APPENDIX A

Construction Industry Federation

Submission in Respect of a Sectoral Employment Order in the General Construction Sector

3rd February 2023

Chairman and Members of the Labour Court

This submission is made by the Construction Industry Federation (CIF) representing contractors and employers operating in the construction sector. CIF is a registered trade union under the Trade Union Acts 1871-1975 and is the representative body for firms in the construction industry in Ireland. CIF is recognised by Government and all stakeholders as the voice for construction employers.

Our members, who are involved in general building, civil engineering, specialist sub-contracting activities and house building, employ substantial numbers of craft workers, general operatives (GOs) and apprentices in the sector. In 2016, CIF applied to the Labour Court under s.14 of the Industrial Relations (Amendment) Act 2015, as a result of which the first Sectoral Employment Order (Construction Sector) 2017 (SEO) was introduced. The second SEO in the construction sector was introduced in 2019, and this SEO was amended by Statutory Instrument No 598 in 2021.

On 9th December 2022 ICTU, on behalf of the Construction Industry Committee, applied to the Labour Court in accordance with s.14 of the Industrial Relations (Amendment) Act 2015 to request the Court to examine the terms and conditions relating to the remuneration and pensions/sick pay of craftworkers, general operatives and apprentices working in the construction industry. This submission is being made in response to that application.

INTRODUCTION

The first SEO in the construction sector was introduced four years after the striking down of REAs by the Supreme Court in 2013. Prior to their striking down, REAs existed in the industry for decades. The absence of a legally binding mechanism for setting wages in the industry in the period from 2013 to 2017, together with an extremely severe recession and low levels of construction activity, resulted in a general reduction in hourly rates nationally. Depending on the availability of work, many contractors and their employees negotiated hourly rates downwards to ensure the survival of the business and continuity of employment. From 2016 onwards, the industry was beginning to emerge from recession. CIF applied to the Labour Court for an SEO towards the end of 2016 in an attempt to re-introduce a mechanism for setting legally binding rates of pay and terms and conditions of employment in the sector.

The first SEO in the sector, S.I. No. 455/2017 SEO (Construction Sector) 2017, was introduced in October 2017. This SEO introduced a legally binding hourly rate of €18.93 for craft workers. This rate represented an increase of 10% for those craft workers in receipt of the old REA rates, and a significantly higher increase for workers who had negotiated new rates of pay with their employers.

ICTU applied for a new SEO in December 2018. Following this application, SI 234/2019 was introduced which provided for increases in pay of 5.4%, to be paid in two moieties. The first increase of 2.7% was applied on 1st October 2019 and the second increase of 2.7% was applied on 1st October 2020.

The third, and current SEO, was signed into law in November 2021. This SEO, SI 598/2021, provided for an increase in pay of 2.8% on 1st February 2022, and a further increase of 2.8% on 1st February 2023.

CIF is supportive of SEOs. They are beneficial to the industry in that they enable contractors to tender for work on a level playing field. Labour and materials are the main cost elements included in a tender. Where labour costs are set, contractors can tender for work in the knowledge that their competitors are also bound by the labour costs associated with the SEO. A competitive advantage is found by investing in training, new technologies, etc. SEOs also provide good rates of pay and terms and conditions of employment for construction workers. These conditions will serve to entice new entrants into the sector.

ICTU sought a meeting with CIF in September 2022 to discuss the impact of inflation on their members. A meeting took place in November at which ICTU advised that it was their intention to apply to the Labour Court under s.14 If the Industrial Relations (Amendment) Act 2015. The purpose of the application is to amend the SEO to provide for additional increases in pay. This application was made in December 2022.

While we recognise the right of the union side to apply to the Court to amend the terms of the SEO, our members were of the view that, with the exception of the increase in pay of 2.8% which was applied on 1st February 2023, no further increases in pay would be due until at least 2024. The application by ICTU to amend the current SEO was made prior to the second increase in pay being applied under the current SEO. Contracts priced for 2023, therefore, included one increase in pay for 2023 only. Contracts are generally awarded on a fixed-price basis and, therefore, increased costs are not recoverable.

The current high level of inflation is due to bottlenecks associated with Covid-19, supply chain issues and the war in Ukraine. CIF members have experienced substantial increases in energy costs and materials. While inflation is reducing, it is anticipated that it will remain at high levels in 2023 before reducing to more moderate levels in 2024.

In recognition of the current exceptional circumstances, CIF proposes that the following additional increases in pay are provided in an amended SEO:

1st July 2023	1% increase in pay
1st July 2023	1% increase in pension contributions
1st July 2024	3% increase in pay
1st July 2024	3% increase in pensions

The proposal set out above is elaborated on further in this submission.

This submission is structured on the following basis:

Part 1 Sections 15 and 16 of the Industrial Relations (Amendment) Act 2015.

Part 2 (a) Submission in relation to amendments to current SEO (S.I. 598 of 2021):

- Inclusion of increase in pay of 1% on 1st July 2023
- Inclusion of increase in pay of 3% on 1st July 2024
- Inclusion of increase in pension contributions of 1% on 1st July 2023
- Inclusion of increase in pension contributions of 3% on 1st July 2024

(b) Submission in relation to objection to the inclusion of travel allowances in an amended SEO.

Part 3 Economic argument in support of Part 2.

