

## Construction sector preparing for a build-down

*Dave Boland, Jan 6 2008*

Construction is still one of the biggest employers in the Irish market, with a last official count of 280,000 people employed up until May of this year. This represented growth of 20,000 on the same period last year, which, in an ideal world, should point to plain sailing for the sector, at least into the near future. But there are few people who would believe that these sorts of numbers are sustainable into the future, and this pessimism has been underpinned by the recent ESRI report which suggested that up to 20,000 jobs could be lost in the construction sector next year.

20,000 out of 280,000 might not seem to be a huge loss, although it does represent a fall of approximately 7% on the high figure of last May.

But while the exact number of job losses may be disputed, but it would take an optimist of truly legendary proportions to think that there will be no reduction in the numbers employed in construction in Ireland. No matter how it is dressed up, the reality is that the slowdown in residential building cannot be compensated for entirely by large scale commercial, industrial and civil building projects. Fewer houses were built in 2007 than in recent years, and fewer still are expected to be completed in 2008. What remains to be seen, however, is just how the overall market copes with what is a fundamental shift for employment in the industry.

"People have certainly seen it coming, especially those at the senior end of the business, " said Jonathan Ferris, construction recruitment consultant with Sigmar Recruitment. "But the slowdown is primarily in the residential market, and commercial and industrial building is still booming. Jobs are still there, and, generally, skills are transferrable between residential and commercial building."

This does not mean that everything is still rosy for employment in the sector. For example, it may be easier for labourers and general workers to transfer between residential and commercial that it is for those working at the senior end. Take the example of a quantity surveyor working in a large housing project.

He or she will tend to look at one house, and multiply it by 60, 70, 150 . . . however large is the development. But the same cannot be done for a major commercial entity, such as, for example, the Dundrum Town Centre, where a whole project approach must be adopted.

"Jobs are being lost across the board," said Ferris. "Some foremen and site managers can't find work, and we have seen the closures of some high-profile companies such as Midlands Construction.

And while some people will be able to transfer to different companies or sectors, they might have to take a step down to do so, both in terms of position and pay."

The irony inherent in many of these job losses is that there are still some major gaps in the labour market in the construction industry . . . gaps which, in many cases, are not being filled by the influx of migrant workers, however well qualified they are.

"It's not necessarily a skills shortage . . . it's more of an experience shortage," explained Ferris. "For example, people want an Irish QS.

It's not being racist, it's because an Irish QS and a Polish QS will come from different backgrounds, where the markets are different.

Something that costs 60 cent in Poland might cost 20 cent in Ireland, so a person unfamiliar with the market here could end up arguing the wrong prices, and spending too much. But there aren't enough Irish quantity surveyors, and although they are coming through quickly, new graduates need a few years before they get to the levels required."

Other skills/experience shortages include senior architects and town planners, as well as good senior engineers. It is still a candidate driven market for well qualified and experienced people. So it would be a pity, for individual employees and for Ireland, if things did not last, even if a loss of 20,000 jobs only brings us back to the 2006 levels of employment.

"I wouldn't agree fully with the ERSI report, " said Eimear Boland, division manager with Parc Ltd, a recruitment consultancy which specialises, among other disciplines, in construction.

"With the a decline in activity levels in the residential market, there are and will be losses; however, private and non-residential construction are continuing to perform strongly, and the market should benefit from public sector investment under the NDP and Transport 21. Thus, some of the losses should be offset somewhat by gains in these areas."

Boland points to major government investment in capital projects, such as the Abbey theatre, Thornton Hall, the National Concert Hall, and numerous large scale projects by the Department of Justice and the Department of Education, all of which will be funded by the NDP. There are major requirements in infrastructure provision for quantity surveyors, civil and structural engineers, all of whom are in high demand. This is in addition to the need for established professionals with public sector experience. But, again, the question remains; are the skills transferable between residential, commercial and civil building?

"Opportunities are presenting themselves in the area of repair and improvement, so this sector should see a transfer of labour from the new-build residential sector, " said Boland. "Some professions will find the transfer easier than others, such as quantity surveyors, and engineers (site and design) with specific technical knowledge.

Site managers, or finishing foremen that have purely residential or traditional build experience will run into reluctance from employers, and will find it difficult to upskill as the learning curve is a lot greater."

There is also the issue of payment, and just as the IT sector had to get used to more realistic salaries once the silly season of the turn of the millennium passed, so too may certain construction professionals have to accept smaller packages if they are to continue working. This is especially true of professionals who are transferring from the residential sector, which has traditionally rewarded its workers very well, into the commercial sector, which has typically not compensated its workers to the same levels.

"A concern is that candidates coming from the residential sector were used to earning high premiums as they were coming from a different market," said Boland.

"These candidates will now have to re-evaluate salary levels, as the commercial sector and civil engineering sector were never on a par when it came to salaries offered by residential developers."