

SECTOR Note

The Construction industry and standards of work

The construction sector produces a wide range of products, from individual houses to major infrastructure such as roads, power plants and petrochemical complexes. In most countries output is roughly equally divided between housing, other buildings and civil engineering projects. Although attention is mostly focused on new construction, the renovation and maintenance of existing structures accounts for almost 50% of total construction output in some of the more developed economies and an even greater share of employment.

The enterprises engaged in construction activity are equally diverse. They range from self-employed individuals providing a service to private house owners in the local community to multinational firms operating on a global scale. However, the vast majority of enterprises involved in on-site construction are small and local. Despite much talk of 'globalization' and the existence of an international construction industry, more than 95% of construction activity is still undertaken by firms from within the country, the region or the neighbourhood.



There is an increasing tendency among enterprises in construction (as in other industries) to outsource the supply of goods and services required in the production process. Building materials, plant and equipment are generally purchased or hired from other enterprises. Specialized services are supplied by subcontractors, and labour by 'labour agents'. Design and engineering services are also provided by quite separate professional entities. Drawing the boundaries of the construction industry is therefore not easy.

Narrowly defined, the industry comprises only those enterprises 'adding value' through production or assembly operations on the construction site. A broader definition would include firms and individuals involved in planning, design, the supply of building materials, plant, equipment, transport and other services. Some definitions also include the customer, particularly the professional client or 'property developer'. The recent increase in the number of contractor-financed infrastructure projects might make it sensible to include the financial services sectors as well.

Instability of work and employment is one of the major problems facing the construction industry. Fluctuations in demand, the project base of construction and the widespread use of the contracting system all conspire to make it difficult for contractors to obtain a steady flow of work which would allow them to provide continuity of employment. Hence there is a constant friction between the needs of employers for 'flexibility' and the needs of workers for stable jobs.

In recent years there has been a marked shift towards flexibility. It has become the norm in many countries for construction workers to be employed on a short-term basis, for the duration of the whole or part of a project, with no guarantee of future work. There has also been a dramatic increase in the practice of outsourcing labour. In some countries the bulk of

the construction workforce is now engaged through labour agents or subcontractors, and subsequently hired out to a contractor or user. In this kind of 'triangular employment relationship', workers' rights are often unclear and they may enjoy less protection from the law than those who are directly employed. There are other negative implications, for example for the health and safety and social protection of the workers. The practice also poses a considerable barrier to training in the industry.