

INTERNATIONAL LABOUR ORGANIZATION

## **The construction industry in the twenty-first century: Its image, employment prospects and skill requirements**

**Tripartite Meeting on the Construction Industry  
in the Twenty-first Century: Its Image, Employment  
Prospects and Skill Requirements**

Geneva, 2001



INTERNATIONAL LABOUR OFFICE GENEVA

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# Introduction

Odera is a young Kenyan from Nairobi who completed secondary schooling in 1985. After “tarmacking” for eight years (local word for walking up and down the tarmac road looking for a job) his family prevailed on him to join his uncle who was a plumber. Odera learned on the job and became an accomplished plumber, but he feels that his job is unrewarding in terms of pay and recognition, as exemplified by the fact that he lives in a one-room shack in the Nairobi slums. Odera does not miss a chance to remind his family and friends to work hard in their studies so that they do not end up like him.

Njeri Wachira, 2001.

## The context

As we enter the twenty-first century, few would dispute that the construction industry has a poor image.

Scenes of devastation as buildings collapse following earth tremors, due to poor construction and inadequate inspection, are only too familiar on our television screens. Reports of large-scale corruption involving contractors and governments are also commonplace. On a smaller scale, there are few householders who have not had some bad experience at the hands of “cowboy” builders, who operate around the periphery of the industry and generate considerable criticism of the sector as a whole. All of these problems contribute to the poor image of the industry in the eyes of its clients and the public at large.

But the industry also has a poor image in the eyes of its workforce, or potential workforce, and it is this aspect that is of most concern in this report. The poor image of work in the construction industry is generally thought to stem from the nature of the work, which is often described as “dirty, difficult and dangerous”. But the real reason why construction work is so poorly regarded has much more to do with the terms on which labour is recruited than the nature of the work itself. For many construction workers around the world the terms of employment have always been poor. But many others have seen a significant deterioration in the past 30 years, as the construction industry has led the way in the adoption of “flexible” labour practices.

The “outsourcing” of labour through subcontractors and other intermediaries is now the norm in most countries. This means that work in construction has become increasingly temporary and insecure, and workers’ protection (where it existed) has been eroded as

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large numbers are excluded from social security schemes. The increase in the practice of employing labour through subcontractors has also had a profound effect upon occupational safety and health and it has undermined collective bargaining agreements and training provision. The level of skill in the construction industry in some countries has fallen significantly as a result.

The image of the construction industry has suffered from these developments, not least in the eyes of its potential workforce. In much of the world, work in construction is not regarded as “decent work”. Lack of opportunities for training and skill formation contribute to the unattractiveness of a career in construction. Attracting new entrants is a major problem in countries where workers have alternatives (mainly, but not entirely, the richer ones). In both developed and developing countries difficulties are experienced in recruiting young, educated workers, as the quote at the beginning of the report makes clear.

The inability of the industry to attract workers and invest in training them has serious repercussions for the productivity and quality of construction products and hence for the ability of contractors to satisfy their clients’ needs. It is therefore of concern to both employers and workers. Labour shortages and lack of skills can also create pressures to replace labour by machines, through prefabrication and mechanization, thereby threatening the long-term potential of the construction industry to generate much needed employment. Hence there are linkages between the three issues of image, employment and skills. The report will focus on these linkages.<sup>1</sup>

## **Background to the Meeting**

The Meeting is part of the ILO’s Sectoral Activities Programme, the purpose of which is to facilitate the exchange of information among constituents on labour and social developments related to particular economic sectors, complemented by practically oriented research on topical sectoral issues. This objective has traditionally been pursued by the holding of international tripartite sectoral meetings for the exchange of ideas and experience with a view to fostering a broader understanding of sector-specific issues and problems, promoting an international tripartite consensus on sectoral concerns and providing guidance for national and international policies and measures to deal with the related issues and problems, promoting the harmonization of all ILO activities of a sectoral character and acting as a focal point between the Office and its constituents, and providing technical advice, practical assistance and concrete support to ILO constituents in their efforts to overcome problems.

The Meeting was included in the programme of sectoral meetings for 2000-01 at the 273rd Session (November 1998) of the Governing Body. In the light of the different features of the construction industry according to the level of industrialization, it was decided that a larger than average tripartite meeting would be convened to include participants from industrialized, newly industrializing and developing countries. Governments of the following 23 countries were invited to send representatives: Austria, Brazil, Cameroon, Canada, China, Egypt, Germany, India, Italy, Japan, Kenya, Malaysia, Mexico, Panama, Philippines, Poland, South Africa, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, United States. In the event of any of these governments being unable to attend, regional substitutes were to be drawn from a reserve list of countries. In

<sup>1</sup> Employment was discussed at a tripartite meeting in 1986 and training and skills in 1992. The report will therefore focus on the linkages between the three issues, rather than dealing with each separately.

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addition, 23 Employers' and 23 Workers' representatives were to be chosen after consultation with their respective groups in the Governing Body.

