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## **EFBWW-FIEC Declaration**

### **The global economic crisis and its consequences for the European construction industry Positive measures and concerns of the European Social Partners EFBWW and FIEC**

*In 2008 the construction industry represented 10.4% of the EU GDP and 2.9 million enterprises, mainly SMEs, providing 16.3 million direct jobs (7.6% of EU total employment).*

*Due to the multiplier factor (1 job in construction = 2 jobs in related sectors), construction activity generates employment in related sectors such as materials production, distribution, transport, chemicals, electric, metal, glass, etc. This makes construction the foremost industrial employer, providing employment for 48,9 million workers overall.*

*Besides its pivotal role in the economy, construction also has a broad social function by providing housing and public infrastructure*

*Because of its specificities, construction activity is closely influenced by economic fluctuations to which it usually reacts with some delay.*

*The European construction sector is now in recession and is bearing the brunt of the financial crises. Against this backdrop, the European sectoral social partners, EFBWW and FIEC, see opportunities and challenges, which could enable the construction sector to emerge from the financial crisis fitter and stronger. In this context, policymakers must seek to bring about a sustainable construction sector. If the European, national and regional authorities do not act quickly to take structural measures, the recession in construction will have a far-reaching negative impact on the jobs of as many as 26 million workers by also affecting those sectors linked to construction.*

*A sustainable construction sector not only serves the interests of contractors and their workers but also of society as a whole.*

*The drivers of the financial crisis which now have impacted the "real economy" are complex. The EFBWW and FIEC recognize that the root causes include imbalances and major failures in financial regulation, supervision and monitoring of the financial sector. The overreliance on market self-regulation, the pursuit of unsustainable profit and insufficient emphasis on ethical and equitable human development have resulted in severe deficiencies. The unfolding crisis has shown the need for better surveillance of the economy ensuring a new balance between market and public interest.*



**EFBWW and FIEC have a number of concrete and positive proposals to strengthen the construction sector while at the same time contributing to the global economic recovery in the EU.**

**In attempting to combat the immediate impact of the crisis many States, groups and institutions have already initiated a number of coordinated and effective responses. The EFBWW and FIEC welcome these efforts, but seek greater cooperation and coordination at EU level and between the Member States.**

## **1. Stepping up public investment in public and infrastructure projects**

Every public authority has a long-term investment plan for public and/or infrastructure works. In order to prevent the current recession from unleashing a wave of unemployment (and attendant higher public spending) EFBWW and FIEC propose that public investment in public sector works and infrastructure be stepped up. Every authority can do this by adjusting its investment policy in line with the current economic crisis. In practical terms, EFBWW and FIEC propose that governments carry out public and infrastructure works as a priority and bring forward implementation of future projects. For some years in many member states plans have existed at every level for projects of public interest, frequently not implemented for political/financial reasons. The present recession is a good opportunity to carry out these plans.

EFBWW and FIEC stress that useful public investment in infrastructure works, schools, hospitals, child care, housing and facilities for the elderly, community amenities (libraries, sports centres, facilities for young people), can create a considerable long-lasting added value for the whole of society.

EFBWW and FIEC ask the concerned authorities to provide adequate attention to the construction sector in the framework of the European recovery programme dated 20 October 2008, "From financial crisis to recovery: A European framework for action".

## **2. Acting quickly to channel public investment into sustainable construction**

There is still a long way to go in the construction sector for efficient energy saving methods to be implemented and for intelligent and innovative techniques to be developed.

EFBWW and FIEC therefore welcome the rise and speeding up of the EU infrastructures' financial instruments as decided in the European recover programmes. Indeed, transport and energy infrastructure have a major leverage effect on employment and help achieving a sustainable development of the EU territory.

EFBWW and FIEC support the prompt revision of the framework regulations of the cohesion policy, which allows raising the ceiling of how much Member States can spend from the Regional Development Fund on energy-efficiency improvements in buildings. EFBWW and FIEC encourage the drive towards zero-energy new buildings and underline the need for the emphasis for existing buildings to be put on insulation, heating equipment and the control of heating and air-conditioning systems.

In addition, EFBWW and FIEC request that the discussion on energy-efficiency and the objective of zero-energy should be extended to all existing buildings. This requires a long-term intensive renovation plan, which should be supported by European, national and regional financial interventions.

Sustainability is the future of construction activity. Substantial investment in sustainable housing, renovation and infrastructure provide a significant boost to the construction economy (and related employment) as well as contributing significantly to a sustainable society more generally. EFBWW and FIEC therefore call on all governments to urgently channel investment into a sustainable construction sector, which must play a significant role in cutting greenhouse gas emissions by at least 20% by 2020

EFBWW and FIEC ask that the concerned authorities provide fiscal incentives to private homeowners wishing to invest in energy-efficient housing.

### **3. Provide incentives for buying and renovating housing**

The private housing market is highly dependent on consumer confidence. When consumer confidence flags, the first thing consumers do is cut back on long-term expenditure such as buying a home or renovation projects. Government measures (fiscal incentives for "green" investments, tax deductions,...) are needed to revive consumer confidence and in particular the housing market and to strengthen confidence among buyers and financiers. Failing to do so risks triggering a serious decline in the housing market and ultimately this will also have considerable consequences for the whole economy.

