

EMPLOYMENT RELATIONS MODERNISATION: MULTI-SERVICE ARRANGEMENTS

Introduction and background

1. The purpose of this short paper is to outline the substantive objectives of the major multi-service contractors – hereafter referred to as “major contractors” – for the forthcoming modernisation discussions with Unite the Union. At the end of the paper, we have also included some suggestions on matters of process.
2. With a view to making our future discussions with Unite as constructive and productive as possible, this paper aims to be up-front about our objectives and the business drivers underlying them. We believe this approach is within the spirit of the principle reiterated by MCC Chair, John Taylor, at our last meeting, that there can be no “no-go” areas for discussion.
3. Historically, employers in the building services engineering sector had several reasons for participating in national sectoral collective bargaining – expertly analysed by Professor Gospel and his co-author back in 1997.¹ Since then, these reasons have diminished, contributing to the decline in employer participation illustrated by Annex A. Although their participation rates remain higher overall, support among larger contractors too is now only just in a majority (see Annex B).
4. Whilst some of this decline can be attributed to changes in the external environment, we believe that an unwillingness within industry institutions to respond adequately to these changes has also played its part. All concerned (employers, as well as trade unions and industry bodies) must share some responsibility for this failure, which we trust the present process might help to reverse. The fact remains, nevertheless, that unless participation in national sectoral collective bargaining starts to deliver more tangible benefits for contractors, the long-term decline in employer participation is liable to continue, and even to accelerate.

A multi-service annex to existing sectoral agreements

5. The major contractors welcome recent work by the JIB-ECI to survey employer perceptions of its services and employment package. We trust that this will eventually contribute to a credible and more far-reaching renewal strategy and plan. That initiative falls outside the scope of the present paper, however.
6. In the past, major contractors have supported ambitions to move towards a single unified multi-service agreement in one giant leap. Given the complexities associated with such endeavours, and their consistent lack of success to date, our preference now is to take a more cautious and incremental approach. Rather than supplanting existing sectoral agreements with one all-encompassing multi-service agreement, therefore, we now propose the establishment of a multi-service annex to all five agreements (JCC-HVAC, JIB-ECI, JIB-PMES, SJIB-ECI, SNIJIB-PMES). In our view, the contents of this annex should principally cover two areas, namely:
 - a) Common occupational structures; and
 - b) Harmonised terms and conditions of employment.
7. Having outlined our position in general terms, we shall now describe the two elements of the proposed multi-service annex in greater detail.

¹ Gospel, H. and Druker, J. (1997) *The survival of national bargaining in the electrical contracting industry: a deviant case?* CEPDP, 373. Centre for Economic Performance, London School of Economics and Political Science, London, UK. Available to download at: <http://cep.lse.ac.uk/pubs/download/dp0373.pdf>.

Common occupational structures

8. Mechanical grades were first incorporated into the JIB-ECI wages structure almost ten years ago. Since then, employer take-up of JIB-ECI rates for mechanical operatives has been negligible. In our view, this lack of appeal for employers rests on four main factors:
 - a) Cost ineffectiveness;
 - b) Removal of the installer grade;
 - c) The anomalous position of the labourer grade within the JIB;
 - d) Reservations about other aspects of JIB terms and conditions.

Installers

9. Items a) and d) are dealt with in more detail in our “harmonisation” section below. Regarding item b), the major contractors consider that aspirations for a common occupational structure under harmonised JIB-ECI terms and conditions are likely to remain a dead letter unless and until the mechanical installer is reinstated and both electrical and multi-service installer-occupations are also recognised within a multi-service annex.
10. We of course acknowledge and respect the objections which Unite and its members have raised to alleged “de-skilling” in the past. On the other hand, we do not see how any of us can now reasonably afford to ignore, or wish away, the unavoidable fact that changes in technology, commercial and contracting practices are cutting across traditional occupational structures already. The question now is not whether national sectoral collective bargaining institutions will “block” or “allow” installers: in the real world, installers, in one form or another, are already a fact of life (see further paragraph 13 below). Rather, the question is whether such institutions still possess an interest in influencing this change for the better, before change breaks free entirely from their control and overwhelms them.
11. Given that the major contractors have committed to the present modernisation discussions, we naturally hope that Unite is prepared to engage meaningfully with us on this difficult yet vital issue. We believe the potential wider benefits of doing so could be considerable, including:
 - a) Placing collective industry bodies in a stronger position to shape other important developments, such as the forthcoming review of the electrotechnical apprenticeship standard;
 - b) Reducing the current competitive disadvantage to major contractors of participating in national sectoral collective bargaining arrangements;
 - c) Bringing existing semi-skilled individuals within scope of these arrangements, granting them recognition for those competences that they do possess, and increasing their chances of being directly employed by a building services engineering contractor;
 - d) Offering improved pathways for entry-level and semi-skilled individuals to progress to skilled status and beyond.

