



Rue Royale 45, Boîte 3
B - 1000 Bruxelles

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



Avenue Louise, 225
B - 1050 Bruxelles

Tél.: +32-2-514.55.35
Fax: +32-2-511.02.76
E-mail : info@fiec.eu

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EFBWW-FIEC JOINT APPEAL Emerging from the Crisis: Fostering growth and jobs for a sustainable construction industry

On 30th June 2009 the European social partners of the construction industry signed a joint declaration on “the global economic crisis and its consequences for the European construction industry - Positive measures and concerns of the European Social Partners EFBWW and FIEC”¹.

This joint appeal is a follow-up of the EFBWW-FIEC declaration and calls on the European Union and Member States to seriously step up their efforts, not in words but in action, in order to foster the development of a sustainable construction industry.

Against this background, this paper is a contribution to the debate on the EU 2020 strategy which will be addressed in the 2010 Spring European Council. The European social partners of the construction industry have identified key policy areas where strengthened co-operation between the EU and Member States will contribute significantly to Europe’s employment and climate change ambitions, not through subsidies but through targeted investments and a consistent long-term policy..

In the framework of the current global economic crisis the European construction industry is facing several major challenges which need to be urgently addressed with concrete actions, adequate resources and adaptations of policies both at European and national level:

¹ EFBWW-FIEC Declaration: “The economic crisis and the consequences for the European construction industry, positive measures and EFBWW concerns.” Brussels, 11 May 2009.



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1. 1 million jobs at risk²

The current economic crisis that erupted in the financial sector has progressively spread to all other economic sectors in Europe. As regards the construction industry, the impact has varied a great deal between countries. One can roughly distinguish two groups:

- a) First and very severely affected by the crisis was the construction industry of those countries that had until 2007 experienced a speculative real estate bubble, combined with a high level of household debt. In those countries, notably in Ireland, United Kingdom, Spain and Portugal, but also in some Central and Eastern European countries like Hungary and Romania, construction activity has declined dramatically for many months, and there is still no end in sight to the crisis. Euroconstruct³ expects in, for example, Ireland a 51% decline in building activity by 2010, from the 2007 level. In Spain, 25% and in Portugal, 18%.
- b) A second group of countries which were not in a real estate and housing bubble in 2007. Initially only the financial sector was hit by the crisis, then, in a second wave, export industries, and ultimately also domestic markets, including the building industry. In those countries, building activity is therefore declining more slowly, and as a result of the general economic crisis and the related cuts in investment. A few countries, such as Germany, Austria, Sweden and Switzerland, expect to see stagnation or only a small decline in construction activity up to 2010. Poland is even expecting a marked increase in activity.

Overall, however, the slump in Europe will be drastic. According Euroconstruct the building activity dropped 8,4% in 2009. For 2010 a further decline of activity is expected. Hundreds of thousands of jobs have already been shed. And in some countries, the job losses are yet to come. Europe's construction industry currently employs more than 16 million workers and plays a crucial role in the EU economy. If timely measures to preserve jobs are not taken, a total of one million workers face the prospect of unemployment.

² Euroconstruct estimate (2009)

³ Euroconstruct Report 2009



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2. Taking up the climate change challenge

By taking up the European Unions's ambitions to reduce emissions of greenhouse gases, specifically carbon dioxide or CO₂ emissions, boost the use of renewable energy and increase energy efficiency⁴, the construction industry sees significant job opportunities and business challenges. Without any doubt the construction industry is a major player with an essential role in reducing CO₂ emissions. In this regard EFBWW and FIEC give their full support to the EU's Climate Change Package and insist on proper implementation through the necessary regulatory and application through financial instruments.

Buildings are currently responsible for 42% of EU final energy consumption and produce about 35% of all greenhouse emissions. Several European environmental initiatives have started with the objective of increasing energy efficiency and reducing carbon emissions by better insulation, innovative technologies, etc.

By focusing specifically on the energy efficient renovation of existing buildings combined with steps to reduce the energy intensity of the construction industry as a whole; through better waste management, the development of green infrastructure and the use of innovative materials and processes, the construction industry will be able to reduce the energy consumption of the built environment substantially.

The ongoing programmes, such as the Competiveness and Innovation Framework Programme (CIP), the Lead Market Initiative (LMI), the Framework Programmes for Research and Development (FP's) are by far insufficient for the construction industry to meet the EU ambitions on climate change. The ongoing debate for a new European Plan for Innovation, is a good opportunity to take a closer look at the needs and challenges for the construction industry

3. Current economic recovery and stimulus programmes are insufficient to date

At the heart of any recovery programme lies public investment, that is to say, investment in public infrastructure, public services and private building projects. To that end, bringing forward public investments in construction and stimulating private building projects will play a central role in helping the EU economy to emerge from the current crisis. Such investment programmes do not only help stabilise employment in the construction industry; they also have a multiplier effect, so that all other economic sectors, like the wood, glass, metal and chemical industries and the

⁴ "EU climate change objectives" , (COM(2008) 30 final)



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services sector also benefit. Various studies have concluded that a job created or saved in the construction sector secures two jobs in other industries.