### **4. Guaranteeing access to mortgages for buying or renovating housing**

The private and commercial housing market is very largely financed by mortgage credit or loans. Most banks are currently applying more stringent criteria for access to credit. This will certainly help in avoiding repeating the same errors that are at the origin of the current financial crisis however criteria requiring private individuals and businesses to provide "excessive guarantees" for purchasing or renovating housing will inevitably result in fewer mortgages or loans. Public authorities can intervene by providing guarantees for private individuals and businesses willing to buy or renovate houses, thereby encouraging financial institutions to grant mortgages more readily.

### **5. Access to mortgages for buying or renovating "starter homes"**

In most of the European countries first-time homeowners, usually young families, are put at a serious disadvantage by the financial crisis. During a boom period in the construction sector it is mainly housing in the more profitable high end of the market which is built. For younger house buyers there is not much choice in the housing market. The financial crisis has made it even more difficult for less well-off buyers to purchase their first home.

There needs to be regulatory measures by the public authorities of the concerned countries to make more affordable housing and credit facilities available for acquiring starter homes.

## **6. The provision of “social housing” for rent or sale to by the less well-off needs to be substantially increased**

The housing market is inaccessible to part of the population because of their very low monthly income. As every State has a duty to ensure that all the citizens have access to a decent housing, "subsidised" housing must be made available to those who do not have sufficient funds. In most countries, there is already a system of "social housing", whereby a home can be purchased or rented at reduced cost, generally subject to specific conditions.

The number of affordable homes available is generally inadequate, and there are sometimes extremely long waiting lists or the housing is in very poor condition.

EFBWW and FIEC demand that a particular attention be paid to such type of housing. Building and renovating additional "social housing" not only stimulates construction activity, but also contributes to improving society in general. Providing decent and affordable housing to all those who are “economically disadvantaged “ on the rental market should be the core of every social housing policy

## **7. Efficient use of all investment resources for the construction sector**

Every year significant financial resources remain unused or their investment is postponed because of excessive red-tape and administrative delays and errors: building permits, legal proceedings, delayed tenders, etc. In the current recession it is extremely important that all available funding at international, EU, national and regional levels is used optimally by eliminating unnecessary red-tape and administrative burdens. However, EFBWW and FIEC clearly state that environmental, urban, health and safety, as well as workers' and consumers' interests, are genuine and should not be considered as “obstacles”.

## **8. Set up temporary unemployment schemes**

During a period of recession, temporary unemployment is almost inevitable. For those firms which - in all good faith - are unable to keep their workers in employment, EFBWW and FIEC consider that “temporary unemployment” schemes, limited in time and subject to strict conditions, should be put in place. During the period of temporary unemployment the workers concerned would receive an unemployment allowance from the government complemented by an intervention from the employer, in order to allow them to maintain their level of income, and this period should be used for following temporary vocational training. EFBWW and FIEC encourage national authorities and the social partners to collaborate in order to discuss the feasibility of such temporary unemployment schemes which combine maintenance of income and vocational training.

## **9. Towards a stable, sustainable and transparent financial system**

Although the origin of the current economic downturn can be found in the financial sector, it has now impacted all parts of the “real” economy worldwide. The failures in the control mechanisms and the interconnections between the markets have accelerated and exacerbated the effects. Consumers and enterprises, in particular SMEs, which represent the largest share in the construction industry, need a stable, sustainable and transparent financial system. As such, EFBWW and FIEC fully support an in-depth reform of the current financial architecture worldwide.

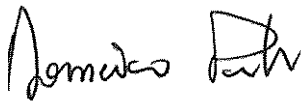
**EFBWW and FIEC, together with their respective national affiliates, are willing to work with all other stakeholders in a constructive manner in order to find appropriate solutions for lessening the impact of the global economic crisis on the construction industry.**

**The current economic downturn is an opportunity to work together on creating a sustainable construction sector for the future, with the focus on the environment, employment, quality, skills and social protection.**

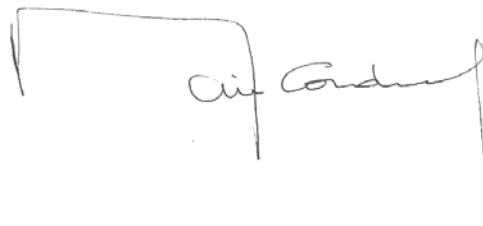
**Going forward, our responses must focus on creating jobs, restoring confidence and growth, rebuilding trust in the financial sector, in particular in its system for mortgage and credit access. For this we need vigorous, prompt and decisive actions.**

**Every positive measure must be explicitly linked to a concrete commitment to guarantee employment and the sustainability of the construction sector.**

Brussels, 30<sup>th</sup> June 2009

A handwritten signature in black ink, appearing to read 'Domenico Presenti'.

Domenico Presenti  
EFBWW President

A handwritten signature in black ink, appearing to read 'Dirk Cordeel'.

Dirk Cordeel  
FIEC President