PART 1

INDUSTRIAL RELATIONS (AMENDMENT) ACT 2015

Introduction

CIF is supportive, in principle, of a mechanism that sets pay and conditions of employment for construction workers.

Following the collapse of the REA system in 2013, and the introduction of the Industrial Relations (Amendment) Act in 2015, CIF applied for the first SEO in the construction sector in 2016. The 2015 Act re-established a mechanism for setting pay and conditions of employment for construction workers. Labour and material costs form a substantial portion of any project, and an ability to tender on a level playing field with regard to labour costs is essential in an industry where competition for work is intense.

Two further SEOs have been introduced following applications to the Court by ICTU. The current SEO was signed into law by the Minister of State at the Dept of Enterprise, Trade and Employment in November 2021.

s.15 (1)(a) – Substantially Representative

In accordance with the report by the Nevin Research Institute, which was included with the unions' application, CIF accepts that the applicants are substantially representative of craft workers, apprentices and general operatives in the construction sector.

s.15((1)b) – Universal Applicability

CIF accepts that the application submitted by ICTU refers to all craft workers, apprentices and general operatives employed in the construction sector.

s.15(1)(c) – Normal and Desirable Practice / Expedient to have Separate Terms & Conditions for Construction Workers

It is normal and desirable practice to have terms and conditions relating to remuneration, pensions and sick pay applied to all craft workers, apprentices and general operatives in the construction industry. These workers are currently covered by the SEO (Construction Sector) 2021.

In the period from 1967 to 2013, the terms and conditions of employment for workers in the construction sector were covered by the Registered Employment Agreement (Construction Industry Wages & Conditions of Employment). This REA was varied on 25 occasions prior to it being struck out by the Supreme Court in 2013.

Following the introduction of the Industrial Relations (Amendment) Act 2015, which re-introduced a mechanism for setting terms and conditions in a sector, general construction workers have been covered by three SEOs – in 2017, 2019 and 2021.

Therefore, with the exception of four years between 2013 and 2017, a system for setting pay and conditions for craft workers, apprentices and general operatives has existed in the construction industry for more than five decades.

The industry is labour intensive and due to their universal application, SEOs provide a level playing field for contractors when tendering for work. SEOs also provide good rates of pay and terms and conditions of employment for workers in the industry. As such, SEOs assist in attracting new workers which is essential for the sustainability of the industry.

s.15(1)(d) – Harmonious Relations Between Workers and Their Employers

An SEO which sets legally binding rates of pay, pension and sick pay contributions for all construction workers will make a substantial contribution towards ensuring harmonious relations between employers and workers in the sector. Workers in the sector are transient by nature and tend to move from employer-to-employer as work dictates. An SEO will ensure that all workers, regardless of employer, will be entitled to the same terms and conditions of employment. An SEO that sets an entitlement to pay and conditions of employment in a Statutory Instrument will, therefore, eliminate disputes on these issues between individual workers and their employers.

It is essential in an industry that employs substantial numbers of workers that all workers are entitled to the same rates of pay, and terms and conditions of employment. A construction site can comprise of a number of different employers. An SEO ensures that all workers, regardless of their employer, are entitled to the same terms and conditions of employment. An SEO, therefore, assists in the promotion of harmonious relations between workers and their employers in the industry.

S.16(2)(a) – Potential Impact on Levels of Employment and Unemployment

Employment levels in the sector are determined by the level of work available. As the economy grows there will be a greater need for new entrants. A sector that provides good quality employment, with decent and sustainable rates of pay and conditions of employment will entice new entrants into the apprenticeship system.

New workers will be required to meet the targets set out in the National Development Plan, the Housing for All scheme and the Climate Action Plan.

The absence of legally binding rates of pay and conditions of employment will provide those contractors from outside the State who have a lower cost base with a competitive advantage over Irish construction employers. An SEO will ensure that all construction firms, including those from outside the State, can tender for work on a level playing field. This is particularly important for contractors operating in the border counties who face competition from Northern Irish firms.

An SEO that sets legally binding rates of pay and conditions of employment will ensure that the current high levels of employment in the sector can be maintained.

s.16(2)(b) – Relevant National Agreement in Existence

(a) General Construction Sector

Workers and employers in the industry are currently covered by the terms of the SEO (Construction Sector) 2021. This SEO provided for increases in pay and pensions as follows:

1st February 2022	2.8% increase in pay
	2.0% increase in pensions
1st February 2023	2.8% increase in pay
	2.0% increase in pensions

(b) Mechanical Engineering and Building Services Sector

Workers employed in the mechanical engineering and building services contracting sector are currently covered by the SEO (Mechanical Engineering Building Services Contracting Sector) 2018.

Over the last four years, attempts to amend the terms of this SEO have been fraught with difficulty. It is likely, however, that a fresh application, under s.14 of the Industrial Relations (Amendment) Act 2015 will be made in due course. In the meantime, an industrial relations agreement was reached at the WRC in February 2022 to provide mechanical workers employed by members of the Mechanical Engineering and Building Services Contractors Association (MEBSCA) with the following increases:

29th April 2022	2.8% increase in pay
	2.0% increase in pensions
1st January 2023	2.8% increase in pay
	2.0% increase in pensions

The above agreement was negotiated between MEBSCA on the employer side, and Connect Trade Union and Unite the Union on the employee side.

