Construction Industry Federation

Submission in Respect of a Sectoral Employment Order in the Construction Sector

April 2017

Contents

1. Introduction

This submission is made by the Construction Industry Federation representing contractors and employers operating in the construction sector; specifically in building and construction work employing craftspeople, general operatives and apprentices.

This submission is intended to outline our views and concerns regarding the level at which the proposed SEO rates will be set.

In this submission we provide our views and inputs across a range of considerations and we will be pleased to elucidate on these or discuss them with you if you so wish.

2. Executive Summary

2.1 Compliance with the Industrial Relations (Amendment) Act 2015

With reference to the Act, we say that:

1. The Construction Industry Federation meets the requirements of the Act as set out in Section 15 (1) (a) (ii) in that it is an organisation which "*is substantially representative of the employers in the particular class, type or group in the economic sector*" under consideration by the Court;

2. The benefits of an industry-wide SEO on pay, pensions and sick pay are:

    a. It will provide stability and certainty for contractors when tendering for work. An SEO will ensure that contractors can tender for work on a level playing field with regard to labour costs.

    b. It will provide decent rates of pay, sick pay and a pension on retirement for construction workers.

    c. The construction industry is a labour intensive industry. An SEO will promote harmonious relations between employers and employees. The industry was governed by two REAs prior to 2013 and these Agreements contributed substantially to industrial relations stability.

3. In respect of Section 16 (2) which specifies the matters to which the Court shall have regard, we say:

    a. The potential impact on levels of employment has been assessed independently for us and this concludes that a once-off 10% pay increase over current levels in 2017 in the marketplace would result in 8,197 fewer jobs being created in the relevant construction sector each year on average over the period from 2017 to 2021. This equates to over 15% of current employment in the relevant sector. Should the Court consider a different level of increase, the shortfall in jobs created would effectively be proportional to other levels of increase that may be considered. The assessment is shown in Chapter 7 following.

    b. There is no relevant national pay agreement in force at present. Current pay rates are best described as the market rate for the different jobs/skills;

    c. An SEO will ensure that contractors can tender on a level playing field with regard to the minimum labour costs. Other factors must be taken into account in the tendering process such as plant and equipment, materials, skills and expertise and geographical implications. The impact of a pay increase would be to reduce national competitiveness. We recognise that construction has relatively low levels of international trade, but industry costs will have an impact in a range of areas such as our national attractiveness to foreign direct investment and on the ability of our citizens to acquire housing, whether through ownership or renting;

d. Employment is growing in the industry and while projections to 2020 show that a need for additional skills exists; such needs are not apparent in the shorter term, i.e. to 2018 and given the level of uncertainty in the international economy, wage increases will tend to exacerbate issues of national competitiveness (see section 4.3 following).

e. The current levels of remuneration in the industry are fairly comparable to other sectors as described in Chapter 6 following. We also say that there is no evidence of labour shortages at this time;

f. The Sectoral Employment Order will be binding on all craftspersons, construction operatives and apprentices in the State and in that context we submit that the Court should recognise that the increases in construction and construction-related activity are not being experienced across the State. Instead, the activity increases are evident primarily in the greater Dublin region – i.e. Dublin and the Mid-East region.

4. Given the foregoing, we propose to the Court that having taken account of the current state of the industry and the factors outlined above, the sectoral pay rates should be established as follows:

   a. For Craftspeople the rate we propose is €17.21 per hour.

   b. For General operatives we propose that three rates be determined as follows:

      i. General Operatives A €16.28

      ii. General Operatives B €13.50 and

      iii. General Operatives C €11.89

   c. CIF is strongly opposed to the introduction of travel allowances for construction workers.

5. Prior to 2013 construction workers were covered by the REA on pensions and sick pay. Including pensions and sick pay in the SEO will ensure that workers will receive payment while on sick leave and will benefit from a pension on retirement.

3. Background

CIF is seeking the introduction of a Sectoral Employment Order (SEO) on remuneration, pensions and sick pay for all craftspeople, construction operatives and apprentices working in the construction industry. Prior to the striking down of Part 3 of the Industrial Relations Act 1946, these workers were covered by the Registered Employment Agreements on wages and conditions of employment and pensions and sick pay in the construction industry. The construction industry is labour intensive and unique in terms of its transient nature. It is an industry characterised by intense competition and it is prone to volatility. An SEO will undoubtedly promote harmonious relations between construction workers and their employers in the construction sector.

The previously registered employment agreements governing pay and conditions, pensions and sick pay for construction workers played a significant role in maintaining certainty and stability in the construction industry since the 1960s. During their lifespan, the parties to these agreements never sought their cancellation and were not involved in the *McGowan v the Labour Court* case which culminated in the Supreme Court striking down Part 3 of the Industrial Relations Act 1946. This case left a vacuum in the industry which led to difficulties in tendering and industrial relations instability. It is, therefore, essential that an SEO is introduced on remuneration, pensions and sick pay which will greatly assist in providing stability and certainty in a stable industrial relations environment.

The construction industry is highly competitive and labour intensive. Competition for work is based on a number of factors; the two most prominent being labour and materials. Labour costs can account for over 40% of any tender. Therefore, stability with regard to labour costs and an environment where contractors can tender on a level playing field is of paramount importance to the industry. The industry is recovering from the most severe recession in the history of the State. It is essential that the framework exists which will ensure that Irish contractors employing Irish workers can tender on a level playing field.

Equally, it is essential that workers in the industry are paid a fair and reasonable wage which in turn will ensure that we attract bright young workers into the sector. An SEO will ensure that contractors can tender for work on a level playing field and craftspeople, construction operatives and apprentices will receive fair and decent wages, sick pay and a pension on retirement.

With the economic recovery we have seen many sectors at the forefront of industrial turbulence. The construction industry is a vital sector of the Irish economy and it is responsible for providing the housing, commercial, industrial and civil infrastructure required to sustain economic growth in Ireland. As it is one of the most labour-intensive forms of economic activity the industry is prone to volatility. Workers in the industry are transient by nature. A construction worker's place of work can change regularly and is dependent on the size and duration of a given project. A construction worker can expect to be employed for the duration of the project only and, therefore, construction workers can move from employer-to-employer on a regular basis. As a result of this situation, coupled with the high numbers of construction workers employed, the industry is prone to volatility and disputes are inevitable. Such disputes result in significant costs, delays in completing projects and reputational damage for the industry. A disputes resolution procedure capable of resolving disputes which inevitably arise is essential in ensuring the industry is capable of delivering projects on time and without disruption due to industrial action.

