

CLR

Newsletter 1/2004

The CLR-London Office is a platform linking CLR activities at EU and GB levels as well as trade union and academic work in GB in the field of Construction Labour Research. It will support related initiatives specific to GB.

Introductory Note

CLR-London Office is about to become an established institution for the exchange of ideas concerning construction labour. In March two international events will take place at the University of Westminster in conjunction with each other:

- 18 March 2004, Workshop on Women in Construction with the launch of another book of CLR-Studies under the same title
- 19 March 2004, CLR Annual Meeting (see agenda under Events)

This is the opportunity to meet and discuss with friends and colleagues, practitioners as well as academics, from continental Europe and the US.

The employment of women in construction is an issue that certainly does not only concern women. It concerns also the working conditions in the industry equally unacceptable for men and women.

The CLR Annual Meeting will allow us to discuss matters relevant at European level. A major event affecting construction sites in particular is the imminent accession to the EU of 10 central European states by 1 Mai 2004. Ernst-Ludwig Laux, vice chair of the German construction union IG BAU, will introduce a discussion on the impact of enlargement in the construction sector. Many may have received CLR-News 3/2003 and taken notice of the opening of a debate on trade union restructuring within EFBWW/CLR. We are well aware of the sensitivity of

this debate. But the conference in Zurich on this subject has shown that a forum removed from the direct field of action can provide a platform for informative, fruitful and amicable discussions. Hans Baumann from GBIO in Switzerland will talk about the continuation of the debate – the process of mergers and take-overs will continue anyway.

The main subject of this Newsletter is another review of the construction industry that again fails to address the employment conditions as the main source of the malaise. This is a case where the government is called to take action.

We still miss letters to the editor. Please let us know your critical views.

George Fuller/Jörn Janssen

The Barker Review and the Construction Industry

For the second time since coming to power in 1997, the Labour government in Britain has commissioned a comprehensive review of the building industry. Like the Egan Report before it, the Barker Review of Housing Supply¹ is motivated by acute problems in the field of housing. Although the opening chapters make clear how significant are the social and economic costs associated with housing shortages, they are perhaps understated. For example, the dysfunctions of the Housing Benefit system are one of the central problems in British social policy. This demoralising, inegalitarian, immensely complex structure vitiates most of the initiatives being taken elsewhere to address social exclusion. However, it is certainly clear from the

¹ HM Treasury: http://www.hm-treasury.gov.uk/consultations_and_legislation/barker/consult_barker_index.cfm

Barker Review that housing shortages have an extremely adverse impact on Britain's economic performance and cause acute difficulties for millions of households.

Housing problems direct attention to the workings of the British construction industry. In at least three respects, the Review identifies weaknesses that obstruct an effective response to these problems. The industry does not react quickly to increases in demand, which therefore provoke house price inflation with all its economic and social consequences. The industry is slow to innovate and to take advantage of new building techniques. And it is reluctant to undertake brownfield development, preferring greenfield construction: this bias intensifies environmental, transport and urban problems.

However, when assessing possible policy responses to the weaknesses of the housebuilding industry, the Review, like previous inquiries, ignores the key factor determining the industry's structure and performance, that is, its employment relations. These are characterised by extreme casualisation and high labour turnover, by the use of pseudo "self-employment", aggravated by labour-only subcontracting, to avoid labour market regulation, by widespread tax and social security evasion and frequently by corruption.

The Review chooses instead to put all its emphasis on a factor stressed by the building employers themselves, the supposedly exceptional risks that they face. Thus the structure and performance problems of the industry are traced to various risk-avoidance strategies. The chaotic employment relations of the industry are seen as only a minor aspect of this risk problem. The Review mentions (p65) that "market risk... encourages the use of sub-contracting, which may have implications for operational efficiency and the availability of skills". But the key issue is seen as fluctuations in new house prices that inhibit investment both in productive capacity and in new technologies.

This view, although it no doubt corresponds closely to the arguments of the employers themselves, understates the significance of employment relations, which can be directly related to the industry's key weaknesses, and not just to "operating costs." Nor does the preferred "risk" analysis carry much conviction. This is a profitable industry - although it was badly affected by the crisis of the early nineties, its financial position has since that time been secure, underwritten in part by the chronic shortage of housing itself.

Employment relations explain, first of all, the industry's structure. From the point of view of the output market this is, as the Barker Review acknowledges, a highly concentrated industry where the dominant players enjoy considerable market power. Only from the point of view of the employees is it a chaos of small, sometimes tiny, enterprises many of which are,

intentionally, put together for the exploitation of short-run opportunities. This structure follows directly from the industry's employment relations because, by the comprehensive use of subcontracting and self-employment, often several layers deep, the main contractors are able to escape all responsibility for working conditions, employment practices and even the observance of employment law. To bring about fundamental reform of the industry the most effective immediate measure would be, not to provide subsidies against the greatly exaggerated risks which producers face, but to rule out this evasion of responsibility by making main contractors jointly liable, with the subcontractors they hire, for all employment relations on their construction sites.

Employment relations explain, also, the failure of the principal firms to exercise effective control over the production process as a whole. Given the fragmentation of employment linked to casualisation and "labour-only" subcontracting, it is difficult for management to gain a clear overview of the housebuilding process. Rather, managerial efforts are directed to the attempt to control costs in a myriad of detailed activities, largely by trying to increase market competition among subcontractors. There is thus a continuing pressure to substitute price comparison across suppliers for managerial control over production itself. The need to "buy in" virtually every phase of the construction process results in a focus on cost reduction rather than the active shaping of the building process². Further, the use of labour-only subcontracting (not allowed in many European countries) instead of direct employment is associated with high labour intensity, lack of stability, low levels of mechanisation and a reliance on traditional methods.

