POLICY OPTIONS FOR THE COMPETITIVENESS OF THE CONSTRUCTION SECTOR IN THE EUROPEAN UNION

Cezar SIMION-MELINTE[1]
Ciprian ISTRATE[2]

ABSTRACT
The paper presents, from general macroeconomic context and trends of the global economy in the medium and long term, the main policy options for the EU construction sector competitiveness. These include: creation of favorable conditions to stimulate investment, human capital measures affecting the construction sector, improve resource efficiency and environmental performance of buildings, strengthening the internal market and the global competitive position of EU construction firms. The policy options presented are intended to achieve and maintain sustainable competitive advantages in the long term globally.

KEYWORDS: *policy, options, competitiveness, construction*

JEL CLASSIFICATION: *L74, R30*

1. INTRODUCTION

In construction many states have developed and implemented their own sectoral strategies, which were subsequently develop strategies which are the foundation construction firms. In the U.S. each federal state has developed from the initiative of the governor, sector development policy options. Including the European Union was initiated in June 13, 2009 approach to develop a strategy to increase competitiveness at sectoral level that takes into account the global economic crisis.

Although there is no single model globally applicable, all methodologies developed and implemented have many points of convergence on elements considered stages of development strategies, components of a strategy (which does not lack strategic options).

Have developed national strategies as major shortcomings poorly documented and inconsistent diagnostic tests substantiate the strategic options in the implementation of strategies and adverse consequences implicit in achieving and maintaining a competitive advantage in the European Union. Therefore implementation of sector strategies to date has not provided a justification for resource efficiency allocated for the implementation of certain options.

In developing policy options were taken into account the following principles:

- principles of interests all stakeholders involved in the construction sector (customers, public authorities, regulatory, construction companies, design and consultancy);
- principle of linking policy options at sectoral national strategy (NSDS) and the European strategy in the field (the strategy "Europe 2020");
- principle realistic assessment of financially strategic options that have an impact on the budgets of member states and the budget of the European Union.

[1] Bucharest University of Economic Studies, Romania, e-mail:cezarsimion@yahoo.com
[2] University Valahia of Targoviste, PhD Student

2. KEY ASPECTS AND COMPETITIVE POSITION OF THE SECTOR

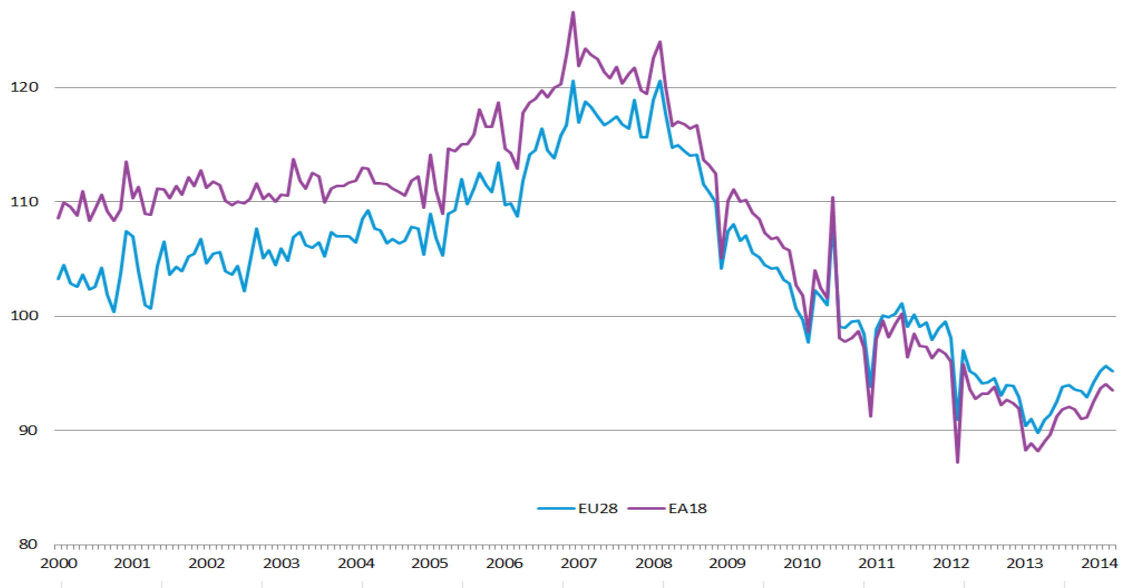
According to the NACE Rev.1.1 classification of economic activities and the overall construction sector includes the following subsectors:

- Manufacturing of construction materials: suppliers of construction products and components (including wholesale);
- Onsite construction: site preparation, construction of complete buildings, building installation, completion, and rental of construction machinery;
- Professional construction services (incl. architects, engineering services, cost controllers and building control bodies);
- Real estate services as a key client base of the construction sector.