Over the decades the construction industry, in conjunction with Solas, has trained some of the best craftspeople in the world. We are proud of our achievements in the international skills competitions and the reputation our craftspeople maintain both at home and abroad. The majority of these workers were trained during the lifespan of the previously registered employment agreements. Unfortunately we have lost a lot of our skilled workers due to emigration during the recession and these workers will not return home unless they feel confident that they can secure quality and long-term employment. We are also concerned with the low level of apprentices currently registered with Solas, particularly those in the wet trades. Investment in training in terms of apprenticeships and ongoing technological advances in construction methods is essential in ensuring we have a sustainable industry into the future. The industry is emerging from recession and an SEO will provide certainty and stability. This will encourage employers to invest in training as was the practice prior to the striking down of REAs in 2013.

The absence of an SEO will lead to increased competition at home and abroad, low pay, poor quality and unsecure work, less direct employment, substantially reduced investment in training, difficulties in tendering, an unstable industrial relations environment and further gaps in wage rates that do not match economic reality.

The CIF is seeking an SEO in the construction industry to ensure a level playing field with regard to labour costs and it will also provide for fair and realistic rates of pay in line with economic sustainability. A key factor in the sustainability of Ireland's economy is our ability to attract foreign direct investment. An SEO will promote harmonious relations between employers and employees in the construction industry and will provide stability and certainty which will ensure contracts are delivered on time without undue delay. This will enhance Ireland's attractiveness to foreign direct investment.

4. Submission on Remuneration, Pensions and Sick Pay and Dispute Resolution Procedures

4.1 Remuneration

In accordance with section 15 (5) of the Industrial Relations (Amendment) Act 2015 we request the Court to recommend remuneration in respect of craftspeople, construction operatives and apprentices as set out hereunder. These rates have been established following an extensive consultation process with our members nationally on rates being paid in the industry.

Basic Craft Rate **€17.21**

Construction Operative Grade A **€16.28**
Grade A Operatives are one of the following:

Scaffolders with an Advanced Scaffolding Card and four years' experience
Banksmen
Steel fixers
Crane Drivers
Heavy machine operators

Construction Operative Grade B **€13.50**
Grade B Operatives are those who have at least 1 year's work experience.

Construction Operative Grade C **€11.89**
Grade C Operatives are those who are entering employment for the first time.

Apprentices (% of Craft Rate)

1st Year Apprentice (33 1/3%)	€5.73
2nd Year Apprentice (50%)	€8.61
3rd Year Apprentice (75%)	€12.91
4th Year Apprentice (90%)	€15.49

4.1.1 Overtime

Monday – Friday	Normal finishing time to midnight time plus a half Midnight to normal starting time double time
Saturday	First four hours from normal starting time time plus a half thereafter double time
Sunday	All hours worked double time

4.1.2 Travel Allowances

We understand the construction group of unions, as part of their submission, will seek the introduction of travel allowances in the SEO. The CIF is strongly opposed to travelling allowances being introduced for the following reasons:

1. The former Registered Employment Agreement for the Construction Industry contained a clause on travel allowances for the urban areas i.e. Dublin, Cork, Limerick, Galway and Waterford. Outside of the Dublin City area all the other travel agreements were conditional, these travel payments were not universally applicable in these urban areas and no travel agreement was applicable generally throughout the Country.

2. The striking down of the REA in 2013 resulted in the discontinuation of travelling allowances being paid to the vast majority of workers, including those in Dublin.

3. In the urban areas of Cork, Limerick, Galway and Waterford a series of conditions were attached to the agreements which meant in the latter years of the Registered Employment Agreement the majority of workers working on construction sites in these City areas were not entitled to a travel allowance. An example of the conditions attached to the various travel agreements included the clause in the Limerick Travel Agreement which stated that operatives were only entitled to a travel payment where they were sent outwards to work, in other words they had to move from City Centre sites out to other sites in order for the travel payment to be applicable.

4. The original intention of the travel agreement in these urban areas was to compensate workers who had to pay bus fares to travel to sites throughout these Cities. As these Cities grew, other conditions, such as the clause in the Waterford City Travel Agreement which mentioned the old City boundary and the new City boundary, meant that effectively on the vast majority of construction sites in the Waterford City area no travel payment was made. In Galway and Cork similar conditions arose and it meant that effectively only on large pharmaceutical projects, which had been in existence for some time, were travel payments being made.

   It is therefore the case that the payment of travel allowances in the construction industry has been consigned to history. To introduce travelling allowances now, at a time when the industry is in recovery, would result in significant costs and place an undue financial burden on construction companies.

   The current practice in the industry is that contractors comply with the guidelines issued by the Revenue Commissioner on *country money* where an operative has to travel a significant distance and a real and actual expense occurs by the employee, including having to reside away from home.

   In the housing sector the introduction of a travelling allowance would result in a substantial increase in costs for the house builder. This in turn would result in an increase in the cost of the house for the purchaser. Driving up the cost of house building at this time would only serve to exacerbate the current housing crisis.

4.2 Pensions and Sick Pay

4.2.1 Pensions and Death in Service

CIF is seeking the inclusion of a pension and sick pay scheme for craftspeople, construction operatives and apprentices who are aged between 20 and 65. We are also seeking the option to calculate contributions on a daily or weekly basis. Our submission relating to pensions and sick pay is set out hereunder.

Every employer to whom the SEO applies shall participate in an SEO pension scheme that meets the pensions' requirements of the SEO.

Pension Scheme Structure

The pension scheme to which the SEO applies ("**SEO pension scheme**") should include the following features and benefits:

1. An SEO pension scheme should be an Occupational Pension Scheme which is registered with and regulated by the Pensions Authority.

2. Recognising the flexible nature of employment across employers within the construction sector and related industries (the Sector), an SEO pension scheme should be established as a multi-employer scheme open to all employers in the Sector.

3. Whilst a member remains employed within the Sector, members should be able to have a single individual pension account within the SEO pension scheme thereby enabling successive employers of the member to contribute to the member's account provided the employer has joined itself to the SEO pension scheme.

4. Where an employee member leaves service of an employer, the contributions which have been paid by the employee and the employer in respect of the member will be retained in full within the SEO pension scheme in the individual account of that member.

5. The rules of an SEO pension scheme should not permit a member to take a refund of their own contributions prior to reaching retirement age.

6. Bodies that are representative of both employers and unions involved in the Sector must appoint the members of the SEO pension scheme trustee. The constitution of the Trustee Board should also include representatives of both employers and employees in the Sector.

7. In addition to providing pension benefits, an SEO pension scheme must also provide an additional Death in Service benefit with members covered for this benefit upon joining the scheme.

8. An existing pension scheme at the time the SEO comes into force may qualify as an SEO pension scheme provided it complies with the terms of the SEO or is adapted to so comply.