Labourers

12. The labourer grade under the JIB-ECI agreement is anomalous in two respects. First, the rate of pay is significantly higher than the equivalent grade under the JCC-HVAC agreement, both in monetary terms and as a proportion of skilled workers’ rates (80% *versus* a minimum of 67%).

13. The ratio of ECS labourers' cards to ECS electrician/ advanced electrician gold cards in England, Wales and Northern Ireland is currently approaching 1:2. This highlights the second anomaly, which is that a significant proportion of those who hold ECS labourer's cards are almost certainly working above and beyond the scope of that grade as defined by the JIB agreement. Among smaller JIB-ECI members, it is apparently not unusual for individuals graded as labourer to perform tasks more akin to those of a semi-skilled installer. On larger projects as well, gangs of installers have become more prevalent in recent years, engaged via agencies or labour-only subcontractors, and gaining access to site through an ECS labourer or BESA installer card, or some other "short-cut".
14. Alongside the introduction of one or more installer grades, the major contractors believe that the role and remuneration of labourers should be revisited as part of any multi-service chapter. The effect ultimately will be to reduce the labourer population by accrediting and recognising higher levels of competence where these already exist and offering improved progression pathways for both existing labourers and new entrants.

Harmonised terms and conditions

15. In principle, the major contractors can see potential benefits in engaging in discussions with Unite about the development of harmonised employment terms and conditions primarily based on the current JIB-ECI package. However, given the cost-ineffectiveness of the JIB-ECI in comparison with other agreements, and especially the JCC-HVAC, ways must be found to assist major contractors who adopt this harmonised package to remain commercially competitive.
16. For some time, the administrative inconvenience and expense of operating multiple (up to five) different payroll systems, to accommodate different sectoral agreements, constituted one of the arguments for major contractors to seek to harmonise employment terms and conditions. Thanks to new, IT-enabled payroll systems, this argument no longer holds sway. Accordingly, although we recognise that some potentially useful, intangible benefits may still be obtained from harmonisation, the only tangible financial paybacks for the extra costs of harmonisation will have to be found through the review of occupational structures proposed at 9 to 14 above, together with any other improvements to existing agreement provisions that can be made to enhance productivity and efficiency. Some potential areas for improvement are highlighted in our next section.

Scope for improving existing agreement provisions

17. In several important areas, provisions within the existing sectoral agreements are inconsistent with one another and in some cases ill-suited to the present-day requirements of major contractors. This poses a potential obstacle to harmonisation since the JIB-ECI is generally more restrictive and inflexible than the rest. Accordingly, as part of any move towards harmonisation based on JIB-ECI terms and conditions, we believe that substantive changes are required in these areas, including:
 - a) **Direct employment:** balancing any continued restrictions on use of non-direct labour with a reduction in current disincentives for contractors to employ directly – for example, day 1 employment rights under the JIB-ECI;
 - b) **Incentive bonus:** enabling employers to operate valid incentive arrangements without unnecessary external regulation or influence;
 - c) **More efficient utilisation of working hours:** such as flexible scheduling of refreshment breaks.

Other considerations

18. In contemplating the potential for harmonisation, we believe that two potential constraints should also be kept in mind. First, any freedom of manoeuvre on travel and accommodation allowances is likely to be heavily circumscribed by long-standing concessionary arrangements with HMRC. Secondly, any progress in agreeing a common pension-and-welfare benefits package is predicated on a substantial degree of cooperation and consent from the associations and industry bodies potentially impacted by this.
19. Having defined our substantive objectives in greater detail, we will now turn to address some important issues of process, before concluding.

Process

20. The major contractors are keen to support a fully inclusive modernisation process, which pays due regard to the valuable role and interests of those associations that have traditionally represented the separate trade groups within building services engineering. SELECT and APHC have already been invited to attend MCC meetings, and we believe that in future greater steps must be taken to arrange meeting dates with their availability in mind. We are also supportive of SNIPEF being invited to attend. BESA unfortunately is not yet prepared to join us, expressing scepticism that the current process can make sufficient real progress within an acceptable time-frame.
21. Individual major-contractor firms are more likely to support harmonisation and other aspects of the modernisation process if they have confidence that their main peers are also committed to doing so. ECA will undertake to continue to canvass support for the modernisation process among major contractors to this end, By the same token, however, such support is unlikely to prove sustainable unless Unite the Union too is able to demonstrate its own commitment to contemplate genuine modernisation, as outlined in paragraphs 9 to 14 and 17 above, and early progress is made in agreeing and consolidating the changes required.
22. The major contractors are keen to explore the process implications of paragraphs 20 and 21 above as part of the agenda of the October "away-day".

