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Getting the Mix Right? The Use of Labour Contract Alternatives in UK Construction

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Structured Abstract

Purpose

The purpose of this paper is to examine the use of contingent labour in the construction and civil engineering sector in the UK. The paper explores issues relating to the management of people within the sector, in particular employers' attitudes towards the recruitment and retention of direct labour, the provision of training, and the use of external contract alternatives, including the use of subcontractors, self employed workers and agency labour.

Methodology

The paper presents the findings of a national postal survey of employment practices within the UK construction and civil engineering sector. The survey was conducted in 2002 and covered firms of all sizes within the sector. This technique has been supplemented with in-depth interviews to provide a deeper understanding of the issues raised.

Findings

The paper finds that employers' use of contingent labour is widespread and that in many cases, the use of contingent labour has increased over recent years. It is argued that recourse to the use of contingent labour may increasingly be a constrained choice for employers, reflecting overall labour shortages and recruitment difficulties in the sector. The paper also finds that the use of contingent labour contributes to skills

shortages in the industry, with the scope of training offered to workers on these contract forms being limited in nature.

Originality/value of the paper

The paper reveals the complex relationship between the use of contingent labour and ongoing skills shortages in the sector. The paper concludes that the cycle of turning to contingent labour in response to recruitment difficulties does not replenish the skill profile of the sector and therefore offers no long-term solution to the skills shortages within the construction industry.

Introduction

The aim of this paper is to examine the use of contingent labour in the construction and civil engineering sector in the UK. The construction and civil engineering sector employ 1.98 million people in the UK, around 1 in 14 of the UK workforce and contribute in excess of 6 per cent of total GDP, around £60 billion per year (CITB, 2002). Historically, the firms within the construction sector have used the panoply of contract forms to regulate the supply of labour, resulting in the extensive use of contingent employment forms alongside direct employment contracts within the industry. This issue has been the subject of considerable recent debate, with industry bodies arguing that the reliance on contingent labour has detrimental consequences for labour reproduction, progression and skills development in the industry (CITB, 2003a).

The paper examines employers' use of contingent labour and their attitudes towards a range of contract alternatives. In particular it explores the relationship between contingent labour and training provision. It argues that whilst firms that use extensive amounts of contingent labour are no less likely to offer entry-level training initiatives or provide ongoing training for direct staff, the scope of training offered by firms to contingent labour is of a relatively limited nature. This highlights the ways in which the use of contingent labour contributes to long-term skills shortages in the industry; however it is argued the line of causation may also operate in reverse. The findings reveal that many employers are seeking recourse to contingent labour in response to difficulties in recruiting direct staff, suggesting that the use of contingent labour may

be as much a reflection as a cause of broader skills shortages and recruitment difficulties within the industry.

Literature review

There has been a long-standing use of contingent labour, including subcontract, self-employed and agency labour, by employers in the construction sector (see e.g. Bresnan and Fowler, 1994; Druker and White, 1997, Houseman, 2001). The use of contingent labour across all sectors has prompted intense debate over the reasons *why* employers seek recourse to these forms of labour, and the implications of their use. Early contributions, focusing on the extent to which recourse to these forms of employment reflected a new strategic approach to flexibility, suggested that their use provided employers with numerical flexibility to meet fluctuating demands for labour (see Atkinson and Meager, 1986). Yet, in these and other accounts, the tendency to consider multiple contract types *en masse* lent credence to the notion that the rationales for using these different contingent forms of employment were identical. Subsequent studies, however, have pointed to important differences in employers' stated reasons for recourse to individual contract forms (see Abraham, 1990; Houseman, 2001). Furthermore, whilst 'traditional' reasons for using contingent labour – to provide short-term cover, to meet temporary fluctuations in demand, and to provide expertise in particular areas – are typically seen to be the dominant reasons why employers seek recourse to different contingent labour forms, other reasons for use have also been highlighted. These include a desire to make savings on wage and non-wage costs, or as a means of identifying suitable workers for permanent

employment. There is also increasing evidence to suggest that particular reasons for using contingent labour forms may vary across the economic cycle. Houseman (2001), for example, finds that the use of agency labour as a means of screening workers for permanent employment has become more prevalent as labour markets have tightened over the 1990s, with firms seeking to test 'risky' workers on agency contracts before offering them open-ended contracts.