9. An SEO pension scheme must disclose and publicise information about the pension scheme's charges and who bears them. There must be full transparency of charges and this information should be disclosed in the scheme's Trustee Annual Report as well as provided to each member when joining. The total annual charges borne by members should be disclosed and must include all administration costs, Trustee costs, distribution costs, fund management costs, actuarial, accounting, legal and auditing fees and all other charges incurred by the SEO pension scheme.

10. Scheme Design

The terms and conditions applying under an SEO pension scheme and benefits to be provided must be at least as great as that described below.

10.1. Eligibility

An SEO pension scheme must at least provide for an employee of a participating employer in the Sector to be eligible for membership of the scheme provided they have attained age 20 but not yet attained age 65.

10.2. Relevant Pension Contributions

Employers and their employees working in the construction sector and related industries (the Sector) must contribute to an SEO pension scheme.

Contributions should be remitted by employers to an SEO pension scheme in accordance with all relevant pension and other legislative requirements.

10.3. Pension Benefits

a) Members' pension benefits within an SEO pension scheme should be based on the full value of their individual pension funds and there should be no deductions from the contributions paid or when the funds are drawn down.

b) The Trustees of the Scheme will invest each member's pension contributions and these along with the investment returns declared, net of charges, will determine the value of the member's pension fund.

10.4. Retirement

Normal Retirement Age shall be age 65. However a member may be permitted to retire from age 60 (at the discretion of the scheme trustee). When a member retires, he or she should be able to choose from a range of options based on their entire fund value in line with applicable pension and tax legislation. One of the options which must be available is the provision of a pension for life for the member.

10.5 Death in Service Benefits

a) Every employer to whom the SEO applies must participate in an SEO pension scheme that provides a death in service benefit for the deceased member's dependants. The death in service benefit should be in addition to the benefits provided for the dependants based on the full value of the member's pension fund.

b) Provided the employee has completed a once-off initial qualifying contribution period, inclusion for death in service benefits shall be automatic on becoming a member of the SEO pension scheme, without medical underwriting or by reference to any previous medical conditions of the member. In the event of the member moving to another participating employer within the Sector, the member should not be required to complete any further qualifying period in order to be covered for death in service benefits.

c) Death in Service Contributions will form part of the overall contribution rate of an SEO pension scheme with a portion payable by both the member and employer in addition to the pension contributions.

d) Contributions should be remitted by employers to an SEO pension scheme in accordance with all relevant pension and other legislative requirements.

e) If a member had met the requirements for the full lump sum death in service benefit, but then leaves service and dies within four weeks of doing so without being re-employed in the Sector, the SEO pension scheme should provide a modified lump sum benefit in addition to the value of their pension account.

f) Death in Service benefits should be payable regardless of cause or timing of death, so long as the member meets the qualification conditions for inclusion for Death in Service benefits as set out above.

4.2.2 Sick Pay Scheme

Every employer to whom the SEO applies must have in place a provision for Sick Pay benefits for each employee covered in the SEO.

Sick Pay Scheme Structure

The sick pay scheme to which the SEO applies ("**SEO Sick Pay Scheme**") should include the following features and benefits.

Sick Pay Scheme Structure

1. An SEO Sick Pay Scheme should be a funded arrangement with contributions held in Trust and independently administered and managed. An SEO Sick Pay Scheme should facilitate participation by multiple employers to reflect the flexible nature of employment within the Sector.

2. The main purpose of an SEO Sick Pay Scheme is the provision of benefits for every worker for periods of illness or injury while in the employment of employers to whom this SEO applies.

3. The Sick Pay Benefit should be paid to each employee without the need for underwriting or reference to previous medical conditions. Entitlement to Sick Pay Benefits should be unaffected and uninterrupted as employees transfer from one employer to another within the Sector.

4. The Sick Pay Benefits provided by an SEO Sick Pay Scheme should be in addition to any sickness, illness or invalidity benefits payable by the State through the social insurance system.

Sick Pay Conditions & Benefits

5. Eligibility
   Inclusion for Sick Pay Benefits will be automatic on becoming a member of an SEO Sick Pay Scheme. No charges should be incurred by either employers or members for Sick Pay benefit provision, other than the relevant contributions required to provide the benefits.

6. Sick Pay Contributions

   a) An SEO Sick Pay Scheme should be a contributory sick pay scheme with contributions payable by both employers and employees.

   b) A member shall not lose accrued Sick Pay Benefit rights or entitlements as a result of changing employment within the Sector as accrued service will transfer to the next employer to whom the SEO applies.

   c) Employers who fail or neglect to make the authorised deduction shall be liable for the total contribution required to ensure that the worker's Sick Pay Benefits are maintained in full for the period of service with them.

7. Relevant Benefits

   a) An SEO Sick Pay Scheme shall provide for the payment of a standard Sick Pay Benefit for a specified duration and the benefit and duration should be disclosed to participating employers and members.

   b) An SEO Sick Pay Scheme may include a waiting period during which a member would not be entitled to any benefit from the scheme whilst initially absent due to illness or injury. This waiting period should not exceed the first five working days of disability.

   c) An SEO Sick Pay Scheme should facilitate continuity of Sick Pay Benefit from the Scheme from the first working day of disability where a claimant has returned to work for a period of two working days or less. This is provided that the sick pay entitlement from the scheme has not been exhausted by reference to the duration limitations referenced earlier.

   d) An SEO Sick Pay Scheme should facilitate provision of a Supplementary Sick

Pay Benefit if the claimant has no entitlement to Social Welfare benefit due to inadequate number of Social Welfare contributions.

e) An SEO Sick Pay Scheme may set appropriate limitations on the maximum duration for which a Sick Pay Benefit may be payable. These must be clearly documented and disclosed to participating employers and members. The maximum duration under an SEO Sick Pay Scheme should not be any lower than a period of 10 weeks in any calendar year, whether for a single claim or in aggregate in a scheme year.

The current weekly contributions regarding pensions and sick pay are as follows:

Current Pensions, Death in Service and Sick Pay Contributions

	Employer	Member	Total
Pension Contribution	€26.63	€17.76*	€44.39
Death in Service Contribution	€1.11	€1.11*	€2.22
Sick Pay Contribution	€1.27	€0.63	€1.90
Standard Contribution Total	**€29.01**	**€19.50**	**€48.51**

4.3 Dispute Resolution Procedures

CIF is seeking the inclusion of a procedure to resolve disputes concerning the terms of the SEO as follows:

If a dispute occurs between workers to whom the SEO relates and their employers. No strike or lock-out, or other form of industrial action shall take place until the following procedures have been complied with. All sides are obliged to fully comply with the terms of the Disputes Procedure.

a) The grievance or dispute shall in the first instance be discussed between the parties concerned. If the dispute is not resolved it may be referred to the trade union concerned and the relevant organisation representing employers where appropriate. Notice in writing of the dispute shall be given by the individual concerned or his trade union to the relevant organisation representing employers.

b) If the dispute is not resolved the issue shall be referred to the Workplace Relations Commission and the Labour Court as appropriate.

c) Where the issue remains unresolved it shall be referred to the National Joint Industrial Council (NJIC).