In order to avoid misunderstandings, it has to be pointed out that the construction industry is not asking for subsidies, but for the steady and consistent implementation of construction work that is needed for progress in energy efficiency, a fundamental pillar for economic development and the well-being of Europe's citizens.

The construction industry needs in order to ensure its long term development is a stable flow of investment which is not affected by the vagaries of the economic cycle. Recent economic analysis and forecasts clearly indicate that the current economic situation is not expected to improve substantially in the near future and that both the public sector, which is struggling to contain record deficit levels, and the private sector, which prefers to save its financial resources while waiting for economic recovery, are postponing investment. This situation risks endangering the beginning of economic recovery and seriously undermines the sustainable development of the EU economy. It is precisely in this situation that a long term European and national recovery and stimulus programmes have a significant role to play in helping the EU economy to emerge from the crisis.

However, most of these recovery and stimulus programmes adopted in Europe are unsatisfactory in respect of both their content and their scale, as well as their objectives. They often provide short term solutions, whilst what is needed is investment that can ensure long term sustainable development. The amount of spending pledged in Europe lags far behind similar programmes in the United States and China. While the United States is setting aside about 6% of its GDP, and China about 18% for such programmes, in Europe, only an average of about 1% among EU countries was earmarked in 2009.⁵ The direct contribution of the EU budget to European recovery (5 Bln. €) is also far from sufficient. Moreover, the content of the recovery programmes is sometimes inadequate, as in some countries only a small proportion is allocated to public investment such as infrastructure projects or public works. Not to mention the resources necessary for fulfilling the EU climate change objectives.

Based on the realistic economic forecast one should not overlook the fact that the current economic situation will not improve substantially in the near future. This implies that funds and budgets planned for the future (2010-2013) and which are used today will not be renewed and this constitutes a real threat in the coming years. The EFBWW and FIEC clearly stress that funds and projects which are brought

⁵ Andrew Watt: „A quantum of solace?“, ETUC working paper 2009-05.



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forward, must, wherever possible, be complemented by new funds and projects. If not, the future physical and social infrastructure investments will simply stand still.

4. Investing in sustainability : a leverage for emerging from the crisis

Given the significant role of the construction industry in the EU economy (10.4% of EU GDP in 2008⁶), in employment (7.6% of total EU employment⁷) and in climate change policies, securing its sustainable long term development in full respect of fundamental social rights together with targeted shorter term measures are essential levers for rapid recovery from the current global economic crisis, for meeting the EU employment and environmental strategies and for ensuring a sustainable long term development of the EU economy.

FIEC and EFBWW therefore urge the governments of the Member States and EU authorities to rapidly develop targeted policies and secure the necessary resources for priority investments in the following areas :

a) Towards focused sustainable and energy-saving investments

Public development programmes for investment in energy- and carbon efficient buildings and technologies (e.g. energy-saving renovation of buildings and the use of energy efficient heating systems together with the progressive rolling out of smart building technologies) will play a significant role in the future EU-ambitions.

In this respect, the EU has recently launched the European Fund for Recovery, climate change and Infrastructure (Marguerite Fund⁸). However, although the fund's goals are highly desirable FIEC and EFBWW consider that the target budget of 1,5 billion € will be by far insufficient if compared with the real needs⁹.

The EFBWW and FIEC consider that current and future European and national investment programmes should have a clear focus on:

⁶ See FIEC "key figures" – activity 2008, edition June 2009

⁷ idem

⁸ The Marguerite Fund initiative was endorsed in December 2008 by ECOFIN and the European Council as part of the European Economic Recovery Plan (EERP).

⁹ The EIB is expected to approve €3.8 billion worth of automotive sector (with its 12 million jobs) projects in March 2010 while additional projects in the pipeline add up to a total of €6.8 billion.



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- 1) increasing green public infrastructure schemes (trams, railways, inland waterways, bicycle trails, eco-districts and eco-cities) and use of renewable energies (solar energy and wind power plants, generating geothermal power, tidal power stations, combined heat and power, energy grids, carbon capture and storage projects, etc.);
- 2) upgrading energy efficiency and renovation of private and public buildings on a large scale with a special focus on the energy efficient renovation of existing buildings, better insulation, waste management, more energy efficient heating and lighting, etc.;
- 3) social infrastructure, for example education and health care systems, childcare, sports facilities, and many other examples. Without any doubt, such funds and projects are characterised by lasting value-added for the economy and society as a whole.
- 4) government or non-profit, social home building should be promoted. Also private investors that fulfill certain environmental and social requirements should benefit from fiscal incentives for this type of investments. The same should apply to the renovation of existing public, non-profit or private housing.

b) Stepping up vocational and professional training facilities for the construction industry

The construction sector needs to increase and adapt its vocational training facilities in order to face the challenge of sustainability and climate change mitigation. This will involve a transition in planning, production and management of building sites and a boost in vocational training of construction site operators.