The consequences of the use of contingent labour by employers have also attracted considerable attention. One particular focus of debate has been on the relationship between training, skills reproduction and the use of contingent labour. It has been suggested that contingent workers may be disadvantaged in terms of the training that they receive from employers, which tends to be less transferable (Clarke and Wall, 2000) and dominated by induction training at the outset of employment, or by training courses pursued by individuals outside of their employment (Green, 1999). Problems with skill reproduction associated with the use of contingent labour may have deleterious consequences for the patron organisation's ability to resource the labour demands of production (MacKenzie, 2000). Furthermore, the use of contingent labour is seen by some to be a deterrent to the offering of apprenticeships, and may have impacted upon the capacity of firms to provide training in-house (Gospel and Fuller, 1998).

Given its historical (and current) reliance on contingent labour, the construction industry offers an interesting case to examine employers' perceptions towards such employment, and to explore the implications of the use of these contract forms. As noted above, firms within the industry have historically used the panoply of contract

forms – including direct employment relationships, subcontracting arrangements, self-employment and agency labour – to regulate the supply of labour, yet there has been relatively little consideration of employers’ perceptions towards these *different* forms of labour. Employment patterns in the construction sector and employers’ choice between alternative contract forms have been shaped historically by a complex set of forces. Employers’ desire to adjust wages in the face of skills shortages led to the increased use of contingent labour in the 1960s (see Phelps Brown, 1968). Subsequently, declining and fragmenting demand is also said to have led employers’ to utilise subcontract arrangements in preference to direct employment, in an attempt to maintain flexibility (Winch, 1998). Government policy has also shaped employer choices between contract forms. It has been argued that changes to the tax system in the 1960s encouraged employers to shift away from direct employment to self-employment (Winch, 1998). In turn, government policy over the 1980s actively promoted self-employment, and further changes to the taxation system, in which self-employment in construction ‘became a matter of self declaration’ (Harvey, 2001) led to further rises in this employment form. These have generated significant rises in the number of workers who are ‘false’ self-employed, being dependent upon a single employer for work, but classified as self-employed for tax purposes (Harvey, 2001). Consideration of employers’ perceptions of these forms of labour is timely given recent developments in the industry that have rendered employment more complex. These include the growth of construction management firms, the use of external employment agencies, and changes to the tax regime, the latter appearing to impact in particular on the use of self-employment in the industry (Harvey, 2001).

It has also been argued that problems of recruitment difficulties, skills shortages and training may be felt particularly acutely in the construction industry due to the reliance on contingent labour. Recruitment difficulties may stem from contextual factors affecting the industry, such as recent financial constraints, health and safety requirements and changing working practices, but are also related to the use of contingent labour (see also Lockyer and Scholarios, this issue). Certainly, industry bodies have argued that the use of these contract forms may have detrimental consequences for the long-term skill and training needs of the sector (CITB, 2002). Recent reports have argued that the reliance on contingent labour offers firms ‘little opportunity’ to invest in training, and in this sense employers’ use of contingent labour is seen to be one of the causes of the long-standing skills shortage in the industry (CITB, 2003a). Workers on contingent contracts are said to be less likely to receive training than their directly employed counterparts, and this training is of a much more limited scope than that offered to directly employed workers. In particular, a recent CITB study has found that less off-the-job and on-the-job training was provided to labour only subcontractors when compared to directly employed staff, and that this training typically consisted of health and safety and induction training (CITB, 2003b). In explaining these different training provisions, employers commonly argued that labour only subcontractors were more skilled than directly employed staff, and that the relatively short period of time for which these workers were employed militated against training provision (CITB, 2003b). Furthermore, the CITB has argued that firms that use extensive amounts of contingent labour are less likely to offer training initiatives, particularly industry-based apprenticeships, to all their staff (either directly employed, or on contingent contracts). This is seen as particularly problematic given the central role afforded by the CITB to such

apprenticeships in meeting the long-term skills requirements of the industry (CITB, 2003a). Apprenticeships are seen as a key means of attracting new workers into the industry, alongside the provision of ongoing training for existing workers (CITB, 2001). At least part of the problem of the industry's skills shortages, then, is seen to be due to the reliance on contingent labour.

