Contingent work in construction: results from a two country study

Chris Forde, Robert MacKenzie, Andrew Robinson and Hugh Cook, Birgitta Eriksson, Patrick Larsson and Ann Bergman

Forde, MacKenzie, Robinson and Cook are members of the Centre for Employment Relations Innovation and Change at Leeds University Business School, United Kingdom

Eriksson, Larsson and Bergman are at Working Life Science, Karlstad University, Sweden.

Address for correspondence

Dr Robert MacKenzie
Senior Lecturer in Industrial Relations
Work and Employment Relations Division
Leeds University Business School
Leeds
LS2 9JT
Phone: +44 (0)113 3434518
Email: rfm@lubs.leeds.ac.uk

INTRODUCTION

This paper presents the first findings from a comparative research project into contingent employment in the construction sectors of Sweden and the UK. Debate and speculation about the nature and growth of contingent forms of employment has intensified in recent years. Within debates over the changing nature of employment, the rise in contingent forms of employment is seen as part of a broader movement away from a norm of permanent, full-time employment. Some have argued that employers' use of contingent labour is now 'at its limits' (White *et al*., 2004) pointing to recent evidence of a retreat by some firms away from these forms of labour back towards direct employment relationships. However, figures suggest that there has been little overall decline in contingent forms of employment in recent years and that individual forms of contingent employment have continued to rise in many industrialised countries (see for example, Bergstrom and Storrie, 2003). The caveat must be added that the data for this project was gathered in the early stages of the current economic downturn, and many of the questions refer to a period prior to that. Ongoing qualitative research is exploring the impact of the downturn on these findings.

Policy debates in many countries have centred around whether there is a need for tighter regulation of contingent forms of employment, and the compatibility of such regulation with employer (and in some cases employee) demands for flexible forms of employment (Bergstrom and Storrie, 2003; Burgess and Connell, 2004; Furaker, Hakansson and Karlsson, 2007). Within highly deregulated labour markets such as the UK it has been argued that contingent forms of work has provided benefit to capital, whilst little has been done to mitigate the negative effects of such forms of working for those that undertake it. The expansion of contingent forms of employment, in these circumstances, may reflect, in part at least, the ease with which employers' can seek recourse to these forms of labour. Yet, whilst in more regulated countries, where contingent workers are afforded greater levels of protection, the growth of contingent forms of employment has continued apace: it has been suggested that the very nature of contingent work may create flexibilities for employers that are highly beneficial, beyond any regulatory constraints that are imposed (Shields, 2006).

The construction sector offers an interesting lens through which to explore current debates surrounding contingent forms of working. Employers' use of contingent forms of labour (including agency, subcontract and self-employment) is long-standing within the sector, although it appears the extent to which employers in each country rely on particular forms of contingent labour varies. Amidst debates around transformations in the nature of work, the construction sector, in the UK at least, provides an example of an industry in which there is considerable continuity in employers' current rationales for using contingent forms of labour with those observed in the past, namely as a means of meeting short-term demands and resourcing one-off tasks (see Forde and MacKenzie, 2004; Forde et al, 2008). The extent to which these rationales are shared by employers in different regulatory regimes, and the nature of recent trends in contingent working in different national contexts is, to date, not known.

In this paper we address two key research questions:

- What is the extent of use of contingent labour in the UK and Sweden?
- How and why has employers' use of contingent labour changed over recent years in the two countries?

BACKGROUND TO THE SURVEY

The data used to explore these issues are drawn from a national postal questionnaire of construction employers in Sweden and the UK, distributed in 2007-8. In both countries the sample was stratified by firm size. In the UK, a sample was generated from Dun and Bradstreet's Marketplace UK. We generated a random sample of 1200 firms. 220 usable questionnaires were returned representing a response rate of 18.3 per cent. In Sweden, questionnaires were sent to a random sample of 2300 establishments. Representatives for 577 establishments answered and returned the questionnaires, representing a response rate of 25 per cent. In terms of firm size, in the UK, 19.7 per cent of respondents had between 0-10 employees, 40.1 per cent employed between 10-75 employees and 40.1 per cent employed more than 75 employees. In Sweden, these proportions were 34.7, 53.4 and 11.9 per cent respectively. We gathered data on employers' use of a range of contract types, including direct, agency, subcontract and labour only subcontractors. In the case of Sweden, we also gathered data on non-permanent workers, given the importance of this particular contract type in this country, although in this paper we concentrate on reporting findings for the three comparable forms of contingent labour.

