one good example.

Responses by companies

The reaction from companies in response to the crisis has mainly been to shrink operations. Residential housebuilding can either be building on the company's own account or as a contractor for a property owner. When demand for new residential housing fell, the immediate effect was to stop new projects on the companies' own account, thus cutting residential housebuilding sharply. Signals from companies and the Builders' Federation have been somewhat mixed. Some want as little government subsidy as possible whereas others feel that this is an exceptional situation where some government initiative would be welcome. At an early stage, we saw proposals for government initiative, but not from the more market oriented Builders' Federation.

Sweden has three large construction companies with operations all over the Nordic region. Skanska, the dominant player, is one of Europe's larger construction companies with geographically well-diversified operations. So, although both large and smaller companies are part of the same Federation,

they basically live in different worlds and often have different policy requests. However, the larger companies dominate Federation policies. After the crisis in the sector during the nineties, the largest companies came out stronger, both in terms of domestic market share but also in terms of balancing operations between geographical and sub-sector areas. So far, this crisis has not yet shifted the structure as dramatically as in the nineties.

Responses by trade unions

The Swedish Building Workers Union, a blue-collar trade union organizing around 80% of skilled employed workers in the sector, has repeatedly proposed government initiatives to reduce the effects of the downturn. The main proposal has been to support renovation needed to large residential areas built during the sixties and seventies. Sweden has no social housing, but these houses were built to give low-income families modern flats; 40 years later, many are in need of renovation. Renovation of dwellings is labour-intensive and can with proper financing begin at fairly short notice – compared with new projects where building permission is required. These requests have the support of the opposition in parliament. The trade union has also emphasized the fact that a large number of apprentices face the risk of not gaining their vocational certificates, as the options offered by companies to apprentices become more restricted. If apprentices do not obtain certificates, there is a significant risk that many will not be employed in the construction sector, even should employment demand again increase.

Social, environmental and development needs

It often makes sense to stimulate construction in a recession. Construction tends to be very cyclical, with peaks and troughs not representative of a long-term balanced situation. Long-term construction needs can also be cheaper in a recession, so there could easily be a win – win situation. Sweden experienced a very long downturn in construction during the nineties for external and domestic reasons. Residential

property fell dramatically and for a couple of years, new residential building was not even near an appropriate long-term level. Unemployment in the construction sector peaked in 1994 at 40% and it then took almost a decade to recover from the crisis. One experience from that crisis was that capacity in the sector disappeared, impacting when growth and demand returned. Although there was a “lost decade”, residential housing has never returned to an appropriate level.

Construction output, as part of GDP, is lower in Sweden than in many other EU countries. Still there are substantial needs, especially for renovation in many areas of residential housing. As in many other countries, the needs in construction can easily be linked to energy. The climate in the Nordic region requires houses to be energy efficient, but there is still a huge potential in renovation, as many have not been modernised to today’s standard. Hundreds of thousands of dwellings are still not very energy efficient. The problem is that the investment cost can be seen as fairly high even though the pay-off time is not very long. However, incentives to renovate for better energy efficiency can be beneficial to both the property owner and to society, which could be a reason for limited support.

Finance of construction during the downturn

As previously mentioned, finance has been a major problem for many construction companies. Banks have often declined credit, according to the Economic Tendency Survey from the National Institute of Economic Research. More than 50% of construction companies have experienced problems in obtaining appropriate finance for projects. There are several reports from well-established companies that, even though there are potential buyers for 40% of flats, banks have not been willing to approve credit. Recent reports indicate that the situation is slightly improving.

One option discussed is to provide better government

guarantees during the construction process. If construction companies can build residential houses where there are actually buyers, then the government or a government agency could provide credit guarantees so that banks would not hesitate to give appropriate credit. This is not to say that guarantees would be provided for building on speculation.

Migrant workers

After EU enlargement in 2004, the number of workers from new Member States increased, both posted workers and those employed through employment agencies. The number of people directly employed by domestic companies is quite low. Very few workers from new Member States have registered as resident in Sweden. The number is much lower than for the UK, Ireland or even Norway, indicating that those who work in Sweden are either posted or involved in undeclared work. The number of migrant workers, posted or employed by employment agencies, may have fallen in line with construction output, but there is no evidence in either direction. So a fair assumption could be that migrant workers' share of total employment is at least unchanged.

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On the Actual Financial and Economic Crisis, its Impact on the Construction Industry and Labour Market in Germany

The present situation in Germany generally

"Crisis, which crisis? I do not see it!" This is what you hear from the media and people on the ground at the beginning of 2010. However, this is simply a denial of reality, since official figures and events illustrate a different situation. Politically, the elections in the second half of 2009 were also significant, since this led to a Conservative-Liberal coalition

and weakened the Social-Democratic Party. As a result, the coalition is keen on pulling the key political lever of tax cuts, some of which have already been carried out. This is given the backdrop of:

- The highest budget deficit ever in 2010;
- Gross domestic product has declined by 5% in 2009;
- No increase of GDP is expected for 2010;
- Consumer demand is collapsing, and;
- Exports cannot expand because of the slowdown of the world economy.

In comparison to other EU states and the USA, however, the rise in unemployment is relatively lower. A peculiar path can be observed in Germany which will be outlined below.

During the electoral campaign all parties have put forward partly radical proposals such as

- The establishment of a world economic system in the future;
- Curbing the drive to speculate in the finance industry;
- How to close the income gap between chief executive officers/senior management and ordinary employees.

It is significant in Germany that the claim to limit 'bonuses' for finance managers is in the forefront of discussions. Ironically, the bailing out of public regional banks (Landesbanken) with taxpayers' money have done little to cause major protests or public debates. By contrast we observe a great political lethargy, frustration, and retreat into the private sphere. This process has a direct effect on political parties and trade unions. Decisions in the elections are hardly understandable, as the liberal or neo-liberal FDP has achieved the best results in its history, though it stands for developments that have arguably resulted in the financial crisis.

Business-as-usual is the rule. Everybody tries to muddle through the crisis and those well-meaning political proposals are hardly pursued any more. As a result the financial sector is working the same as before, predicting similar rates of

return, and offering the same risky equities. The large banks have realised that even in cases of poor financial judgement, the state will not allow them to go bankrupt. This reduces their business risk and they continue to remain profitable through cheap loans from central banks, low interests on clients' deposits and high credit interests. Also the bonuses and financial rewards for employees in banks are restored, escaped from public scrutiny through complex tax avoidance measures.

The development of unemployment in Germany

Specifically, job security in export-oriented industries has been put under enormous strain as a result of the financial and economic crisis. This has affected the construction industry, though differently in the individual EU countries, as shown by Hans Baumann.

As the slow rise in unemployment has been observed internationally and in particular in Europe, we summarise some of the reasons of this for future discussions in the EFBWW and CLR:

- Since the mid-nineties and in particular since the so-called Hartz legislation 2003-5 the German labour market is in a process of restructuring (erosion of standard employment in favour of part-time, fixed-term, agency labour etc.);
- As a result of a positive economic development from 2005 unemployment, and with it the reduction of jobs in the construction industry, have declined;
- At the beginning of the crisis in 2008-9 many orders of the export industry had to be carried on, partly up to 2010-2011;
- Also in the construction industry the order books were in a good state, not blown up through speculation such as in the USA, Spain and Ireland, where construction collapsed immediately with the financial crisis;
- Furthermore, the sector has benefited from economic stimulus and many investment programmes brought forward to secure jobs;

- Other investment programmes such as premiums for disused old cars (Abwrackprämie) were also introduced;
- Subsidised short-time work was extended. This made cheaper and simpler for the employers to avoid large-scale unemployment, although this simply made the scale of unemployment invisible;
- Making redundant a great number of subcontracted workers and employing them in other job-creation schemes helped improve official figures;
- Reduction of working time (also without pay compensation) was not recorded as unemployment;
- Unemployment was officially avoided through working time flexibility in collective or company agreements on overtime.

whether this positive development of employment can be maintained is questionable because

- short-term work is very expensive and its continuation is politically controversial;
- Programmes for economic stimulus have caused so-called predating effects ('Vorzieheffekte') which may turn negative from 2010, and;
- The persistent fear of job losses reduces domestic demand and raises the saving rate.

How does the development in the construction industry look like?

As the construction industry is particularly dependent on public and private investment the construction trade union IG BAU demanded as early as 2008 sustained public programmes for the support of the economy and in particular the construction industry.

For a while, the employers and trade union representatives as well as independent research and economic institutes have recommended for more investment in public infrastructure, nurseries, schools, and renewal of drainage grids, roads and energy saving modernisation of buildings (investment of about €700 billion over a number of years). This would create and secure jobs and maintain an economic sector with its

necessary know-how. At the same time, the delay of public investment can be reduced and infrastructure can be consolidated for future growth prospects. Given the €50 billion economic stimulus programme for 2009, of which €18 billion have been earmarked for infrastructure development by the industry, construction employment remained relatively stable up to now. The implementation started slowly but over the whole of 2009 there has hardly been any reduction in employment. This might continue in 2010 as construction projects have to be completed, provided the political will for fighting the crisis remains unchanged.

Nevertheless, in Germany as in other EU states the new debt and deficit are phenomenal (according to recent data in 2010, €80 billion new debt will be reached). Political reorientation may happen and reductions in social benefits and other forms of savings at the employees' expense may be introduced. Many believe that the crisis has been stopped and there is no need for further economic stimulus. This is somewhat worrying. The budget for energy saving construction work in 2010, for instance, is planned to be halved from the previous €2.2 billion to €1.1 billion, even though these investments are effective in securing employment in construction and its supply industries and, at the same time, responding to the climate debate.

Some recent data

In December 2009 the number of unemployed in the whole economy was 3.276 million and the unemployment rate 7.8%. The number of unemployed exceeded the level of the previous month by 173,000.

In 2009 employment in construction has only minimally deteriorated compared to 2008. This is certainly the effect of the economic stimulus programmes, the improved general and seasonal short-time work regulations for the industry. The annual average number of employees in the German construction industry was 704,000. Compared with 2008, this represents a reduction by about 1,500 or 0.2%. The decline in employment was more pronounced in East

Germany. The number of hours worked declined by 3.5% in comparison with the previous year. At the same time turnover in construction declined by 4.7%. New orders for companies employing more than 20 people in construction were 8.2% below the level of the previous year. The decline in construction orders (by 15%) is much higher than in civil engineering (by 0.9%). In civil engineering, stimulus programmes as well as repair and maintenance caused by the harsh winter had a positive effect.

Overall it is clear that construction is much less affected by the meltdown in production and orders than export dependent manufacturing. The sector, therefore, is an important support for domestic economic development. The programmes for economic stimulus will support the development of construction in 2010. However, present decisions and legislation might threaten double digit loss of tax income in particular for local government. This is bound to have an impact in the sector because many construction orders are implemented by local authorities, who will have to postpone or scrap necessary projects for lack of financial resources.

