

# Mechanical Engineering and Building Services Contractors Association



Submission in Respect of a Sectoral  
Employment Order in the Mechanical  
Engineering and Building Services Sector

August 2017

The Mechanical Engineering and Building Services Contractors Association (MEBSCA) is a trade association affiliated to the Construction Industry Federation (CIF). The CIF is an authorised trade union and the holder of a negotiation licence. MEBSCA consists of approximately 50 members, who are small, medium and large in size and who employ substantial numbers of plumbers, fitters and welders. In value terms MEBSCA members carry out approximately 80% of all mechanical projects in both the public and private sectors in the State.

MEBSCA supports the application to the Labour Court to examine the terms and conditions of employment in the mechanical engineering and building services sector. In principle, MEBSCA supports the establishment of a Sectoral Employment Order (SEO) to cover remuneration and pensions' assurance and sick pay for plumbers, fitters and welders, along with apprentices to these trades, working in the sector.

## **BACKGROUND**

Prior to the striking down of REAs in 2013, plumbers were covered by the terms of the Registered Employment Agreement for the Construction Sector (REA). A higher hourly rate for mechanical craftsmen was traditionally negotiated between MEBSCA, the TEEU and Unite in recognition of additional skills attained. The current agreement on rates of pay was negotiated in 2016 by MEBSCA, TEEU and Unite with the assistance of the WRC. This agreement is set out in Appendix 1.

## **SEO in the Mechanical Engineering and Building Services Sector**

It is MEBSCA's firm belief that an SEO is desirable in the mechanical contracting sector for the following reasons:

- It is a normal and desirable practice to have terms and conditions relating to remuneration, pensions and sick pay in the mechanical contracting sector. The terms and conditions of workers in this sector were covered by the REA for the construction industry, with a higher rate payable to these workers in recognition of additional skills attained. Since the Supreme Court Judgment in the McGowan case, the parties continued to meet and new rates of pay were negotiated in 2016, as set out in Appendix 1.
- Prior to the striking down of REAs, it was a statutory requirement for plumbers and apprentice plumbers over the age of 20 to be registered in a pensions and sick pay scheme. Mechanical workers and mechanical apprentices are hourly paid workers and are paid in accordance with hours worked. A sick pay scheme whereby workers can receive payment for absences due to illness is undoubtedly beneficial to the workers concerned. MEBSCA is also supportive of a pension scheme that provides income on retirement to mechanical workers. MEBSCA is supportive of a scheme that provides benefits equal to, or greater than, those provided by the Construction Workers Pension Scheme (CWPS) (see Appendix 2). The CWPS is a defined contribution scheme with a hybrid element, and it is transferable. The Scheme has won

numerous awards and was regarded as providing the best value for money in the industry. The CWPS is a non-profit scheme and any surplus made is put back into the Scheme.

- All public sector contracts contain a *fair wages* clause which stipulates that contractors must continue to observe the terms and conditions set out in the previously registered employment agreement.
  - An SEO in the mechanical engineering and building services sector which sets legally binding rates of pay and provides for pensions and sick pay will undoubtedly promote harmonious relations between employers and workers in the sector.
  - An SEO will provide a means for the orderly resolution of disputes concerning remuneration and pensions/sick pay. MEBSCA members carry out the vast majority, if not all, of the mechanical work associated with the large multi-national firms investing in Ireland. These sites, along with all other sites under public and private contracts, employ large numbers of mechanical workers. A means of resolving disputes in an orderly fashion is essential to ensure projects are completed on time and within budget.
  - An SEO will provide certainty as it will establish rates of pay for a minimum of one year.
  - The current tendering process whereby mechanical contractors tender to the principal contractor for work has contributed to intensifying competition between contractors. Since the striking down of the REA, this practice has led to an erosion of the quality of employment conditions in the sector as competition between mechanical contractors to win work intensified. An SEO would set legally binding rates which would eliminate the opportunity to erode employment conditions as a means of securing projects.
  - As the economy continues to recover, activity in the sector will increase. Investment in new technologies, training and health and safety will be required to ensure the sector is capable of delivering a high quality product. Where labour is taken out of competition, investment in new technologies and training, in particular, will be required to provide contractors with a competitive advantage.
  - Employment levels in the sector are determined by the level of work available. As the economy continues to recover there will be a greater need for new entrants. A sector that provides good quality employment, with reasonable and sustainable rates of pay and conditions of employment will entice new entrants into the apprenticeship system.
  - It has been a feature of the industry that contractors from outside the State, with a lower cost base, enjoy a competitive advantage over Irish mechanical contractors. An SEO will ensure that all mechanical contractors, including those from outside the State, can tender for work on a level playing field.
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## **Dispute Resolution Procedures**