Despite the many jobs lost due to the current crisis, construction suffers from an almost constant shortage of qualified workers. The current challenges to meet the EU's climate change goals by 2020¹⁰ will not be achieved without additional investment in vocational and professional training in the construction industry in the use of energy efficient techniques and renewable energies on all building sites.

¹⁰ See the Communication "20 20 by 2020 Europe's climate change opportunity", COM(2008) 30 final of 23.01.2008. The building sector is explicitly considered as one of the key industries which must be included in an EU policy to meet Europe's climate change ambitions, by reducing green house gases (GHG) by 20% and create a 20% share of renewable energies by 2020



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All training programmes have to take these aspects into account and within this framework the social partners play an important role in promoting and developing specific “green training policies” which are tailored to the needs of the industry.

The EFBWW and FIEC therefore appeal for a substantial increase in efforts for sector specific vocational and professional training facilities at Member State and EU level, to help ensure, on the one hand that workers have the required skills to carry out energy efficiency upgrades in the housing sector¹¹ whilst, on the other hand, to facilitate labour market transition and the strengthening of construction workers’ skills.

c) Stepping up EU investments in R&D and innovation

Clean technologies are already available to help foster a low carbon future but they need to be further improved and deployed on a wider scale. Factors such as their cost, current low levels of deployment, the restrictive application of patents and lack of political will are responsible for the poor diffusion of technological innovations. National governments as well as companies must increase efforts in research and development in the construction industry and on renewable energy, renewable materials and energy efficient facilities management.

Despite successful large scale EU backed initiatives for energy efficient buildings involving some of Europe’s leading contractors, research and innovation is still a real challenge for small and medium sized enterprises which represent the backbone of the industry. Fostering a real culture of innovation and knowledge transfer is crucial to ensuring a competitive industry that creates and maintains the skilled workforce needed.

EFBWW and FIEC are of the opinion that the Lead Market Initiative for Sustainable Construction, should be refocused on supporting innovation within the construction sector whereas a more coherent and coordinated approach to policy making in the European Commission in general is crucial in providing the necessary regulatory framework for the industry to embrace more innovative approaches.

¹¹ At this moment only AT, BE, DE, DK, ES, FR, IE, NL, PL, SE, FI, NO and UK have over 10% highly skilled workers in construction



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d) Ensuring access to credit

In many countries, the indebtedness of house and apartment owners, as well as the collapse of the mortgage market, triggered the crisis. For construction, which is one of the most capital intensive industries, it is extremely important that financial markets be regulated in a way that enables the credit system to continue to function at the service of the real economy, while at the same time preventing durable and widespread net indebtedness of low- or middle-income households.

At the same time building companies are confronted with difficulties in access to financing, which is slowing down investment in the construction industry. The EFBWW and FIEC therefore appeals to the Commission to clearly issue a financial policy which stimulates a sustainable economic growth. EFBWW and FIEC definitely advocate a transparent and reliable mortgage market, which protects consumers and companies by eliminating large-scale fluctuations and adverse impacts on the market.

This requires a re-orientation of national and international financial markets, so that funds are again channelled into productive investment.

EFBWW and FIEC therefore demand from European and national authorities to guarantee and facilitate access of individuals and enterprises to credit.

e) Towards a sustainable allocation of investments : a fundamental unavoidable EU-debate

The International Energy Agency (IEA) in its World Energy Outlook 2009¹² states clearly that the capital requirement to meet the “450 Scenario”¹³ is enormous. The end-use efficiency is the largest contributor to CO₂ emissions abatement in 2030, accounting for more than half of total savings in the “450 scenario”. Energy-efficiency investments in buildings usually have short pay-back periods and negative net abatement costs, as the fuel-cost saving over the lifetime often outweigh the additional capital cost of the efficiency measure, even when future savings are discounted. According the IAE 2.5 trillion USD

¹² The 2009 edition of the World Energy Outlook (WEO), was released on 10 November and it provides updated projections that take into account the implications of the global credit crisis, the economic slowdown and the recent slump in the prices of oil and other forms of energy

¹³ The 450 Scenario describes a world in which a collective action is taken to limit the long-term concentration of greenhouse gases in the atmosphere to 450 parts per million of CO₂ –equivalent (ppm CO₂-eq), an objective that is gaining widespread support around the world.



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additional investments in buildings (including domestic and commercial equipment and appliances) are needed to put the world onto a 450-ppm path. Transposed to the EU, this would represent an amount of 275 billion €.

The EU-climate change agenda is a very ambitious programme, which will not be achieved without the required funding. The EFBWW and FIEC therefore urge the EU and national authorities to channel the resources available into investments which ensure a long term sustainable development of the EU economy rather than in short term subsidies.

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