Actual demands of IG BAU:

- Increase of stimulus programmes, because the slump of tax income will weaken public construction;
- Creation of incentives for private investment –the possibility of tax reduction has to be doubled from 2% to 4% in order to stimulate investment in housing instead of financial assets;
- Increasing, or at least sustaining, programmes through the provision of special credits for low carbon construction and refurbishment;
- Particular promotion of “housing for senior citizens”;
- Many construction companies face credit problems as a result of the banks’ restrictive lending policy. The state has to intervene to improve the conditions for companies to finance investment and stabilise employment.

Generally restrictive regulations for financial markets are needed and new taxes (e.g. Tobin Tax) have to be introduced which, in the present crisis, put a greater onus on the wealthy than the poorer citizens. This is necessary in particular because the major part of public programmes is being financed by added debts for the state. There is an acute danger of cuts in social benefits, rising taxation on consumption, and restrictions in labour rights though flexibility. This might result in large-scale industrial action.

The situation in collective bargaining policy

We end with just a few remarks relating to the present policy on collective agreements. This is because in public crisis discussions trade unions are increasingly asked to exercise restraint and job security is given priority. The trade unions, IG Metall in the forefront, have taken this on board and very quickly concluded new agreements with low income improvements but important regulations for job security. At present these processes are in full swing but we will have new results to report soon. This is extremely important as shown by the Greek example. If for instance there are hardly any wage increases, this will be an advantage for the German export with effects on other countries of the Euro-zone and directly on the stability of the Euro.

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The case of France

Immediate impact of the economic crisis

Declining output in construction

Unsurprisingly, the economic downturn has led to falling output in the French construction industry. Figures suggest the decline started in the 4th quarter of 2008 (*Observatoire du BTP" Août 2009*). The hardest-hit sub-sector is in the construction of new housing; at an estimated 355,000 units reported for 2008, this represented a plunge of 19% from the previous year. In the non-residential sector, activity

decreased by 14.8 % in 2009 as compared with 2008). Nevertheless, the infrastructure sub-sector, which saw a drop in activity of around 5% in 2008, showed a slight recovery in the middle of 2009. The decrease in construction demand invariably led to a fall in the consumption of materials (cement, concrete etc.) and the sales of construction plants also suffered a depreciation of 70% in the second quarter of 2009.

Impact on large and small enterprises

The impacts of declining output is felt throughout many firms operating in the French construction industry. Whilst very small companies, i.e. those employing less than 20 employees, ended 2008 with a relatively buoyant picture (still increasing 0.8% in 2008), figures reported showed a negative growth of -1.1% for the first quarter of 2009. The crisis deepened in the second quarter of 2009 with a -2,7% growth rate reported. Elsewhere, orders for civil and structural engineering companies, and repair and maintenance (R&M) sectors declined at the end of 2008, although there are signs of recovery for the R&M sector at the start of 2009.

Declining employment

Whilst "permanent" employment (i.e long term contracts in one firm) in construction increased after the crisis of the 1990s, this growth peaked at 1,499,000 workers reported in September 2008. As a result of the economic crisis, permanent jobs fell by 13,000 in the last quarter of 2008 and a further 10,000 in the first quarter of 2009. Temporary employment (i.e. transient, part-time and interim employment) also fell by 4.7% from in 2008 and a further 25.4% in the first quarter of 2009. This meant that temporary employment in construction fell from 142,000 in 2008 to 106,000 in 2009 (i.e. 6.8% of the total employment in French construction). With 6.8% of total construction employment, the industry is the largest employer of temporary workers.

Impact of falling employment on wages and working conditions, on training, on recruitment of women and minorities.

The decline in employment also corresponded with a rise in unemployment, reaching 7.6% at the end of 2008 (i.e. 2.1 million people). The French economy in general lost 93,000 jobs between 2007 and 2008. It is also clear that temporary employment (interim) has been the most affected by the recession, since temporary employment is symptomatic of a flexible labour market (cf. figures of DARES Premieres syntheses; Août 2009, n°34.1). Young people are particularly affected by unemployment, and especially since younger workers tend to be temporary workers as well. In 2008, half of the temporary workers were under 30 years of age, as compared to only a little more than 1/3 of all workers are under 30 years old. Furthermore, workers under temporary employment also tend to be "blue collars" (3/4 of temporary people).

As expected, the recession also had a negative impact on training and apprenticeship. Furthermore, contracts with benefits of financial help for developing workers from disadvantaged backgrounds (known as 'contrats aides') also decreased. Work-based learning also fell, with 45,000 contracts in the first half of 2009 compared with 71,000 during the same period in 2008. Apprenticeships fell by 19%, from 79,000 in 2008 to 64,000 for the first 5 months in 2009.

Government action and inaction

Attempts to sustain construction activity

Faced with the crisis, the French government launched a stimulus package with specific measures for Construction industry. For instance, the Ministry of Sustainable Development – new name for Department of Construction – approved 50 new projects in the urban public transport sector. This intervention represented a change in departmental policy, which had hitherto been reticent in

supporting construction of such infrastructure. Nonetheless, the Ministry mobilised the 'Green' agenda ("Grenelle of Environment"), and decided to increase the development of public transport infrastructure (tramway, bus, trolley etc.), by investing in €18 billion, extending transport lines from 329 km to 1.800km. Thirty-six towns have been chosen to receive this investment. Examples include extension of metro lines in Marseille and Lyon, creation and renewal of tramways in Grand Lyon, Grenoble, Le Havre, Angers, Brest, and Le Mans, and injecting new investment in the bus networks of Annemasse, Cannes, La Rochelle and Metz. The larger projects include Montpellier (€82.6 million for the tramway; including €30 million for the PLAN "Espoir Banlieue").

The projects have been selected on the basis of:

- Strength of financing brought by Local Authorities,
- Increasing accessibility of public services and facilities to communities
- How urban expansion can be done in an environmentally sound manner (the aim is to reduce the CO₂ emissions in the transport sector)

The central government will be responsible for 16% to 23% of the total investment for infrastructure. €500 million have been earmarked for opening up the suburbs, with special clauses concerning social integration for young workers into employment.

Road construction is also considered as part of government plans. Traditionally funded by the central government, the situation is more complex today. Responsibility for road construction has largely been devolved from the central state to the local authorities. The central government has expressed their desire for departments in local authorities to help co-finance the modernisation of the roads network. However, local authorities are also suffering from the lack of funding, as a result of falling tax revenue.

Policies priorities

It can be observed that official policies are geared towards

the creation of a new construction 'market' aimed at embracing the environmental and energy-saving perspectives. After the election of 2007, the Ministry of transport and Construction changed its name to become the Ministry of Ecology, Energy (Power), Sustainable Development and Sea. A new programme to re-orientate public policies in this direction was launched in 2007 by the Ministry of Ecology, which organised a large meeting and round tables. From July to the end of September 2007, official workshops gathering representatives of Central Government, Local Authorities, Employers Federations, Labour Unions, and Green associations were conducted. This initiative emanated directly from President Sarkozy who wanted a new "Grenelle" agreement (in reference of the Labour and Social negotiations in May 1968 and the agreement that took place in rue de Grenelle). However, it is likely that the shift in policy intent is less about the 'Green' agenda, than a ploy to further weaken and isolate the Socialist Party. It is expected that the president will reach a unanimous decision from all the stakeholders, and that this will proceed to the Parliament for passing of a Statutory Act. The programme of "Grenelle of Environment" is organised around 15 themes, including biodiversity and natural resources, climate change, health and environment, production and consumption, governance and education, competitiveness and employment, Organisme Génétiquement Modifié (OGM; genetic modification) and waste. The "Grenelle of Environment" was promoted as a revolution in the way of growth, in the way of producing and consuming, and also as a model for changing the way energy is managed. A further priority is training.

Quantitative and qualitative effects of intervention

According to the Boston Consulting Group commissioned by the government, 600,000 jobs would be generated by the "Grenelle of Environment" through the 15 programmes planned for the next 12 years. This conclusion was reached

by analysing two scenarios: one in which jobs are generated by Grenelle, and another which assumes business-as-usual without policy intervention. Among the projected job creation, around 100,000 to 150,000 would concern the construction industry. The cost of these measures is around €450 billion, in which €170 billion is paid for by the central government and the rest by local authorities. Private sector sponsorship will also be sought after and the target is to reduce energy consumption by 25%. Specific attention is paid again to the construction sector. It is likely that the industry will see the generation of a bigger share of jobs. It is also expected that the industry would yield a larger impact in terms of reduction of energy consumption. Predictions suggest that 35% of the public investment in the programme would contribute to 50% of the creation of forecasted job and one third of reduction of gas emissions. (Boston Consultant group June 2009)

At the same time, the Ministry of Ecology estimated that the construction industry would lose around 47,000 jobs in 2009. Projected figures for construction suggest that out of 1.311 million of unemployed people in 2008, 103,000 were temporary workers (interimaires). This is 4 times the level of interim unemployment observed in Infrastructure (TP). The decline in 2009 could worsen to between 6.9 % to 11%. This corresponds with the decline in housebuilding (levels of between 325,000 to 345,000 new houses in 2009, compared with 368,500 in 2008). No recovery is forecasted for 2010. In the repair and maintenance market – more the half of the sector activity – the growth could be negative in 2009 (between – 0.3% and -1.3%, compared with + 0.6% in 2008). It is hoped that the “Grenelle of the Environmet” and the stimulus package would reduce the impacts of the recession.

Policies to support and requalify the unemployed – expenditures involved.

To combat youth unemployment, the central government plans to encourage more apprenticeships. Measures taken in

April 2009 included:

- Employer's social security exemption for apprentice recruitment;
- Exceptional bonus of €1,800 for in micro enterprises of less than 50 employees for each additional recruitment;
- Exceptional bonus of €2,000 for youth recruitment under a "Contrat de professionalisation";
- Additional means for apprenticeship in the "Contrats d'objectifs central government / regions",
- Reform of professional training.

The President set a target to recruit 320,000 apprentices between June 2009 and June 2010. The central government put some hopes on restaurant managers: in exchange of the drop of VAT (5%), the "Contrat d'avenir" signed by the restaurant managers stated a commitment to recruit 20,000 work-based learning placements.

Incentive to recruit young people aged 16-25 years in "Contrat passerelle" (subsidised at 90%) was created through the "Pole Emploi" initiative aimed at supporting job-seeking. An increase in benefit (of €345 a month) is also proposed for employers who provide work-based training and when using a tutor (compared with €230 in 2008).

