

Construction. Hiring difficulties

Southern Europe building rebound hits brick wall

EU recovery funds rollout
begins but labour market
pressures hamper activity

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Construction is booming in Italy but industry executive Angelica Donati is concerned about the sector's prospects just as it is about to get even busier with the rollout of EU coronavirus recovery funds for infrastructure investment.

"It's really hard to find labour and prices have gone crazy," said the head of business development at Donati. "There is so much competition. Companies are filching employees from each other."

As activity surges across southern Europe after a pandemic slowdown, Italy is not the only country being held back by a workforce that shrank during the eurozone's downturn of the previous decade. In Greece, Spain and Portugal, the shortages and wage price spirals could lead to delays in big projects or even cancellations, sector experts said.

They added that labour market pressures threaten to jeopardise the effectiveness of the EU's €750bn Covid recovery fund, which has a major focus on infrastructure investment.

"The projects funded by the EU, which have a specific deadline for their completion, will face great challenges," said Giorgos Stasinou, president of the Technical Chamber of Greece, the government's engineering advisory body.

The higher wages commanded by workers, many in specialist roles such as welding, will be a burden on many projects, said the civil engineer. "Budgets will also need to be increased to complete the projects on time," he added.

In Italy, the largest recipient of funds from the recovery plan, the national builders' association ANCE estimated at the end of 2021 that its members needed another 265,000 construction workers just to complete current projects.

Italy's building workforce increased 5.9 per cent in 2021 to 1.65mn on 1.56mn the previous year, according to national statistical agency Istat. The growth was

robust but not enough to meet rising demand, enabling workers to secure far higher wages. Overall, income for the workforce grew 21 per cent last year.

The activity is in contrast with activity during Italy's economic doldrums, the sector's revenues shrinking by about 33 per cent from 2008 to 2020.

A decade-long sovereign debt crisis drove a bigger downturn in Greece. Construction's share of the economy's gross value added collapsed to 1.6 per cent in 2017 from 7.5 per cent in 2006. Greece's Alpha Bank found the workforce shrank by 57 per cent from 2009 to 2020.

"We went through a decade of crisis where there was a haemorrhage of not only engineers, but also basic construction workers who looked for a job abroad," said Christos Panagiotopoulos, chair of Aktor, one of Greece's largest construction companies.

Most people who left Greece during the crisis have not yet returned, he added. "People need some sense of security that they will have a job for the next decade in order to return to Greece, and they don't feel that yet," he said, pointing out that wages have increased by 20-30 per cent since the start of 2021 as demand for workers outstrips supply.

The commercial and residential redevelopment of an airport near Athens, Europe's largest regeneration project, will add more pressure in the search for workers. "Hellinikon is a huge project on its own," said Panagiotopoulos, adding that in less than a year the shortages will be critical for some contractors.

From new rail lines and roads to green ports and special economic zones, the wave of EU-funded infrastructure projects will intensify calls for workers.

Companies in Spain and Portugal warn that labour shortages could jeopardise EU-funded construction and renovation projects worth billions of euros. In Spain, more than two-thirds of the

€140bn it is set to receive from EU recovery funds is expected to go into construction-related projects.

But in a sector where unions and employers say up to half a million more are needed in Spain and 80,000 in Portugal, attracting and training the numbers needed to meet the 2026 deadline for using EU recovery funds is proving challenging. Crane operators, carpenters, welders and site managers, who require accredited training, are the hardest to find, Spanish groups report.

Manuel Reis Campos, head of Portugal's AICCOPN construction association, said the government needed to improve "transnational mobility" within the EU and address other market issues.

Construction companies in southern Europe are rushing to get workers on the payroll. When Spain's housing bubble burst in 2008, the industry shed 1.8mn jobs. Companies are paying higher wages and offering free training in projects sponsored by the government, employers and unions.

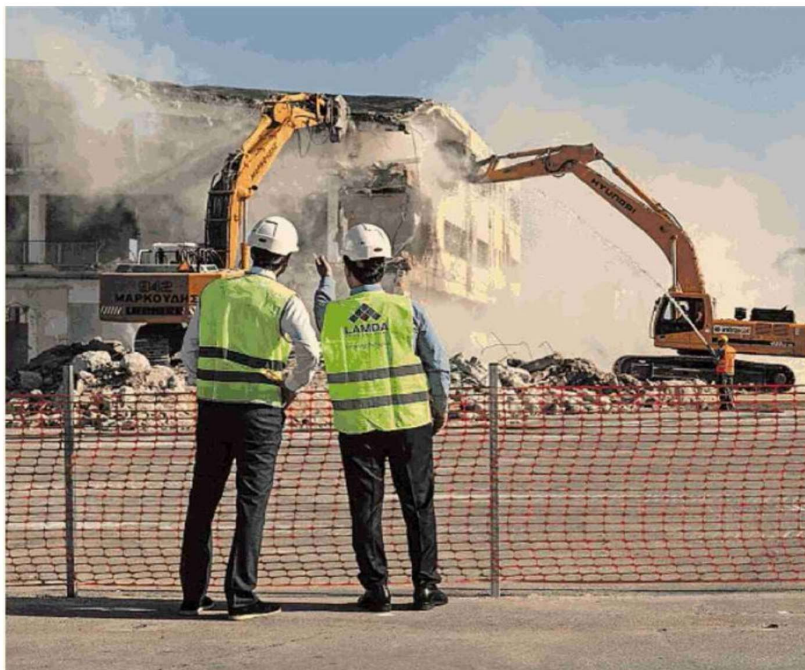
But employers say many workers still see construction as insecure. In Italy, ANCE and a charity last month agreed to train migrants to work in Italy. Stasinou proposes a similar solution in Greece, deploying Syrians and Afghans.

Donati forecast that the labour shortage would remain a major issue until more younger workers considered construction as an attractive career.

Additional reporting by Peter Wise in Lisbon

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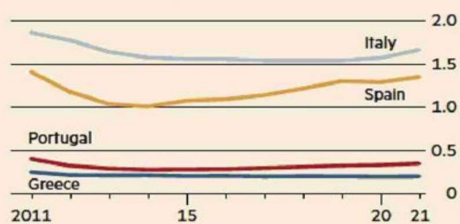




Coming down:
Kyriakos Mitsotakis, Greece's prime minister, left, watches cranes demolish old buildings at the Hellenikon site near Athens, Europe's largest regeneration project, two years ago
Yorgos Karahalios/Bloomberg

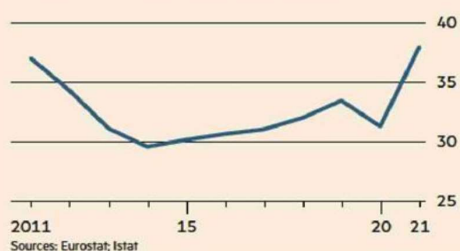
Southern Europe's construction workforce is still below 2011 levels

People employed in construction (mn)



Italian construction workers are commanding higher wages

Income for employees in building sector (€bn)



Sources: Eurostat; Istat