Yet, in other reports, endorsed by the CITB, the reliance on contingent labour is seen as relatively unproblematic in terms of training outcomes, with the argument made that firms can use contingent labour to 'buy in' the production skills that they need rather than offer such training to directly employed staff (DfEE, 2000: 10) and that many construction companies now see the key skills to be provided in house as being those that relate to 'conceiving, scheduling and managing projects' (DfEE. 2000:10). This report - downplaying the importance of production skills and seeing the use of contingent labour as a means of meeting production skill requirements in the industry – would appear to offer a quite different diagnosis of the industry's skills shortages, and the means by which these shortages might be overcome.

Methodology

The research design incorporated a multi-method approach. The majority of data presented in this paper are drawn from a national postal questionnaire distributed in 2002. This technique is being supplemented with ongoing interview based fieldwork for purposes of triangulation. Some preliminary observations drawn from this fieldwork are included below. The decision was made to focus specifically on the

non-residential construction and civil engineering. This section of the industry has a broader importance in terms of its linkages with other sectors, such as the utilities industries, and general economic activity, in terms of road construction, bridge and tunnel construction, miscellaneous non-residential heavy construction, industrial building contractors and general non-residential building. The rationale for this decision was to allow an insight into employment practices in this vital infrastructure industry, whilst avoiding the sample being dominated by the numerically superior house-building and residential construction firms.

Using Dun and Bradstreet's MarketPlace UK dataset we identified a population of 8,038 units. The sample was stratified by firm size to generate responses from firms of all sizes, including the numerically dominant small firms and large firms, where it is suggested that innovation in employment practices are more likely to occur (Cully *et al.*, 1999) From this population we generated a sample of 1,780 firms. 188 usable questionnaires were returned, providing a response rate of 10.6 per cent. The response rate achieved is in line with other studies in this area, and beyond, and so represents a meaningful basis for analysis. The use of questionnaire as a research device is a well established practice, however there are recognised limitations associated with this techniques (Saunders *et al.*, 2003). Given the complexities of contractual arrangements within the industry care was taken in the development of the response categories. A pilot study of interviews was undertaken in order categories of contract forms that would be meaningful to respondents. Within this study subcontracting is taken to mean a commercial contract with an external firm where the labour used is contracted to that external firm. Self-employed workers are taken to be directly contracted to the patron firm on, on self-employed terms. Agency workers are taken

to be those individuals supplied by an employment agency for use within the patron firm. Although these definitions are in keeping with the aims of the research, our research device did not allow insight into the contentious debate over the issue of false self-employment (Harvey, 2001). Although questionnaires by their nature impose a highly structured set of response alternatives, some of the limitations associated with this can be obviated through triangulation with other research techniques, in this case in-depth interviews.

Results

a) Employers' use of contingent labour

In terms of the overall use of contingent labour within the construction and civil engineering sector the findings from this survey were in keeping with high usage reported in other studies. The overwhelming majority of firms in the sample, 83.5 per cent reported utilising some form of contingent labour, with the greater part of the sample 60 per cent making use of more than one form of contingent labour. When this was disaggregated by contract type, the most widely used form of contingent labour proved to be subcontractors, with 79.7 per cent of the sample utilising labour from this source compared to the second ranking self-employed labour at 47.3 per cent and in third place agency labour with 35.6 per cent. These figures clearly demonstrate the dominance of subcontracting within contingent labour usage, arguably in reflection of the long-standing tradition for such arrangements within the sector, however the

presence of other forms of contingent labour are far from insignificant for use in conjunction with subcontract arrangements.

TAKE IN TABLE I

For many firms, contingent labour constituted a large proportion of their workforce. For almost nine out of ten firms using contingent labour, such employees accounted for more than 10 per cent of total workforce. For 34.9 per cent of firms, half or more of the total workforce was made up of contingent labour. When the results are disaggregated by contract type, as reported in Table I, we see the dominance of subcontracting as a contingent form of labour in construction. For nearly a quarter of those firms using subcontract labour, fifty per cent or more of their workforce was employed on a subcontract basis. There appeared to be less extensive use of self-employed labour, with the distribution was evenly split between firms with less than 10 per cent of their workforce being engaged on these terms and those with more than 10 per cent self-employed. The use of agency workers was predominantly low scale, with four out of five users located in the lowest bracket of less than 10 per cent of the total workforce coming from this source. The 2.4 per cent of users that engage more than half of their total workforce on an agency basis is considerably lower than those utilising subcontractors to this level, indicating less willingness by employers to rely on this form of labour to make up the majority of the workforce. This perhaps hints at a difference in attitude towards the perceived nature of different types of contingent labour, with the use of subcontractors reflecting a long-standing centrality to the

production process within the construction industry, and the more recent growth of agency employment being based on their use in a more short-term, contingent fashion.