Role of the social partners

These developments certainly have had an impact on the role of the social partners. Like in other countries the internationalisation and the liberalisation of the economy have had serious consequences, like the economic crisis, for the labour market institutions and for the organisations that represent management and labour. One of the key questions is how to maintain industry-wide labour market regulation. Despite the wealth of French studies available in this area from before the crisis, it is worthwhile to mention some of the developments particular to the construction industry.

Several authors have stressed that liberalisation of the economy has eroded the sector's capacity for collective

bargaining. In general these negotiations are called into question and the trend is further decentralisation to the firm level. Consequently, this results in the shift of power balance in favour of employers.

Based on research undertaken in 8 industry sectors (including construction), Annette Jobert¹ defended the thesis that negotiations at sectoral level are still important but work out in different directions. In some sectors, like construction and civil engineering, the chemical sector and the cleaning sectors, collective bargaining remains highly significant. In these sectors reference to a formalised classification system for the determination of basic wages is still strong (91% in construction). This system stems from the collective agreement in the sector. A majority of companies also applies the collective agreement as the starting point for setting wage scales, and implementation of rules relating to licensing and the promotion of workers. The annual bonuses and the seniority premiums are negotiated at company level. The fact that the sector still maintains collective bargaining – explained by the structure and the social relations in the sector – finds an expression in different institutions and industry-wide provisions. Construction in France is regulated through a set of paritarian institutions, manifested in terms of pensions and retirement schemes, health and safety, vocational training and working conditions. Affiliation of companies to the pension fund and the health and safety fund is mandatory.

There might be several reasons for this privileged role in the sector: the large amount of small and medium-sized companies, but also the relatively small difference between the real wages and the legal minimum wage and the absence of an autonomous wage policy at company level. Nevertheless we should not forget two aspects:

- 1) On the one hand, the strong polarisation of the sector with a limited group of large (transnational) companies and a multitude of small and very small companies. This diversity has strong implications for the representation of employers

in the sector.

2) The development of forms of subcontracting that puts strong limits to the functioning of collective provisions and restricts the adherence (and the enforcement) to the traditional model of stable employment relationship.

1 Jobert A. (2003) :“ Quelles dynamiques pour la negociation collective de branche ?” Travail et Emploi , n°95, Juillet 2003 , pp. 5-17

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Unions

Unemployment and wage situation in building and construction in Denmark

2009 was the absolute worst year for the construction sector. We saw unemployment rates higher than ever before. As can be seen in the figure below,, 2010 started off even worse. Unemployment rates hit 40% for some sectors and overall all the sectors in building and construction faced lower activity and massive lay-offs.

During the spring and early summer unemployment rates improved a little, getting close to the levels of 2009. We expect that 2011 will pass before we see a major improvement in activity and in unemployment in Denmark.

The yearly wage increase in the building and construction sector in Denmark varies a lot. From 2004 until recently there has been a real increase in wages apart from a short period in 2008. In the third quarter of 2009 that situation changed and construction workers are now experiencing higher inflation than their wage increase, so their money is worth less.

To boost activity in the sector, the trade union BAT-kartellet has made a number of proposals to government on moving forward investment in the sector as well as on how to finance this.

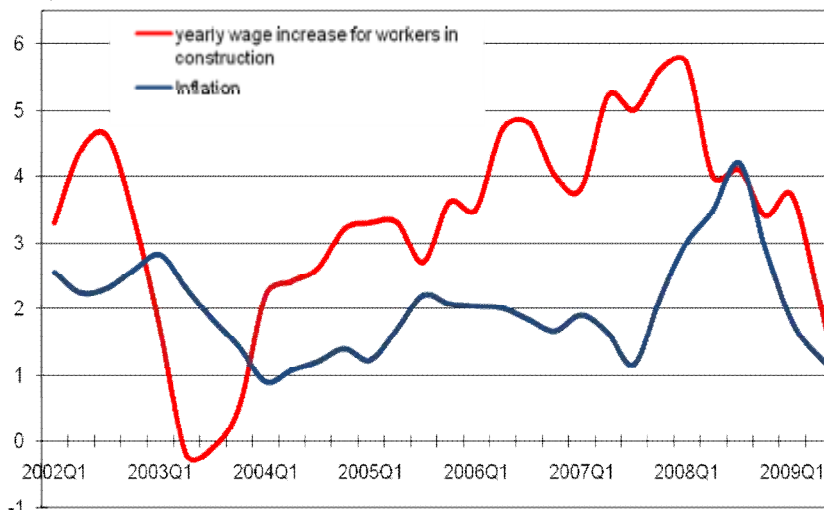
Unemployment in the BAT unions, 2007-2010



Source: BAT-kartellet and the unions within BAT-kartellet.

Inflation and construction wages, 2002-2009

Yearly increase in %



Source: Statistics Denmark, www.statistikbanken.dk and The Confederation of Danish

Proposals to increase activity in the building sector

Proposals aimed at the public sector

Proposal 1

BAT suggests that target figures are collected systematically and calculated in terms of the physical condition and the maintenance needs of public buildings and facilities with special focus on energy renovation. Hereafter, a policy can be formulated and implemented to catch up on the constant lag in maintenance.

Proposal 2

In connection to all new municipal and regional investment, a fixed percentage is to be set aside for ongoing maintenance (as known from contributions paid into the maintenance account in tenanted buildings).

Proposal 3

Move forward public investment in building and construction projects, such as schools, day care centres, sewers, roads etc., focusing on labour intensive projects.

Proposal 4

All public buildings must be energy-renovated by the end of 2018, with the costs partly covered by savings in energy consumption. Means from a forthcoming Oil Fund might be used for this purpose.

Proposal 5

All 98 municipalities must be climate municipalities. The Government must create the possibilities for this. ESCO is a way to finance it.

Proposal 6

It should not be possible for wealthy pensioners to postpone property tax payment. There must be a lower limit in order to avoid this proposal affecting those on lower income.

Proposals aimed at the private sector

Proposal 7

Generally, there is a need to promote energy renovation in the private housing stock. The potential is especially great for houses built before 1978.

Proposal 8

Each house owner, company or housing association can get free counselling from an energy consultant, who will go through the residence and come up with some ideas for energy saving investments together with an economic survey for the investment and the possibilities for subventions and loans. In this way the individual's possibilities are clarified.

Proposals for financing

Proposal 1

The current frozen situation with regard to tax stoppages and mortgage rules is a huge limitation on the activities of the municipalities; the municipalities must therefore be given access to loans. It is common sense to let future users/taxpayers contribute through their tax instead of amortizing the whole amount when the facility is built.

The solution requires that the Service Framework Agreement (*Service rammeaftalen*) with the Government is adjusted to correspond with the interest charge and that municipalities are given the right to tax their citizens equal to the interest charge.

Proposal 2

The municipalities ought to give greater priority to the focus on PPP (Public-Private Partnership), which is a method for the handling of public building and construction projects that demands long term investment and has a potential for innovative solutions. PPP is beneficial both to the municipality and to the PPP-company as the risk is shared, and the payment is closely linked to what the municipality receives. In

return, the PPP-company is given a task, which runs for up to thirty years, making it possible to think in an overall economic way regarding planning, construction and operation.

Proposal 3

To encourage energy renovation owners have to be offered attractive loan possibilities, subvention and deduction arrangements:

- Borrowing options

It must be possible to mortgage one's home with a loan of over 80% from the building society, if energy renovation is verified. Such loans can advantageously be obtained by a state guarantee, as this will decrease the interest on the loan. The loans should only be granted for work for which VAT has been paid.

These investments will to a great extent repay themselves through expenses saved on electricity and heating. In continuance hereof, one can imagine the possibility of paying off a loan by energy-saving initiatives with an amount equal to the actual savings obtained. In this way the period of repayment becomes directly proportional with the energy saving.

- Subventions

The state ought to expand the existing renovation pool to a multi-annual pool, focusing only on energy efficiency improvement and energy renovation.

- Deduction

It must be possible to be granted a deduction in taxes for energy improvements.

Proposal 4

All houses and buildings are divided into five CO₂ classes. The CO₂ class determines the property tax. The higher is the CO₂ emission, the higher the property tax. This kind of system is already known for refrigerators and cars, where the charge is energy-dependant. For those who wish to reduce a high CO₂-emission, subvention and attractive loans should be given.

Proposal 5

Increase Landsbyggefonden's yearly subvention frame in order to support documented energy renovations. The current frame of 3bn. DKR has been disposed of within the current Housing Settlement which expires in 2012. Therefore, the frame has to be increased.

Landsbyggefonden is able to borrow just as cheaply as the state. Therefore, ESCO-projects are not that interesting for the Social Housing sector. They can, if allowed, obtain cheaper financing themselves!

Renovation of, for instance, the building envelope, water and heating installations, insulation, roof etc. is energy cost saving and is already being done to a great extent. However, there is a large lag in the public sector and a wish to implement more renovation projects, which have to wait as the frame is exhausted.

It is important to emphasize that the precondition for implementing energy saving precautions with respect to renovation within the area of public new construction should be that it is financially profitable for each individual tenant and for the Social Housing company. This means that an investment in, for example, insulating windows should be financed by the energy consumption saved and maybe combined with less maintenance.

Proposal 6

Put a stop to pensioners' postponement of property tax, perhaps graduated according to the wealth/income of pensioners. In this way, the weakest pensioners living in their own houses continue to have the possibility to postpone the property tax.

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British construction at a standstill: financial crisis and the British context

As it is now known, the global financial crisis originated from the defaulting sub-prime mortgage market in the US. This in turn revealed the inter-connectedness of the global financial system and questions were raised regarding the security of bank assets across the world. As the financial services industry constitutes a significant sector in the UK, the British economy became particularly vulnerable to the financial crisis. The near run of the Northern Rock bank – one of the biggest players in the mortgage market in the UK – in September 2007 signalled an early warning of the crisis to befall upon the UK. The bank was subsequently rescued through a quasi-nationalisation package, and mortgage-lending figures sharply declined. Consequently, this led to a drastic readjustment of house-building activity in the UK. As can be seen in Figure 1, in a space of 24 months from the first quarter in 2007, new orders for the private house-building sector fell by nearly 180%, bringing new order levels down to pre-1997 (i.e. New Labour government) levels of activity. At the same time, business confidence in the UK decreased, epitomised by the rapid fall in commercial building activity, as well. On average, both new orders for UK contractors (see Figure 2) and their output (see Figure 3) have seen a downward spiral, especially since the fall of Lehman Brothers in the US in the third quarter 2008.

However, closer scrutiny of official figures on sub-sectoral activity in the UK construction reveals a much more diverse picture. From Figure 4 below, it can be seen that the seemingly unstoppable growth in construction activity is fuelled in part by the boom in the housing market. The increase in house prices and property values prior to the onset of the financial crisis probably explains the distinct rise in private house-building and private commercial building activity between 2001 and the third quarter of 2007.