(c) Electrical Contracting Sector

Electricians employed in the electrical contracting sector were covered by the SEO (Electrical Contracting Sector) 2021. This SEO was struck out by the High Court in October 2022 following a challenge taken by an association of electrical contractors outside the sphere of the CIF.

The Electrical Contractors Association (a constituent Association of the CIF), the Association of Electrical Contractors Ireland and Connect Trade Union are parties to the Electrical National Joint Industrial Council (ENJIC). Agreement was reached at the ENJIC that, in the interests of maintaining good industrial relations, the terms of the SEO of 2021 would continue to be observed. The parties also agreed to make a joint application to the Labour Court for a new SEO in due course. The electrical SEO provided for the following:

1st February 2022	2.8% increase in pay
	2.0% increase in pensions
1st February 2023	2.8% increase in pay
	2.0% increase in pensions

(d) Public Sector Pay Deal – Building Momentum

Craft workers and general operatives employed by Local Authorities are covered by the terms of the pay agreement in the public sector, *Building Momentum.* This agreement, which was reviewed in 2022, provides for the following:

- 1st October 2021 1% increase in pay (or €500, whichever is greater)
- 2nd February 2022 3% increase in pay*
- 1st October 2022 1% increase in pay (or €500, whichever is greater)
- 1st March 2023 2% increase in pay*
- 1st October 2023 1.5% (or €750, whichever is greater)*

In addition to the above, a sectoral bargaining fund of 1% to be applied from 1st February 2022.

(denotes the revised agreement)*

s.16(2)c) – Potential Impact on Competitiveness

The tendering process whereby contractors tender to the principal contractor, or directly to the client, for work contributes to intensifying competition between contractors. The absence of legally binding terms and conditions of employment for workers employed in the sector would undoubtedly lead to an erosion of the quality of employment conditions in the sector as competition between contractors to win work intensifies. Where intense competition for work exists, the cost of investing in training is critically examined by employers. An SEO that sets legally binding labour costs eliminates the opportunity to erode employment conditions as a means of securing projects.

Activity in the sector will increase to meet the targets set out in the National Development Plan, Housing for All and the National Climate Action Plan. Investment in new technologies, training and health and safety will be required to ensure the sector can continue to deliver a high-quality product. Where labour is taken out of competition, investment in new technologies and training provides contractors with a competitive advantage when tendering for work.

S.16(2)(d) – Level of Remuneration in Other Sectors

Building Momentum 2021 – 2023

Rates of pay for craft workers and general operatives employed by Local Authorities are based on a scale of 13 points (see below).

Local Authorities Rates from 1st October 2022

	Start	**Mid-Point**	**Top**
Craftworker	€18.01	€19.50	€20.99
Craftworker's Mate	€15.04	€16.14	€17.24
General Operative (outside Dublin)	€15.24	€16.24	€17.24

The above rates are due to increase by 2% in March 2023, and again by 1.5% in October 2023.

s.16(2)(e) – SEO Binding on All Workers

The CIF is supportive of an SEO that ensures that all craft workers, apprentices and general operatives employed in the sector are covered by the terms of the SEO.

s.16(4)(a) – Harmonious Relations/ Avoidance of Industrial Unrest

See also submission in respect of s.15(1)(d) (page 6) regarding the promotion of harmonious relations between workers and employers.

The current SEO provides a mechanism for resolving disputes that may arise at local level or national level. This procedure has undoubtedly contributed towards industrial peace and the avoidance of industrial unrest in the sector.

The industry employs substantial numbers of construction workers. It is essential that clients and investors have confidence in the industry's ability to resolve any disputes that may arise in an orderly manner. A disputes resolution procedure that is binding on employers and workers is essential in ensuring that clients, including multi-nationals, who are considering investing in Ireland can do so in the knowledge of good industrial relations practices.

s.16(4(b)(i) – High Standards of Training and Qualification

The setting of legally binding rates of pay and conditions of employment creates a level playing field in terms of labour costs when tendering for work. This in turn eliminates the opportunity to erode employment conditions as a means of undercutting a competitor to secure a project.

Where labour costs are set for every contractor in the sector, contractors must look to gain a competitive advantage elsewhere when tendering for projects. This will lead to investment in new technologies, training and health and safety.

s.16(4)(b)(ii) – Fair and Sustainable Rates of Remuneration

The industry values its workforce and construction workers are well paid. The REAs in the sector, and the subsequent SEOs, have ensured that construction workers continue to be well paid and not out of line with other workers in the economy in terms of pay.

It is essential, however, that remuneration and pension contribution rates are set at realistic and sustainable levels. While the predictions for the industry are positive, the industry is facing a number of serious challenges which, if not managed appropriately, could threaten the survival of many companies. These challenges include the continued disruption caused by Covid-19, Brexit, a global recession, supply chain issues, increases in the cost of building materials and, consequently, inflation.

There is grave concern amongst our members that the trade union side is ignoring these very serious challenges in pursuit of substantial increases in pay. Together with the disruption caused by Covid-19, the inflationary pressures currently in place could threaten the survival of many firms who are locked into fixed priced contracts and, therefore, have no recourse to recover increased costs. We have expanded on these challenges in economic arguments set out in Part 3 of this submission.