RESULTS

Table 1 shows the proportion of firms that make use of these different contingent contract forms. What is immediately notable is that both the overall levels of use and the relative importance of each contingent form of labour differ between the UK and Sweden. UK firms making far greater use of each of the comparable forms of contingent labour. 85 per cent of respondents in the UK used subcontract labour (compared to a quarter of Swedish respondents), 55 per cent used labour only subcontractors (30 per cent in Sweden) and 45 per cent used agency staff (7 per cent in Sweden). The dominance of subcontracting as an established method of engaging external labour is well established in the UK context (Forde et al., 2009, forthcoming). The difference in levels of use of agency workers between the two countries is particularly notable. The use of agency workers has become an established phenomenon in recent years, despite reservations expressed about their use by both trade unions and employers. In Sweden this is clearly not the case. There are a number of explanations for this relating to both the traditions of the sector and the broader labour market regulation in which this operates. Whereas employment agencies have been actively seeking to develop a position in the UK construction industry since the 1960s, private, profit-making, employment agencies were only made legal in Sweden in 1993 (Berg 2008). The opposition to the use of agency workers voiced by trade unions in the UK has not prevented the growth in their use. Whilst there have been keynote successes such as the agreement ensuring the exclusive use of direct labour in the high profile construction project of Heathrow Airport's terminal 5, the broader growth of agency working arguably reflects the level of both union membership and recognition within the sample. More than two thirds of UK firms in the sample claim to have no union members amongst their direct workforce, compared to 13 per cent of Swedish firms, and whereas 68.5 per cent of Swedish firms recognised a trade union for collective bargaining purposes, only 11.1 per cent of firms did so in the UK.

Table 1: Proportion of firms using different contract arrangements

	Permanent	Non-permanent	Sub-contract	Agency	Labour only subcontractors
UK	97,8	-	84,7	45,3	55,5
Swe	70,9	24,4	24,3	7,8	29,8

To examine employers' use of contingent labour in more detail, we disaggregated responses to concentrate on the subsample of firms who report using some form of contingent contract. We then examined changes in the patterns of use of contingent labour over the past five years. Looking first at the changes in the quantitative use of contingent labour, in both countries the balance of respondents report an increase in the amount of work allocated to contingent labour over the past five years (Table 2). Looking more closely at difference across the types of contingent contract, however, shows interesting variations in this pattern. Comparing the numbers that have reported increases against those that have reported decreases in the amount of work allocated, in the UK the increases are most marked for subcontractors, followed by agency workers and labour only subcontractors. The proportion of firms reporting increases are greater in Sweden across all types of contingent labour and interestingly the proportion reporting increases in the amount of work allocated to agency workers, at 68 per cent shows the biggest increase. A relatively small proportion of Swedish firms decreased the amount of work allocated to contingent labour, although the largest figure here was for agency workers. Together with the figures on increased use, this suggests agency workers are the most fluid form in the Swedish context, in terms of changes in the amount of work allocated. In terms of the

UK, the decreases in the amount of work allocated are less uniform. Although subcontract only saw a 5 per cent decrease in this area, decreases in the amount of work allocated to agency staff, 19 per cent and labour only subcontractors, 35 per cent, were more pronounced.

Table 2: Has the amount of work undertaken by the following types of labour changed over the last five years?