The purpose of the Meeting, as decided by the Governing Body, is to exchange views on the construction industry in the twenty-first century, its image, employment prospects and skill requirements, using a report prepared by the Office as the basis for its discussions; to adopt conclusions that include proposals for action by governments, by employers' and workers' organizations at the national level and by the ILO; and to adopt a report on its discussions. The Meeting may also adopt resolutions.

## **Outline of the report**

The main theme of the report is changing employment relationships and industrial structures in the construction industry and the impact of these changes on the quality of employment in the industry. Chapter 1 sets the scene by examining the distribution of construction employment worldwide at the turn of the century and the characteristics of the construction workforce. Chapter 2 focuses on the employment relationship in construction, documenting and explaining the changes that have taken place in the past 30 years, and their impact upon the structure of the industry. It is shown that there has been a big shift to indirect employment as contractors outsource their labour requirements. This has been accompanied by a significant increase in the proportion of the workforce employed in small or very small firms. The implications of these changes upon collective bargaining, social security, safety and health, training and skill formation, are examined in Chapter 3. It is concluded that the trend towards labour contracting is unlikely to be dramatically reversed. The issues raised in the final chapter therefore relate to meeting skill requirements and increasing the quality of employment in an increasingly casualized industry.

The coverage of the report is global. But an attempt is made, wherever possible, to draw on data and examples from those countries represented at the Meeting. Particular attention is paid to the less developed countries amongst them. There are a number of reasons for this. Firstly, as is shown in Chapter 1, at least three-quarters of the world's construction workers are in the less developed countries, where employment in construction is still increasing. Secondly, construction workers in the less developed countries are more exposed to accidents and endure much poorer terms and conditions of work than workers in the developed countries. They also have fewer opportunities to acquire the skills that the industry needs if it is to develop. The improvement of employment conditions and the development of institutions for the provision of appropriate training and skills certification in these countries must have a high priority in any global agenda for change.

One word of warning is in order here. It is a daunting task to write a general report about the construction industry worldwide. Whereas many other industries are becoming globalized, construction is still essentially a local industry, and construction labour markets are deeply embedded in local laws, regulations and institutions. It is not possible in a short report to respect the rich diversity of construction industries around the globe. While some common trends are detectable, and some degree of generalization inevitable, there will be many exceptions to the general trends which cannot always be listed.

The report has been prepared (and is published) under the authority of the International Labour Office and was written by Jill Wells, construction specialist in the Sectoral Activities Department. Parts of the report incorporate information from papers commissioned by the Office and prepared by: Rashid Abdul-Aziz, Priscilla Connolly, Steve van Huyssteen, Isabella Njeri Wachira, Carolina Pozzi de Castro, Joao Saboia,

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Mariusz Sochacki, Lu You-Jie and Paul Fox and Albert Yuson. These papers have been edited and will be published singly, or in a consolidated form, as sectoral working papers. When published they may be obtained from the Sectoral Activities Department or from the ILO website (<http://www.ilo.org/sector>).

# 1. Construction output and employment: The global picture

## 1.1. Output and employment at the end of the twentieth century

Table 1 shows the global distribution of construction output and employment as we approached the end of the twentieth century. The data are based on output and employment figures for individual countries, which have been amalgamated by region and level of per capita income. High-income countries are defined as having GNP per capita above US\$9,266 in 1999, which is the criterion used in the *World Development Report* of 2000-01. Low-income countries are all those with per capita income below this level. Both sets of figures are only rough estimates, and this is particularly the case for developing countries. Furthermore, countries have only been included if estimates for both employment and output were available, which ruled out most countries in sub-Saharan Africa. The data therefore seriously underestimate construction activity in Africa.

Table 1.1. Global distribution of construction employment and output, 1998

| No. of countries | Region     | Output (\$ m.)        |                      |           | Employment ('000s)    |                      |         |
|------------------|------------|-----------------------|----------------------|-----------|-----------------------|----------------------|---------|
|                  |            | High-income countries | Low-income countries | Total     | High-income countries | Low-income countries | Total   |
| 9                | Africa     | –                     | 20 962               |           | –                     | 1 867                |         |
| 23               | America    | 723 569               | 243 247              |           | 9 275                 | 10 917               |         |
| 22               | Asia       | 665 556               | 387 831              |           | 7 258                 | 60 727               |         |
| 2                | Oceania    | 46 433                | –                    |           | 685                   | –                    |         |
| 34               | Europe     | 876 546               | 123 345              |           | 11 820                | 8 978                |         |
| 90               | Total      | 2 312 104             | 701 755              | 3 013 859 | 29 038                | 82 489               | 111 527 |
|                  | % of total | 77                    | 23                   |           | 26                    | 74                   |         |

Sources:

1. Employment data is from the ILO *Yearbook of labour statistics*, 2000, except for India where local estimates of total employment have been used (Vaid, 1999). In the vast majority of cases the employment figure is total employment in construction. In those cases where total employment is not available, paid employment is taken as a proxy: this applies to the six countries of sub-Saharan Africa, Bahrain and France.

2. Output figures are taken from a special survey for the *Engineering News Record (ENR)*, 1998, which uses the best available national data for output, which is measured gross (the value of the completed construction project).

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