PART 2

CONTENT OF AMENDED SEO

(a) AMENDMENTS TO S.I. 598/2021

CIF submit that S.I No. 598 of 2021 – Sectoral Employment Order (Construction Sector) 2021 is amended as follows:

1.1 Hourly Rates of Pay

The following hourly rates of pay (effective from 1st February 2023) are included in S.I 598/2021:

Craft Worker	*€21.09*
Category A Worker	*€20.47*
Category B Worker	*€18.99*
New entrant Worker	*€15.35*
Apprentice	*Year 1 – 33.33% of craft rate*
	Year 2 – 50% of craft rate
	Year 3 – 75% of craft rate
	Year 4 – 90% of craft rate

CIF submit that (a) the above hourly rates are included in an amended SEO, and (b) the following rates of pay are also included:

Hourly Rates Effective From 1st July 2023 to 30th June 2024 (inclusive of an increase of 1%):

Craft Worker	€21.30 per hour
Category A Worker	€20.67 per hour
Category B Worker	€19.18 per hour
New entrant worker	€15.50 per hour

Apprentice	Year 1 - 33.33% of craft rate
	Year 2 – 50% of craft rate
	Year 3 – 75% of craft rate
	Year 4 – 90% of craft rate

Hourly Rates Effective From 1st July 2024 to 30th June 2025 (inclusive of an increase of 3%):

Craft Worker	€21.94 per hour
Category A Worker	€21.29 per hour
Category B Worker	€19.76 per hour
New entrant worker	€15.97 per hour
Apprentice	Year 1 - 33.33% of craft rate
	Year 2 – 50% of craft rate
	Year 3 – 75% of craft rate
	Year 4 – 90% of craft rate

1.2 Pension Contributions

The following pension contributions (effective from 1st February 2023) are included in S.I.598/2021:

Pension Contributions from 1st February 2023

Employer daily rate	*€5.84 (weekly - €29.22)*
Employee daily rate	*€3.90 (weekly - €19.50)*
Total contribution daily per employee	*€9.74*
Total contribution weekly per employee	*€48.70*

CIF submit that (a) the above contribution rates are included in an amended SEO and (b), the following contribution rates are also included:

Pension Contribution Rates Effective from 1st July 2023 to 30th June 2024:

Employer daily rate	€5.90 (weekly - €29.50)
Employee daily rate	€3.94 (weekly - €19.70)

Total contribution daily per employee	€9.84
Total contribution weekly per employee	€49.20

(The above contribution rates are inclusive of an increase of 1%.)

Pension Contributions from 1st July 2024 to 30th June 2025:

Employer daily rate	€6.08 (weekly - €30.40)
Employee daily rate	€4.06 (weekly - €20.30)

Total contribution daily per employee	€10.14
Total contribution weekly per employee	€50.70

(The above contribution rates are inclusive of an increase of 3%.)

With the exception of amendments to hourly rates and pension contributions, CIF is not seeking any further amendments to S.I.598/2021.

(b) **TRAVEL ALLOWANCES**

CIF is strongly opposed to travelling allowances being introduced in an amended SEO for the following reasons:

(a) The introduction of one hour's travelling allowance per day represents an increase in pay of 12.8%.

(b) No other sector in the economy is obliged to pay a travelling allowance.

(c) For the past 10 years no legally binding travel allowances have existed in the industry.

(d) The former Registered Employment Agreement for the Construction Industry contained a clause on travel allowances to apply in the urban areas of Dublin, Cork, Limerick, Waterford and Galway. Outside of the Dublin City area all other travel agreements were conditional. There was no provision for travel allowances outside the urban areas.

(e) In the urban areas of Cork, Limerick, Waterford and Galway a series of conditions were attached to the agreements which meant that in the latter years of the REAs the majority of workers working on construction sites in these city areas were not entitled to a travel allowance. An example of the conditions attached to the various travel agreements included the clause in the Limerick Travel Agreement which stated that operatives were only entitled to a travel payment where they were sent outwards to work, in other words they had to move from city centre sites out to other sites in order for the travel payment to apply.

(f) As these cities grew, other conditions, such as the clause in the Waterford City Travel Agreement which mentioned the old city boundary and the new city boundary, meant that effectively on the majority of construction sites in Waterford city no travel payment was made. In Galway and Cork similar conditions arose with the result that travel was only paid on large pharmaceutical projects.

(g) The striking down of the REA in 2013 resulted in the discontinuation of travelling allowances being paid to the majority of workers, including those in Dublin.

(h) The original intention of the travel agreement in urban areas was to compensate workers who had to pay bus fares to travel to sites throughout these cities. Travel allowances were introduced at a time when hourly rates of pay were at much lower levels. In the intervening time, pay has increased substantially. Construction workers are now regarded as well-paid workers.

(i) Contractors outside of the urban areas, in particular, have seen significant increases in labour costs since the introduction of the first SEO in October 2017. Covid-19 bottlenecks, supply chain disruption, and increases in energy costs and materials, have placed a substantial financial burden on construction companies To introduce a travel allowance on contractors located outside the urban areas, where travel was never paid in the past, would place an additional financial burden on contractors which could have the potential of threatening the very survival of many companies.

(j) The commercial viability of housing remains a significant challenge in the sector. The introduction of a minimum of one hour's travelling allowance (i.e. an increase of 12.8%) would have a significant impact on the commercial viability of residential developments throughout Ireland, especially in those regions where residential development and construction is not commercially viable, or where viability is marginal. Any increased costs may further stall residential housing projects at a time when the country is in the midst of a housing crisis.

