Construction in the year 2020
Contents

Note from the Editor .............................................................................................................................................. 4

Subject articles ....................................................................................................................................................... 7
• Jan Cremers, Twenty years in hindsight .............................................................................................................. 7
• Announcement: Demonstration Equal Pay and Equal Rights for Equal Work, Brussels 23 January 2013 ......................................................................................................................................... 13
• Gerard Bosch, Building chaos or Cooperation – Scenarios of the future development of the construction industry .................................................................................................................... 15
• Sam Hägglund, Cheap labour as business model in the EU – the lacunae of rights and the spread of precarisation ......................................................................................................................... 21
• Colin Williams, Undeclared labour in the European construction industry in 2020 and beyond .................................................................................................................................................. 25
• Charles Woolfson, The future of the construction industry: A Baltic view ....................................................... 30

Discussion ............................................................................................................................................................... 34
• Lutz Luithlen, From Rio to Rio – a dismal record .................................................................................................. 34

Reports ....................................................................................................................................................................... 41
• Exclusion and work-life balance in the construction sector: how can they be challenged? ProBe seminar, London, 11 December 2012 ........................................................................................................ 41

Reviews ...................................................................................................................................................................... 44
• Piyasiri Wickramasekara, Circular Migration: A Triple Win or a Dead End? .................................................... 49
After ten years of global economic and financial crisis, in the last two years, we seem to have finally turned the corner. The economic doldrums in which Europe has languished for so long could now be over. If so, it is time to take stock of what the price of a decade of recession has been, not least for the European construction industry. Nowhere has this price been more severe than in the Baltic States of Estonia, Latvia and Lithuania. Here, an inflow of speculative finance accompanying European accession in the mid 2000s, and profligate lending policies by the Swedish banks to a naive population keen to embark on private home-ownership, stimulated an extraordinary property bubble. Prices and investment yields per square meter for property in Vilnius, capital of Lithuania, exceeded those of central Stockholm in 2007. Employees in the construction sector saw sharp increases in wages, intensified by labour shortages as prospects for greater mobility and work opportunities abroad opened up, especially in the burgeoning construction booms of Spain and Ireland. This was the first wave of construction labour migration which was mainly of single adult males and of a temporary nature.

When the crisis finally hit in late 2008, property prices plunged between 40% and 60% in the Baltics. For the construction industry, it was an almost overnight transformation from boom to bust. If the boom had been incredible in its intensity, the bust was even more so. In economic terms, GDP in the three Baltic States collapsed from a high in Latvia in mid-decade of over 12% growth per annum, to a drop within a space of little over a year of nearly 20% in GDP. This cataclysmic collapse is now happily being repaired, and output has
recently reached the pre-crisis levels, for the first time since 2008, after several false recoveries in the last decade. The onset of global crisis was accompanied by an accelerated ‘second wave’ of labour emigration, as tens of thousands of Balts simply left in search of better financial prospects abroad. Unlike the first wave, this time whole families departed and the majority have not returned, even as prospects have begun to improve. In both Latvia and Lithuania, estimates suggest that something approaching 10% of the working population departed within the space of a few years during the depth of the crisis in the period from 2008 to 2012. Estonia was something of an exception here, as although long-term unemployment also increased exponentially during the crisis, access to neighbouring Finland offered the possibility of shorter-term circular migration.

As a result, the common challenge facing all three Baltic States today in 2020, which is in large part the legacy of the economic crisis, is one of simple demographic (and social) sustainability. The population is aging, and this, together with negative population growth due to low levels of fertility, and combined with previous outward migration, have yielded projections for the most rapid population decline in the whole of Europe.

With so many working age families having left the Baltics during the ‘second great depression’, the demand for new housing is now at an all time low. Like Spain, there is a huge ‘overhang’ of unsold dwellings and those that are left, are generally too poor or too old to enter into the property market. The Swedish banks, which financed so much of the speculation in the boom years and subsequently got their fingers badly burned with mass mortgage defaults, are still reluctant to lend money to all but the safest customers. If you look in the windows of the major banks on the high street of Riga, capital city of Latvia, they are stuffed with adverts for property to rent but not to sell, since prices even of repossessed apartment properties make it uneconomic to sell them at to-
day’s market prices. Whole districts of new built high-rise apartments from those days – rushed up during ‘the fat years’ - still lie unoccupied. There is even talk, as in Ireland, of pulling down some of these ‘ghost estates’ on the outskirts of the main cities.

History is a tale of tangled ironies. When the new member states from Eastern Europe joined the European Union in 2004, sixteen years ago now, it was a great moment of celebration. At last the post-communist world had broken with their past and realigned itself within the democratic structures of the enlarged Union. It was the moment when East European labour began to freely migrate westwards to countries like the UK and Ireland. For the construction workers of the Baltic States, this meant the opportunity to earn wages five times greater than what they could obtain back home. Many took that opportunity.

We recall that the arrival of Baltic construction labour in Sweden was to lead to the historic confrontation outside the gates of the Vaxholm military school near Stockholm as Swedish trade unions sought to establish Swedish rates for Latvian posted workers. That dispute led, in turn, to the judgment of the then European Court of Justice in December 2007, the so-called Laval case. This historic judgment (and associated judgments) has since fundamentally altered the balance of the European project. It has shifted in favour of market-making at the expense of what many regarded as a ‘social Europe’, based on the legitimate right of national trade union movements to prevent ‘wage dumping’ through industrial action.

The Laval workforce was actually unionised – part of the employer strategy to be able to argue, ultimately successfully, that the workforce was already covered by a collective agreement and therefore, did not need to abide by a Swedish one. Yet these few dozen Baltic construction workers were almost unique in the sense that their employer had approached and
voluntarily offered to negotiate a collective agreement with the Latvian construction union. In the context of the Latvian construction industry, this was probably a first, and certainly so, in the context of trade unionism in the Latvia in general, where perhaps 15 per cent of the workers were in trade unions at that time (today less than 5 per cent), and employers almost universally hostile to any form of labour organisation.

But there is a much deeper historical irony. Almost at the very moment when European protective labour legislation was reconfigured in the declared interests of promoting the primacy of market forces (does anyone now remember the Posted Workers Directive?), its economy suffered a decade of financial turmoil. Of course, even dyed-in-the-wool Marxists will admit that every crisis of capitalism is eventually resolved. The question that lingers however is whether that crisis has been resolved at the expense of capital or of labour. It has to be one or the other.

But even from a ‘non-doctrinaire’ position, few would deny the radical recalibrating of labour rights across the European space, in the name of restoring flexibility in the labour market and competitive dynamism to the European economy. It has cost organised labour dearly. Rebuilding confidence and organisation among trade unions will take us many years from the low point that we now are at. For the construction industry, the rollercoaster ride of the short boom and an extended bust is a warning parable. This industry and its workforce, previously so intimately bound up with economic ‘success’ of Europe, and in the Baltics with the visible success of membership of the enlarged European Union, has become the bellwether of its ultimate longer-term failure. It is that labour force which has paid a high price in terms of economic dislocation, emigration and unemployment.