	Permanent/ Direct	Non-permanent	Sub-contract	Agency	Labour only Subcontractors
Increased					
UK	51,9	-	57,4	48,3	40,3
Swe	55,4	39,3	66,4	68,3	41,1
Decreased					
UK	14,1	-	4,5	19,0	34,7
Swe	11,8	17,2	4,0	7,3	2,1
The same					
UK	33,3	-	38,4	32,8	25,0
Swe	32,8	43,3	29,9	24,4	56,8

The distinction between contract form and variation across country are also pronounced in terms of the qualitative use of contingent forms of labour, in terms of changes in the range of tasks undertaken by such workers over the past five years (Table 3). In the UK the biggest increase is again in terms of subcontract workers. With 46 per cent of firms reporting an increase in the range of tasks, this is more than double the proportion reporting increases for the other forms. Only 5 per cent of UK firms report decreases in the range of tasks allocated to subcontract workers over the same period. The 19 per cent of firms reporting increases in the range of tasks allocated to agency workers and the 23 per cent reporting increases for labour only subcontractors are largely offset by the respective 15 per cent and 22 per cent decreases. The picture is different in Sweden, where 45 per cent of firms report increases in the range of tasks allocated for agency workers, and 33 per cent report increases for labour only subcontractors. The proportion of users reporting decreases in the range of tasks are much smaller, at 5 per cent and 4 per cent respectively. These rates of decrease are also much lower than those reported for the UK. In terms of subcontracting the 42 per cent of users reporting increases and the 4 per cent reporting decreases are comparable to figures from the UK. Overall, then, whilst a smaller proportion of firms are using contingent contracts in Sweden, they are increasing the amount of work and the range of tasks undertaken by these workers at a rate comparable and sometimes higher than their counterparts in the UK.

Table 3: Has the range of tasks undertaken by the by the following types of labour changed over the last five years?

	Permanent/ Direct	Non-permanent	Sub-contract	Agency	Labour only Subcontractors
Increased					
UK	43,6	-	46,0	18,6	23,3
Swe	45,6	28,8	42,4	44,7	32,6
Decreased					
UK	8,3	-	5,3	15,3	21,9
Swe	2,6	6,8	4,0	5,3	3,5
The same					
UK	48,1	-	48,7	66,1	54,8
Swe	51,8	64,4	53,6	50,0	63,8

Table 4: Over the past five years has your firm made a conscious shift between contract alternatives? (Whole sample)

	Yes	No
UK	37,8	62,2
Swe	5,2	94,8

Sweden

From	To	
Permanent / Direct	Nonpermanent	1,2
	Subcontract	2,2
	Agency	1,5
	Labour only subcontractors	2,4
Non permanent	Permanent/Direct	2,0
	Subcontract	1,0
	Agency	0,7
	Labour only subcontractors	1,5
Subcontract	Permanent/Direct	1,7
	Nonpermanent	0,2
	Agency	0
	Labour only subcontractors	0,7
Agency	Permanent/Direct	1,0
	Nonpermanent	0
	Subcontract	0,2
	Labour only subcontractors	0
Labour only subcontractors	Permanent/Direct	0,7
	Nonpermanent	0
	Subcontract	0,2
	Agency	0

United Kingdom

From	To	
Direct	Subcontract	34,6
	Agency	21,2
	Labour only subcontractors	25,5
Subcontract	Direct	15,7
	Agency	0
	Labour only subcontractors	0
Agency	Direct	39,2
	Subcontract	3,9
	Labour only subcontractors	5,9
Labour only subcontractors	Direct	63,5
	Subcontract	25,0
	Agency	5,9

Table 4 shows the proportion of firms in each context that had made a conscious shift between different contract forms over the last five years. These shifts capture both the movement between direct and indirect labour contracts, as well as shifts amongst individual contingent contract forms. Again, the disparity between the UK and Sweden in terms of the absolute levels of movement is dramatic. 38 per cent of UK firms reported making a conscious shift between contract forms compared to only 5 per cent of Swedish firms. This can be taken as an indication of the greater stability in the Swedish labour market compared to the more fluid contract arrangements that characterise the UK labour market. When these figures are disaggregated across these different movements between contract forms some interesting patterns emerge. The level of movement in the UK is far greater overall, and there is still a significant amount of movement from direct labour towards each of the contract forms. 35 per cent of respondents reported a move from direct labour to subcontractors, 21 per cent to using agency workers and 36 per cent to labour only subcontractors. What is interesting however is the extent to which this can be offset against reported moves back to direct labour from each of these forms. Indeed, the movement back to direct labour from both agency (39 per cent of respondents), and labour only subcontract (64 per cent) are significantly higher in the UK context than movement in the other direction. This could be explained on one hand by changes in the tax system for labour only subcontractors making them less attractive as a contract option, and on the other by reported dissatisfaction with the experience of agency workers reported by UK construction firms. This is further reflected in movements between contingent forms which sees an overall movement away from these two forms of contingent labour (with movements between the two balancing out at 6 per cent). This is particularly significant in terms of the 25 per cent reporting a shift from labour only subcontract to subcontracting. Subcontractors is the only form of contingent labour that has not seen movement away to other contingent forms, thus suggesting a further consolidation of this established and dominant form of contracting. In Sweden, by contrast, where movement between forms is at a much lower absolute level, the balance of the direction of travel is away from direct contracts towards contingent forms. What limited movement exists between contingent contract forms is again towards subcontractors.