It is, therefore, the case that the payment of travel allowances in the construction industry has been consigned to history. To introduce travelling allowances now would result in significant costs and place an undue financial burden on construction companies.

The current practice in the industry is that many contractors pay a subsistence allowance/country money, tax free, to workers who are transferred to sites which are over 20 miles from the contractors' base. This payment is €182 approx. (tax free) per week and is made in accordance with Revenue Commissioner Guidelines.

IMPLEMENTATION DATE/ LEAD-IN TIME

The duration of an average contract in the construction industry is one year. The vast majority of contracts are awarded on a fixed-price basis with the result that any increases in costs which arise during the course of the project cannot be recovered and, therefore, must be borne by the contractor. The timeframe between the awarding of the contract and the commencement of the contract must also be considered.

It is essential that sufficient lead-in time is in place to ensure that labour cost increases can be included in tenders going forward. As stated previously, there have been substantial increases in the cost of energy and materials and these costs cannot be recovered. It is essential, therefore, that firms have sufficient time to include the additional cost of labour into tender prices.

On previous occasions where a s.14 application has been made, CIF has argued strongly for sufficient lead-in time before an SEO takes effect. CIF is proposing an increase in pay of 1% on 1st July 2023. While this timeframe is tight, it is being proposed in recognition of the exceptional circumstances that currently exist. It should also be recognised that for the majority of contractors, it is unlikely that this increase will be recovered.

SUMMARY

To summarise, CIF respectfully makes the following submissions:

1. Increases in pay and pensions:

   - An increase in hourly rates of pay of 1% on 1st July 2023
   - An increase in pension contributions of 1% on 1st July 2023
   - An increase in hourly rates of 3% on 1st July 2024
   - An increase in pension contributions of 3% on 1st July 2024.

2. Travel Allowance

Travel allowances should not be provided for in the SEO. One hour's travel allowance per day represents an increase of 12.8%. The effect of the introduction of one hour's travel in regions and areas where it has never been paid, and in regions where it has ceased to be paid, would impose an unsustainable financial burden on contractors.

We request that the Court take into consideration the impact of the introduction of any future SEO in the construction industry in terms of an employer's ability to include any increases in labour costs into tender prices. We submit that the first increase in pay of 1% on 1st July 2023 is unlikely to be recovered as contractors could not have foreseen additional labour cost increases this year.

PART 3

ECONOMIC ARGUMENTS IN SUPPORT OF PART 2

Macroeconomic Outlook for 2023 and the Medium-term

The central expectation for the economy and labour market remains positive into 2023, albeit subject to inflationary and energy price pressures.

The ECB forecasts European GDP growth to reach 3.1% in 2022, before falling to 0.9% in 2023, and recovering to 2.3% in 2024.

Meanwhile, the domestic economy grew strongly in the first half of 2022, but domestic economic activity began to slow sharply towards the end of 2022. The economic effects of the war in Ukraine - principally rising energy prices and uncertainty about energy supplies - are leading to lower levels of consumption and investment.

Recent data from the CSO shows that construction output in Ireland fell by 4.5% from a year earlier in the third quarter of 2022[1], after two quarters of growth. A decline in production for both residential (-20.4% v 12.5% in Q3) and non-residential (-4.5% vs 6.9%) building offset a rebound in civil engineering works (4.8% vs -6.5%). On a seasonally quarterly basis, construction output decreased 2.7%, following a 2.8% drop in each of the previous two quarters.

The PNP Paribas Real Estate Construction Purchasing Managers Index (PMI) – December 2022 – reported that the end of 2022 saw the Irish construction sector remain in contraction territory as challenging economic conditions hit market demand. Falling workloads led some firms to reduce their staffing levels. Meanwhile, supply-chain delays remained pronounced and input prices continued to rise sharply, albeit the rate of inflation was the softest since early-2021.

The total activity index dropped to 43.2 in December 2022, down from 46.8 in November, and below the 50.0 no-change mark for the third month running. This latest decrease was sharp and the fastest since July 2022. PNP reported a general market slowdown amid challenging economic conditions. Activity decreased in all civil engineering, commercial and housing.

The drop in total construction activity coincided with a decline in new orders. Employment also decreased in December 2022 as firms responded to new workloads. Although modest, the reduction in staffing levels was the sharpest since March 2021.

Towards the end of 2022, the Department of Finance published revised macroeconomic and labour market forecasts for the period 2021-2025. Real GDP was forecast to grow by 10 % in 2022, before moderating to 4.7% in 2023. However, this reflects the growth from 2020's exceptionally low base and the strong performance of those industries focused on international export markets, such as manufacturing. The Department of Finance predicts that Modified Domestic Demand is forecast to grow by 7.7% in 2022, before falling sharply to 1.2% in 2023, and recovering to 3.3% in 2024.