To assess how patterns of usage of contingent labour had developed over recent years data were collected on changes in the amount of work allocated to various contract forms over the previous five years, and whether the range of tasks performed by contingent labour had altered (Table II).

TAKE IN TABLE II

The biggest increase in use was reported for subcontract workers, where 51.7 per cent of firms utilising labour from this source reported an increase over the last five years. This was the only contract type that had a majority of users report an increase the amount of work allocated. For agency workers, more firms had increased the amount of work allocated to this type of labour than had decreased it, but the largest grouping reported no change. For self-employed workers, the largest grouping, 37.8 per cent had decreased the amount of work allocated, compared to 26.7 per cent who had increased and 35.4 per cent who reported no change. This perhaps reflected recent changes in the taxation legislation regarding self-employed workers, and was consistent with findings from the qualitative data that suggested a fall in the availability of self-employed workers. In terms of the range of tasks performed by contingent labour, the majority of respondents reported no change across all three categories of labour. There were similar trends to the changes in the amount of work allocated in that increases in the range of tasks performed were largest for subcontract workers and, perhaps for the reasons cited above, decreases were largest for self-

employed workers. As can be seen from these figures, slightly more firms reported an increase in the range of tasks performed by agency staff than a decrease.

To ascertain whether changes in the patterns of use over recent years reflected any strategic change in labour utilisation policy respondents were also asked whether they had made a conscious shift between the use of direct labour and contingent contracts. The largest grouping of respondents, 39.9 per cent, reported no conscious shift between direct and contingent labour. Where firms had made a conscious shift the results were interesting. Although a significant number of firms, 20.7 per cent, reported making the conscious shift from the use of direct labour to contingent labour of some form, a greater number, 37.2 per cent, had gone in the opposite direction, moving from contingent to direct labour, with 2.1 per cent reporting a shift in both directions over the previous five years. Further analysis of these data revealed some interesting trends, however. Of those firms who had reported a conscious shift from contingent to direct labour, 81 per cent of them also reported that they had increased the amount of work that they allocated to subcontractors over the last five years, 74 per cent had increased the amount to agency labour, and 42 per cent has increased the amount of work they allocated to self-employed labour. Despite a conscious attempt to move away from contingent labour, many firms had in fact increased the amount of work allocated to these forms. Many firms, it appears, are using contractors, are not making a conscious choice to use contingent labour, but are perhaps being compelled to use these labour forms as an alternative to direct labour. These results are consistent with the findings of another survey reported in this issue, which found that a small number of firms had responded to skills shortages by moving from contingent

labour back towards the recruitment of workers on direct employment contracts (Paper 1). The absence of an overall dominant trend in firms' conscious use of contingent labour suggests that although the tradition of such contract use remains strong, particularly subcontract arrangements, this has not been to the detriment of direct employment. This suggests we might look in more detail at employers' perceptions towards long-term employment and contingent labour forms.

b) Attitudes to long-term employment

Despite the propensity within the industry for the use of contingent contracts employers' attitudes towards the merits of long-term direct employment relationships were mostly positive. As can be seen in Table III the majority of respondents agreed with statements regarding the merits of long-term employment relationships.

TAKE IN TABLE III

Agreement was particularly pronounced with statements concerning incentive provided for staff, continuity and stability, and maintaining the skills profile of the firm. Interestingly the greatest departure from consensus was regarding the promotion opportunities associated with long-term employment relationships. Although four out of five respondents agreed that it was important to offer opportunities for long-term career development, just over half (52.5 per cent) agreed that promotion opportunities were a feature of their employment policies. Albeit still a majority this was the lowest response rate in support of the aspects of long-term employment relationships. This

greater ambivalence towards promotion opportunities is perhaps a reflection of the organisation of production within the industry, with relatively flat hierarchical structures amongst production workers. Returning to the issue of the relationship between contract types, it is notable that only a small minority of employers, less than one-in-ten, regarded long term employment relationships as a hindrance to flexibility, albeit this was amongst the largest of negative responses. This perhaps reflects the long-standing use of contract arrangements in construction, alongside the use of direct employment contracts. Interview data supported the notion of an established commitment to a mixed workforce, with long-term employment relations with direct staff acting as an anchor to the use of contingent workers. The organisation of production in construction has been such that contracting has always been a part of the industry, and attitudes towards direct employment and contracting reflected this.