The construction sector has a significant influence on the economy:

- represents 9,9% of GDP and 51.4% of gross fixed capital formation;
- with 14,9 million people, representing 7.1% of total employment in Europe and about 30% of the industry;
- includes 3 million companies (EU27), of which 95% are SMEs with less than 20 employees;
- buildings / infrastructure provided by the building serves a lot of other industries and services;
- nearly 45 million people depend on construction activity in Europe;
- 1 euro spent on construction generates about 3 euros in total economic activity.

The construction market in Western Europe was more sensitive to the effects of the financial crisis and the general economic downturn. Thus, France, Italy, Denmark, Portugal and Greece have experienced a negative growth in construction activity in 2008, while the Netherlands (Belgium, Sweden, Austria and Finland) have experienced a significant slowdown in the rate of the construction sector. It should be noted that the difficulties encountered by some Western European countries are not due to the financial crisis intensified 2008.This is applicable to certain countries such as Britain, Spain and Ireland, where the housing market has experienced a significant slowdown since 2007.



Graphic no.1 Production index in construction sector (2010= 100, source: Eurostat)

In the construction sector can say that Eastern European countries have been less affected by the crisis. Eastern European countries are affected by the new regulations lending these countries relying heavily on loans from Western European banks, but on the other hand, these countries receive significant funding from the EU for public investment. However, the actual benefits depend on each country's ability to "absorb" these funds effectively available.

No significant changes have on the share of different types of businesses at the sectoral level, except for increasing the share of micro-enterprises in the construction sector. A corresponding low share of large enterprises in this sector.

The degree of concentration of firms at the sectoral level was analyzed in terms of two criteria, turnover and number of employees, according to the situation presented in the following tables. Concentration of enterprises is an indicator of great importance especially in terms of competition suitable for carrying out procedures for the award of public works contracts.

Another important phenomenon that characterizes construction sector is the undeclared work. Since undeclared work involves insecure, short-term prospects without professional development opportunities, lower wages than labor market without social protection for those who provide negative undeclared activity is also manifested poor socio-economic position compared to workers legally employed.

3. SCENARIOS FOR THE EUROPEAN CONSTRUCTION SECTOR

The competitiveness of the construction sector is important not just for the construction firms , but also for the European economy. Improving the performance of the construction sector will likely improve the performance of most other economic sectors. According to “World Economic Forum, Engineering & Construction: Scenarios to 2020” there are 4 scenarios for construction sector:

1. *Scenario 1 “The Race”:* the European construction sector has seen the emergence of several large, global players through merger and acquisition competing for construction projects at local, national and international level. The European players increasingly face competition from large, foreign-owned companies and consortia in European as well as foreign markets. (B1/ENTR/06/054,2014).
2. *Scenario 2 “The competitive leap”:* the European construction sector is characterised by a high level of collaboration between construction companies with building product suppliers and service providers. Innovation is an open and collaborative effort and often takes place between European and foreign companies in different parts of the value chain or in other sectors (B1/ENTR/06/054,2014).
3. *The Zero-Sum Game:* Protectionist measures are driving construction companies in Europe to focus on national markets and the competitive situation in national markets is tough due to limited demand and the presence of many suppliers. The key competitiveness factor for the sector is price and construction companies are thus eager to cut costs. Investments in R&D are limited (B1/ENTR/06/054,2014).
4. *The Aspirational Communities:* Construction companies are eager to cut costs to increase their competitiveness in local markets, but companies are increasingly focusing on market opportunities linked to sustainable construction: ‘Local sustainability’ is on top of the political agenda at national, regional and local levels, and construction companies, local manufacturers and wholesalers of construction products and new materials are considered of strategic importance in meeting this objective (B1/ENTR/06/054,2014).

In our opinion the most likely scenarios are 1, 2 and 3, and the most desirable scenario is the fourth. This would ensure sustainable sector competitiveness. From this point of view sector recovery in the future will be based on:

- thermal rehabilitation of buildings to maximize energy efficiency; works to create trans-european networks;
- new constructions which lead to the development of energy independent buildings;
- capital repairs of buildings in seismic zones;
- works to change the use of buildings in order to funtion urban regeneration.

4. POLICY OPTIONS FOR THE COMPETITIVENESS OF THE CONSTRUCTION SECTOR IN THE EUROPEAN UNION

The main policy options for the EU construction sector competitiveness includes: creation of favorable conditions to stimulate investment, human capital measures affecting the construction sector, improve resource efficiency and environmental performance of buildings, strengthening the internal market and the global competitive position of EU construction firms.

