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Michael J Hockey
Managing Director

NAECI claim 2021 and beyond

Further to our meeting at the NJC on 4 February 2020, at which you gave us your verbal clarifications about certain elements of your claim, we have now carefully considered the contents of that document and respond as follows.

We wholeheartedly concur with your sentiment that there is a need to deliver a National Agreement with innovative policies that are attractive to all parties (contractors, employees and clients), which will enable the UK engineering construction industry to prosper, now and in the future. In practice, to achieve this, there are many challenges ahead, which collectively we need to overcome.

Your claim outlined your predictions of the labour market moving forward. We consider your vision to be overly optimistic and in part based on data that is not entirely relevant to our sector. Market drivers are clouded with uncertainty. The full impact of Brexit has yet to be determined and the first two capacity auctions of 2020 have culminated in extremely low prices that will neither unlock nor encourage investment in significant new build projects in the foreseeable future. In the meantime, the majority of the work being carried out using the NAECI agreement continues to be repair and maintenance.

Your claim cites the NJC potential project report, which identifies 32 possible projects, however, the list details projects that perhaps might materialize, at some undefined time in the future, depending upon market conditions. Some of the potential projects on that list have been under discussion for the best part of a decade and are still no nearer to going into the construction phase. We must also not lose sight of the fact that there is of course no guarantee, at the present moment in time, that should any of these projects go into the field, they would definitely be NAECI projects. Whilst we are unable to influence client's investment decisions, or planning consent, we do need to ensure that we have re-positioned NAECI as a value-adding agreement to encourage clients to embrace the National Agreement when they are ready to undertake new-build work. To achieve this NAECI must offer flexibility, improved productivity, and industrial relations stability with no unprocedural action on NAECI sites.

Your overly optimistic analysis of future workload does not reflect the reality of the actual Engineering Construction market. The NJC confirmed major projects list details of just one solitary new-build project for the second half of 2021.

There are currently 10,400 personnel, employed on NAECI terms and conditions, and registered with the NJC. This number has remained fairly static over the last three years and it is forecast to continue, in a similar vein, for at least the remainder of 2020 and into 2021. Despite being at the bottom of the trough for the last few years, there is still no visible upturn in work for our industry.

We understand your concerns regarding the training of new entrants into the industry, however, at the present moment in time, the capacity to take apprentices is restricted by the limited number of site placements that our members can secure. Many companies have continued with their commitment to train in recent years, but our members report that even with the lower numbers of new apprentices they have engaged, saturation point has been reached and companies are struggling to provide the variety of work-face training environments required to complete an individual apprenticeship.

Traditional repair and maintenance clients, who have long supported the NAECI agreement, are finding operating conditions extremely challenging too. They are faced with uncertain futures particularly regarding the current lack of clarity around any post-Brexit trade agreement and the expectation of the introduction of trade tariffs. In addition, the Government's pursuance of a "green agenda" with zero carbon emissions by 2050, will no doubt influence clients' future operating models and their long-term business strategy with regards to their products and processes and indeed their continued presence in their traditional markets.

Engineering construction in the UK

We believe that Engineering Construction in the UK is at crisis point.

Our members value and wish to continue to support the NAECI, however, they are extremely concerned at the levels of un-procedural action, the lack of flexibility, and low productivity on NAECI sites. The feedback being received from potential clients echoes these concerns. Some prospective clients have already expressed concerns that if they were to adopt the NAECI for their projects, they would, in effect, be inviting levels of industrial unrest and unprocedural action, which they might otherwise avoid if they adopt a lower profile approach away from the spotlight of NAECI.

We must work together positively to remedy these issues, if we are to be successful in repositioning the NAECI as the agreement of choice for use by prospective clients.

Our comments on the individual elements of your claim are as follows:

Pay

Over the period 2015-2019, NAECI rates have increased by 11.73%, which is significantly above the 7.7% rise in the consumer price index over the equivalent period.

The 2020 increase in NAECI rates was informed by a “collar and cap” arrangement linked to the CPI rate. The actual NAECI rate increase for 2020 was 2%. This was measurably above the CPI rates for the agreed reference period, August through October 2019 (1.63%).

We are criticized by our clients for year-on-year wage increases in NAECI rates of pay with little or no improvement to productivity, flexibility or industrial harmony by way of return. Supporters of the NAECI are telling us that this cannot continue and, that if it were to, then we would be in danger of losing their support. Your claim for a one-year deal with a 5% wage increase in 2021 is in no way supportable. That magnitude of increase is way out of step with even the most buoyant sectors in UK plc. An agreement to such a short duration would not give the cost certainty or stability that clients, who wish to invest in the UK, are looking for.

Meal break and refreshments – NAECI 7.5

It is extremely disappointing to see this item of your claim, particularly following the recommendations of last year’s Joint Working Party, and in the light of our re-statement that we require further flexibility. We cannot agree to the deletion of this paragraph of NAECI. It would be backward looking and would make the NAECI less, rather than more attractive, to clients and contractors

Re-negotiation of travel time.

We are supportive of establishing a level playing field that is fair and reasonable to both employers and employees in respect of time spent on aeroplanes. We are prepared to enter discussion with you to explore the issues further.