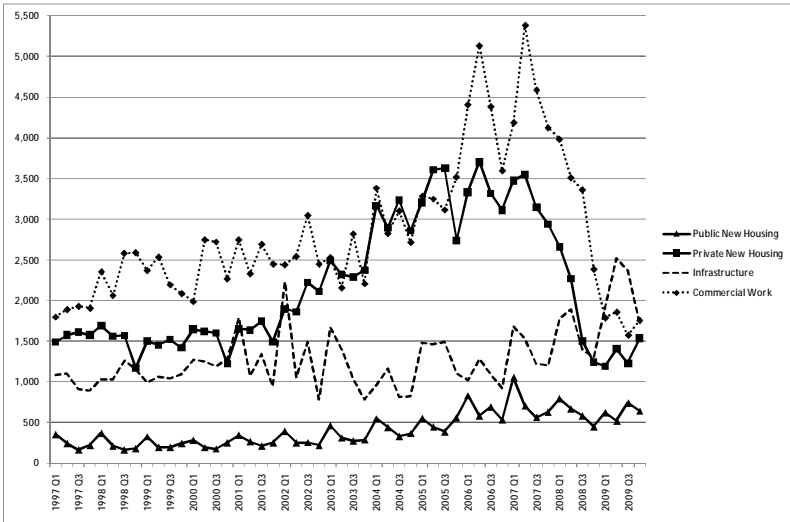


Figure 1. Trends of new orders (£'000s) for contractors in the UK from 1997 to 2009 by sub-sector (source: ONS, 2010a).

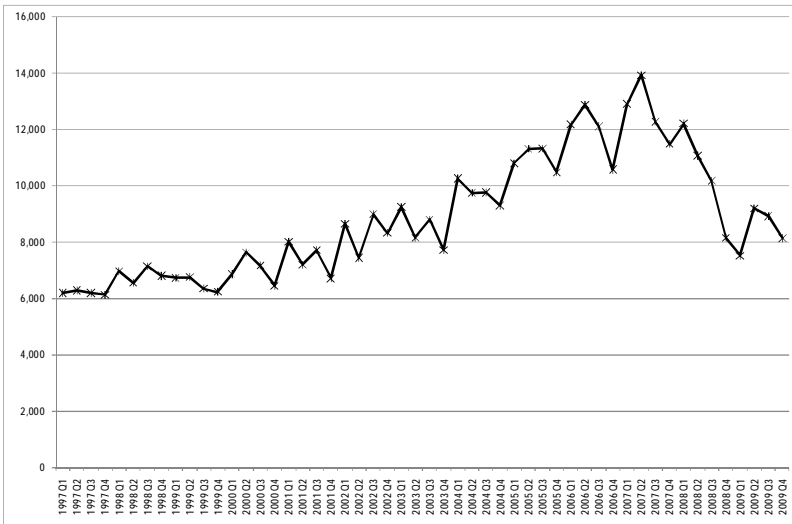


Figure 2. Trend of new orders (£'000s) for contractors in the UK from 1997 to 2009 (source: Office for National Statistics, 2010a).

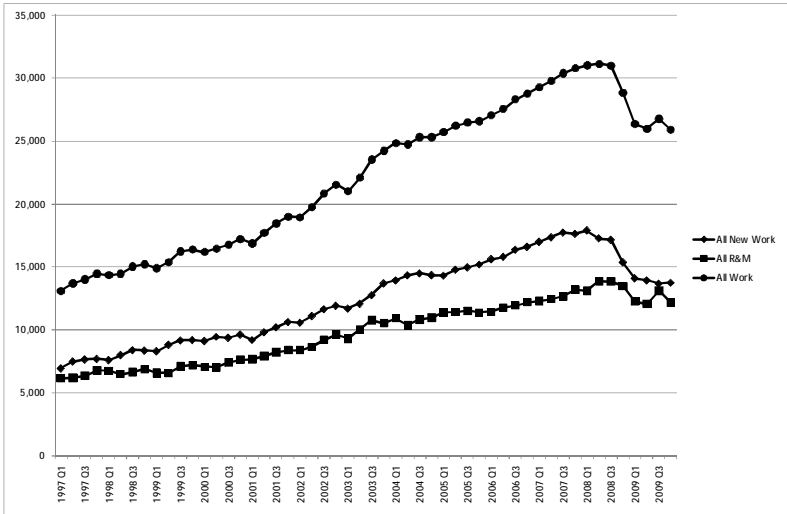


Figure 3. Trends of contractors' output (£'000s) in the UK from 1997 to 2009 (source: Office for National Statistics, 2010a).

It is therefore unsurprising to find that the financial crisis has had an immediate impact on the house-building sector, and contributed to a rise in the number of insolvencies and company liquidations seen in the construction industry (see Figure 5). At the same time, government initiatives in enabling physical regeneration of communities (e.g. the Decent Homes scheme) also boosted activity in the repair and maintenance sector. Nonetheless, infrastructure development and industrial building activity remained relatively stable over the boom years. It is worth noting the increase in infrastructure development from the third quarter 2008, possibly due to the fiscal stimulus package announced by the government at the onset of the global financial crisis. A number of measures were taken, including bringing forward capital projects and injecting more money into the financial system (known also as 'quantitative easing').

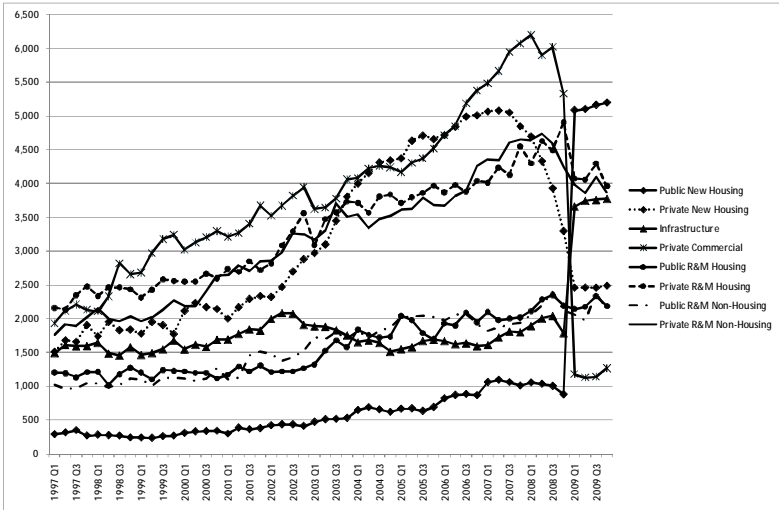


Figure 4. Trends of contractors' output (£'000s) in the UK from 1997 to 2009 by sub-sector (source: Office for National Statistics, 2010a).

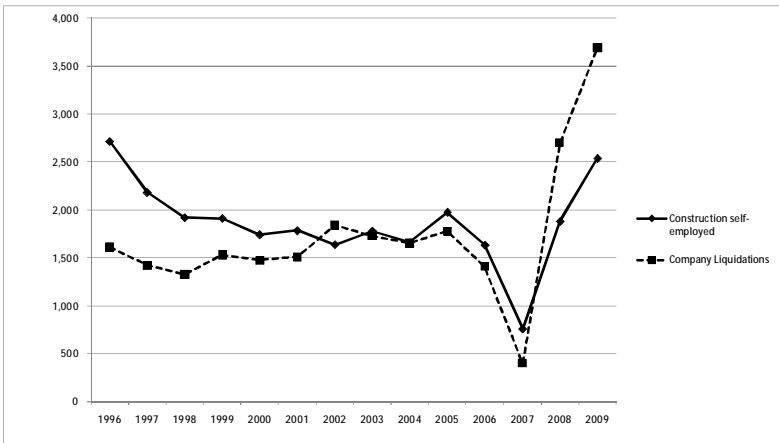


Figure 5. Insolvencies in the UK construction industry (source: Office for National Statistics, 2010a).

In terms of employment, Figure 6 below shows the overall trend of male and female employment in the UK construction industry since the last major recession of the

1990s. Chan and McCabe (2010) highlighted a number of disparities emerging from official employment figures. First, the number of women employed in the construction industry remained fairly static over the last twenty years, possibly suggesting the supporting role (e.g. office-based roles) that women play in the construction industry. Secondly, they argued that there is a growing number of 'invisible' workers in the construction industry, resulting from the reliance of the British construction industry on false self-employment (Harvey and Behling, 2008). By implication, many 'self-employed' workers are ineligible to draw upon unemployment benefits and thus do not appear in the unemployment figures for the industry. Consequently, workers who lose their job in construction may also move to other industry sectors for employment, a trend that employers fear might create a skills shortage should demand for construction pick up during any post-recessionary growth (see Whitten, 2008). Thirdly, the crisis has prompted employers to opt for a more flexible workforce, where preference is given to non-traditional forms of employment (e.g. agency worker, self-employment, temporary and part-time work) rather than permanent, full-time employment. Often, the power of employers to specify non-traditional forms of employment means that employees can rarely exercise a choice to determine their desired employment relationship. These emerging disparities are of concern since they signify the maintenance of that same neo-liberal status quo which is arguably one of the causal factors of the financial crisis in the first place (Chan and McCabe (2010)). Moreover, because the complexities of the construction workforce cannot be adequately accounted for in official statistics, the true extent of the impact of the financial crisis on construction employment will never be known.

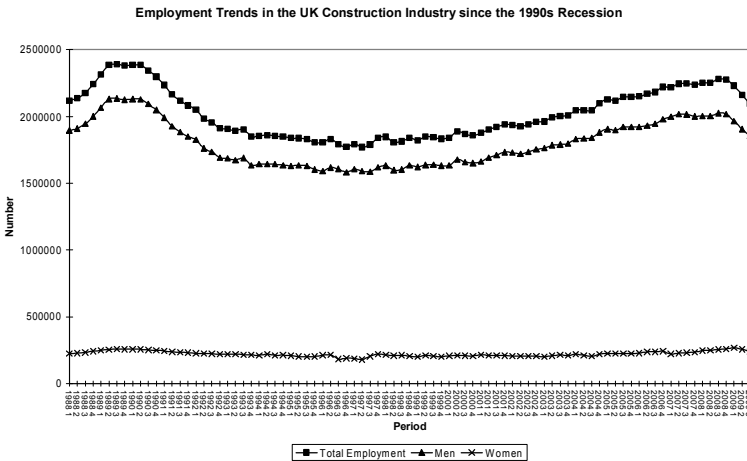


Figure 6. Employment trends in the UK construction industry since the recession of the 1990s (source: Office for National Statistics, 2009).