MEBSCA request the Labour Court to take the following dispute resolution procedures into consideration. This procedure has been recommended by the Court to the Minister in the SEO for the construction sector.

If a dispute occurs between workers to whom the SEO relates and their employers no strike or lock-out, or other form of industrial action shall take place until the following procedures have been complied with. All sides are obliged to fully comply with the terms of the disputes procedure.

### Individual Dispute

- a) The grievance or dispute shall in the first instance be raised with the employer at local level with a requirement to respond within 5 working days. Notice in writing of the dispute shall be given by the individual concerned or his trade union to the relevant organisation representing employers or to the employer directly.
- b) If the dispute is not resolved it shall be referred to the Adjudication Service of the WRC.
- c) Either party can appeal the outcome of the Adjudication Hearing to the Labour Court.

### Collective Dispute

- a) The grievance or dispute shall be raised in the first instance with the employers with a requirement to respond within 5 working days. Notice in writing of the dispute shall be given by the workers concerned or their trade union to the relevant organisation representing employers or to the employer directly.
  - b) If the dispute is not resolved the issue shall be referred to the Conciliation Service of the WRC.
  - c) If the issue remains unresolved, it shall be referred to the Labour Court for investigation and recommendation.
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In summary, an SEO that provides decent, sustainable and realistic remuneration, pensions and sick pay will benefit the mechanical contracting sector insofar as:

- An SEO will ensure contractors can compete on a level playing field.
- An SEO will promote harmonious relations between employers and their workers.
- An SEO will provide certainty in terms of labour costs for a minimum of one year.
- An SEO will provide stability in terms of dispute resolution procedures. This will entice investment as clients will have the confidence in the sector's ability to deliver projects without unnecessary delays due to industrial action.
- An SEO that establishes realistic and sustainable rates of pay will serve to attract bright, young people into a sector which is forecasted to grow.
- An SEO will ensure investment in new technologies, training, health and safety, etc., thereby raising the standard of mechanical contracting in Ireland.
- An SEO will make the sector more attractive to investors, both nationally and internationally.

### **Conclusion**

In principle, MEBSA supports the establishment of an SEO. The Association is supportive of realistic and sustainable rates of pay, pensions and sick pay for mechanical workers and mechanical apprentices. The Association believes an SEO will contribute to raising standards in the sector, thereby enticing further investment. This in turn will not only increase employment but ensure that quality employment is being provided.

END

9 August 2017

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# APPENDIX 1

Agreement Between MEBSCA,  
TEEU and Unite on Hourly Rates 2016

# MECHANICAL ENGINEERING & BUILDING SERVICES CONTRACTORS' ASSOCIATION

Construction House, Canal Road, Dublin 6. Tel : (01) 4066000 Fax : (01) 4966953 E-Mail: m&e@cif.ie Website: www.cif.ie  
14 July 2016

To : All Association Members

Re : Agreement with TEEU and Unite on Increase in Hourly Rates

Dear Member

The proposals drawn up by the WRC to settle the pay claims lodged by the TEEU and Unite have now been accepted by all parties. The agreement provides for the following

- 1 July 2016 2.4% increase in craft rate
- 1 January 2017 2.5% increase in craft rate
- 1 October 2017 2.4% increase in craft rate
- 1 March 2018 2.5% increase in craft rate
  
- Agreement expires on 30 September 2018
  
- The parties are committed to the introduction of an SEO for the sector

Please see attached rate sheet which takes account of the above increases.

Please note that the apprentice rates, the construction operatives' rates and juvenile operatives' rates are linked to the hourly rates in the REA. There rates may change some time after 1 July 2016 depending on the outcome of discussions on the SEO.