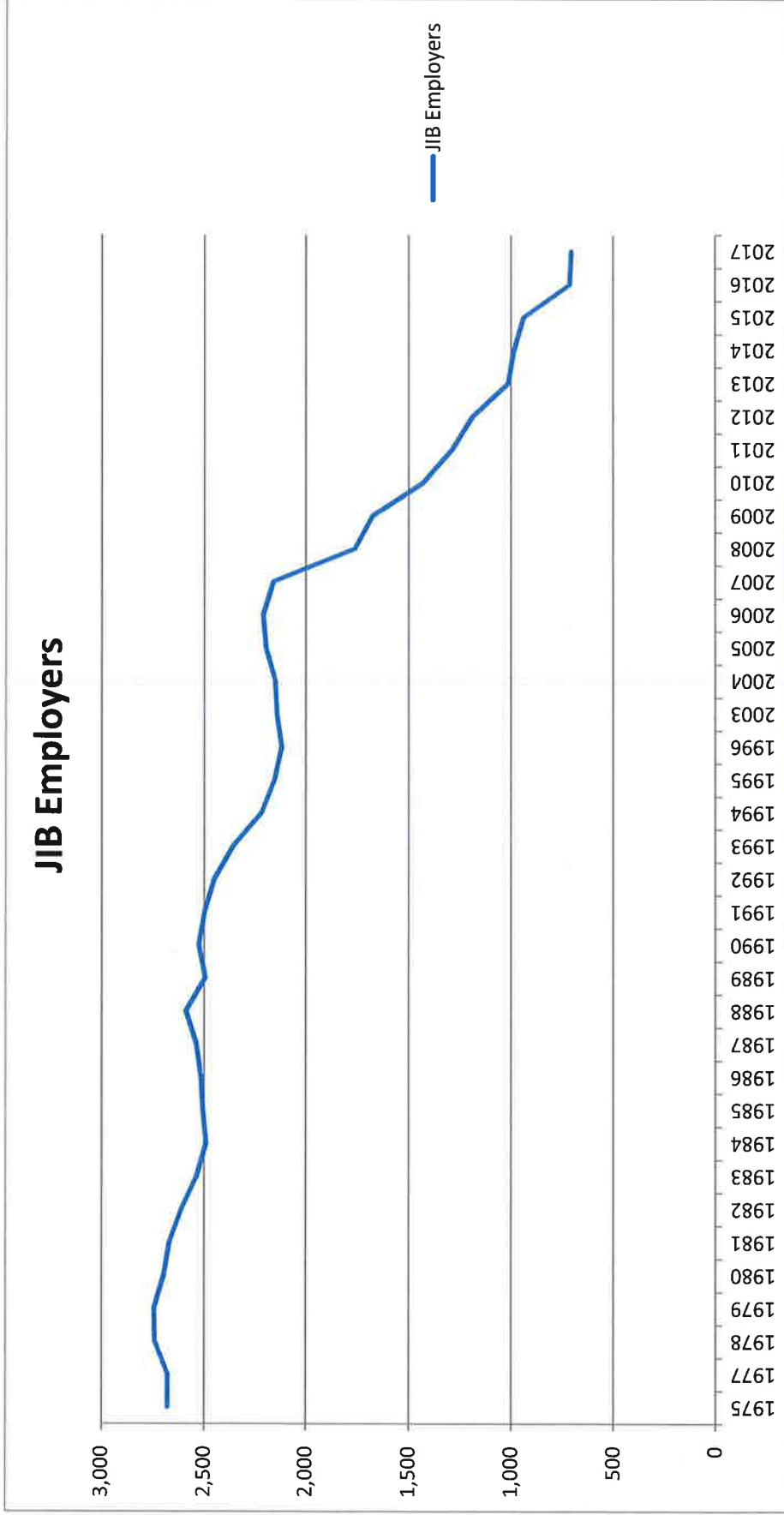
Conclusions

23. In summary, the key points the major multi-service contractors would ask Unite and its members to bear in mind when considering their response to this paper are as follows:
 - The long-running decline in employer participation is likely to continue unless national sectoral collective bargaining starts to deliver more tangible business benefits (paragraphs 3 to 4);
 - Incorporating installers into a reformed, common occupational structure brings various potential benefits, not least in reconciling collective agreement arrangements with current realities (paragraphs 8 to 14);
 - Harmonisation of terms and conditions may be feasible, provided that genuine savings and efficiencies elsewhere help major contractors who adopt harmonisation to remain competitive (paragraphs 15 to 17); and
 - Process matters also require consideration (paragraphs 20 to 22 above).