5. Industry Performance and Activity

5.1 Industry Performance Nationally

The widely held impression within Ireland at present is that the construction industry is undergoing a period of sustained growth; however, the current growth rates actually represent a recovery and do not match previous high levels of activity.

Key industry performance indicators are as follows:

- The Central Statistics Office (CSO) National Accounts data for 2016 contain an analysis of Gross Domestic Fixed Capital Formation (GDFCF) and shows the CSO estimates for construction output. Excluding transfer costs (i.e. legal and other costs associated with buying and/or selling property), construction output for 2016 was €15.603 billion. This is made up as follows:

    - Dwellings € 3.567 bn,
    - Improvements € 1.933 bn, and
    - Other Building and Construction €10.103 bn.

- This level of output is 44% of the construction output of €35.5 billion in 2006[1] which shows that despite the high growth discussed below, output is far lower than levels previously experienced.

- The breakdown of output in 2016 was also substantially different to what has long been regarded as the normal proportions of construction output. For example, in 2016, new housing accounted for 23% of output, whereas in 2000, new dwellings accounted for 43.3% of industry output and historically, under normal circumstances, dwellings accounted for 40% to 50% of total output.

- Both the CSO and industry commentators are in agreement that growth in 2016 was substantially higher than in previous years. In 2014 and 2015, year-on-year growth as measured by the CSO was 8.8% to 9.3% respectively; though in 2016, this accelerated to 16.0%.

- According to the CSO the level of output in new dwelling construction in 2016 was 30% higher than in 2015. The category "Other Building and Construction" includes commercial and institutional building works and civil engineering works. The quarterly Output in Building and Construction indices, a separate statistical release also produced by the CSO, shows that growth in 2016 over 2015 was 16% in Non-residential Building works and 8% in Civil Engineering projects.

- There are two factors that contribute to growth in industry output; namely output or volume growth and price growth. The CSO data in the quarterly Output in Building and Construction indices provide output data on both a volume basis and a value basis.

[1] Review of the Construction Industry 2006 and Outlook 2007-2009; DKM Economic Consultants Ltd. for the Department of the Environment, Heritage and Local Government; published September 2007

Analysis of the statistics shows that since 2010, the total value of industry output has grown by 27.3% whereas the total volume has grown by 25.2%. The difference between these two measures is the amount of growth that is attributable to price increases. The CSO data show that in the six year period from 2010 to 2016, the industry output increase has been substantially volume based.

- Our analysis of the CSO Output in Building and Construction indices concludes that price rises in construction output in 2016 were 4.5% compared to 2015.

- This is reasonably consistent with tender price data from the Society of Chartered Surveyors Ireland (SCSI) which showed tender price increases of:

  - 5% in 2014;
  - 5.5% in 2015, and
  - 6.3% in 2016.

  Tenders, particularly for large-scale infrastructure projects, can cover construction activity over more than one year and the year-on-year rises may not be apparent immediately in the CSO returns.

  In summary, the CSO data show that while construction output is growing rapidly, it is still far below previous levels and the growth in recent years has been very substantially volume, not price, based.

  We recognise that previous high levels of output are not sustainable in the long-term. With regard to the potential scale of the industry and hence its potential for growth; we note that:

- The current level of construction output in Ireland represents some 7.1% of GNP[2]; which is well below the generally recognised European sustainable level of 10% to 12% of GNP. Using this benchmark, if the industry were operating at "normal" levels of activity, then the annual output of the Irish construction industry should be between €20 and €24 billion. It may be contended that Ireland's infrastructural and housing needs are such that the higher of these two figures is the more realistic indicator;

- If this level of notional output, i.e. €24 billion, were to be achieved and if the traditional relativities between the different components of output were the same as in previous years; then the current levels of non-residential and infrastructural activity would remain broadly as they are at present, and new housing construction would increase to something of the order of three times its current level.

The CSO data for the period from 2011 to 2016 show that total growth in construction output has been of the order of 73% over that period, but higher rates of growth were

[2] Some commentators measure construction activity as a percentage of GDP (Gross Domestic Product). In Ireland's case, this alternative measure would be a lower percentage. For 2016 Ireland's construction output represents 5.9% of GDP. The "normal" level of construction activity would equate to some 9.5% of GDP.

evident in housing output in 2015 and 2016 compared to other sectors. However, it must be recognised that this rate of housing growth has come from a very low level of activity.

5.2 Industry Performance Regionally

During our consultations within the industry, many expressed severe concerns regarding the applicability of the published CSO data to the country as a whole. The views expressed are that the current growth in construction industry output is focused very much on the greater Dublin region and that outside the fringes of the M50 orbital route, there is little evidence of a pickup in business volumes. Indeed, outside Dublin, residential construction activity is very limited and very highly dependent on one-off houses; commercial construction is widely described as inactive and infrastructural activity is very limited.

In economic terms, Ireland today demonstrates many of the criteria that define a "twin track" economy; i.e. one in which a particular region or area is growing or developing at a significantly faster rate than other regions.

In recent years, the Dublin and Mid-east regions combined have experienced significant growth compared to the other regions in the State. Much of this is attributable to Foreign Direct Investment (FDI) in services and in high-technology manufacturing. These are relatively high output types of industry relative to employment levels, and therefore, while the total population and numbers at work in the Dublin and Mid-east regions have not changed to any great extent, the economic output of the region has risen.

As shown in tables 5.1 and 5.2 respectively, the proportion of total national Gross Value Added (GVA[3]) produced in the Dublin and Mid-east region has grown since 2011 and the Regions' average GVA per capita is well above the national average and is growing at a faster rate. Over this period the combined population of the Dublin and Mid-east regions remained at 39.3% or 39.4% of the national population. (2014 is the last year for which data are available)

Table 5.1: Comparison of GVA in the State and the Dublin and Mid-east regions

National GVA €'000	2011	2012	2013	2014
State	159,082	159,591	163,474	171,607
Dublin plus Mid East	78,025	79,609	83,764	88,158
Dublin/Mid-east share of National GVA	49.0%	49.9%	51.2%	51.4%

Source: CSO

[3] While Gross Domestic Product (GDP) is used to measure the output of a country as a whole, Gross Value Added (GVA) is used to measure the value of goods and services produced within particular regions of that country. Gross Value Added provides a monetary value for the amount of goods and services that have been produced in a region, less the cost of all inputs and raw materials that are directly attributable to that production.