Talks will get underway as soon as possible on the introduction of an SEO for the mechanical engineering and building services sector.

If you require further clarification on the above, please feel free to contact the undersigned.

Yours faithfully



Jean Winters  
Director  
Industrial Relations and Employment Services

**MECHANICAL ENGINEERING AND BUILDING SERVICES CONTRACTORS ASSOCIATION**

**HOURLY WAGE RATES**

	4 -2-2011 €	1-7-2016 (2.4% Increase) €	1-1-2017 (2.5% increase) €	1-10-2017 (2.4% increase) €	1-3-2018 (2.5% increase) €
<b>Craftsmen</b>					
1 <sup>st</sup> year out of time	20.63	21.13	21.66	22.18	22.73
2 <sup>nd</sup> year out of time	20.92	21.42	21.96	22.49	23.05
3 <sup>rd</sup> year out of time	21.06	21.57	22.11	22.64	23.21
4 <sup>th</sup> year out of time	21.18	21.69	22.23	22.76	23.33
5 <sup>th</sup> year out of time	21.31	21.82	22.37	22.91	23.48
6 <sup>th</sup> year out of time	21.42	21.93	22.48	23.02	23.60
<b>THE FOLLOWING RATES ARE LINKED TO THE REA AND ARE SUBJECT TO CHANGE SOME TIME AFTER 1 JULY 2016 (to be advised)</b>					
	4-2-2011		1-7-2016 (no change)		
	€		€		
<b>Apprentices (% of REA craft rate)</b>					
1 <sup>st</sup> year 33 1/3%	5.73	5.73	5.73	5.73	5.73
2 <sup>nd</sup> year 50%	8.61	8.61	8.61	8.61	8.61
3 <sup>rd</sup> year 75%	12.91	12.91	12.91	12.91	12.91
4 <sup>th</sup> year 90%	15.49	15.49	15.49	15.49	15.49
<b>Construction Operatives (% of REA craft rate)</b>					
Grade A 97%	16.69	16.69	16.69	16.69	16.69
Grade B 91%	15.66	15.66	15.66	15.66	15.66
Grade C 88%	15.14	15.14	15.14	15.14	15.14
Grade D 80%	13.77	13.77	13.77	13.77	13.77
<b>Juvenile Operatives</b>					
16 years	5.51	5.51	5.51	5.51	5.51
17 years	6.89	6.89	6.89	6.89	6.89

- Please note that the above craft rate includes the first hour of travel where applicable





An Coimisiún um Chaidreamh san Áit Oibre  
Workplace Relations Commission

Teach Thomás Mac Seáin, Bóthar Haddington, Baile Átha Cliath 4, Éire  
Tom Johnson House, Haddington Road, Dublin 4, Ireland  
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19 May 2017

Ms Jean Winters  
CIF  
Construction House  
Canal Road  
Dublin 6

Dear Ms Winters

I refer to the conciliation conferences between representatives of the CIF and Unite and the TEEU concerning members employed in the mechanical contracting industry.

The issues in dispute between the parties have necessitated a prolonged process of engagement at the Workplace Relations Commission. This process has resulted in the proposal below on pay being recommended for acceptance by all the parties.

#### **Proposal**

1. The hourly rates for members working in the mechanical contracting industry will increase as follows:  
  
**2.4% on 1 July 2016**  
**2.5% on 1 January 2017**  
**2.4% on 1 October 2017**  
**2.5% on 1 March 2018**
2. This agreement will expire on the 30th September 2018.
3. The parties are committed to applying to the Labour Court for a Sectoral Employment Order (SEO).

Yours sincerely

Brendan Cunningham  
Industrial Relations Officer

## Overtime

Monday – Friday	Normal finishing time to midnight	time plus a half
	Midnight to normal starting time	double time
Saturday	first four hours from normal starting time	time plus a half
	Thereafter	double time
Sunday	All hours worked	double time

## Travel Time

To apply to the cities of Dublin, Cork, Limerick, Waterford and Galway in accordance with the previously Registered Employment Agreement.

The first hour of travel allowances is included in the rate.