It follows that employment relations are closely related to the failure of the industry to achieve satisfactory levels of quality. The responsibility for the quality of output is dispersed over a host of agents, some of them with only the briefest connection to the project and where a specific aspect of the finished building might have involved several sub-contractors.

The relationship between employment practices and skill formation hardly needs to be spelled out. On the one hand the fragmentation of the production process hinders the development of polyvalent skills. Workers are not in a position to influence the production process outside their own specific areas of competence. And the division of labour in this industrial system is inherently conservative. Even if a major contractor wished to reorganise work and the allocation of tasks, there would be little or no incentive for workers or

² See Linda Clarke and Georg Herrmann (2004) "Cost versus Production: Disparities in social housing construction in Britain and Germany", *Construction Management and Economics*, 22.

their immediate employers to adapt because their relations with that contractor are contingent and transitory. Long-term, stable contractor-subcontractor relations, which would make for more speedy and effective changes in work methods and a training infrastructure, are contrary to the logic of competitive cost control and "self-employment" and labour-only subcontracting. The externalities linked to training cannot be captured in this anarchic situation by any agent or stable group of agents. Training devolves therefore largely on the individuals concerned, who are often unable to support the necessary levels of investment and lack mentoring. Skill shortages are thereby inscribed within the employment relations of the British construction industry.³

Again, in this context, neither the sluggishness of technical change nor the inability to address the increasingly urgent issue of urban renewal need cause any surprise. For a principal contractor to adopt a radically new production system would be to make it difficult to exploit the existing competitive market of subcontractors in the usual way, as most of them would be unfamiliar with the techniques involved and would be unable to find workers with appropriate qualifications.

Similarly with brownfield development. It is important in Britain to make the most intensive use possible of inner-city sites, to avoid the sprawl that increases stresses on mass-transit systems and on the commuters themselves, to safeguard the rural environment and to animate urban spaces.⁴ This kind of development calls for special knowledge and skills that are costly to develop. Firms with completely externalised labour forces obviously find it extremely difficult to internalise the benefits from such workforce qualification. The notion of a clear industrial interest, common to all the firms in the sector, is foreign to most enterprises in construction. The condition, however, for the emergence of a clear industrial interest is the existence of a stable attached workforce, and it is this that will be fiercely resisted by the employers.

None of this is to say that the problem of "risk" (more correctly, of volatility) is imaginary or negligible.⁵ But the volatility of demand and prices is largely a self-

inflicted wound - it results from chronic weaknesses in supply more than being the cause of them. In the South-East region, hugely inflated housing prices more than compensate contractors for the lamentable level of productivity in the sector, and it is not justified to seek a solution to the industry's problems in the concession of further subsidies. The government has repeatedly failed, however, to grasp the nettle of employment relations in the construction sector, even though these relations are a direct challenge, not only to its ambitions for housing, but also to its ability to implement basic social protection, tax and employment legislation.⁶ No doubt this reluctance reflects the power of the main contractors. It might be suspected that it also indicates a commitment to labour "flexibility" which would make the practices of this backward and inefficient sector into a model for employment reform elsewhere.

John Grabl/ Building Industry Link-Up

CLR-London Events:

The seminar series 'People and employment in construction: comparisons, practices and policies' will start with its first workshop:

18 March 2004, London:

Women in Construction

University of Westminster and CLR
35 Marylebone Road

This is being planned by the Women in Construction editorial group and will include contributions from the book to be launched on the same day. It will include speakers from the US, Denmark, Britain and the ILO, be interspersed with personal accounts and conclude with a discussion on why the industry and the trade unions have been closed to women and ways to bring more women into the industry.

An invitation including the agenda has been circulated separately.

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³Linda Clarke and Georg Hermann (2004) "The Institutionalisation of the Skill Division in Britain and Germany, with examples from the Construction Sector", in C. Warhurst, E. Keep & I. Grugulis (eds) *The Skills that Matter*, Palgrave

⁴ The present government has perhaps already made too many concessions to the industry's very marked preference for the greenfield developments which most contractors find so much easier to manage.

⁵ Ball, Michael, 1996, 'Investing in new housing: Lessons for the Future', The Policy Press/Joseph Rowntree Foundation, York.

⁶ Mark Harvey *Undermining Construction. The corrosive effects of false self-employment.*

Institute of Employment Rights. London.

London, 19th March 2004

CLR Annual Meeting

University of Westminster
35 Marylebone Road, London
near Baker Street Underground Station

Draft agenda:

- 10.00 Arrival, Coffee
- 10.30 Welcome, proposed agenda (JC)
- 10.45 Short presentation of current projects
(participants, bring abstracts!)
- 11.00 Report of activities and finances (JC)
Discussion
- 11.30 CLR regional offices: Copenhagen (EF),
Dortmund (SH), London (LC)
- 12.00 CLR projects: Stress in Construction, Posting
Directive (WB)
- 12.30 CLR-Studies, future books, distribution (JC)
- 13.00 Lunch break
- 14.00 *Ernst Ludwig Laux*: EU Enlargement and
European Wage Policy.
Discussion
- 15.00 *Hans Baumann*: Continuing debate on Trade
Union Restructuring.
- 15.30 CLR-News, future issues:
Pensions (Jörn Janssen),
Observatory (Harry Beereboom),
History of Construction Labour (Linda
Clarke),
Unregulated Labour, liability of the main
contractor (Werner Buelen),
Further proposals.
- 15.45 AOB
- 16.00 Good-bye (LC)
Coffee/Tea

To Our Readers:

This Newsletter is the main organ of exchange for CLR in Great Britain. In order to fulfil this function it will depend on the cooperation of its readers. The editor asks everybody who is interested in construction labour to contribute with information and commentaries. Please send your suggestions, articles, information, letters, material etc. to

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