In terms of migrant employment in construction, here again official figures are troublesome. At the macro level, nonetheless, Chan and McCabe (2010) noted the relative resilience of non-UK-born workers in the British economy. Whilst the employment rate of UK-born workers in general continues to fall, the converse is true for non-UK-born workers (see ONS, 2010b). There are a number of possible explanations for this. First, it could be that non-UK-born workers (assumed as migrant workers) possess distinctive skills and knowledge demanded by British employers or that they represent a cheaper alternative for employers or both. Secondly, the drop in employment rate for UK-born workers could indicate a departure from the formal labour market of indigenous workers, and entry into either the informal economy or non-traditional forms of employment. By extension, non-UK-born workers (and especially migrant workers who do not have regularised immigration status) can be excluded from entering the informal economy if they were to remain in the UK legally. In any case, such a disparity between UK-born and non-UK-born workers can create tensions in terms of industrial relations, as witnessed during

the wildcat strikes on the Lindsey Oil Refinery site in February 2009. This event prompted the political rhetoric “British jobs for British workers” in the twilight months of the Labour government. The protection of jobs for the indigenous population is also one of the critical drivers behind current efforts made by the current coalition government to reform immigration policy.

In the remainder of this section, a number of construction-related interventions will be critically reviewed, with a view to consider the implications of the crisis on construction labour.

1. At the onset of the crisis, it is clear that the labour government was more concerned with maintaining the neo-liberal status quo. What mattered initially was to ensure that liquidity in the financial system was sustained, and that activity in the property market remained. The government acted swiftly to consider bailing out troubled banks, with the intention of injecting the circulation of money into the financial system. At the same time, the interest rate set by the Monetary Policy Committee in the Bank of England was kept at the very low 0.5% since March 2009. The effectiveness of these measures remains to be seen. Mortgage lending levels and house-buying activity continues to be depressed and contractors still report difficulties in securing finance for construction projects. Furthermore, despite the low interest rate set by the Bank of England, the relatively higher inter-bank lending rate implies that the financial crisis persists.
2. In terms of addressing unemployment in construction, tactical measures have been taken on two main fronts. Retraining possibilities were created with some support from government funding to ensure that unemployed construction workers (both skilled and professional) could return to the formal education and training system. At the same time, through the mediating efforts of the sector skills council (ConstructionSkills), attempts were made to ensure that displaced apprentices were redeployed to other employers. Again, the efficacy of such interventions

remains patchy for two main reasons. First, because of the tactical nature, there is no coordinated, formal review of whether they are delivering a significant impact on quelling the tide of unemployment. Secondly, construction companies tend to rely on informal means for their recruitment and deployment strategies. Therefore, it is difficult to see how formal mechanisms can capture the full extent of the informal dynamics associated with organising the construction workforce. It is interesting to note that trade union response during the initial stages of the financial crisis has also centred upon job security issues. The Union of Construction, Allied Trades and Technicians (UCATT) has, for instance, started a campaign to protect 'vulnerable workers', as fears about the erosion of working conditions for both migrant and indigenous workers escalate. However, trade union density continues to be marginalised, making it extremely difficult for trade unions to effectively organise and represent workers in this crisis.

3. The financial crisis has also stimulated a concerted (though not necessarily coordinated) response for green construction. In April 2010, Lord Mandelson of the Labour government pledged £3m support for the setting up of the Green Skills Academy with the aim of providing training in green technologies (SummitSkills, 2010). It is not yet clear whether this intervention has yielded much success in upskilling/retraining the workforce or if this merely led to an elaborate rebranding exercise of existing training provision. In any case, there is often a lead-time before effects of training provision can be ascertained. Whilst there is the possibility that the Green Skills Academy could prime the industry into developing its green credentials, it seems unlikely that this tactical response would have a much wider impact on transforming the industry. Fundamentally, this intervention lacks the tripartite coordination and cooperation between the social partners of the state (i.e. the education and training system), the employers, and

the employees (through trade unions) to shape the green skills agenda for a sustainable future for the industry. It is worth noting that the trade unions have also started to mobilise the green discourse by seeking to develop alliances with employers to build a green economy (see e.g. Trade Union Congress, 2010), in part to help reduce the prospect of unemployment.

4. Since the general election of May 2010, the coalition government has been building up the agenda of transitioning towards a smaller state, framed within the notion of a 'Big society' where corporations and local communities participate more actively in the delivery of public services. As the nation grapples with an ongoing period of economic austerity, there is much speculation (and lobbying) by a wide range of societal stakeholders as to what the forthcoming comprehensive spending review in October 2010 will look like. What is clear is that public sector cuts are most likely to range from 20% to 40%, and that more public services would be delivered by the private sector. However, the political intent to engage more of the private sector is not unproblematic. Chan and McCabe (2010), drawing on official data on architectural work (i.e. value of production drawings and new commissions), suggest that government promises in injecting fiscal stimulus to boost capital projects that would benefit the industry have not materialised. Furthermore, the private sector might still be too weak to be effective in meeting the gap in public-sector investment. Besides, the boundary between the public and private sectors is increasingly becoming fuzzier with procurement routes such as the Private Finance Initiative (PFI) and Public-Private-Partnerships (PPP). Therefore, severe cuts in the public sector could potentially harm and weaken the state of the private sector. This is best exemplified by the recent announcement by the coalition government to axe the 'Building Schools for the Future (BSF)' initiative in July 2010. For instance, Balfour Beatty – the largest UK construction company – was awarded

under £200m worth of BSF schemes in Oldham, Lancashire in June 2010, only to discover that many of the schemes were subsequently stopped with the announcement. At the TUC Conference in September 2010, some trade unions have made calls to move towards the offensive by coordinating mass protests and industrial actions against the impending public sector cuts.

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The Swiss Construction Industry Remains Stable

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Whereas the Swiss export industry and the financial sector were seriously hit by the 2008/2009 crisis, the domestic sector including the construction industry remained relatively stable. Unlike the US, Spain or Ireland, Switzerland did not suffer a real estate bubble or a subprime mortgage crisis before 2008. Real estate prices and construction activity increased steadily, without extreme peaks.

Development of Construction Activity

In 2009, Construction activity increased nominally by 2.1% (in real terms by 3.2%) because of decreasing production prices. By 2008, Swiss construction activity had increased by around 4%. For 2010 the development of construction projects based on building permissions shows an increase of 3%, which means that the construction sector will develop positively also in 2010:

Construction Activity (in Million CHF)

	2007	2008	2009	2010
Construction expenditure, total	51,309	53,426	54,556	
Public	16,172	17,332	17,891	
Private	35,137	36,094	36,665	
Construction Projects, total	56,299	59,369	59,801	61,548

Source: Federal Office of Statistics, BfS

Both, private and public construction activity has shown an increase over the last three years. Public construction also increased due to some stimulus programmes of the federal government as a reaction to the financial crisis.

For this year and for 2011 economic research institutes estimate stable development or a slight growth in the construction market. There are two important factors for stabilising construction: low interest rates and a good public finance situation. The Swiss National Bank is still keeping interest rates extremely low in order to guarantee the flow of money into the financial system. This stimulates the real estate market to such a degree that some experts even fear a fast rise in real estates prices.

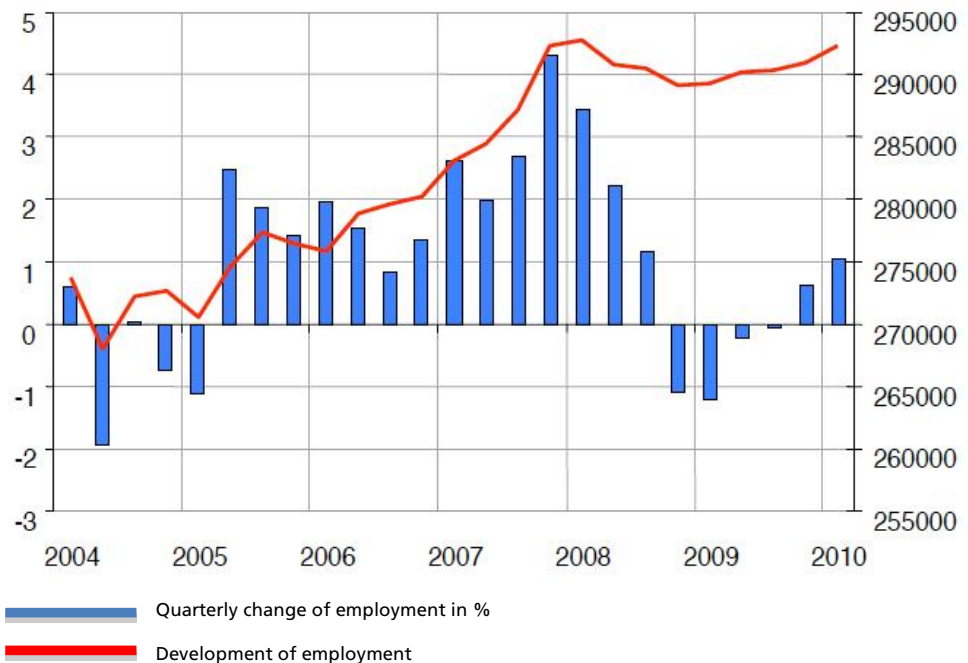
Additionally, compared to other countries, Swiss public finances are in an excellent condition. After a zero deficit in 2009, public debt has even decreased and there are no reasons to reduce expenses for public construction projects within the next two years.

Nevertheless the growth in construction activity is estimated to be clearly below the growth of GDP. For this year estimates are between 1.8% and 2.5% for GDP and between 0% and 0.8% for the construction sector. In 2011 GDP is expected to grow between 1.6% and 2.1%, whereas construction should increase by a rate around 0%.

Employment and working conditions

Despite the relatively stable development of construction activity, employment showed a slight decrease at the end of 2008 and in the first half of 2009. For 2010 we expect again a slightly positive growth in employment.

Employment in the Construction Industry 2004 - 2010



Source: Federal Office of Statistics, BFS

Work on Swiss construction sites has to a great extent always been based on immigrant labour. In the last year, the share of immigrants in the whole construction sector has been around 36%, increasing up to 50-60% for those working on site. As in other countries, there is also an increasing share of precarious work: temporary work, subcontracting, posted workers and 'bogus' self-employment. These have had an increasingly adverse impact on working conditions and industrial relations. Due to the introduction of the free movement of persons within the EU/EFTA countries in 2004, the number of posted workers, self-employed and short term temporary workers grew by between 12-16% per year from 2004 and reached the number of nearly 140,000 persons in 2008, most of them employed in construction. In 2009 the total number of posted workers and temporary immigrants fell by 13%. This means that the greater part of the 2009 decrease in construction employment was accounted for under these labour categories.