Long weekends and periodic leave

Your proposal to increase leave weekends from 12 to 24 p.a. would place an unacceptable financial burden upon our members making them very uncompetitive when compared to those companies who would prefer to bid for work outside of the national agreement.

Stand-down (nightshift)

We understand that the majority of our members do not schedule nightshifts for Friday nights, however, it is occasionally necessary during TAR’s and under exceptional circumstances. We wish to maintain this facility within the agreement and believe the scheduling of nightshifts should be left to local consultation. Removal of the existing provision would reduce the flexibility within NAECI, further encouraging the negative perceptions of some existing and potential clients.

Overtime pay for work attached to night shifts to be based on nightshift premia plus overtime premia

Shift allowances already include allowances to take account of the unsociable hours that people have to work. The overtime rates already include a premium for the extended hours people are asked to work. The existing provisions provide suitable recompense and we see no reason to change the current arrangements.

NAECI radius allowance – mileage and tolls

The HMRC concession, which covers payment of the element of radius that is tax-free, is based on RAC Routeplanner. It is neither practical nor feasible to calculate and adjust radius allowances on any other basis. The status quo should apply.

The NAECI does not require the reimbursement of tolls. Neither do toll payments fall within the HMRC concession for tax-free allowances. We believe that reimbursement of tolls is not an issue that affects the majority of the workforce and might be addressed locally as and where appropriate.

NJC guidance on fixed term contracts

This NJC Guidance Note was fully distributed to ECIA member companies, the vast majority of whom follow its recommendations. There are occasions where fixed term contracts are the most appropriate vehicle for employing people and employers will continue to utilize them at their discretion. We are happy to re-distribute the Guidance note to ensure it has had wide circulation and visibility with employers.

Safety glasses

There is no reference to reimbursement for the cost of safety glasses within the NAECI. It is a topic for local discussion and could be subject to consultation within an SPA. We can discuss whether this subject should be included in the listing of matters to be considered when developing an SPA in Annex A of Appendix D of NAECI.

Health Surveillance Clause

Currently there is no health surveillance clause in NAECI. However employers are bound by 'statutory' health surveillance requirements (as required by Health and Safety legislation) where employees have been identified as being at risk of exposure from a workplace hazard.

We currently have the recommendations from the Health Surveillance Working Party (2019) under review and will respond to the NJC accordingly in due course.

Competence Assessment

We welcome your support in principle for the ACE card as the competence system of choice for onshore engineering construction. The detail of re-vamping this scheme and introducing a renewal process is being dealt with jointly in another forum, the ACE Industry Steering Group. Given this, we would suggest that it would be better to continue to deal with this matter in that Forum rather than as part of this separate NAECI review.

Strengthening the Agreement

Promotion and support of the NAECI is of common interest to us both. The ECIA does, and will continue, to promote the National Agreement and registration of work with the NJC. There are, however, circumstances in which a client may not have formally designated NAECI, or may not have specified an IR framework on a project choosing to focus solely on the lowest cost commercial arrangements with a contractor. In those circumstances we cannot mandate the use NAECI.

The NECC claim makes reference to innovative policies & forward thinking but offers nothing meaningful for us to consider

To promote the adoption and increase the uptake of NAECI on current and future projects we are ready to work with you to ensure that we have no unprocedural action, good productivity and enhanced flexibility in order to secure current and future support

Employers' requirements

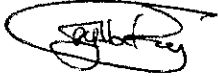
Your claim for 2021 and beyond as presented by the NECC and the NAECI shop stewards forum outlines your requests for improved terms and conditions of employment for those working under the NAECI agreement. As we have pointed out, market conditions are difficult and any increase in the key terms and conditions of employment have the potential to make our members uncompetitive.

We have noted the elements in your claim and we now draw your attention to the areas below that we would like to discuss with you in these negotiations:

1. Full acceptance and implementation of the productivity enablers as outlined by the NJC.
2. Flexibility over the timing of the refreshment break (NAECI 7.5b) where a local agreement is reached with the individuals who will be subject to the working arrangement.
3. A change to NAECI 9.4 so that there is no entitlement to a Periodic Leave weekend when an individual is employed on a shutdown or turnaround for a period of 6 weeks or less.
4. A freeze on Apprentice pay rates.
5. A change to NAECI 19.3e so that where there is an incident of unprocedural action, the automatic forfeiture of IBA relates to the whole of the monthly audit period.
6. The introduction of a Grade 3 "Engineering Construction Trade Operative" function, whereby the role can undertake a defined range of semi-skilled and craft skills in specific trade disciplines.
7. Changes to NAECI 7.4 such that weekly calculation of overtime becomes the default position i.e. 38 hours must be worked at plain time before any premium rates become applicable.

Whilst there are obvious areas upon which both parties may be unable to agree, there is some common ground between us, upon which to build. We both hold the same vision, namely, to grow the use of our National Agreement, NAECI. Only by working together and making constructive progress on a way forward can we make NAECI more attractive to clients and achieve this vital goal.

Yours sincerely

A handwritten signature in black ink, appearing to read "Michael J Hockey", enclosed within a hand-drawn oval.

Michael J Hockey
Managing Director

CC. Steve Kemp GMB
Jock Simpson NJC