

# JIB

## For The Electrical Contracting Industry



**Wage & Conditions Review 2008**

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# JIB & SJIB for the Electrical Contracting Industry Wages & Conditions Review

## **Introduction**

Amicus welcomes the start to review the provisions of the National Agreement.

Covered within the National Agreement are the terms & conditions of one of the most highly skilled industries within the UK economy. The built environment and infrastructure it serves is of vital importance to the UK as a whole.

The electrical contracting craftspeople covered by the agreement are highly skilled and often work self supervised on behalf of their employer.

The health & safety record of the Building Services Engineering sector reflects the responsibility & skills of the workforce.

## **The UK Construction Industry**

The industry over the past 7 years has had the most sustained period of growth in decades. The industry's key resources are its people & skills, therefore the pay & conditions package of the workforce is a key factor in the development of the industry.

We need only consider that in the twelve months to the end of November 2006 the top 30 contractors in the UK construction industry had completed or were engaged in some 4,290 projects with a combined value of £23,216M<sup>1</sup> to have an immediate snapshot of the buoyant demand.

The main industry 'customers' continue to be a mix of public sector and large private sector corporations, with retail heavily represented. That said, by far the largest client in the twelve months to December 2006 was the Department for Health who awarded a total of 210 contracts with a total value of £3,166.8M.<sup>2</sup>

Current developments are encouraging industry insiders, such as the Construction Products Association, to predict that, "overall construction growth will continue to outpace that of the UK economy over the next three years".<sup>3</sup>

There can be little doubt that such expansion, especially in the private sector, will more than offset any potential decline in public sector demand which may come about as a result of what is predicted to be a 'tight' 2007 Comprehensive Spending Review.

Not only is the future of the UK construction industry reliant on a continued period of industrial relations stability, the current growth of the UK economy is reliant on the infrastructure developments the industry will deliver.

Notwithstanding the relative demand arising from the construction of such high profile major projects as the London 2012 Olympic site, some industry experts are already predicting a 45% increase in construction activity between 2008 and 2013.

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<sup>1</sup> Barbour ABI data- December 2006

<sup>2</sup> Emap glenigan – December 2006

<sup>3</sup> H&V News – 3<sup>rd</sup> February 2007

Using current growth figures for the construction industry, provided by the DTI, Orman Risk Analysts predict an additional £37billion of construction investment between 2006 and 2013 in London & the South East. They suggesting that by 2008 construction output in the region will have increased by 50% over the current £15Bn per year.

As concerning for the industry will be the recent research undertaken by ConstructionSkills, and published in their 2006 report. Working on their calculations, the construction industry is expected to expand by 12.7% between 2006 and 2010. Furthermore they predict that the industry will need an additional 348,000 workers over the next 4 years.<sup>4</sup>

Not insignificantly this report predicts an average annual shortfall, between 2006 and 2010, of some 8,130 qualified electricians.<sup>5</sup>

These projected shortages are not an isolated estimate, nor are they being overlooked by industry commentators. It is not just the industry press that is reporting, "Crucial construction projects could be hit by skills shortage".<sup>6</sup>

Such forecast shortages are a fact not lost on the UK Government either, who have come up with some exceptional 'blue sky' thinking. The most head line grabbing solution was reported in the trade press earlier this year with headlines such as, "Olympic job maps out pros & cons".<sup>7</sup> This referred to proposals made by the then Home Secretary Charles Clarke MP in the Green Paper – A Five Year Strategy for Protecting the Public and Reducing Reoffending – that prisoners should be doing 10 million hours of community work by 2011. When questioned, Charles Clarke MP confirmed his aspiration that, "We hope this will include an important contribution towards the work necessary to prepare for the Olympic Games".<sup>8</sup> Unsurprisingly the then Interim ODA steered clear of the subsequent debate.

### **Electrical Contracting Labour Force**

When analysing the current trends in employment within electrical contracting we need to take every step available to encourage operatives into long term direct employment. This can only be done through a consistent national collective agreement that facilitates suitable financial reward for an occupational group in high demand.