Nominal wage statistics show that wage development in construction was slightly weaker than in other sectors:

Wage Development 2004 – 2010 (Change per year in %, nominal wages)

	2004	2005	2006	2007	2008	2009	2004-2009	2010 (est.)
Industry	0.7%	1.2%	1.1%	1.5%	1.8%	2.3%	8.6%	0.1
Construction	0.4%	1.1%	1.1%	1.7%	2.0%	2.0%	8.3%	0.7
Services	1.2%	0.9%	1.2%	1.7%	2.1%	2.0%	9.1%	1.0
Total Economy	0.9%	1.0%	1.2%	1.6%	2.0%	2.1%	8.8%	0.7

Sources: Nominal wages 2004-2009: Federal Office of Statistics BFS. Estimates for 2010: Statistics of Wages in Collective Agreements, Federal Office of Statistics BFS.

Swiss labour unions attribute these figures to the increasing number of posted workers and bogus self-employed in the sector. As a result of rising inflation, there was practically no real wage increase between 2002 and 2008, despite the positive economic situation in the sector. In 2009, with falling inflation, labour unions finally succeeded in raising real wages by between 2% and 3%. For 2010 collective

bargaining in the main construction sector (civil engineering and housing) resulted in a wage rise of 1%, whilst in other segments of the sector it remained lower. With an estimated inflation of 1.5% in 2010 and rising contributions to health insurance, this means that real wages are again under pressure. For 2011 the labour unions are therefore demanding a wage increase of CHF 150.- for each construction worker, which means on average a wage increase of about 3%.

Discussion

Jörn Janssen,
CLR UK,
29.04.2010

Capital Strategies and Trade Union Responses

The International Labour Office (ILO) has launched the 'International Journal of Labour Research' (IJLR) to provide "an overview of recent research on labour and social policies from trade union researchers and academics around the world" (publisher's imprint). Its second issue, Volume 1/Issue 2, is entitled "Global capital strategies and trade union responses: Collective bargaining and transnational trade union cooperation". It includes 14 articles on 217 pages and is published in English, French and Spanish. This issue, edited by Verena Schmidt/ILO, Maarten Keune/University of Amsterdam and Kevin Skerret/ILO, incidentally appeared a year after the 14 October 2008 financial crash which highlighted the transformation of economic and labour relations, the subject of the contributions. Inevitably one is compelled to read them against the background of the 'Great Depression' and its social and political consequences eighty years ago. This is precisely what Dan Cunniah does in his preface before offering the ILO 'Global Jobs Pact' of 19 June 2009 as a remedy for recovery.

Faced with a historically unprecedented crisis not only of the global financial sector, that needed the common intervention of the world's major governments to prevent a collapse, the ILO "presents an integrated portfolio of tried and tested policies [...] at the centre of crisis response." (p. IV) One may wonder whether this 'response' is supported by research 'from trade union researchers and academics around the world' and how this 'response' is specifically underpinned by diagnoses of developments leading up to this unique crisis as published in this issue of the IJLR.

Six articles tell us more or less the same story: globalisation has affected the relations between labour and capital (Maarten Keune and Verena Schmidt) and weakened the bargaining power of labour (Susan Hayter); transnational

companies have undermined trade union power (Colin Crouch); European Works Councils have not helped to establish transnational labour organisation (Paul Marginson); global production chains, relocation and financialisation have caused the decline of the share wages in national income (Wolfgang Rohde); and international outsourcing makes it virtually impossible to determine wages in the production chain (Doug Miller).

Two articles record the near impossibility of EU-wide bargaining or coordination on the side of the trade unions (Vera Glassner), and because of the resistance from employers “[...] it is inconceivable to think of European-level collective agreements or bargaining as such.” (Ronald Janssen, p. 143)

Ron Blum and Peter Rossman address a core problem inherently related to ‘global capital strategies’ and the financial crisis in “Leveraged buyouts, restructuring and collective bargaining” (pp. 159-170). They identify “buyout funds [...] as major transnational players” and quote Thomas I. Palley pinpointing three core tendencies of transformation associated with ‘financialisation’, to “(1) elevate the significance of the financial sector; (2) transfer income from the real to the financial sector; and (3) contribute to increased inequality and wage stagnation.” Blum and Rossman also identify the prime reason undermining collective bargaining: “One element of this transformation has been the emergence of the ‘invisible employers’.” These transformations related to leveraged buyouts by equity funds are, of course, not restricted to formal buyouts; they are a universal tendency of “permanent restructuring [...] of today’s global, financialised economy.”(p. 169)

Another research-based article by Jan Cremers illustrates the transformation of industrial structures and collective relations through the example of the construction industry in Europe, especially in France, Germany, Hungary, Spain, and the United Kingdom. Collective bargaining and coverage by regulated wages and conditions are being undermined in

particular through self-employment and transnational migration as well as the provision of services. This picture of the construction industry is a perfect special example fitting into Blum and Rossman's general analysis.

It is interesting to read the three articles about industrial relations in non-European countries, South Africa, Brazil and Nepal, though none of them plays an active role in the global process of transformation in 'collective bargaining and transnational trade union cooperation', the very subject of this issue (Umesh Upahyaya, Simon Kimani Ndungu, Ana Giorgina da Silva Dias).

Finally we find an article on privatisation in public education as a transnational service (Guntars Catlacs and Mireille Dekoning), which appears rather marginal in this context.

On the whole, under the auspices of the ongoing financial crisis, this attempt to inform the community of trade unionists and labour academics about the process of transformation and 'trade union responses' is rather disappointing. There is a lot of repetition in the description of general phenomena, e.g. globalisation, financialisation, restructuring, outsourcing, off shoring etc., which have been studied in much more detail in referred publications. Maybe the references are the most useful information.

Many papers seem to have been written before the financial crisis.

I heard Vera Glassner presenting the same research report on 'collective bargaining coordination at European sector level' in Manchester at the 2007 IIRA European Regional Congress. This use of outdated papers would explain the lack of attention paid to the really alarming situation at the time of publication.

The majority of the papers are not based on original research and led by pressing questions to be answered. One might expect, for instance, a focus on the nature of the financial crisis and its relationship with the dynamics of labour relations.

It is astonishing that this important question, though addressed in the first sentence of Dan Cunniah's Preface, remains very much in the background.

The relatively short-term perspective, rarely reaching back further than the 1980s, obscures those components in the process of transformation, which would appear only in a wider temporal scope. The development of wage relations cannot possibly be perceived as a recent disintegration process after an era of stability as associated with a 'standard' employment relationship. In a perspective encompassing more than a generation or century an escape of capitalist employers from the real economy might possibly be regarded as a working class victory and inspire respective strategies. Instead, 'union responses', their history as well as the recommendations for their future, remain in the sphere of what the ILO resolution correctly calls 'tried and tested policies'. It is precisely these policies, which have failed to protect labour against the impact of what is usually misinterpreted under the meaningless term 'globalisation'.

It is wishful thinking to recommend a return to sectoral collective bargaining where the boundaries of industrial sectors are vanishing, to advocate employer-employee agreements where employers are non-existent, to build on trade unions after the demise of trades, etc.

The heading of the issue is correct in that it refers to 'capital strategies' as opposed to 'trade union responses'. Times are gone when capital responded to trade union strategies. None of the 14 articles puts forward what deserves to be called a strategy for wage earners. The 'trade union responses' are dominated by reactions aiming at restoring former relationships. Maybe strategies do not belong to the remit of 'trade union researchers and academics' and emerge in the real world of labour relations.

Is a self-employed migrant a vulnerable victim or a daring pioneer?

Reports

Report by Paul
Chan

Report of the CLR Annual General Meeting 2010

EFBWW Office, Brussels, 12-8-2010

Members present: Rolf Gehring, Linda Clarke, Sven Ljung, Paul Chan, Ian Fitzgerald, Stefan Hochstadt, Jan Cremers, Joern Janssen, Peter Donders

Apologies: Gunde Odgaard, Hans Baumann, Ernst-Ludwig Laux

1. The meeting commenced with an introduction of the participants. Minutes of CLR AGM 2009 were read and agreed by members present.
2. Annual Report 2009 by Jan Cremers.
 - i. The quarterly CLR News is now mainly accessible on the website, and it continues to generate a great deal of interest from the readership. Based on the statistical analysis of the website usage, it looks as if visitors tend to be interested in downloading articles, indicating the value of CLR News. Linda Clarke raised concern regarding the mailing list being too focussed on an English readership and wanted to explore if there are opportunities for extending the readership of CLR publications to a wider European audience. Ian Fitzgerald asked if there was a way in which more detailed information about the website visitors can be gathered. According to Jan this is quite difficult. A wider discussion developed in terms of how the website could be used to rejuvenate the network by encouraging new (active) membership. Jan explained that CLR is organised in a number of ways, including a steering board of 8 members, a core membership of around 40 members, and the wider network of interested parties. **Action: Jan Cremers to investigate options and feedback at the next meeting.**

- ii. CLR Studies: the price of each CLR Studies is reduced to €10.
 - iii. Workshops/seminars: a number of workshops/seminars have taken place in 2009, with the items migration and the recession (Dublin, September) and the response to the financial crisis (Middlesex, December; Brussels, May 2010).
 - iv. Financial report: 2009 brought a small deficit. There is still a provision for publication costs of CLR Studies that have not materialised. The decision was to maintain this provision in view of future publications. A discussion developed on possible income generation options, including introducing a CLR-overhead cost when bidding for future projects and charging for access to project reports.
3. Ongoing research and projects
- i. Rolf reported on progress made on the bricklaying project, which sought to investigate the similarities and differences of bricklaying practices across a number of European countries (Belgium, the Netherlands, Denmark, Germany, England, Italy, Poland and France). The project outcomes are likely to contribute to policy developments in establishing a European-wide qualifications framework (esp. the Sectoral Qualifications Framework, SQF). The preliminary findings suggest that current efforts in standardising qualifications across Europe remain problematic since current frameworks do not accommodate differences in the conception of competences across Europe. An interim report has been produced and a second report is due to be generated in November 2010. Rolf also reported on the research project "Less Dust", which sought to identify best practices for dealing with dust deriving from wood-working activities, ranging from technological interventions to developing new business models. "Less Dust" also sought to facilitate networking opportunities between producers and

- consumers, with a view to encourage adoption of technological.
- ii. Linda Clarke reported on ongoing research to capture oral histories of building workers in Britain in the 1950s and 1960s. Workers who have been involved in high profile projects (e.g. the Barbican, Stevenage New Town, and Nuclear projects) are to be enlisted for this research. Linda is also involved in a video project to look at training and employment conditions on the Olympics development in London.
 - iii. Paul Chan reported on a spin-off opportunity that has arisen from the migration workshop in Dublin in September 2009. This involved collaborating with a philosopher from the Polish Academy of Sciences (Rafal Smoczynski) and Ian Fitzgerald to deploy theoretical understanding of moral panics and discourse analysis to explain migration dynamics in construction. The intention is to prepare a publication as a foundation basis for a European research proposal.
 - iv. Ian Fitzgerald reported on ongoing dialogue with the engineering construction union stewards to look at employment relations associated with nuclear construction. He recalled European-wide opportunities to study issues relating to migration and posting.
 - v. Stefan Hochstadt reported that progress has been made on two projects previously reported in 2009, including a study on cross-cultural working in Germany and Turkey, and a project examining working conditions on a large cement-producing company.
 - vi. Jan Cremers reported on a number of projects related to the free movement of workers. The European Parliament has ring-fenced €1m to look at the issue of posting, divided into three key strands, a legal assessment, socio-economic impacts of free movement, and practical implications of posting (e.g. effects on working conditions). Jan is also as an advisor involved in a project that investigates how undeclared labour

can be monitored. Finally he is involved in publications on precarious work for Solidar.