c) Attitudes towards subcontract and agency labour

The longstanding tradition within the sector of balancing an on-going commitment to long-term direct employment with the extensive use contingent labour contracts raises questions over the nature of the relationships between firms and their external labour suppliers. In order to explore this issue attention was focused on the two key areas of growth and change, subcontractors and agency labour.

Subcontractors were utilised by the full range of firms within the sample, both small and large, with the average number for the engagement of subcontract firms was nine.

In terms of the nature of the relationship, most respondents reported attempts to foster long-term relationships with subcontracts, with 94 per cent of those that used subcontractors using the same ones on a repeat basis.

TAKE IN TABLE IV

As Table IV shows, the attitudes of firms who use subcontractors towards long-term relationships with their suppliers were again largely positive. The overwhelming majority of subcontract users saw advantages to such long-term relationships, particularly in offering assurances over the quality of the product, fostering the development of trust and providing assurances over the skills of labour supplied. Few respondents disagreed with these views, however there was more of a diversity of opinion over some of the potential drawbacks associated with long term relationships. Nearly a third of users (30.5 per cent) of subcontractors recognised the danger of the dependency on outside firms. Interestingly only 49.3 per cent of disagreed with the statement that long-term relationships reduced the performance incentives for subcontractors, although only 12.8 per cent actually agreed. Yet when respondents were asked to questions regarding the factors ensuring the satisfactory fulfilment of contract requirements, long-term relationships was the most widely cited imperative with 98 per cent of those using subcontractors listing this as very important or important. In addition, 97.2 per cent cited direct supervision as important or very important. By comparison, these imperatives on satisfactory performance were followed by the threat of termination of contract (57.2 per cent), the use of informal mechanisms for grievance (55.1 per cent), and the threat of legal redress (44.2 per

cent). Clearly long-term relationships with subcontractors are highly valued, with any recognised drawbacks apparently outweighed by perceived advantages accruing to such arrangements.

Given the potential importance of such performance to decisions on the use of contractors, respondents were asked a series of questions regarding their perceptions of the comparative performance of subcontractors and direct staff, not least of which was whether such comparisons were made. Over 90 per cent of users of subcontract labour did make systematic comparisons between subcontractors and direct staff, over the range of issues listed.

TAKE IN TABLE V

As Table V shows, in each category the largest grouping of respondents reported the performance of subcontractors as being equivalent to that of direct staff, this was a majority in all but the category of cost. On issues of cost, technical ability, and the availability of resource, more respondents cited subcontractors as better, in comparison to direct staff, than cited them as worse. That a significant minority, 28 per cent cited the availability of subcontractors as being better than direct labour is in keeping with findings reported elsewhere that recruitment problems for direct staff has led firms to turn to contingent labour to meet their staffing requirements (Forde and MacKenzie, 2004). The issues on which more respondents cited subcontractors as worse than direct staff than cited them as better were quality of product and keeping to schedules, both issues that would come under the remit of satisfactory performance and thus emphasise the importance of the mechanisms for ensuring this, as explored

above. Taken together, these findings suggest that the use of subcontractors, particularly where long-term relationships are developed, is regarded as an effective means of resourcing labour for use within production. Although this has traditionally been as a complement to direct labour the data suggests that due to recruitment difficulties firms may have been increasingly compelled to use subcontractors as a substitute contract alternative, even where there has been no conscious decision to pursue this policy for strategic reasons.

By comparison to the generally positive perceptions reported with regards to the use of subcontractors, firms' attitudes towards their use of agencies were more equivocal. Again almost two-thirds of firms utilising agencies sought to do so on a repeat basis, a result that is in line with previous studies (Forde, 2001). However, as Table VI indicates, there was less agreement about the perceived merits of agencies.