[1] CSO

MACROECONOMIC GROWTH AND LABOUR MARKET FORECASTS 2020 – 2025					
	2021	2022	2023	2024	2025
Real MMD (% growth)	5.8	7.7	1.2	3.3	3.6
Real GDP (% growth)	**13.6**	10.0	4.7	**3.3**	**3.8**
Real GNI*	15.4	5.1	0.4	2.7	3.1
Total Employment ('000)	2,140	2,531	2,563	2,603	2,650
Employment (% growth)	**11.0**	18.3	**1.2**	1.6	1.8
Unemployment (%)	15.9	5.2	5.1	5.0	4.7

Data Source: Dept. Finance

In its Budget 2023 statement, Government pointed to several vulnerabilities facing the Irish economy beyond the short term. These include:

- The international trend of monetary tightening involving higher interest rates is raising sovereign borrowing costs. Government believes that this may reflect a permanent rather than temporary policy shift.

- The exceptionally high corporate tax receipts have been used as a key revenue stream in Ireland. In anticipation of a loss of this revenue stream, Government has begun transferring money into the National Reserve Fund.

- The ageing population and other structural changes in our population will result in increasing costs to the Exchequer to maintain the existing level of service provision.

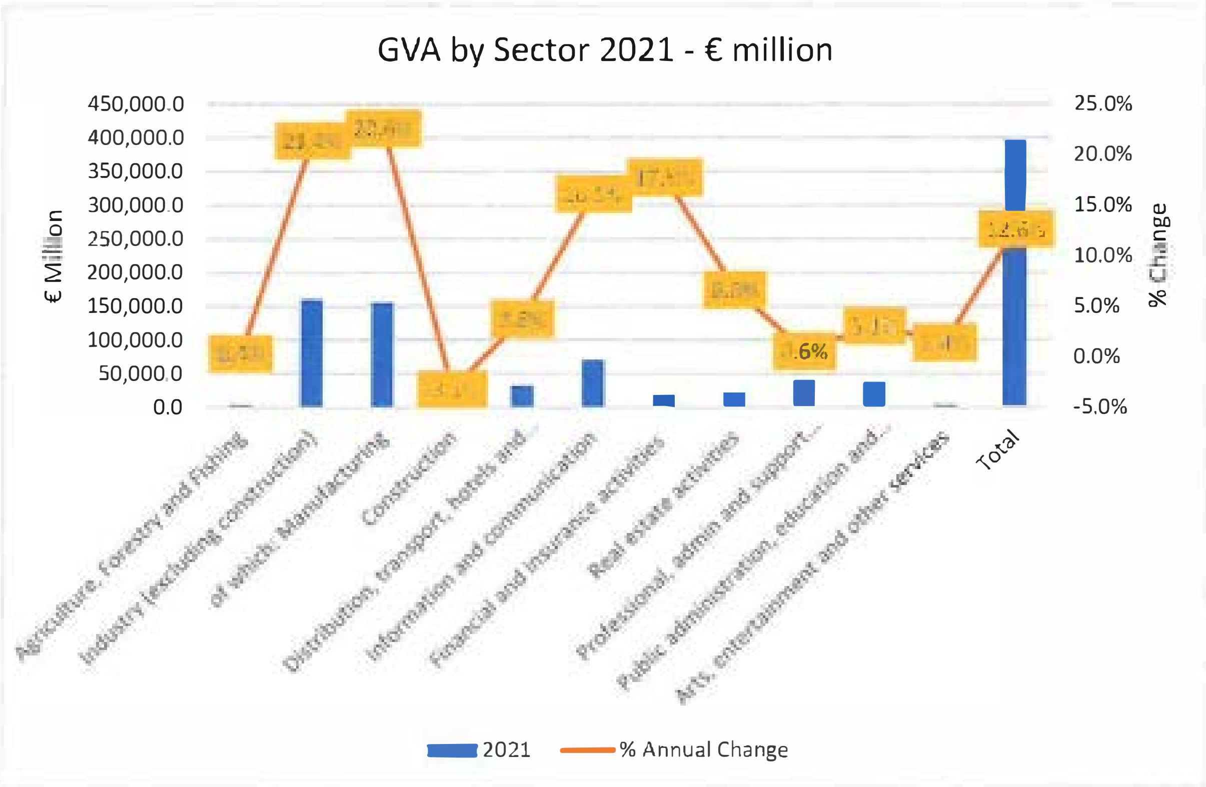
- Transitioning to a carbon neutral economy will involve further significant levels of public and private expenditure.

- Sustainable future growth can be achieved by financing productivity-enhancing investment in human and physical capital and resuming the reduction of public debt in relation to GNI.

Construction activity in a post pandemic world

The Covid-19 pandemic had a major impact on the Irish construction industry, effectively shutting down almost all output at the height of the pandemic except for a limited number of essential projects. All non-essential construction sites were closed for significant periods throughout 2020 and 2021. The industry then faced a new set of challenges in a post pandemic world with a significant rebound in demand, which produced a 2022 bounce in output, combined with a worldwide shortage of raw materials and the highest level of inflation experienced in Ireland in almost 50 years.

During the pandemic, sectors focused on the domestic market experienced significantly lower levels of economic activity in 2020 and 2021, with construction contracting by -12.5 per cent in 2020 and by a further -3.2% in 2021. GVA for the sector was €7,922m in 2021 and is estimated to have increased to €8,310m in 2022.