In terms of the market context the majority of forms in both Sweden and the UK reported a perceived intensification of competition over the past five years, with this being more pronounced in the UK at 69 per cent of firms compared to 54 per cent in Sweden. In Sweden 80 per cent of firms reported an increase in demand for their product over this period, compared to 55 per cent of UK firms, although the perceived volatility of demand was higher in the UK, where 53 per cent of firms perceived this to have increased compared to 43% in Sweden. Interestingly, in both countries firms reported increases in the costs on labour as a proportion of total costs, 84 per cent of respondents in the UK and 67 per cent in Sweden.

DISCUSSION

The use of non-direct contingent forms of labour is higher in the UK construction sector than in the Sweden. This reflects divergent traditions within the UK and Swedish construction industries and the legacy of regulation within the respective labour markets in which they operate.

The use of non-direct contingent labour forms is a well established in the UK labour market in general and in the construction sector in particular. In Sweden the higher level of union membership and recognition for collective bargaining purposes is a key regulatory factor. The Swedish construction union has maintained a position of promoting the use of direct contracts over non-direct contingent arrangements. Whilst this position may be echoed in the UK, the unions have been institutionally and numerically weaker than their Swedish counterparts and, not withstanding some notable and high profile successes, less effective in promoting the direct employment agenda on a general basis.

By comparison to the UK, the absolute levels of use of non-direct employment forms are lower in Sweden. This was particularly the case for agency workers, whose rate of use was around a third of that of subcontract or labour only subcontract workers. In the UK agency ranked third in the levels of use but the gap to the second place labour only subcontract was much smaller. This arguably reflects the steady growth of agency work in the UK construction sector since the 1960s, to a point of a consolidated, albeit small, presence in the labour market of around 2 per cent overall. In Sweden profit making private agencies only came into existence with a change on legislation in 1993, and absolute levelsin the labour market remain low at around 1 per cent (Berg 2008).

The emphasis of the study is on change, in both the quantitative and the qualitative use of contingent labour. For firms that utilise non-direct, contingent labour in both the UK and Sweden there has been a quantitative increase in the amount work allocated to forms of labour over the past five years, with growth in Sweden being proportionately greater than in the UK. Similarly, qualitative changes in terms of the range of tasks undertaken by contingent forms of labour have been towards firms expanding their use of such labour. In the UK both of these trends have been towards the consolidation of subcontracting as the dominant form of contingent contract. In Sweden, though starting form a lower base, growth was more evenly spread. Interestingly however, amongst this minority of firms in the Swedish sample that made use of contingent labour the contract form that showed increases in use was agency labour, with 68 per cent of firms using this form increasing the amount of work allocated to them, compared with 48 per cent in the UK.

It is also interesting that firms in the UK and Sweden demonstrated differing characteristics in terms of conscious movements between contract forms over the past five years. In absolute terms the level of movement was far higher in the UK, 38 per cent compare to 5 per cent in Sweden. This could be taken to reflect the familiar labour market characteristics of greater stability in the more regulated Swedish system and more fluidity associated with the UK system. What is interesting however, is that the pattern of movement between contract forms in the UK shows a more complex picture of shifts back and forth between direct and non-direct forms, that go some way to balancing the movement away from direct labour, plus movement between different non-direct contingent forms. In Sweden, whilst the absolute level of movement is much lower it is unidirectional - away from direct employment towards the use of non-direct contingent forms.

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