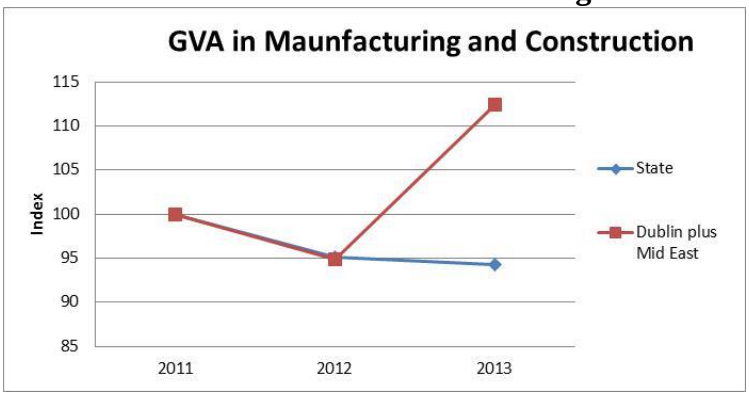
Table 5.2: GVA per person in the State and in the Dublin and Mid-east region

GVA per person	2011	2012	2013	2014
State average	€34,773	€34,804	€35,464	€37,186
Dublin plus Mid East	€43,374	€44,153	€46,213	€48,582
Dublin/Mid-east as % of State	124.7%	126.9%	130.3%	130.6%

Source: CSO

The CSO provides some disaggregated data for regional GVA, though it combines construction with manufacturing. Figure 5.1 following shows that in 2011 and 2012, GVA in these sectors performed in a similar manner to the State as a whole; but in 2013, the last year for which disaggregated data are available, Dublin and the Mid-east showed growth in these economic sectors whereas the State as a whole saw a marginal decline.

Figure 5.1: GVA in Manufacturing and Construction in the State and in Dublin and Mid-east regions combined



Source: CSO

In economic terms, Dublin and the Mid-east have clearly outperformed the rest of the State in the period from 2011 to 2014 and the indicators are that this level of outperformance is likely to continue in the short to medium term, particularly in the construction sector.

Regional Employment and Incomes

In the 2011 Census, the CSO found that 25% of persons working in Dublin are normally resident outside Dublin City and suburbs. There is much movement into and out of the counties that comprise the Dublin and the Mid-east; but the census clearly shows that there is a substantial daily migration of people into Dublin.

Our consultations show that such daily migration is a major factor in the construction sector at present; with many craftspeople and operatives commuting from within Leinster to Dublin and its environs. This is attributed to the lack of job opportunity in areas outside Dublin.

The CSO estimates of Household Income by County and Region for 2014 showed that total income per person in Dublin was €30,061, or just over 18% higher than the national average of €25,435. This was after taking account of social welfare transfers. Just 27% of these

transfers made in the State are provided to families in Dublin. It is clear that disposable incomes are much higher in Dublin than in the rest of the State.

5.3 Prospective Construction Activity

Activity projections for the medium term are based partly on Government policy and budgets for residential and infrastructure provision.

Estimating future levels of new dwelling construction is a complex issue as demand is dependent on a wide range of factors, including affordability and the consumers' ability to finance mortgages. On the supply side, issues such as access to finance and land availability exist. We assume that housing construction will increase by some 15% per annum to 2021 to close to 31,500 dwelling units. We appreciate this may be conservative given the national requirement.

There will be a substantial increase in office construction, but this is anticipated to focus on Dublin where in excess of 700,000 sq. m. of space is planned for the next three/four years. In tourism, an estimated 4,200 hotel rooms have been granted planning permission in Dublin.

Foreign Direct Investment (FDI) appears to be quite strong with major investments in data centres scheduled; though most of these are in the greater Dublin region, where the infrastructure is more suitable. In addition, more than €7 billion in funding is expected to be provided by the Ireland Strategic Investment Fund (ISIF) over the next three to five years. These projects have been in progress for some time and it has been noticed that multi-national enquiries have tapered off in the very recent past. This is attributed to uncertainty arising from the change in the presidency in the United States and its future policy towards overseas investment.

Finally, the Exchequer Capital Programme amounts to €4.46 billion per annum on average to 2012.

In summary, the future prospects for the industry appear strong, but prospective growth can be diminished if demand for dwellings, office space or industrial buildings is reduced by an uncompetitive construction sector.

Key Future Risks
Key risks to future growth include:

- The impact of Brexit, especially if investment from UK investors and finance houses is reduced. This could lead to projects not starting on account of a lack of finance;

- Delays in delivering the policy targets and investment provisions in the Government's Capital Plan and the Action Plan for Housing and Homelessness;

- Potential reductions in future multi-national FDI; and

- Cost increases as the industry expands over the coming years, and labour, materials and land costs come under pressure or become more difficult to source.

6. Industry Structure and Pay Rates and Comparisons

6.1 Industry Representation

Employment in the construction industry was of the order of 135,000 persons over 2016. The CSO does not disaggregate this figure into different categories, but if one excludes professionals such as architects and quantity surveyors and other non-site staff who are not part of the classes of employee under consideration for this proposed SEO; then we estimate that employment of relevant craft, GOs and apprentices is between 50,000 and 56,000 persons. These persons account for close to 40% of construction employment.

The CIF represents employers employing some 20,600 staff or close to 40% of the sector's employment.

6.2 Pay Rates in the Construction Sector in Ireland

The historic pay rates in the relevant construction sector have been as follows:

Table 6.2: Historic Pay Rates

	Jan 1 2008 REA rates	Feb 4 2011 REA rates
Craftsmen	€18.60	€17.21
General Operatives - A	€18.04	€16.69
General Operatives - B	€16.93	€15.66
General Operatives - C	€16.37	€15.14
General Operatives - D	€14.88	€13.77

Since the Supreme Court decision striking down Part 3 of the Industrial Relations Act 1946, there have been no established or formally agreed rates of pay within the relevant construction sector.

Our consultations with contractors across the country advise us that current pay rates vary from those contractors that have continued to pay the February 2011 rates to their employees to those who pay lower rates. Our enquiries show that across the whole country, and particularly outside Dublin, the average rates for the main categories of employee are as follows:

- General Operatives - of the order of €13.00 to €16.00 per hour for experienced GOs, with new staff being paid less, and
- Craftspeople - of the order of €17.00 per hour.