TAKE IN TABLE VI

Although as might be expected, almost all users of agency labour agreed that agencies provided immediate cover for short-term requirements and 76.8 per cent saw agencies as a means of ensuring the required quantity of short-term labour, in keeping with what previous studies have called 'traditional' reasons for use, 45.9 per cent disagreed that the use of agencies avoided wasting time and resources administering individual contracts. This is at odds with claims typically made by the temporary agency industry, that their use cuts down the customer's administrative costs of employment by relocating them to the agency (see CIETT, 2000). The fee levied by agencies to

cover such administration perhaps explains the relatively high proportion of respondents (43.9 per cent) who regarded agencies as an overly expensive method of resourcing. The fact that despite this perception these respondents continued to utilise agencies suggests that their use was perhaps seen in terms of an expedient short term contingency, rather than a viable source of long term labour supply. An impression further underpinned by the (albeit slight) majority that disagreed that the use of agencies ensured the quality of short-term labour. Perhaps the most telling response was the 59.7 per cent majority who expressed neutrality on the statement that the benefits of using agencies outweighed the costs.

d) Contingent employment and labour reproduction in the construction industry

Overall, then, the results reveal the extent of contingent labour usage in the construction industry, alongside the recognition by many firms of the merits of long-term employment relations. Where contingent labour was used, firms generally attempted to develop long-standing relations with suppliers, particularly in the case of subcontract labour. The interview data suggested firms recognised the advantages of long-term relations with subcontractors, in terms of providing confidence over the reliability and quality of labour, whilst maintaining the perceived benefits of numerical flexibility. The extensive use of contingent contracts within the construction and civil engineering sector has raised concerns that this may have a deleterious effect on the reproduction of skills within the industry. However, does the use of contingent labour suggest a lack of commitment towards training? It has often been asserted that, in general, the high use of contingent labour is associated with a

decreased likelihood of training. Data were generated on the issues of training and the use of contingent contracts, however, there was no straightforward relationship found between the two (Table VII).

TAKE IN TABLE VII

The higher users of contingent labour demonstrated no less of a propensity to have training initiatives in place than lower users. Indeed for industry-based apprenticeships, whilst only 27.8 per cent of the lower users of contingent labour offered such a scheme, the figure rose to 39 per cent of medium users and was 36.6 per cent for high users. Similarly, medium sized users ranked highest in the provision of on-site accreditation and training (OSAT). For ongoing training, both that leading to an externally recognised qualification and that which did not, the rate of training offered by high user firms was considerably above the average for all firms, with Investors in People slightly above the average. Thus high users appeared to be achieving the goals set out by the CITB to provide on-going training, to supplement the tradition within the industry of training being heavily front-loaded at the beginning of careers. In this survey, then, the use of contingent labour does not correlate to a decreased likelihood of training provision being offered for direct staff.

Although, a significant number of firms reported the provision of training for workers on contingent contracts, there are a number of important caveats to note regarding this provision. Firstly, the incidence of training for contingent labour is typically less than that provided for direct staff, as shown in Table VIII.

TAKE IN TABLE VIII

Of the firms that provided formal off-site training for their direct employees, only 17.8 per cent provided formal off-site training for subcontract labour, a similar amount for self-employed workers (17.5 per cent) and less for agency labour (10 per cent). Formal on-site training was more common, but again only a minority of firms offering such training to direct staff offered it to agency labour. On the job training was most common, but once again, where provided to direct staff, less than half of these firms provided it for each of the contingent forms of labour. Secondly, evidence from the qualitative research suggests that much of the training provided was health and safety related rather than for the transmission of production skills. This pattern of training for workers who are not tied to the firm by direct employment contracts fits with the tradition of the strong occupational labour market within the sector, in which it is assumed workers can easily carry their skills between employers. This tradition has certainly informed training policy within the sector and provides the rationale for the CITB levy-based redistribution of training costs, a practice that is extended to the training of contingent labour. Given the strong presence of contingent contract labour within the sector, and the proportion of the total available labour pool they represent, the training of such workers is important to the maintenance of skills and the future of the industry. The work of Harvey (2001) suggests that the reliance on contingent labour has had a corrosive effect on skill reproduction within the sector. The evidence presented here concurs with this position. Current limitations in the scope of training offered to contingent labour suggest this does not offer a viable long-term alternative to maintaining the skills profile of the sector. It should be remembered that 92 per

cent workers within the industry who have received apprenticeships achieved this whilst directly employed, and 86 per cent of workers who are now self-employed who have apprenticeships gained them whilst directly employed (CITB 2003b).

