

## CECOP answer to the public consultation on the preparation of a Communication on the Sustainable Competitiveness of the construction sector and its enterprises

Brussels, September 2011

CECOP - CICOPA Europe (European Confederation of Worker Cooperatives, Social Cooperatives and Social and Participative Enterprises) is a European confederation grouping national organisations in 16 countries which in turn affiliate over 50.000 cooperative and participative enterprises in industry and services, the vast majority being SMEs, and employing 1.4 million workers across Europe. Among the main sectors of activity, we find industries, construction and public work, social services, transport, environmental activities, education and culture, media-related activities, etc. Most of them are characterised by the fact that the employees in their majority are members-owners, while some of them are second degree enterprises for SMEs. CECOP affiliates around 4.314 cooperatives active in construction sector.

*1.1.1 Considering your experience and feedback from your sector, do you think that the financial and economic crisis will have a long term impact on the structure and operation of the construction sector in general or specifically in your sector, in particular due to more stringent access conditions to capital and credit? If so, what do you think this impact will be?*

The current economic and financial crisis, rapid growth of emerging countries and decline of the demand in Europe will have long-term effects on the construction sector. Our Italian members report a decline of 10% for the construction market with a similar decrease in investment.

Companies active in construction are strongly affected by:

- frozen payment for works from public authorities
- credit restrictions to individuals which blocks the acquisition of property and private investment

The problems of liquidity and credits at reasonable cost will certainly cause further enterprises closures. In addition, the lack of adequate credit lines can greatly slow down the initiatives of self-promotion by construction companies and participation in public works in the forms of public-private partnerships (PPP) and therefore prevent their chances for recovery. SME are the most affected in this context. Subcontracting from big companies could be a solution for them.

*1.1.2 What is your experience with national recovery measures on the redeployment of the national labour market and the creation of new business in the construction sector? What can you say about the implementation and the impact of these measures with respect to the objectives of the EU recovery plan?*

The declining production in construction sector is having a considerable impact on jobs losses with particular difficulty of re-employment of low-skilled workers. Measures at national level as investment in vocational training or workers retraining in green building and economy are considered as essential by our members.

*1.1.3 In your opinion, how are construction enterprises in general and enterprises in your field in particular adapting to changing conditions related to the labour market, the demand and urban, environmental and demographic concerns? Please give specific examples if possible.*

CECOP Italian members report some specific initiatives that construction enterprises are adopting in order to face current challenges. For example, they are searching for new market opportunities abroad. Some of them focus on high skilled workforce capable of managing complex processes. However those are more prerogatives of bigger enterprises.

In order to adapt to change, cooperative enterprises from CECOP network are also showing a particular attention to environmental concerns and search for innovative solutions along the entire supply chain: from design to construction materials. In order to be innovative and competitive today, construction sector need to adopt multidisciplinary approaches in order to bring together various fields and sectors as environmental sustainability, energy efficiency, digital technology, biotechnology, engineering, demography, etc.

CECOP member from Romania report a slight recovery for cooperatives in construction. The recovery is particularly slowed down by the migration of the qualified work force and this could have an impact on the sector on medium term. Public authorities express limited interest for public-private partnerships that could boost market opportunities for enterprises in construction as: redevelopment, thermic rehabilitation of houses, eco-renovation, etc.

*1.1.4 Do you consider that they are sufficiently adapting to these changes? Please specify.*

Enterprises are still “suffering” from the crisis and specific measures in order to adapt to changes seem particularly difficult in current context. An important amount of cooperative enterprises have made budgetary efforts in order to save employment.

Our members report an increasing interest in environmental concerns among their affiliated cooperative, but the process of innovation and change is still too slow and confined to specific needs identified by the customers. However, enterprises cannot take up this challenge alone. In fact a particular effort would be needed from public policies and authorities in order to better respond to new ecological, urban and demographic challenges (eg. greener purchases from public authorities, etc). A greater collaboration between industry and the academic community would

also be necessary.

*1.1.5 Is there any particular construction market where you see possibilities for a faster development of “greening” the market?*

Housing and markets related to construction that affect buildings energy performance (renewable energies, energy saving, insulation, etc) could certainly represent opportunities for “greener” market developments. When public authorities are customers, the process of change towards a more eco-friendly market can be significantly accelerated. Better coordination between national and EU funds (structural and regional funds) and specific programs with appropriate tax incentives could also faster the “greening of the market”.