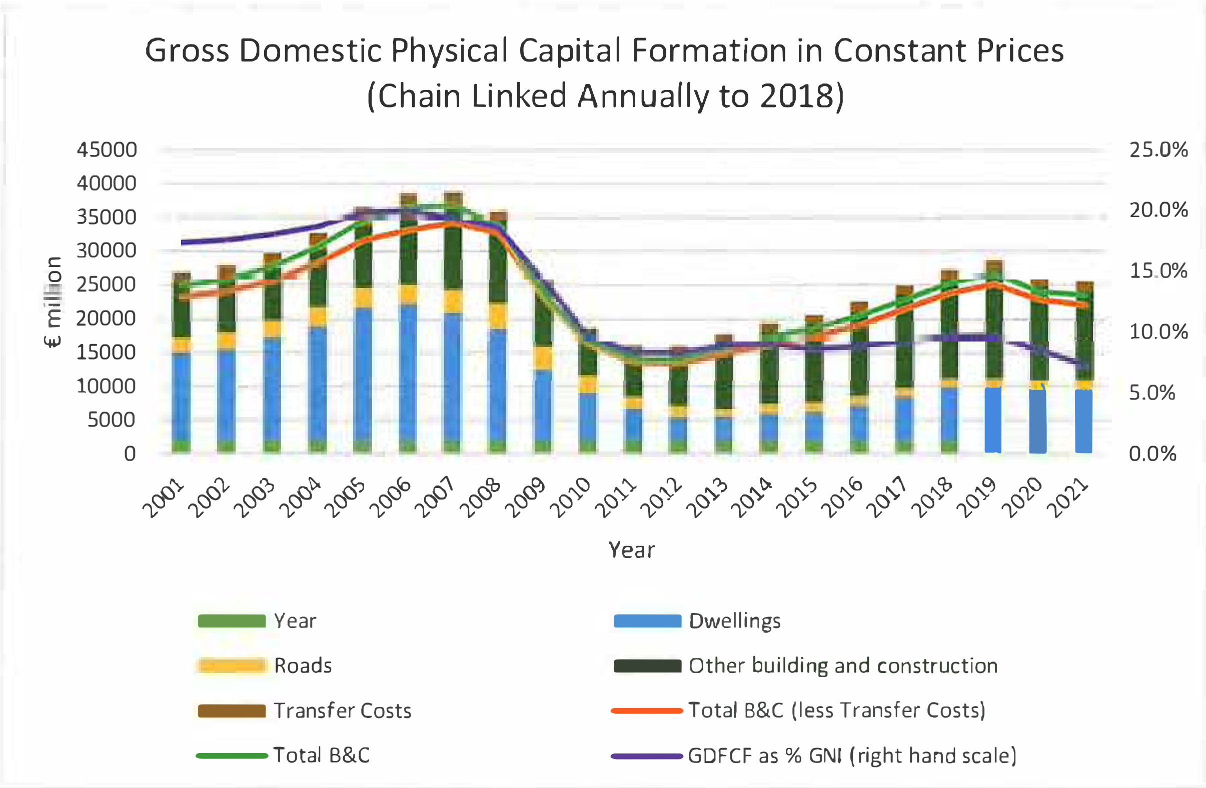


Data Source: National Accounts CSO

Gross Value Added (Constant Prices)	2016	2017	2018	2019	2020	2021
Construction (€ Million)	7,321	8,145	8,885	9,337	8,179	7,922
Gross National Income (€ Million)	231,223	245,102	259,826	273,404	280,670	321,523

Data Source: National Accounts CSO

National accounts show that the official measure of construction investment, Gross Domestic Fixed Capital Formation (GFCF) in Building and Construction was valued by the Department of Finance at approximately €23.5 billion (in constant prices) in 2021. The EY / Euroconstruct Winter 2022 Report estimated that construction investment would increase by 9% in 2022, before growth slowed to 2.5% in 2023 and 4.1% in 2024. Prior to the onset of the pandemic, the Department had forecast that GDFCF in the sector would increase to €41 billion by 2023.



Data Source: National Accounts CSO

Comparison of Building and Construction Industry Indicators						
	CSO Production in Building and Construction Series (base year 2015)			Other Indicators		
	Annual Percentage Change in Volume of Production in Building and Construction[3]	Annual Percentage Change in Volume of Production in Civil Engineering[3]	Annual Percentage Change in Volume of Production in Residential Building[3]	Persons Employed in the Construction Sector[1]	New Dwelling Completions	House Commencements[2]
2007	-13.2	4.5	-21.1	240,000	-	48,876
2008	-28.9	-6	-44.7	214,000	-	22,852
2009	-36.8	-12.8	-58	132,800	-	8,599
2010	-30.0	-22.3	-37.8	104,400	-	6,391
2011	-17.1	-24	-27	86,800	6,994	4,365
2012	-2.3	16.6	-12.4	81,300	4,911	4,042
2013	11.1	5	10.7	86,200	4,575	4,708
2014	8.5	3.3	16.9	90,800	5,518	7,717
2015	8.1	-3.7	29.7	109,000	7,219	8,747
2016	9.5	2.6	23.5	119,400	9,916	13,234
2017	13.2	3.6	16.3	128,000	14,407	17,572
2018	10.2	11.1	-0.9	145,700	18,072	22,467
2019	5.6	-4.4	12.6	145,600	21,087	26,237
2020	-8.7	-15.1	-21.4	136,400	20,676	21,686
2021	-4.1	12.0	-12.7	158,300	20,560	30,724
2022 *incomplete	-4.5 (Q3 only))	4.8 (Q3 only)	-20.4 (Q3 only)	171,000 (to end Q3)	20,807 (to end Q3)	25,162 (11 mths)

[1] Labour Force Survey

[2] Department of Housing, Planning and Local Government.