Furthermore, for many firms the use of contingent labour is being driven by difficulties recruiting direct staff, suggesting that the line of causation is not unidirectional and that recourse to such contract alternatives is as much a reflection as it is a cause of skills shortages (Forde and MacKenzie, 2004). However, these same firms are also encountering difficulties in recruiting contract staff. This re-emphasises the point that the problem across the industry is one of labour shortages, which is not addressed by moving between contract types to access the same finite pool of labour, but rather requires the attraction of new entrants into the industry, facilitated by entry level training schemes.

Conclusion

The widespread use of contingent contract arrangements in the construction sector in the UK is well documented, and supported by the results of this study. The research also reveals the fact that subcontracting arrangements are particularly prevalent, although there are considerable amounts of labour employed on an agency and self-employed basis as well. In many cases, the amount of work and, to a lesser extent the range of tasks, undertaken by these forms of labour has increased over the last five years. Interestingly, however, there were some contradictory trends observed here, as for many firms, this move to contingent labour was not a strategic one. The fact that

many firms cited that they had made a conscious shift away from contingent to direct labour but at the same time had increased the amount of work allocated to contingent labour suggests that for many the use of such labour was a constrained choice. Our explanation for these trends is that firms have been driven to the use of contingent labour as a result of difficulties in recruiting direct labour (Forde and MacKenzie, 2004). This dimension of employers' use of contingent labour is under-developed in mainstream debates within the literature, which have tended to focus on 'traditional' uses of contingent labour associated with the flexibility attributes of such arrangements. It is important to note that such a strategy is not without its problems, however, with many of these firms also subsequently reporting difficulties in recruiting contingent labour as well (Forde and MacKenzie, 2004). The picture painted by this research is one of overall shortages of labour in the industry, with firms in many instances seeking to move away from contingent labour, but being constrained in their abilities to do so.

Firms were generally positive about the merits of long-term employment relations, and the use of contract labour typically co-existed alongside the use of direct employment relationships. Even under the use of contingent contracts, firms attempted to develop long-term relations with suppliers, particularly in the case of subcontract labour, and to a lesser extent in the case of agencies. This raises the question of the implications of the use of contingent labour for training and skill reproduction in the industry. It is often suggested that the use of contingent labour is associated with lower levels of training. Indeed a recent report from the Department for Education and Employment and the CITB argued that the extensive use of contingent labour was one of the reasons for low levels of training in the industry

(DfEE, 2000). The present study found that the relationship between contingent labour and training was not straightforward. Firms using extensive amounts of contingent labour were no less likely to offer key types of entry level and ongoing training to their directly employed staff. Thus industry level apprenticeships, seen as a key means of encouraging new entrants into the industry, were no less likely to be offered by firms that utilised high levels of contingent labour. Although a proportion of firms offered training to contingent labour, the scope of training offered was typically narrower than for direct staff. Therefore, although not disagreeing with the overall negative consequences of the use of contingent labour for training, the perhaps unexpected results of this study offer a more nuanced insight into this relationship

In conclusion, it has been well documented that firms that use high amounts of contingent labour are seen as the cause of the widespread skills shortages in the construction industry. Whilst we would agree that there is a relationship between the two, our point of departure based on the findings of this study is that the line of causation may now work both ways. The use of contingent labour is indeed associated with poorer training outcomes, and is contributing to the skills shortages experienced in the industry. However, the results of this study also reveal that firms are turning to contingent contracts due to labour shortages within the industry, and the use of these contract forms may reflect a 'constrained choice' on their part. This is not to suggest that a solution to the industry's labour shortages lies simply in increasing the amount of training offered to contingent labour. With recruitment difficulties also being reported for contingent contract alternatives, the results from this study point to the need to increase the number of entrants into the industry. Therefore, although we suggest that the line of causation between contingent labour and skills shortages is not

unidirectional, reflecting as much as creating skill shortages, the increased recourse to such alternatives does not offer a long-term solution to the problems of replenishing the stock of skilled labour within the sector.