## **1.2 Human capital**

*1.2.1 In your opinion, what is the overall situation regarding the recruitment of qualified staff? What specific challenges would you raise for the enterprises in your field?*

In countries where qualified staff can be found, low investments however prevent the market from absorbing the workforce (one of the consequences is youth unemployment). Romania, for example, is facing an important migration of qualified workers and their professional reconversion does not solve the problem.

*1.2.2 What are in your views the priority areas that should be addressed in order to develop a better qualified, competitive and innovative management and workforce in the construction sector in general and enterprises in your field in particular?*

An interesting initiative has been put in place in Italy in 2010: trade unions and employers have created a national databases platform in order to link the demand and the supply of the worker force and the construction industry.

In this field, some elements of the European Commission White Paper on education and training “Teaching and Learning - Towards the Learning Society”<sup>1</sup> should be revitalized, like the concept of “lifelong learning”. Thus measures in favour of training and professional reconversion are essential.

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<sup>1</sup> COM (95) 590 final

*1.2.3 Where do you see new job opportunities expanding in the construction sector in general and enterprises in your field in particular?*

- “Green construction” (eg. Energy efficiency, renewable energies, etc)
- Social housing
- Urban (re)development
- Use of “smart” technology in construction (eg. automation)

## **1.3 Regulatory environment**

*1.3.1 Could you identify domains in construction that would require a better coordination between national and EU regulatory instruments (i.e. laws, standards, labels, certificates)? Please provide some examples and explain why you see gaps/overlaps in terms of rules definition, interpretation and enforcement, especially with respect to sustainable development objectives?*

Greater coordination between national and European regulations concerning law simplification, labor protection and environment protection (eg. Construction Products Regulation<sup>2</sup>).

*1.3.2 Do you see different framework conditions between the access of EU enterprises to international markets and the access of non-EU enterprises to the EU Internal Market in the construction sector in general and enterprises in your field in particular? Which main problems have come to your attention?*

The main difficulties in this area reported by our members are linked in particular to the internationalization of businesses and particularly for SME which need specific tools in order to compete in emerging markets. Another element reported is the difference in the labor costs between EU and non-EU enterprises.

Related to this topic, it is useful to refer to the opinion of the European Economic and Social Committee on “Third country state-owned enterprises in EU public procurement markets”<sup>3</sup> concerning the dangers, especially in current economic and financial crisis, related to the low purchases of non-EU enterprises financially supported by the public authorities.

## **1.4 Demand for sustainable construction**

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<sup>2</sup> 305/2011/EC - CPR

<sup>3</sup> 2011/C 218/06

*1.4.1 Do you think that national performance assessment methods and certification tools should evolve to address construction works performances in an integrated manner and at the same time be useful to a wider range of projects (i.e. not only for large representative projects, but also for smaller construction works)?*

European instruments and certification could help simplifying procedures for accreditation of SME. Common European standards should cover both the quality of industrial production and the quality of the workforce employed.

Standardization work of the EU (CEN TC 350) can give the expected benefits only if the assessments/certifications of environmental performance are reliable and are part of a contract that allows the user to claim both the manufacturer/seller on eventual certification. Negative example of similar applications is the Italian building energy certification that has unified a very wide group of stakeholders without a corresponding economic empowerment.

*1.4.2 In your opinion, what are the main obstacles/issues for construction enterprises to meet the Green Public Procurement criteria in the coming years?*

Long-term measures and ecological criteria in public procurements would help to meet green criteria. Germany is an interesting example: construction sector is growing mainly thanks to the ecological political commitment and measures.

An important obstacle for construction enterprises to meet the Green Public Procurement criteria is the lack of standards and industry-specific methodologies for the quantification of the impacts on natural resources (especially energy and water) and the resulting difficulty for the evaluation and selection of offers.

*1.4.3 What is your experience with the use of European Structural Funds for energy efficiency investments in buildings, particularly in the residential sector, for infrastructure and for measures in support of the competitiveness of construction enterprises? Have you got any views on how the use of these funds could be improved to even better meet the needs of the construction sector?*

Long term measures would be needed in order to encourage energy conservation referred by EU mandatory measures for Member States about the coordination between national and EU programs and funds. The expected evolution of structural and regional funds should link the funds to multi-annual programs with appropriate tax incentives for public buildings and private construction. Simplification of accessing measures to the funds would improve the participation of SME.