The rates paid to self-employed craftspeople vary from €19.00 per hour to €22.00 per hour depending on skill and location. However, we wish to emphasise that this rate is an "all-in" rate. Contractors are liable for employee PRSI, holiday pay and they also provide insurance for their employees. However, self-employed persons are responsible for these costs themselves.

Therefore, to compare the two rates in practice, it is necessary to add some 23% to the employee pay rates. On this basis, a pay rate of €17.00 to a craftsperson employed by a

contractor has a labour cost equivalent to €20.91. From this we deduce that irrespective of whether the persons working on a construction site are direct employees or are self-employed, there is little if any difference in terms of the overall labour cost to the contractor at present.

In this context we also note that those consulted say that there is no difficulty in obtaining employees, whether directly employed or as sub-contractors. We refer to the public statement of the CEO of Cairn Homes, who said that reports of skills shortages in the industry were "*a little bit of a myth*", adding that "*We are certainly not seeing any pressure, if anything, it's the opposite*.[4]"

The CSO Live Register data for February 2017 show that out of a total of 275,093 persons on the register, 50,213 people are classified as Craft or Craft related. While not all are construction craftspeople, we believe that a large proportion is.

6.3 Future Labour Needs in the Construction Sector

While the experience of those working in the industry is that construction workers are reasonably available at present, we recognise that as the industry continues its recovery, additional staff will be required to meet demand. It has been estimated that by 2020, assuming that the industry achieves something like its expected level in a normally operating economy, an additional 87,200 jobs over 2015 employment levels will be generated; bringing the numbers employed in the sector to some 212,700.[5] By Quarter 4 of 2016, employment in the industry had reached 138,200[6]; implying future job creation of the order of 75,000 persons.

Currently, there are 275,093 persons on the Live Register and of these; the following broad categorisations contain persons with construction experience:

Craftspeople	50,213
Plant/Machine Operators	43,922
Other	32,852
Total	126,987

We are fully cognisant that not all of these persons have construction industry experience; the CSO data are not disaggregated sufficiently to allow a detailed analysis to be made.

The ESRI[7] has projected that growth in construction employment will be 20,000 jobs from Q4 of 2016 to the end of 2018; and that the national unemployment rate will be 5.6% at the end of 2018.

The ESRI goes on to state that the "*growing relevance of the construction sector may give rise to productivity related issues in the economy. It will be recalled that one of the main reasons for the substantial deterioration in the competitiveness performance of the Irish*

[4] Irish Times, March 10 2017

[5] Demand for Skills in Construction to 2020; DKM Economic Consultants for the CIF; 2016

[6] CSO data from the Quarterly National Household Survey for Q4 2016

[7] Quarterly Economic Commentary Spring 2017

economy in the 2000s was the disproportionate role played by the construction sector. The increased level of construction activity could also cause the unemployment rate to reduce faster than envisaged. If unemployment were to fall below 5.5 per cent this would almost certainly confirm that the domestic economy is overheating. This would then argue for a contractionary budgetary policy aimed at taking some of these pressures out of the economy."

However, other economic projections are less optimistic than the ESRI in respect of unemployment. The Department of Finance projects an unemployment rate of 7.3% for the end of 2018[8]; a substantially higher figure than the ESRI in relative terms. The key difference is that the Department does not regard the prospects for growth in construction activity to be as high as the ESRI does; and other industry commentators agree with this more conservative view.

Notwithstanding this degree of uncertainty, we submit to the Court that substantial increases in construction labour costs at this time would exacerbate productivity and competitiveness pressures at a time when there is substantial uncertainty about the future of the international economy and the effects on the Irish economy. We note, for example, that there are fears within the UK construction industry that as many as 175,000 EU workers currently working in the industry may leave the UK as a result of Brexit. This comes from a combination of concerns about residency rights and also what has in effect been a 15% reduction in pay rates for those coming from the Eurozone due to the fall in the value of sterling.

6.4 Comparative Pay Rates in Irish Public Bodies

Pay rates in the public sector are based on a scale of rates that can include up to 15 points or increments. Not all increments are awarded on an annual basis; some are awarded in shorter time scales.

The published pay rates for a number of Irish public bodies for 2016 are shown in table 4.3 hereunder:

[8] Budget 2017: Economic and Fiscal Outlook; Dept of Finance; 2016

Table 6.3: Public Sector Pay Rates 2016

	Start	Mid-point	Top
Local Authorities			
Craftworkers mates	€12.51	€14.35	€14.71
GOs (outside Dublin)	€12.70	€14.39	€14.71
Labourers (outside Dublin)	€14.11	€14.43	€14.71
HSE			
Craftsmen	€15.46	€17.54	€18.17
Craftsmen's mates	€12.55	€14.40	€14.76
Builders Labourers	€12.33	€14.19	€15.20
General Labourers	€12.33	€14.19	€15.20
Builders Labourers Non-Dublin Non-paypath	€12.50	€14.18	€14.50
General Labourers Non-Dublin Non-paypath	€12.50	€14.18	€14.50
University			
Craftsmen	€17.12	€17.71	€18.11
General Operatives	€13.71	€14.04	€14.36

Source: Individual Organisation Publications

It is our understanding that these rates will be augmented by an increase of €1,000 per annum in April 2017. This is equivalent to €0.50 per hour on the rates shown above.

The annual income for Craftspeople, based on these rates, is of the order of €36,000/€37,000 per annum. The average for GOs is about €30,000.

At these levels of income, the relevant staff are not yet in receipt of full pay restoration in the public sector as provided for under the 2015 LRA Restoration. Staff on €30,000 have received restoration of 79% of reductions, but Craftspeople at the €36,000/€37,000 pay level have received of the order of 50% restoration.

In our view, a claim for full restoration at this time would be in excess of current public body rates.

6.5 Comparative Pay Rates in Industry

Data on earnings for Quarter 4 of 2016 recently released by the CSO show that construction earnings are on a par with industry earnings for small companies; i.e. up to 50 employees; but for larger enterprises, weekly earnings in construction were substantially higher that industrial earnings.

The hours worked in construction were marginally higher than in industry and these do not explain the differences shown in table 4.4 following. For enterprises of 50 to 250 employees, construction pay was 121% of industrial pay and for enterprises over 250 people; construction pay was 110% of industrial pay.