4.1. *Creation of favorable conditions to stimulate investment*

Creation of favorable conditions to stimulate investment include : improving the legislative framework capabilities mandatory certification of construction companies, business support specifically through greater involvement of employers' organizations specialized in mediation bodies, payment of its VAT revenue collection related construction works and not their billing, application for a limited period of reduced VAT levels works as social housing, thermal rehabilitation of buildings, alternative energy production facilities.

Improving the legislative framework capabilities mandatory certification of construction companies will be done in order to recognize their capability to perform construction under essential requirements. Certification is considering building operators, namely:

a) operators requiring special certification of technical and professional qualification or have obtained certification of technical and professional skills, performing or design and implement any type of building construction and installation, regardless of ownership or destination, including modernization works change, transformation, consolidation or repair of buildings and installations;

b) construction operators seeking certification of technical and professional qualification or have obtained certification of technical and professional skills, engineering design, research, consultancy, maintenance, construction and installation service specializing in construction, including technology services specialized equipment.

Payment of its VAT revenue collection related construction works and not their billing will ensure construction firms can optimize cash flow, especially in the short term. Implementation of this strategic option is a decision only concerns the construction sector but the entire system of european economy.

Through application for a limited period of reduced VAT levels works as social housing, thermal rehabilitation of buildings, alternative energy production facilities produces a double positive effect: lower costs for beneficiaries (housing associations, public or private p) promoting their rehabilitation and, on the other hand it stimulates and firms in the industry, faced with a lack of contracts.

4.2. *Human capital measures affecting the construction sector*

Human capital measures affecting the construction sector includes: promoting the urgent provisions to generate tax deductibility for expenses related to training, reorganization of vocational education - arts and crafts for the qualification of workers, foremen and technicians, combating undeclared work.

Training of personnel in construction should be included as a deductible expense because it contributes directly to the achievement of quality work in accordance with the specific activity of the company.

Training of employees in the construction industry has the following main objectives:

• adapting the employee to the job requirements or the job;
• obtaining professional qualifications;
• updating knowledge and skills specific to the job and work and professional training for the occupation of;
• retraining determined by socio-economic restructuring;
• acquiring advanced knowledge, methods and modern techniques required to achieve professional activities;
• prevent the risk of unemployment;
• promote the work and career development.

Training of employees in the construction industry can be achieved through the following forms:

• participation in courses organized by the employer or by training providers in the country or abroad;
• internships vocational adjustment to the job requirements and workplace;
• internships and specialization in the country and abroad;
• apprenticeship organized workplace;
• individualized training;
• other forms of training agreed between employer and employee.

“Employer engagement on its own is not sufficient to overcome the barriers created by the labour market structure” (Watson and Sharp, 2007).

Emphasis should be placed and vocational education, in which learning a trade is paramount. The education system must be resized so that correlate with the requirements of the labor market in construction, especially on technical staff education.

The restructuring of vocational education curricula should follow two main directions:

• updating of material and technical base of educational institutions so that the theoretical and practical training to reflect the latest developments regarding construction technologies;
• organizing internships in yards so that future workers, foremen and technicians have experience working in concrete construction projects, with all the problems they pose;
• reduce periods of change textbooks so that they are aware of new technologies.

Of all the above proposals is difficult to implement in the current conditions, organizing internships. Therefore, should the employers' associations and trade unions in the sector to develop practical programs to facilitate training.

For combating undeclared work can be followed three priorities for action: prevention of undeclared work, identifying cases of undeclared work, tackling cases of undeclared work.

For prevention of undeclared work should be considered civil society awareness about the consequences of undeclared work practice through the following means:

- development of information campaigns aimed at employers and employees should be intended to highlight the negative effects of moonlighting;
- realization of roundtables, the labor inspectorates, in cooperation with trade unions and employers, with the participation of labor law experts, sociologists, economists, psychologists
- training of the employers on their obligations in labor relations with employees, at the direction and control of actions performed by labor inspectors;
- active involvement of the social partners.

Detection of cases of undeclared work is one of the main objectives of combating undeclared work, given that the measures imposed by labor inspectors and sanctions applied offenses leading to deter the practice of undeclared work. In this sense, the media will be extended by:

- Use inside inspectorates of mailboxes where interested persons can provide information on undeclared work without their identity;
- Background checks and type "campaigns" in sectors with high incidence in the use of undeclared work;
- Conducting cross-checks on the basis of cooperation agreements with other institutions 'Line' with new practices and controls long-distance control;
- Increased coverage of the negative aspects of undeclared work by presenting results of the control.