## **1.5 Other possible challenges**

*1.5.1 Do you consider that there would be other major challenges for the construction sector not addressed in the previous questions worth pursuing at European level? If yes, please specify the context and the main issues that should be tackled in your view.*

- Challenged related to social housing. In fact, demographic changes will require adequate responses. In particular, the growing housing demand by low income people (both for migration and for the increasing impoverishment of the middle class citizens) and this poses the problem of providing affordable housing responses (accessibility issue) and at the same time quality (environmental and social sustainability).
- Challenged related to climate change will require in the next years intelligent design of structures taking into account the risk of natural disasters that may have impacts on infrastructure and man-made environment
- promotion of values such as legality and transparency in order to fight corruption

## 2 Policy measures

### *2.1 Improve the human capital of enterprises according to the changing demands, technology and management methods especially for public-private partnerships*

*2.1.1 Regarding the capacity of construction enterprises to cope with the issues mentioned above, what should in your opinion be put in place to strengthen the dialogue and cooperation between construction stakeholders and vocational education and training institutions, at national and regional levels? Please specify the mechanisms that could improve the dialogue and cooperation.*

Workers qualification, ICT development and construction sustainability (with the consequent strengthening of necessary skills) are central to the development of the sector in the coming years. The intrinsic characteristics of the sector (high number of people involved in the supply chain and the role of the public sector as regulator/purchaser) require an active contribution of all these subjects in order to ensure quality at all levels (vocational, health and safety, protection of workers).

*2.1.2 Do you think that the EU and/or national/regional administrations should develop policy frameworks to support these mechanisms? What would be the main lines of these frameworks?*

Adequate fiscal policies have been expressed by members. Creation of a network between educational institutions and construction industry in EU would also reinforce mobility of students

and workers.

*2.1.3 In the field of Information and Communication Technologies (ICT), do you think that specific initiatives could support a more rapid uptake? If yes, please specify.*

Use of common platforms at the continental level would help to achieve the purposes described above.

*2.1.4 Looking at existing initiatives already launched by the European Commission such as those mentioned above, should equivalence systems for skills acquired in continuous vocational education and training be further promoted for the construction sector in general and enterprises in your field in particular? If yes, would you consider specific professions/domains?*

Yes, for example for solar panels professionals.

*2.1.5 Do you think that the European Commission and Member States should further encourage the development of skills and competences for performance based contracts, life cycle costing and Green Public Procurement criteria? Could you suggest any initiative that could support this development? What would be the respective role of the European Commission and of the Member States in the implementation of the initiative?*

As mentioned above, we consider the development of skills based on the above principles crucial for the development of the sector in the area of sustainability, with particular attention not only to develop peaks of excellence but to ensure the widest possible dissemination of knowledge among all actors.

It is difficult in a context of severe economic and financial crisis not to evoke increased costs (and therefore difficulties for enterprises, developers and users) when mentioning eco-friendly measures. What can counter this fact and ensure a better response to the challenges is a higher qualification of all actors and the extreme rationalization of public spending. These preconditions are translated in the field in 3 important measures: qualification of the contracting authorities, centralization of procurement, e-procurements.

## ***2.2 Increase the capacity for innovation and exploitation of technological developments***

*2.2.1 In your opinion, what could be put in place in order to better coordinate the various mechanisms supporting research and innovation and ensure that future EU and national research programmes well address the main issues and challenges of the construction sector in general and enterprises in your field in particular?*

An instrument of public-private partnership of co-planning and coordinated management which links the two key players: public authority as guarantee of the common good (eg. environment) with the task of providing services (visibility, information, know-how, etc..) and value (tax relief, more rewarding) to the private sector, committed to meet the criteria included in the partnership.

*2.2.2 Would you consider demand side instruments supporting innovation (standardisation, labelling, certification, etc.) as a possibility to strengthen the exploitation of EU research? What would you suggest to improve the functioning of the existing instruments and initiatives in relation to the market concerned, e.g. new construction or renovation?*

In order to address environmental sustainability of products concerns (new construction or renovations), guaranteed characteristics (labelling, CE marking, certification, etc.) are necessary for the construction sector (eg. the new Construction Products Regulation). Labelling and certification could be useful tools for innovation, intended to be compared with building components (building materials, fixtures, equipment, etc) and with respect to buildings as a whole (labeling and certification of a building). Applies in this case, the example of Directive establishing a framework for the setting of ecodesign requirements for energy-related products<sup>4</sup>. It is also essential to have a measurement methodology for beneficial effects on climate change in order to quantify these results and allow local authorities to adopt Sustainable Energy Plans.