Table 6.4: Comparison with Industry

Enterprise size		Constr 2016Q4	Industry 2016Q4
Under 50	Average Weekly Earnings (Euro)	658.62	648.15
	Average Weekly Paid Hours (Hours)	35.50	36.10
	Average Hourly Total Labour Costs (Euro)	20.67	21.00
50 - 250	Average Weekly Earnings (Euro)	915.32	757.20
	Average Weekly Paid Hours (Hours)	40.40	38.50
	Average Hourly Total Labour Costs (Euro)	25.83	23.69
Greater than 250	Average Weekly Earnings (Euro)	1,119.00	1,012.73
	Average Weekly Paid Hours (Hours)	40.80	39.10
	Average Hourly Total Labour Costs (Euro)	31.68	32.84

Source: CSO

The differences in hours worked do not account for all of the differences in pay.

7. Economic Impact of Pay Rate Changes

7.1 Impact on Employment in the Public Capital Programme

The CIF engaged an independent assessor[9] to estimate the employment impact of potential future pay increases of the sector in question. In order to do so, the assessor made a number of assumptions about the future for construction industry output and other factors as follows:

1. The assessment is restricted to the sector under consideration, i.e. craftspeople, GOs and apprentices in the broad civil engineering sector and building sectors;

2. In the first instance consideration is given to the Government Capital Programme as shown in Budget 2016 and which covered the Public Capital programme for the period from 2016 to 2021.

3. It is assumed that the future expenditure figures shown in the Programme will not vary. This infers that if costs are higher than anticipated, Exchequer expenditure will not change but the deliverables from the Programme will be reduced.

4. Table 7.1 following shows the estimated impact of a once-off construction pay increase of 10% in 2017 on employment on public sector projects over the period 2017 to 2021.

5. The first line in table 7.1 overleaf shows the overall capital expenditure as in the published Programme. This amount is €3.97 billion for 2017.

6. The Programme foresees two types of employment being generated by the Programme; namely construction jobs and jobs in the supply sector, such as providers of machinery and equipment. Line 2 in table 7.1 shows the total number of jobs arising from the Programme. For 2017 this is 47,640 jobs.

7. The Programme states that the average number of construction jobs generated will be 45,000. We assume that the expenditure will be consistent between construction and non-construction investment and from this we deduced the annual number of construction jobs as shown in line 3 of table 7.1. For 2017, we deduce the number of construction jobs to be 38,502 in total.

8. These 38,502 construction jobs include professional and other roles that are not part of the proposed SEO. Therefore to focus on the relevant sector, we deducted these from the total construction employment, noting that public sector construction includes a high proportion of civil engineering and infrastructural projects as well as building works such as housing and other buildings such as hospitals. Therefore we concluded that employment of the relevant types of workers on public sector works would amount to 50% of construction employment. Thus we show in line 4 of table 7.1 that civil

[9] Irida Consulting Limited

engineering and building works employment on public sector projects will be 19,251 in 2017.

9. Next we took industry data to calculate the annual labour cost per employee. This is based on an hourly pay rate of €16.00 on average plus 23% for other costs such as PRSI, holiday pay, sick pay, insurance, etc. This provides an income of €37,660 for 2017 as shown in table 7.1 below.

10. Using this Average Annual Labour Cost and the number of relevant construction jobs estimated in the Programme, we calculated how much of the Programme's total expenditure is due to construction labour costs for the relevant sector. This amounts to €725 million in 2017 and rises to €986 million by 2021. This implies a labour cost proportion of 37% of projects.

11. We then assumed that a one-off pay increase of 10% is made in 2017. It is assumed that this level of increase will have a proportional impact on other labour costs such as pension contributions, sick pay, etc.

12. Dividing the Construction Labour Cost element of the Programme by the new, increased labour cost per employee, we find that given there will be no increase in expenditure, there will therefore be a reduction of 1,750 jobs in 2017, rising to 2,380 in 2021, or 2,045 per annum on average.

Table 7.1 Impact on Construction Jobs in the Government Capital Programme

Government Capital Programme							
		2017	**2018**	**2019**	**2020**	**2021**	**Average per Annum**
Expenditure	€mn	3,970	4,230	4,600	5,000	5,400	4,640
Total Jobs Arising	No.	47,640	50,760	55,200	60,000	64,800	55,680
Construction Jobs Arising	No.	38,502	41,024	44,612	48,491	52,371	45,000
Civil engineering and building sector	No.	19,251	20,512	22,306	24,246	26,185	22,500
Average Hourly Labour Cost	€	19.68	19.68	19.68	19.68	19.68	
Average Annual Labour Costs per employee	€	37,660	37,660	37,660	37,660	37,660	
Total Civil Engineering and Building Labour Costs in Capital Programme	€mn	725	772	840	913	986	
Construction Labour Cost as % of Relevant Spend		37%	37%	37%	37%	37%	
Assume Annual Cost Increase per Employee of +10%		41,426	41,426	41,426	41,426	41,426	
Available Labour Expenditure		725	772	840	913	986	
Resulting Construction Jobs		17,501	18,647	20,278	22,042	23,805	20,455
Reduction in Jobs per annum	No.	1,750	1,865	2,028	2,204	2,380	2,045

7.2 Impact on Employment in Housing Construction

To assess the impact of potential pay increases in the housing sector, our approach and assumptions are as follows:

1. We assume that housing output will increase at 15% per annum to close to an output of 31,500 in 2021.

2. We assume that as in the case of the Public Capital Programme, if construction costs are higher than anticipated, expenditure on the part of the purchasers will not change and so the number of dwellings delivered will be reduced. We will discuss alternative assumptions later in this section.

3. Our consultations advise us that the average labour content in new dwelling construction is of the order of 42% of total build cost. This allows for pay and non-pay labour costs such as pensions and also for cases where labour-only sub-contractors are employed.

4. In table 7.2 following we show a projected value for new dwelling construction over the period 2017 to 2021. This is a fairly conservative estimate and some commentators suggest higher output levels will be seen.

5. Using the 42% labour cost estimate, we project that average construction employment will be 61,690 in the period to 2021.

6. Discounting for other professions and skills, we deduce that the employment generated for the relevant sector will be 37,014 on average over this period.

7. The impact of a once-off 10% increase in pay in 2017 is then computed and in the last line of table 7.2 we show the expected reduction in jobs as varying from 2,495 in 2017 to 4,364 in 2021; and averaging 3,365 over the period.

Table 7.2 Impact on Construction Jobs in New Dwelling Construction

New Dwelling Construction		2017	2018	2019	2020	2021	Average per Annum
Housing Output	€mn	4,102	4,717	5,425	6,239	7,175	
Labour Cost %		42%	42%	42%	42%	42%	
Labour Cost	€mn	1,723	1,981	2,278	2,620	3,013	
Expected Jobs	No.	45,748	52,610	60,502	69,577	80,014	61,690
Expected Civil Sector Jobs	No.	27,449	31,566	36,301	41,746	48,008	37,014
Assume Labour Annual Cost of +10%		1,895	2,179	2,506	2,882	3,315	
Resultant Civil Sector Jobs	No.	24,954	28,697	33,001	37,951	43,644	33,649
Reduction in Jobs per annum	No.	2,495	2,870	3,300	3,795	4,364	3,365

7.3 Impact on Employment in Commercial Construction

There are a number of key differences in seeking to assess the impact of potential pay increases on the number of construction jobs in the commercial sector. Firstly, the sector is quite varied; it includes a range of construction activity from road construction and maintenance to non-residential buildings, such as hospitals. The level of labour cost varies substantially.

