

Construction and well-being

Though regulation has increased it has not necessarily improved

Opinion

Comment

Construction

Health

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The future of the industry lies in a leap of quality in where, whether and how the product is built.
Photo: Jonathan Borg

I was recently invited to talk at the National Property Conference ‘Building Our Future’, organised by Property Malta in collaboration with KPMG, where I shared some reflections on the well-being effects of the construction sector.

I acknowledged that there is little doubt that the industry has contributed towards the material well-being of people in Malta. It has been an important source of wealth as property gained value for some 80% of the Maltese public and a source of income for those who own rental properties.

It is an employer within the sector itself and also generates jobs in all those sectors that grow as a result of its multiplier effect. It has furnished us with the built fabric that allows us to live our lives, from housing, to places of entertainment, hospitals and schools, hotels, roads and more. It has the potential to enhance our quality of life even further with the provision of infrastructure we need (like pavements, for instance).

But I also stated that it is unquestionable that the industry continues to exert negative pressure on our well-being. Over the years, it has been instrumental in irreversibly destroying nature and depleting heritage; it has uglified our urban areas and, in so doing, it has deprived us of the places that have meaning for us. It has eroded one of our only natural assets, limestone, irreversibly committed land and taken up our limited space. It continues to create noise, pollution and congestion and has also resulted in injury and loss of life.

I argued that, though many seem to expect architects, developers, investors, real-estate agents and individuals (who develop as a side-hustle) to self-regulate, in truth, the duty to control the negative effects of industry falls primarily on the government (...successive governments). Even if some of the more established developers may have notions of legacy and some are obliged to consider environmental, social and governance goals, it is unrealistic to imagine that they will ever self-regulate sufficiently by socio-economic expectations. Developers (large and small), as anyone else in the private sector, are in it for private gain. It is the government's role, on behalf of all citizens, informed by the stakeholders involved, to create the right regulatory framework to move the sector away from some practices and into others that will enhance our well-being.

But though regulation has increased (planning, health and safety, licensing and training, etc), it has not necessarily improved. As many argued during the conference, regulations have been designed in a piecemeal fashion – sometimes as a knee-jerk reaction to some emergency. Some are resulting in stacks of paperwork but in little change on the ground. Some have performed acrobatics to meet demands by certain individuals. Enforcement is seen as weak with the strong and strong with the weak. Political input has not limited itself to the level of vision and policy but micro-managed its way into day-to-day functions. Unnecessary delays and siloed institutions continue to cause frustration and deadweight economic losses, without necessarily improving social well-being.

Good governance in this sector (as in others) needs to be informed by a vision, and it needs to be cascaded into a list of clear practices it is trying to change. These include reducing occupational risk, strict protection of all areas outside development zone, stepping up the protection of urban conservation areas, reduction in noise and dust in construction areas and limiting the number of sites operating at one time, among others.

“ We need to take action with urgency before we irreversibly lose more lives and land

- Marie Briguglio

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With clarity on what we want, we can then embark on a proper analysis as to what to do to incentivise those practices and disincentivise problematic ones.

To do so, we also need a proper process mapping how existing regulations work (or don't). Notably, intervention does not mean exclusive reliance on subsidies and grants but also disincentives, enforcement, penalties and innovative instruments (such as tradable permits).

This can well include elements of self-regulation and, where it makes sense, delegation of responsibilities to architects, local councils, project managers, etc.

Any intervention, including land-use plans, needs to be pre-assessed and updated following ongoing evaluation for their impacts – not just on the average citizen, nor just on the economy, nor only on the environment, but on the well-being of the least well-off. The government must allocate resources to this and it can raise the funds from the sector itself to do so.

While simplification of regulation can lower operating costs, stricter control may result in higher costs – a natural result of the industry absorbing the costs (externalities) it generates.

These costs will be partly transferred to buyers. For people who never got on the property ladder, purchasing property is likely to become harder if income levels fail to keep up. Again, it is the role of the government to plan for this and to redistribute wealth, including from those made wealthy through development and towards first-time buyers.

It is also important for the government to be cautious with quick fixes in planning, in tourism permits and in migration policy, which can have massive implications on housing demand and supply. These, in turn, can trigger price-spikes and falls, possibly even crashes. The least well-off, working to pay off a mortgage, would be the hardest hit.

If we want enhanced well-being, then the future of the industry lies in a leap of quality in where, whether and how the product is built but, above all, in its governance.

We have years of experience in what has and has not worked. We have good practice examples from around the world, we have a ministry for justice and construction reform. We need action with urgency before we irreversibly lose more lives and land. We have reached a level of material well-being that demands it.

Marie Briguglio is the principal investigator of the Malta Well-being INDEX project, a collaboration of the University of Malta and the Malta Foundation for the Well-being of Society.