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# APPENDIX 2

Pensions and Sick Pay  
(CWPS)

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## **Pensions and Sick Pay**

### **4.2.1 Pensions and Death in Service**

MEBSCA is seeking the inclusion of a pension and sick pay scheme for plumbers, fitters and welders and apprentices to these trades who are aged between 20 and 65. We are also seeking the option to calculate contributions on a daily or weekly basis. Our submission relating to pensions and sick pay is set out hereunder.

Every employer to whom the SEO applies shall participate in an SEO pension scheme that meets the pensions' requirements of the SEO.

#### **Pension Scheme Structure**

The pension scheme to which the SEO applies ("**SEO pension scheme**") should include the following features and benefits:

1. An SEO pension scheme should be an Occupational Pension Scheme which is registered with and regulated by the Pensions Authority.
  2. Recognising the flexible nature of employment across employers within the construction sector and related industries (the Sector), an SEO pension scheme should be established as a multi-employer scheme open to all employers in the Sector.
  3. Whilst a member remains employed within the Sector, members should be able to have a single individual pension account within the SEO pension scheme thereby enabling successive employers of the member to contribute to the member's account provided the employer has joined itself to the SEO pension scheme.
  4. Where an employee member leaves service of an employer, the contributions which have been paid by the employee and the employer in respect of the member will be retained in full within the SEO pension scheme in the individual account of that member.
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5. The rules of an SEO pension scheme should not permit a member to take a refund of their own contributions prior to reaching retirement age.
6. Bodies that are representative of both employers and unions involved in the Sector must appoint the members of the SEO pension scheme trustee. The constitution of the Trustee Board should also include representatives of both employers and employees in the Sector.
7. In addition to providing pension benefits, an SEO pension scheme must also provide an additional Death in Service benefit with members covered for this benefit upon joining the scheme.
8. An existing pension scheme at the time the SEO comes into force may qualify as an SEO pension scheme provided it complies with the terms of the SEO or is adapted to so comply.
9. An SEO pension scheme must disclose and publicise information about the pension scheme's charges and who bears them. There must be full transparency of charges and this information should be disclosed in the scheme's Trustee Annual Report as well as provided to each member when joining. The total annual charges borne by members should be disclosed and must include all administration costs, Trustee costs, distribution costs, fund management costs, actuarial, accounting, legal and auditing fees and all other charges incurred by the SEO pension scheme.

## 10. Scheme Design

The terms and conditions applying under an SEO pension scheme and benefits to be provided must be at least as great as that described below.

### 10.1. Eligibility

An SEO pension scheme must at least provide for an employee of a participating employer in the Sector to be eligible for membership of the scheme provided they have attained age 20 but not yet attained age 65.

### 10.2. Relevant Pension Contributions

Employers and their employees working in the construction sector and related industries (the Sector) must contribute to an SEO pension scheme.

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Contributions should be remitted by employers to an SEO pension scheme in accordance with all relevant pension and other legislative requirements.

### 10.3. Pension Benefits

- a) Members' pension benefits within an SEO pension scheme should be based on the full value of their individual pension funds and there should be no deductions from the contributions paid or when the funds are drawn down.
- b) The Trustees of the Scheme will invest each member's pension contributions and these along with the investment returns declared, net of charges, will determine the value of the member's pension fund.

### 10.4. Retirement

Normal Retirement Age shall be age 65. However a member may be permitted to retire from age 60 (at the discretion of the scheme trustee). When a member retires, he or she should be able to choose from a range of options based on their entire fund value in line with applicable pension and tax legislation. One of the options which must be available is the provision of a pension for life for the member.

### 10.5 Death in Service Benefits

- a) Every employer to whom the SEO applies must participate in an SEO pension scheme that provides a death in service benefit for the deceased member's dependants. The death in service benefit should be in addition to the benefits provided for the dependants based on the full value of the member's pension fund.
  - b) Provided the employee has completed a once-off initial qualifying contribution period, inclusion for death in service benefits shall be automatic on becoming a member of the SEO pension scheme, without medical underwriting or by reference to any previous medical conditions of the member. In the event of the member moving to another participating employer within the Sector, the member should not be required to complete any further qualifying period in order to be covered for death in service benefits.
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- c) Death in Service Contributions will form part of the overall contribution rate of an SEO pension scheme with a portion payable by both the member and employer in addition to the pension contributions.
  - d) Contributions should be remitted by employers to an SEO pension scheme in accordance with all relevant pension and other legislative requirements.
  - e) If a member had met the requirements for the full lump sum death in service benefit, but then leaves service and dies within four weeks of doing so without being re-employed in the Sector, the SEO pension scheme should provide a modified lump sum benefit in addition to the value of their pension account.
  - f) Death in Service benefits should be payable regardless of cause or timing of death, so long as the member meets the qualification conditions for inclusion for Death in Service benefits as set out above.
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#### 4.2.2 Sick Pay Scheme