**ECA Major Contractors Forum
September 2018**

ANNEX A

JIB EMPLOYER MEMBERSHIP (1975-2017)*



* Figures derived from Gospel and Druker (1997), covering period 1975 to 1996, and JIB, covering period 2003 to 2017.

ANNEX B

“ELECTRICAL TIMES” TOP 50 UK ELECTRICAL CONTRACTORS BY TURNOVER (2017)

| Ranking 2017 | Ranking 2016 | Trading Name | ECA Company Only | JIB Company Only | ECA & JIB | Neither | NOTES |
|--------------|--------------|---------------------------------------|------------------|------------------|-----------|---------|-------------------------|
| 1 | 1 | SSE Contracting Ltd | YES | | | | |
| 2 | 7 | NG Bailey | | | YES | | |
| 3 | 2 | Integral UK | | | YES | | |
| 4 | 4 | Engie FM | | | | YES | |
| 5 | 10 | Spie Limited | | | YES | | |
| 6 | 8 | T Clarke PLC | | | YES | | |
| 7 | 6 | Skanska Rashleigh Weatherfoil ltd | | | YES | | |
| 8 | 5 | Crown House Technologies | | | | YES | BESA and SELECT members |
| 9 | 9 | Emcor UK | | YES | | | |
| 10 | 3 | Essci (Imtech) | | | YES | | |
| 11 | 12 | Lorne Stewart PLC | | | YES | | |
| 12 | 13 | Briggs and Forrester Ltd | | | | YES | BESA members |
| 13 | 11 | SES Engineering Services | | | YES | | |
| 14 | 23 | Mace MEP Services Ltd | | | | YES | |
| 15 | 20 | Gratte Brothers Ltd | | YES | | | |
| 16 | 15 | Servest Arthur McKay Ltd | | | | YES | SELECT members |
| 17 | 19 | Boulting Group Ltd | | | YES | | |
| 18 | 21 | Dodd Group Ltd | | | YES | | |
| 19 | 25 | Essex Services Group | | | YES | | |
| 20 | 14 | MJ Quinn Intergrated Services | | | YES | | |
| 21 | 16 | CBES Ltd | | | | YES | |
| 22 | 24 | The Barnes Group (incl. Bower Fuller) | | | YES | | |
| 23 | 22 | Phoenix ME | | | YES | | |
| 24 | 17 | FES Ltd | | | | YES | SELECT members |

| Ranking 2017 | Ranking 2016 | Trading Name | ECA Company Only | JIB Company Only | ECA & JIB | Neither | NOTES |
|--------------|--------------|--|------------------|------------------|-----------|---------|----------------|
| 25 | 30 | J Tomlinson Ltd | YES | | | | |
| 26 | 26 | WT Parker Group Services | | | YES | | |
| 27 | 27 | H.E Simm & Son Ltd | | | YES | | |
| 28 | 32 | Vaughan Engineering | YES | | | | |
| 29 | 29 | Quartzelec Ltd | | | YES | | |
| 30 | 31 | Interserve Engineering Services Ltd | | | YES | | |
| 31 | 45 | McGill & Co Ltd | | | | YES | SELECT members |
| 32 | 18 | ISS Technical Services UK (prev. GSH UK) | | | | YES | |
| 33 | 34 | Derry Building Services | | | YES | | |
| 34 | 36 | Rentec Ltd | YES | | | | |
| 35 | 33 | Haydon Mechanical & Electrical Ltd | YES | | | | |
| 36 | 35 | Bancroft Ltd | YES | | | | |
| 37 | 39 | Clarkson Evans Ltd | YES | | | | |
| 38 | 40 | Nomenca Ltd | | | | YES | |
| 39 | 38 | South Eastern Electrical | YES | | | | |
| 40 | 28 | Halsall Electrical Ltd | | | | YES | |
| 41 | 42 | Wingate Electrical PLC | | | YES | | |
| 42 | 50 | H F Electrical | | | | YES | SELECT members |
| 43 | 46 | J W & E Morris & Son (JW Morris) | YES | | | | |
| 44 | 37 | LJJ Ltd | | | YES | | |
| 45 | 56 | Carmel (UK) Ltd | | | YES | | |
| 46 | 43 | Harvey Group PLC | | | | YES | |
| 47 | 41 | Richard Ivrin & Sons | | | | YES | BESA members |
| 48 | 55 | Manstal Electrical Contractors | YES | | | | |
| 49 | 51 | John N Dunn Group | YES | | | | |
| 50 | 49 | Halsion Ltd | | | | YES | |