Main courses of action to combat cases of undeclared work are:

- remedy the direct effect of the practice of undeclared work, by requiring employers to enter into written individual employment contracts for persons identified as performing undeclared work;
- intensify checks on employers who were cases of undeclared work;
- measures disposition binding legal provisions in the field of labor relations and how to fulfill them follow the deadlines;
- coverage of local organizing by labor inspectorates of press conferences, roundtables, which transmit messages to all citizens on the provision disadvantages undeclared;
- proposals for cooperation with various radio and television programs in order to achieve that enable all participants in the labor market to intervene and address the issues raised by the practical application of restrictive labor legislation

4.3. Improve resource efficiency and environmental performance of buildings

This measure involve the development of new products and services could address important societal goals such as: improving energy efficiency; improving waste management; meeting changing demands; focus on new flexible solutions for retro-fitting; lowering failure costs (e.g. through the use of virtual construction systems); improving health and safety. “The economic crisis is not the only challenge that the construction industry is going to face. Fighting global warming will have repercussions on all segments of the construction.**“** (Nistorescu and Ploscaru, 2010).

4.4. Strengthening the internal market and the global competitive position of EU construction firms

Strengthening the internal market and the global competitive position of EU construction firms could be achieved through: simplifying the technical and economic documentation and urban authorizing execution of construction works and their funding, revision and simplification substantive law expropriation for public utility reform and focus efforts on creating conditions for preparation, financing and execution in public partnership private works construction investment, investing in sectors that can quickly create jobs. “What happens in the construction industry reflects society's demands, both from a perspective of demographic trends and especially of the financing” (Dinu, 2009).

Some authors shows that “housing cycles and their impact on the financial system and the macroeconomy have become the center of attention following the global financial crisis.” (Igan and Lougani, 2007).

Review and simplify the law on expropriation in the public interest is necessary to avoid situations where important works investment objectives sluggish due to inability to obtain land on which it should be run. For large infrastructure works expropriation for public utility should become an effective mechanism for the State to take possession of the land necessary to carry out the work, with fair compensation to private owners.

Regarding the revision of legislation and focus efforts to create conditions for preparation, financing and implementation of public private partnership investment in construction and we consider both specific legislation and promoting legislative initiatives to facilitate the execution of such agreements. Improving legislation regarding public - private partnership should aim to:

• method of selecting contractors;
• guarantees that they pose on market risk (fluctuations in demand, etc.);
• clear indication of the contribution and role of private operators in the partnership agreement;
• establish standard requirements to be met during the private operators holding operating rights of the facilities.

The need to have strong entrepreneurs is revealed by the continuing crisis at the beginning of major construction companies. The emergence of such entities can be achieved in several ways:

• realization of association agreements between SMEs to participate in procedures for the award of public procurement contracts so that consortium can meet the qualification and selection criteria;
• a natural process of acquisitions and mergers between companies in the construction sector to the formation of those entities able to meet the criteria necessary for participation in the implementation and design of large infrastructure works.

Low concentration of firms in the sector may encourage association policies auction. Renovation / rehabilitation of buildings and civil engineering recorded a lower decline rate, given the significant amount of public funding works. Increasing employment will stop working construction labor migration to other countries / areas. Therefore be funded primarily investment objectives and categories of works that are characterized by a high consumption of workmanship.

The construction sector in the European Union will be globally competitive if firms within the sector will be competitive at this level. For this they should be the main beneficiaries of public and private demand recovery of construction work in the EU. A second important source of competitive advantage is the production of large construction works in emerging countries whose development needs require rapid development of infrastructure. For these markets, firms in the European Union benefit similar projects portfolio which provides additional opportunities for competition for the award of public works.

5. CONCLUSIONS

The construction sector has an important contribution to the GDP in the European Union and a significant influence on other economic sectors: production of materials and equipment, design and real estate. Therefore, the crisis deepened this sector at European level has had a negative influence on competitiveness of other industries. Especially important is the development and implementation of specific policies to increase the competitiveness of the construction sector.

The most important policy options for the EU construction sector competitiveness includes: creation of favorable conditions to stimulate investment, human capital measures affecting the construction sector, improve resource efficiency and environmental performance of buildings, strengthening the internal market and the global competitive position of EU construction firms.

In our opinion the most important options in terms of competitiveness of the construction sector in the European Union are aimed at stimulating private demand and public works construction. Only by boosting domestic demand can provide a basis for increasing the competitiveness of the EU construction sector globally.

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