We can estimate that the output of this sector is currently of the order of €6.3 billion – namely the output as shown in "Other Construction" by the CSO less the amount already accounted for as Government Capital Expenditure.

If we extrapolate from the public capital programme, we would deduce that this sector employs over 61,000 people and that in the event of a 10% rise in pay, the number of jobs foregone would be close to 2,787 annually. In our view, this is possibly an underestimate

as private sector commercial construction has virtually no road building – that is covered in the Government expenditure – and road building is less labour intensive.

7.4 Conclusion - Impact on Employment in Construction

In our analysis, the total employment in the three main sectors of construction activity as shown in our analysis above amounts to just over 137,000 persons. This is very close to the CSO statistic of employment of 138,200 in Q4 of 2016.

Our conclusion is that a once-off 10% increase in pay in 2017 will lead to a reduction in future employment potential in the relevant civil engineering/building sector for craftspeople; GOs and apprentices of some 8,197 jobs per annum on average for each year in the period 2017 to 2021.

This estimate assumes that total industry output will grow from €15.6 billion in 2016 to €19.4 billion in 2021. This projected level of output would be lower than what one would expect in a normally operating economy.

Comments we wish to add to this analysis are as follows:

1. We are not saying that there will be job losses in the construction industry. Our analysis concludes that in the event of a once-off 10% increase in pay, the number of additional jobs created will be 8,197 less than a scenario in which there are no pay increases. This equates to over 15% of current employment in the relevant sector.

2. The relationship between the prospective reduction in jobs and pay increases is to all intents and purposes, a linear one. In other words, if the pay increase were 5% over current levels, then the loss of future jobs would be 4,099.

3. Pay increases may also promote a greater focus on alternative construction methods, particularly in housing. This would have a long-term impact on employment potential. While we are not seeking to avoid future developments aimed at improving construction methods, we believe that the consumer would benefit most by being offered competitive alternatives to how their houses are built.

The impact of price increases is not easy to predict as the impact will be determined by the consumer's behaviour. It may be argued that price increases will be absorbed to some or to a large extent by consumers and purchasers of buildings. However, generally consumers either avoid the item that has risen in price or adjust to the price increases by redistributing their expenditure. In that context, while some may argue that construction price increases will not have a severe impact on future job creation, given the demand for construction services, in that case, the increased construction costs will most likely be met by consumers limiting their expenditure in other areas and the jobs impact may instead be seen in those areas and not construction. If, for example, the sector affected were the hospitality sector, then the jobs potential may be well in excess of that assessed, because wage levels tend to be lower in that sector than in the construction sector.

8. International Comparisons

8.1 International Comparisons

Comparison of construction costs in a range of different countries has limited benefits as some construction materials (e.g. ready mix concrete) are not tradeable; some cannot be transported cost-effectively, except in limited geographic areas (precast concrete panels) and foreign staff have to be paid the agreed national rates in the country where they are working.

However, comparative construction costs can be important factors in, for example, FDI (Foreign Direct Investment) deciding where they will locate. Other factors such as availability of staff or tax rules are important, but set-up costs are important also.

In this regard a comparison with our near neighbours, Northern Ireland and Great Britain, is advisable.

Indicative Building Costs for both Dublin and Belfast that have been published by the consultancy practice AECOM, which operates in both cities, show that at the "top" end of the market costs for certain types of building works can be reasonably similar in both cities. In some areas there are substantial differences. The AECOM costs provide the following key comparisons:

- In residential construction, new apartment and house costs in Belfast tend to cost much less than in Dublin (running from 16% to 20% at the lower level) but as specification and costs rise, the difference falls to the order of 10%.

- In Healthcare and Education (hospitals, nursing homes, schools) costs at the upper end of the scale are not significantly different, but at the lower cost end, the difference is of the order of 20%, with Belfast being the less expensive.

- In Commercial offices, the shell and core costs in Belfast are of the order of 20% cheaper than in Dublin and fit-out costs range from 10% to 30% cheaper in Belfast, with the difference falling as the specification becomes higher.

- In industrial buildings, taking the high-specification factory, the differences for construction and fit-out combined, range from over 20% at the lower end and the difference falling to 15% at the upper price end.

8.2 International Pay Rates

In terms of international competitiveness, we note that the euro equivalents for the published BATJIC (Building and Allied Trades Joint Industrial Council) wage rates in Britain for the year to June 25th, 2017 are:

Advanced Craft	€13.56
Intermediate Craft	€11.67
General Operative	€10.35

These are substantially lower than the current rates in Ireland and we contend that further increases will only tend to diminish our international competitiveness.

8.3 Competitiveness

In its report entitled "Ireland's Competitiveness Challenge 2016" published in December 2016, the National Competitiveness Council said

"*…a well-functioning housing and construction sector is critical to the overall health of society and the economy. The current escalation in residential property costs represents perhaps the greatest threat to Ireland's competitiveness*."

The report continues

"*Innovative approaches to construction offer a potentially significant tool to reduce costs and boost productivity.*

It is essential however, that as recovery takes hold, there is a relentless focus on cost competitiveness for all aspects of the input costs to housing provision, including land, building material and construction costs, labour, finance and taxes and charges."

To champion innovation and provide exemplars for efficient delivery, the Council has promoted the inclusion in the Action Plan for Jobs of a commitment that a competition will be held to champion best practice, efficient and cost effective design to enable the delivery of high quality homes in sustainable communities at an affordable level.

This initiative aims to come up with an innovative design and delivery approach to housing that will be capable of delivering new homes for less than €200,000 (net of site cost). Given that current estimates for the construction of new standard 3-bedroomed semi-detached houses are some €225,000 (excluding VAT) it appears evident that new approaches will be based on increased levels of off-site construction; which would have a negative impact on site employment levels.

The Councils also notes that in 2014, output per hour worked in Ireland was highest in the ICT sector (€133), manufacturing (€81); but lowest in construction (€12) and agriculture

(€9). Over the period 2009-2014, the main contributions to Irish productivity growth have been in ICT and manufacturing with negative contributions from construction and financial services.

As already stated above, increases in pay would only serve to diminish the productivity of the sector.