- vii. Peter Donders reported on ongoing work with the University of Utrecht to look at the pensions situation of self-employed workers in the Netherlands, an issue that was found to be problematic in a previous European Commission project.
4. New project for discussion
- i. Jan Cremers presented a proposal to extend earlier endeavours to foster bilateral cooperation to address the Posting of Workers Directive (96/71/EC) to theorise on, and assess, the nature of bilateral support through pilot collaborations: (a) between the UK and the Baltic region, (b) between the Benelux and Germany, and; (c) between Romania and Italy. He also introduced Gunde Odgaard's proposal to examine cross-national union cooperation on large sites.
 - ii. Ian Fitzgerald reiterated on research opportunities associated with the environmental agenda, especially in relation to skills needs with the introduction of new technologies (e.g. photovoltaic technologies, nuclear energy etc.).
 - iii. Stefan Hochstadt reported on a proposal to investigate the notion of "Sustainable living, sustainable building" in collaboration with Yildus University of Technology in Turkey.
 - iv. Joern Janssen suggested a need to undertake research on changing employment relations to capture how new forms of employment relations emerge over time. Joern argued that whilst the transformation of these relations has been well-acknowledged in the literature, there is relatively less attention placed on the dynamics of the transformation process. **Action: Linda, Stefan and Paul to discuss the possibility of responding to a forthcoming ESRC call on transnational collaboration.**

5. Activities in 2010-2011

- i. Linda Clarke is coordinating an issue of CLR News to discuss trade union and employment relations associated with Olympic sites. A number of case studies is to be included (e.g. Athens, Atlanta, Barcelona, Beijing, London, and Sydney). **Action: Linda.**
- ii. Joern Janssen and Stefan Hochstadt are likely to coordinate an issue of CLR News to discuss built environment and culture, drawing on material from the cross-cultural study between Germany and Turkey, and the oral histories project. **Action: Stefan and Joern.**
- iii. Rolf Gehring suggested the possibility of organising an issue of CLR News on the implications of the sustainable development agenda.
- iv. Jan Cremers indicated that there is money reserved for facilitating the publication of CLR Studies. Given the availability of funding, two CLR Studies are being planned, one on the bricklaying project and the other about posting of workers. Jan raised the possibility for a future CLR Studies on bilateral cooperation. **Action: Linda, Rolf and Jan.**
- v. Workshops and seminars:
 - a. Ian Fitzgerald reported that a number of seminars is planned as part of the ESRC Seminar Series on migration, with seminars in Sheffield, Portsmouth and London.
 - b. There is a possibility to prepare a proposal to organise an ESRC seminar series that tackles various perspectives of the debate on the crisis.
 - c. As part of Stefan's research on cross-cultural study, there will be a second workshop organised in Turkey (date to be confirmed).

There, being no further matters arising, the meeting concluded at 1345hrs.

The Political Economy of the Crisis

Workshop at Kingston University, 15th June 2010,

Jörn Janssen,
CLR UK

This short report and assessment of a most inspiring workshop focuses on the core aspects which are of particular interest within the context of the CLR crisis debate.

Engelbert Stockhammer introduced the workshop with a chronology of the present global crisis which was triggered by 1) the sub-prime mortgage crisis in 2007, followed by 2) the financial crash in the autumn of 2008, 3) the economic crisis in 2009, and 4) the sovereign debt crisis dominant in 2010. He identified the polarisation of income through the relative decline of wages under neo-liberal economic policy as the ultimate cause of the crisis.

The workshop proceeded in three steps on I) "the causes and nature of the crisis", II) "the future of monetary and fiscal policy", and III) "the future of economic policy in Europe". Most interesting and key to the whole subsequent presentations of papers and discussions was, of course, the identification of 'the causes and nature' of this historically unprecedented collapse of the financial system.

Among the three speakers of the first part only John Grahl and Engelbert Stockhammer examined 'the causes and nature' of the crisis. Alan Freeman remained at the descriptive level in pinpointing US-Neoliberalism as a reaction to the post-war boom and showing that the highest level of growth of gross domestic product - e.g. China - coincides with the highest level of state intervention. According to Grahl, three factors sparked off the crash of the financial system, first the exorbitant rise of US property prices, secondly the current account imbalance between Germany's surplus and the United State's deficit, and, thirdly, the global 'chaotic' combination of retail and investment banking. Stockhammer approached the question by focussing on the changing nature of the economy, the financialisation as a mode which increases profits at the expense of wages and shifts in power from labour to capital. As a result we experienced the polarisation of income distribution and

credit-driven consumption. Therefore the only way out of crisis would be a substantial rise of wages.

The second part on 'monetary and fiscal policy' was disappointing. It hardly responded to the first as it ignored the contention that the decline in wages relative to profits was at the root of the crisis.

In part three on 'economic policy in Europe' the initial analysis was resumed again. Costas Lapavitsas concluded his intervention with a catalogue of measures to prevent a further deterioration of the European economy, e.g. public control of the banking sector, income redistribution, and political steps to restore the balance of power in favour of labour. Özlem Onaran pleaded for an extended budget of the European Union combined with monetary policy intervention by the European Central Bank and taxation of wealth up to 100%. Malcolm Sawyer closed the presentations by a rather pessimistic assessment of European Union policy in regard to its ability to raise private demand and redress the current account imbalance in Europe.

As the last speaker in the final discussion Lapavitsas identified the Greek demonstrations as a struggle of workers for radical political change being the only realistic way to combat the crisis.

It was perhaps symptomatic that the role of trade unions remained completely outside the picture. This omission is explicable because the distribution of income and wealth through the exploitation of the real economy by the financial sector is withdrawn from the scope of wage bargaining between trade unions and employers' federations. Maybe, as the case of Greece demonstrates, the streets will be the arena of future disputes about the distribution of the social product.

Whistle blowing

*a seminar of the Institute for Employment Rights,
20 July 2010 London.*

We have occasionally reported on seminars of the Institute for Employment Rights (IER) when we found they were of general interest at European level. The last report was on an event on 4 May 2009 which combined a seminar on the Minimum Wage with the celebration of the 20th birthday of the IER (CLR-News 2/2009), concluding: "20 years of support for the British labour movement is a great achievement".

The Seminar on *Whistle blowing* was on an (perhaps special British) issue that is ruled under a statutory regulation: the 'Public Interest Disclosure Act' (PIDE) of 1998 in force since 2nd July 1999. The Act intends to encourage employees to disclose malpractice at their workplace and to protect them against reprisals. The subject is particularly sensitive in a country with generally weak or lack of employee representation. Lawyers, specialised on the subject, gave detailed advice on the interpretation of the statute and on procedures. Catherine Hobby from the East London University focussed on the ambiguities in the interpretation of the law, whereas Emma Tamer of Thompsons Solicitors, offering services particularly to trade unions, highlighted the implementation in cases of litigation.

As a typical case, where *Whistle blowing* would have been of greatest public interest, Catherine Hobbs referred to the catastrophic oil spill in the Gulf of Mexico. Allegedly BP engineers regarded it as a 'nightmare well' prior to the explosion but did not disclose their concerns to the public. More recently in a public enquiry it was revealed that prior to the decision to go to war in 2003 Prime Minister Tony Blair had been warned by the secret service MI5 that, contrary to his claim, an attack on Iraq was likely to cause severe security risks in Britain, which became obvious when bombs exploded in public transport on 7 July 2005. But the warning had not been made public when it might have helped to prevent a war which is still going on (The publication of the Afghan

War Diary by WikiLeaks was still to come).

The participants of mainly trade union officers not only benefited from legal advice but also from an overview of the current situation concerning whistle blowing presented by a senior police officer in charge of 'Public Concern at Work', Francesca West, and by a trade union official of 'Unite the Union', Gail Cartmail.

The latest IER programme from May 2010 to May 2011 lists 13 seminars on a wide variety of subjects from special legal issues, such as employment right, health and safety and grievance procedures, to sustainable jobs and trade union strategy under the auspices of the growing "gap between the richest and the poorest". The unabated success and popularity of the IER conferences and seminars proves the virtue of an independent organisation that organises an exchange between academics and trade unionists. For both sides the events are a place of discussion and reflection outside their routine and workplaces and for a debate free from tactical restrictions.

Is this a model for the European construction sector?

Reviews

Richard Wilkinson and Kate Pickett, *The Spirit Level: Why more equal societies almost always do better*, London 2009, 331 pp., £9.99.

Instead of a review, the following polemic by Chris Winch epitomises the political relevance of this book. Besides a thorough transnational epidemiological statistical study highlighting the detrimental effects of social inequality, it is an effective political challenge. As an example, the Council of one of the London Boroughs, Islington, has set up a 'Fairness Commission' chaired by Richard Wilkinson in order to develop policies against social inequality. Whoever is concerned about the degree of social inequality at all levels, from global to local, ought to read this book (Jörn Janssen, CLR-UK).

Raising Our Spirits.

by Chris Winch, King's College London

There is now a well-established epidemiological literature pointing to the bad effect that income inequality has on a range of social indicators such as infant mortality, life expectancy, teenage pregnancy, alcohol abuse and the innovative potential of societies. Richard Wilkinson and Kate Pickett's 'The Spirit Level' (2009) provides a useful survey of research that has taken place over decades which presents compelling evidence of the harmful effects, to rich and poor alike, of living in societies with great income and wealth inequality. One of the most interesting features of this work is that it is the result of decades of research in epidemiology, a discipline that examines factors affecting the health and illness of populations. It is an example of scientific study leading to conclusions with big political implications.

It appears that Wilkinson and Pickett had hoped that their summarisation of this work would be received sympathetically on the Right as well as the Left. Indeed, in Britain Conservative politicians such as Cameron and Gove

have made sympathetic noises about it and Cameron has twisted its conclusions by attempting to level public sector pay while ignoring that in the private sector. Apparently the Labour MP David Miliband has also expressed sympathy with their work. Meanwhile, on the more overt Right a ferocious attack has been launched on Wilkinson and Pickett accusing them of in effect being liberal ideologues who reach their conclusions through dubious statistical manipulation. An American Think Tank, the Democracy Institute has published one such attack, together with the Taxpayers Alliance and Policy Exchange in Britain.