Every employer to whom the SEO applies must have in place a provision for Sick Pay benefits for each employee covered in the SEO.

#### **Sick Pay Scheme Structure**

The sick pay scheme to which the SEO applies (“**SEO Sick Pay Scheme**”) should include the following features and benefits.

#### **Sick Pay Scheme Structure**

1. An SEO Sick Pay Scheme should be a funded arrangement with contributions held in Trust and independently administered and managed. An SEO Sick Pay Scheme should facilitate participation by multiple employers to reflect the flexible nature of employment within the Sector.
  2. The main purpose of an SEO Sick Pay Scheme is the provision of benefits for every worker for periods of illness or injury while in the employment of employers to whom this SEO applies.
  3. The Sick Pay Benefit should be paid to each employee without the need for underwriting or reference to previous medical conditions. Entitlement to Sick Pay Benefits should be unaffected and uninterrupted as employees transfer from one employer to another within the Sector.
  4. The Sick Pay Benefits provided by an SEO Sick Pay Scheme should be in addition to any sickness, illness or invalidity benefits payable by the State through the social insurance system.
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## **Sick Pay Conditions & Benefits**

### 5. Eligibility

Inclusion for Sick Pay Benefits will be automatic on becoming a member of an SEO Sick Pay Scheme. No charges should be incurred by either employers or members for Sick Pay benefit provision, other than the relevant contributions required to provide the benefits.

### 6. Sick Pay Contributions

- a) An SEO Sick Pay Scheme should be a contributory sick pay scheme with contributions payable by both employers and employees.
- b) A member shall not lose accrued Sick Pay Benefit rights or entitlements as a result of changing employment within the Sector as accrued service will transfer to the next employer to whom the SEO applies.
- c) Employers who fail or neglect to make the authorised deduction shall be liable for the total contribution required to ensure that the worker's Sick Pay Benefits are maintained in full for the period of service with them.

### 7. Relevant Benefits

- a) An SEO Sick Pay Scheme shall provide for the payment of a standard Sick Pay Benefit for a specified duration and the benefit and duration should be disclosed to participating employers and members.
  - b) An SEO Sick Pay Scheme may include a waiting period during which a member would not be entitled to any benefit from the scheme whilst initially absent due to illness or injury. This waiting period should not exceed the first five working days of disability.
  - c) An SEO Sick Pay Scheme should facilitate continuity of Sick Pay Benefit from the Scheme from the first working day of disability where a claimant has returned to work for a period of two working days or less. This is provided that the sick pay
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entitlement from the scheme has not been exhausted by reference to the duration limitations referenced earlier.

- d) An SEO Sick Pay Scheme should facilitate provision of a Supplementary Sick Pay Benefit if the claimant has no entitlement to Social Welfare benefit due to inadequate number of Social Welfare contributions.
  
- e) An SEO Sick Pay Scheme may set appropriate limitations on the maximum duration for which a Sick Pay Benefit may be payable. These must be clearly documented and disclosed to participating employers and members. The maximum duration under an SEO Sick Pay Scheme should not be any lower than a period of 10 weeks in any calendar year, whether for a single claim or in aggregate in a scheme year.

The current weekly contributions regarding pensions and sick pay are as follows:

*Current Pensions, Death in Service and Sick Pay Contributions*

	Employer	Member	Total
Pension Contribution	€26.63	€17.76*	€44.39
Death in Service Contribution	€1.11	€1.11*	€2.22
Sick Pay Contribution	€1.27	€0.63	€1.90
<b>Standard Contribution Total</b>	<b>€29.01</b>	<b>€19.50</b>	<b>€48.51</b>