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Table I: Employers' use of different forms of contingent labour

	Low (<10% of total workforce)	Medium (10-<50% of total workforce)	High (50% or more of the total workforce)	N *
Subcontract labour	13.3	62.6	24.3	107
Agency labour	80.5	17.1	2.4	41
Self-employed labour	50.0	43.3	6.7	60
Total contingent labour	12.7	52.4	34.9	126

**Only some of those firms who used each form of contingent labour provided information on the exact numbers that they used.*

Table II: Change in the use of contingent labour over the last five years

	Increased	Stayed same	Decreased	N
Amount of work				
Subcontract	51.7	40	7.3	145
Self-employed	26.7	35.4	37.8	107
Agency	35.2	43.8	21	129
Range of tasks				
Subcontract	31.5	61.6	6.8	145
Self-employed	15.1	58.7	26.2	107
Agency	19.8	65.1	15.0	129

Table III: Attitudes towards long-term employment relationships

	Agree	Neither agree or disagree	Disagree
Provide a useful incentive for staff	89.6	7.1	3.3
Provide continuity and stability	92.9	4.9	2.2
Help maintain the skills profile of the firm	94.0	4.9	1.1
Provide a useful method of screening for higher positions	79.8	19.1	1
Are irrelevant to this firms operations	7.8	7.2	85.0
Hinder flexibility	9.4	19.3	71.3
It is important to offer employees opportunities for long term career development	79.9	18.5	1.6
Promotion opportunities are a key feature of this firms employment policy	52.5	37.2	10.4

Table IV: Attitudes towards subcontractors

Long-term relationships with subcontractors...	Agree (%)	Neither agree nor disagree (%)	Disagree (%)
...offer significant advantages	96.5	3.5	0
...offer better assurances about the quality of the product	92.4	6.9	0.7
...foster the development of trust	95.9	3.4	0.7
...mean that you can be sure of the skills and abilities of those involved	89.1	11.0	0
...minimise the risk of contract breaches/litigation	79.9	16.7	3.5
...are unnecessary due to the short-term nature of the service	10.8	13.6	77.7
...reduce the options available to management	14.3	24.5	61.1
....increase the dangers of dependency on an outside	30.5	22.7	46.8

firm			
....reduce the performance incentives for contractors	12.8	37.9	49.3

Table V: Comparison of subcontract labour to in house

	Better	About the same	Worse	No comparison made
Cost	31.4	46.4	14.3	7.9
Quality of product	7.8	71.6	16.3	4.3
Keeping to schedules	8.5	65.2	21.3	5.0
Technical ability	19.9	66.7	8.5	5.0
Availability of suitable labour resource	28.6	56.4	8.6	6.4

N=141

Table VI: Attitudes towards the use of agencies

The use of agencies...	Agree	Neither agree or disagree	Disagree
...ensures the supply of the required quantity of short-term labour	76.8	17.8	5.5
...ensures the quality of short-term labour	17.8	31.5	50.6
...provides immediate cover for short-term labour requirements	95.9	4.1	0
.....allows for the quick turnover of unsatisfactory staff	50.6	31.5	17.8
....reduces the firms ability to apply incentives to workers	43.8	38.4	17.8
...avoids wasting time and resources administering individual contracts	25.0	29.2	45.9
...is an overly expensive method of resourcing	43.9	30.1	26
The benefits of using agencies outweigh the costs	22.2	59.7	18.1

Table VII: Contingent labour and training

Type of training for direct staff	0-<10% of workforce is contingent (%)	10-<50% of workforce is contingent (%)	50%+ of workforce is contingent (%)	All firms (%)
Industry based apprenticeships	27.8	39.0	36.6	35.3
Investors in people	13.9	13.9	14.6	14.0
OSAT	30.6	39.0	34.1	35.3
Ongoing training leading to externally recognised qualifications	44.4	44.1	56.1	47.8
Ongoing training not leading to externally recognised qualifications	41.7	54.2	61.0	52.0

Table VIII: Training for direct and contingent labour

	Proportion offering this training to their contingent labour		
Type of training offered to directly employed staff	Subcontract	Agency	Self-employed
Formal off-site training	17.8	10	17.5
Formal on-site training	32.1	34.4	29.3
On the job training	36.8	41.6	46.1