Wilkinson and Pickett replied immediately to this apparently concerted attack seeing it off with little difficulty. The thrust of criticisms by these rightwing think tanks is that the research relies on including data on untypical countries (outliers) such as the United States or the Scandinavian countries which, in the case of the US show very high levels of inequality and, in the case of Scandinavia, very low ones. Eliminate these, it is argued, and the correlation between income inequality and bad outcomes is much diminished. But there is no good reason for eliminating these since they are striking examples of the phenomenon that W and P described. The relationship also holds within different states in the United States and it has been noted in many developed societies not included in their recent book, but included, for example in Wilkinson's 'The Impact of Inequality' (2005). Policy Exchange try to show that the US data can be accounted for by southern states with large black populations - so conveniently blaming blacks for the ills of the US!!.

In truth, the rightwing attack on the epidemiological evidence is pathetic. It amounts to picking and choosing evidence that suits these critics and engaging in what is essentially vanity publishing rather than submitting their own analyses to peer review scrutiny. Incidentally the US data shows bad outcomes for whites as well as blacks in

states with high levels of income inequality. However, in identifying the epidemiological findings with leftwing ideology they may have prevented, for the time being, the spread of influence of these findings.

'The Spirit Level' is also a refutation of one of the British New Labour's most cherished beliefs, that relative inequalities don't matter. John Rawls' 'Theory of Justice' in which the philosopher argued that justice to a large degree involves the worst off being (absolutely) better off than they would otherwise be, is shown to be completely implausible. You cannot argue that a state of affairs is just when it manifestly leads to greater misery than an alternative arrangement. The left has been handed a potent weapon by the epidemiological research and there is some evidence that its implications are being digested across the political spectrum.

How well can it be used in practical politics? There is an obvious danger that in Britain the remnants of New Labour will distort and twist such findings to salvage their own intellectually and morally bankrupt project. But the practical implications for British politics are clear enough: more progressive taxation, including a property tax; a ban on very high salaries; and something suggested by Wilkinson in his earlier book, industrial democracy so that inequalities in salaries are not allowed to creep back. One might add an incomes policy to promote wage compression would also be helpful. Strengthening the trade unions would also be valuable as there is good evidence that strong unions also contribute to wage compression.

Support for posted workers – the bilateral way

Proposal for a CLR pilot project - Jan Cremers

Background and starting point

The European social partners in construction played a key role in the decision-making process that led to the final conclusion of the Posting of Workers Directive (96/71/EC).

They formulated two important joint statements: one in 1993 about the general principles of equal treatment and the fight against a distortion of competition through social dumping and a second joint statement with a way out of too many administrative and practical problems by recommending bilateral agreements between the partners of countries involved in (frequent) posting (Cremers and Donders 2004).

The Directive lays down a core of minimum regulations for the protection of workers' rights in the host state. To apply these rules one should be able to establish whether or not this minimum is met. Moreover, the interpretation of Article 3.7 is of importance. This provision states that the Directive shall not prevent the application of terms and conditions of employment that are more favourable to workers. This requires comparison of provisions on, for instance, the minimum wage, paid holidays, etc., that are very difficult to compare in practice. Nevertheless, all actors were convinced of the fact that the strengthening of the information flow to posted workers was needed. The European social partners initiated on this basis a website www.posting-workers.eu

The practical support of posted workers in sending and receiving countries has been less prominently envisaged. This is the starting point for a proposal for a new pilot project.

Some earlier pilot activities

a. Mutual recognition.

Interesting within Dutch-Belgian practice for the construction sector is the mutual recognition of each other's collective agreements. As a result of this bilateral agreement between

the social partners the Belgian collective agreement applies to a posted worker who usually works in Belgium during the period of posting in the Netherlands and vice versa. But if a posted worker from Belgium appeals to more favourable extended Dutch collective agreement provisions, the Belgian provisions have to yield as far as minimum entitlements are concerned. As long as posted workers are satisfied with the agreement, no objections against prolongation exist. This pragmatic attitude leaves enough room to make the comparison more workable in practice. The only reverse side is that it does not give 100% legal security, but this is no problem when no individual appeals for deviance are to be expected.

b. Bilateral cooperation.

Cooperation agreements exist in the Nordic countries between Finland, Sweden, Denmark, Norway, the Faeroe Islands and Iceland. The building and woodworkers' unions of these countries have signed bilateral agreements on cooperation on issues related to the posting of workers. The main element in this agreement is the rule that for members of a union working in another country, as a minimum the collective agreement and legislation in the working country apply. In this case the host country's collective agreement is the leading one, which is different from the Dutch-Belgian example where posted workers keep working under the collective agreement of the (home) country where they normally work. The Swedish and Danish unions have in addition signed a more detailed agreement in which information on posting related to the actual construction work is also exchanged.

c. Guarantee of social protection benefits.

Within the slipstream of the mutual recognition of each other's collective agreements, participation in holiday paid leave funds was mutually recognised and Belgium, the Netherlands and Germany concluded an agreement to that effect. The German paid holiday leave fund reached a similar

agreement with Austria and France. In this way a very practical solution has been found to ensure the social protection of posted workers with regard to paid leave. However, situations can occur where one of the two Member States involved does not have a holiday paid leave fund or no such fund exists in either state. In the latter situation payment has to be made by the employer directly to the posted worker, depending on the most favourable conditions for the worker. Where a holiday paid leave fund exists in one of the states involved the posted worker is in most cases better off when participating in that fund. In situations where the paid leave arrangements are comparable, even when one of the two Member States does not have a paid leave fund, mutual recognition of each other's arrangements can be accomplished by means of an agreement on a bilateral basis. Germany and Denmark concluded an agreement to that effect.

d. Avoid double payment.

In some countries an initiative was also taken at the level of the social partners to compare the different regimes so as to avoid the imposition on a foreign undertaking of obligations already applying in the undertaking's home state. For instance, the social partners in Belgium tried to compare the employment terms and conditions with those of neighbouring countries. Preliminary research into the nature, quality and quantity of terms and conditions in Belgium, the Netherlands and Germany lead to bilateral agreements as a sort of tailor-made solution in any comparison. This procedure enforces reciprocal respect for the results of each other's collective bargaining.

e. Bilateral contacts and practical support for posted workers.

Several social partners have made efforts to develop bilateral contacts between sending and receiving countries with frequent cross border activities. Also a special focus was given to direct recruitment. This, however, asks for special instruments (language skills, practical information material,

regular visits, training). Especially in cases where the social partnership (in both the sending and receiving countries) is weak the support for posted workers takes a different form and is, if not completely absent, provided by solicitors or cultural associations (Fitzgerald 2007). Besides going to working places, it is important to organise visits to places where migrants spent their leisure time, information sessions, or other activities with migrant associations and clubs. So far, the possible impact of these initiatives has never been seriously examined.

f. The return.

No attention has been given to the return of posted workers. There is some evidence that posted workers from the lowest stratum of the labour market have serious difficulties to find a decent place at the home labour market. Their labour relation ends as posting is, in many cases, the purpose of the contract, the (often long) period of posting has serious impact on their family life and the bright picture of returning home as a rich person needs readjustment.

Finally

The fact that social partners of several Member States with similar socio-economic development and structures or with strong sending-receiving links conclude bilateral agreements in order to recognise each others collective agreements, minimum wages and/or paid holiday schemes and to intensify the dissemination of relevant information to posted workers is a positive development. Bilateral (coordination) agreements between the social partners, social funds, social and labour inspections and between liaison offices are very useful to solve concrete problems at legislative, administrative and practical level. Such joint agreements on cooperation should be promoted and stimulated.

Between Member States with unequal socio-economic conditions or with strong disparities and/or weak industrial relations other instruments have to be tested and the possible contribution of NGO's and other civil society

organisations to the support of posted workers has to be examined in detail.

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Cultural Diversity on Australian Construction Sites: Challenges with Representation

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Australian construction sites employ many non-English speaking background (NESB) migrants and they are among Australia's most culturally diverse workplaces. A research project at the University of New South Wales is currently examining the extent of this diversity, how it is perceived and experienced by workers and how it is managed by supervisors and site managers. The research is funded by a grant from the Australian Research Council and is being undertaken by Professor Martin Loosemore, Professor Kevin Dunn, and Dr Florence Phua and supported by major construction companies such as Brookfield Multiplex, Mirvac Group, Baulderstone, De Martin and Gasparini, Baseline Construction, Bovis Lend Lease, and Watpac. The research benefited from having the Construction Forestry, Mining and Energy Union (CFMEU-Australia) as one of its industry partners.

This research is important because it will help to develop new strategies for managing diversity more effectively which could improve workers' safety and well-being and help the

industry promote greater tolerance in wider society. The research used questionnaire surveys of site workers and of managers. A total of 1,155 questionnaires were collected from site workers and 183 from managers from all cultural backgrounds represented in the industry. The respondents were drawn from 45 construction sites in and around the Sydney metropolitan area.

The preliminary results showed that there is a good deal of cross-cultural interaction on construction sites, mainly during social situations and work-based activities. 87% of workers and 97% of managers think cultural diversity is a good thing. However, 50% of the site workers indicated that most of their peers at work belong to their own cultural group and almost 31% reported that they did not make an effort to talk with workers of different cultural backgrounds. The majority of workers (87.85%) are comfortable with working with people of different cultural groups and 64% indicated that they would like to see more opportunities to mix with people from other cultural groups while at work. The survey results also indicated that cultural groupings on sites have many positive functions such as maintaining positive bonds among group members and providing support and protection. However, 45% of operatives reported that members of their own cultural group need to stick together to 'survive' on construction sites. This brings about a number of challenges.

First, safety concerns were the most negative impact of cultural diversity if not managed effectively. Increased level of stress and conflict among site workers, and decreased level of communication were listed as other negative impacts. Derogatory joke telling, name-calling and racist graffiti are the most common forms of racial harassment on construction sites, causing distress for the targeted groups and damaging inter-cultural relations and therefore issues like safety. Secondly, equality of opportunity across the organisational hierarchy can be problematic. For operatives, the strongest level of concern was unequal involvement in decision-making on site, whereas for managers it was unequal access for workers to higher paying jobs and managerial positions.

New projects

Thirdly, because operatives feel the need to have a sense of belonging within their social groups in the workplace, this poses a challenge for effective representation of the workers' voice. Indeed, the trade unions were very supportive of this study, and this provides a tremendous opportunity to make sense of the evidence surrounding cultural diversity at the construction workplace, which in turn can enable trade unions to frame more informed and effective representation strategies.

These summary results constitute part of a larger set of findings and discussions that are being reported elsewhere in academic journals and conferences.

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