## ***2.3 Manage efficiently the coherence and application of various legislations and regulations at European and national levels***

*2.3.1 In your view, what are the specific cross-cutting issues amongst various EU legislations in fields such as the Internal Market, energy, environment, health and safety at work and Public Procurement that could require clarification, interpretation and better coordination with respect to their application to construction?*

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<sup>4</sup> 2009/125/EC



*2.3.2 Which mechanisms would you suggest to reduce disparities in the enforcement of European legislation affecting the construction sector at national and regional levels? In your opinion, is there any legislative domain that requires specific attention in these mechanisms and how would you monitor and assess the efficiency of these mechanisms?*

*2.3.3 Do you consider that there should be an EU initiative to reinforce the usage of European technical specifications (i.e. technical standards) in national construction regulations/codes/guidelines and public procurement, in particular for Eurocodes? Could you describe the main features of this initiative?*

Eurocodes could be implemented with aspects of green design, with a warning that environmental sustainability is a function of the specific area in which the work must be done. The technical specifications should therefore be adapted to performance and standards of realization. To give one example, the solutions to ensure energy efficiency of a building in winter are very different in Iceland and southern Italy.

*2.3.4 Should research in support of European standardisation be further promoted and which areas would benefit most from more support?*

## ***2.4 Improve the harmonisation of different existing instruments based on life cycle approach for the assessment of the sustainability performances of construction products and construction works within the context of public procurement***

*2.4.1 What would you propose to improve coherence between different existing instruments with respect to their application to the construction sector in order that they become more operational?*

Focusing resources and efforts on the instrumentation of European origin as goods and construction products may move freely within the EU in order to avoid waste of resources.

There is a need to build databases that allow the customer (mainly public authorities) to establish sustainable levels and to objectively evaluate the environmental performance of projects, construction sites and works in construction. This would facilitate the entry of the construction sector within the GPP policies and then within the city approaches for reducing greenhouse gas emissions as required by the Covenant of Mayors. Current labelling tools, certification, eco-design are being developed separately, without taking into account the mutual influences and potential overlaps.

*2.4.2 Amongst existing instruments, which ones do you see the most effective for the construction sector? Please specify according to the market considered.*

Concerning public authorities, green procurements, as well as single site to which they are applied can be a driving force for the spread of a new way of building, with fewer impacts not only the environment but also on workers. When it comes to private housing market, the most effective are the labels which could be an effective guarantee for the performance and constitute a significant added value for the building. They could also boost the sector toward larger environmentally friendly constructions.

*2.4.3 If you consider that existing instruments are not effective enough for the construction sector, would you propose new instruments? Please specify according to the market considered.*

Tools for measuring the impacts of the construction sites already exist. However, it is necessary to promote tools for carbon footprint for the construction industry, based on public databases that align demand and supply of reducing information asymmetries. These instruments should not be alternatives to existing standards (eg. LEED).

*2.4.4 Do you think that the recourse to European Structural Funds for construction projects should be conditional to more ambitious sustainable development criteria than today's practice? Please specify the domains of particular relevance and the type of criteria to be developed.*

## **2.5 Ensure fair treatment in matters of competition**

*2.5.1 According to your current experience, do you consider that it is necessary to have in the short term a monitoring of the practices regarding the access of non-European enterprises to construction public procurement in the EU? If yes, which criteria would be used for this monitoring?*

It is useful to refer to the opinion of the European Economic and Social Committee on “Third country state-owned enterprises in EU public procurement markets”<sup>5</sup> concerning the dangers, especially in current economic and financial crisis, related to the low purchases of non-EU enterprises financially supported by the public authorities.

*2.5.2 Do you consider that there are specific initiatives to be undertaken to guarantee a proper assessment of potential presence of state aid elements both in public and private developers projects? Please give the context and the type of initiative to be possibly undertaken.*

It is useful to refer to the opinion of the European Economic and Social Committee on “Third country state-owned enterprises in EU public procurement markets”<sup>6</sup> concerning the dangers, especially in current economic and financial crisis, related to the low purchases of non-EU enterprises financially supported by the public authorities.

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<sup>5</sup> 2011/C 218/06

<sup>6</sup> 2011/C 218/06