The stark reality is that - in the last six years the number of operatives (on all grades) directly employed by JIB registered companies has fallen by some 4,434, whilst the average age of these operatives has increased from 39 to 41.<sup>9</sup>

Analysis of those operatives leaving the industry is also concerning. By some way the largest grouping of those individuals leaving the industry in 2004 was aged between 31 and 40.<sup>10</sup> In addition we should consider that by 2006 JIB member companies were witnessing an annual staff turnover rate of 14.3%.<sup>11</sup>

### **Electrical Contracting Industry**

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<sup>4</sup> Construction Skills Network Report for 2006

<sup>5</sup> Construction Skills Network Report for 2006

<sup>6</sup> Financial Times 21<sup>st</sup> November 2005

<sup>7</sup> Construction News 16<sup>th</sup> February 2006

<sup>8</sup> Construction News 16<sup>th</sup> February 2006

<sup>9</sup> JIB Labour Report – 2006

<sup>10</sup> JIB Labour Report – 2006

<sup>11</sup> JIB Labour Report – 2006

In the last month of 2006 the top 5 mechanical and electrical contractors in the UK where engaged in 10 major projects with a combined value of £269.7M.<sup>12</sup>

The buoyancy of the electrical contracting sector is further highlighted when we consider the returns of several of the major contractors. For example, NG Bailey have seen their pre tax profit increase by some 46% between 2004 and 2006.<sup>13</sup>

Such performance is not isolated. For example, the end of year financial report from Skanska Rashleigh Weatherfoil also shows increases in gross profit.<sup>14</sup> Whilst in their interim report Amec plc report 'strong performance' with pre-tax profits up by 21%.<sup>15</sup>

We need to be clear that increasing margins are not the preserve of the big players in the electrical contracting industry. We are reliably informed that whilst, "Over 65% of the ECA's 2,637 members have a turnover of £500K or less. Analysis of these companies shows that within 5 years of joining over half of these companies doubled their turnover".<sup>16</sup>

### **Inflation Forecasts**

All measures of price inflation have seen a consistent rise in the twelve months to December 2006.

By the end of 2006 (despite several increases in the Bank of England interest rate) the Governments target measure – the Consumer Price Index – stood at 3%. By the same date the RPI (Retail Price Index) which includes mortgage payments and is universally accepted as a more accurate measure of increases to living costs stood at 4.4% (having increased from 2.4% in January 2006).

Further only a marginal decline is forecast in the medium term. Predictions from the Citigroup Bank put RPI at 3.6% by January 2008.<sup>17</sup>

### **Pay Comparators**

In the twelve months to the end of November 2006 growth rates in average earnings in the UK manufacturing sector stood at 4.6%.<sup>18</sup> In the same period pay growth in the private sector was 4.2%.<sup>19</sup>

### **Pay & Conditions Claim**

With such developments and the ongoing opportunity as outlined above, the need for enhanced employment reward and industrial relations stability that the Agreement gives us is essential for the industry. Furthermore an attractive employment package must be developed to recruit much needed new entrants and apprentices into the industry.

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<sup>12</sup> Emap glenigan – December 2006

<sup>13</sup> [www.ngbailey.com/finance.php](http://www.ngbailey.com/finance.php)

<sup>14</sup> Skanska Rashleigh Weatherfoil Ltd Financial Report for year ended December 2005

<sup>15</sup> Amec PLC Interim Report 2006

<sup>16</sup> ECA Digest Volume 23

<sup>17</sup> IDS Pay Report 969

<sup>18</sup> IDS Pay Report 969

<sup>19</sup> Office of National Statistics

**We therefore call for:**

1. A substantial increase in the hourly rate, with increases to apply across the board on all allowances, increase on accommodation allowance to £35 per night and £45 per night within the M25, annual holiday retention payments to be increased substantially, and a reduction in the working week.
2. All weekend working to be paid at double time.
3. Reinstatement of the nought to fifteen miles payment for travelling time and travelling allowances. Rule 11.4.2 JIB, Rule 2.3B SJIB to be amended from four weeks to two weeks. Change the calculation for measurement from shop to home.
4. Substantial increase in welfare benefits.
  - sick pay (long standing issue)
  - bereavement leave
  - implementation of paid Maternity/Paternity leave
5. Wording to be agreed in the National Working Rule regarding tea and meal breaks so that these cannot be combined with a protection for the afternoon tea break put in place.
6. JIB Pension Scheme. We are seeking a radical overhaul of the current arrangements.
7. All employment related training and qualification costs to be funded by the employer and provision to be made by the Industry for unemployed operatives to source training e.g. 17th edition iee regs BS7671 at no cost.
8. Call for five days working notice in writing for operatives who are required to lodge or on being transferred to another site.

**In addition we are also seeking a firm commitment from the Employers to discuss:**

- Strengthening of direct employment – Rule 17.
- Commitment sought from the ECA/Select to implement protection for workplace representatives.
- Review of redundancy selection criteria.

**SJIB matter**

- Seeking confirmation from SELECT that shop rate only operates in Scotland as defined in JIB rule book

We believe our claim reflects the aspirations of a highly skilled workforce for an improved, modern, pay & conditions package fit for the 21<sup>st</sup> Century. We sincerely hope our employer colleagues will work with us in moving our members' conditions to a new improved level.