[3] CSO Seasonally Adjusted series introduced in Q1 2015.

Construction Labour Market Outlook

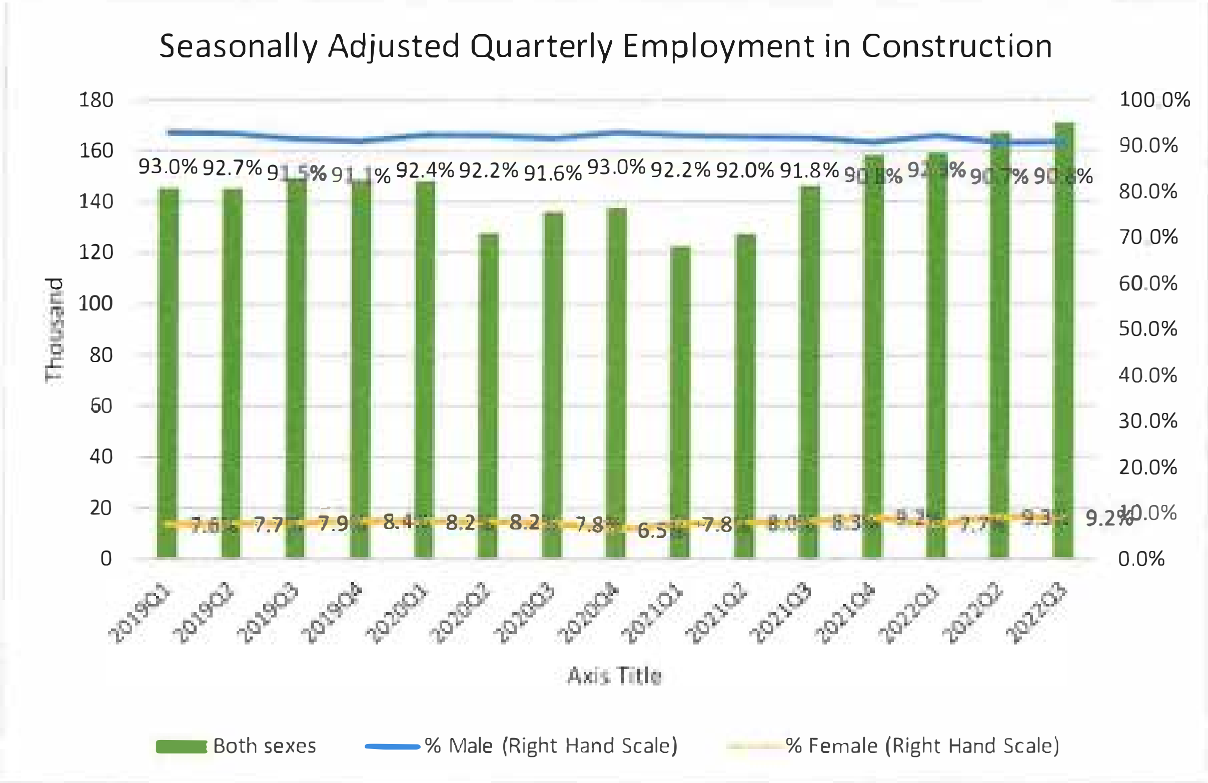
The most recent CSO data shows that the number of persons in employment increased across most economic sectors in the year to the end of Quarter 3 2022, most notably in construction, which increased by 40,000 or 31.4 per cent. 171,000 persons were employed directly in construction at the end of Q3 2022.

During the Covid-19 Pandemic, the Expert Group on Future Skills Needs (EGFSN) published research at the end of 2020 on the demand for skills in the built environment sector to 2030. The EGFSN report published annualised targets for skills needs for the 2020-2030 period based on central, high and low growth forecasts. These forecasts consider and estimate the replacement rate and skills leakage to maintain the existing built environment labour force. Under the high growth forecast the annual requirement for niche and core built environment skills (including Architects and Engineers) is 11,285 per annum or a combined built environment workforce of 281,060 by 2030 (+75,660 from 205,400 in 2019). Under the central forecast the annual requirement for new entrants with core and niche skills to 2030 is 3,853 per annum.

There is no doubt that the skills requirement over the next decade will be influenced by the outlook for the industry. Public investment under the NDP 2030 will remain an important stabiliser for construction demand and employment. It is likely that additional employment is needed in the short term as the sector returns to growth post the pandemic.

While labour market capacity tends to be quite elastic in construction, it is important that short-term policy supports are considered in the current geopolitical and economic environment that may minimise labour market exits, and support the employer and employee, by investing in skills and by maximising firm survival rate through business supports.

The construction sector knows only too well that the cyclical nature of the industry can lead to extreme fluctuations in employment at any given point in time based on the underlying economy, however many of the skills needed over the coming decade will be the same as those required today.



Data Source: CSO LFS 2023

Public Capital Investment

It took over five years of economic expansion for the growth rate in infrastructure investment to turn positive with the launch of the National Development Plan in 2018. Investment pre the pandemic was still well below the level seen in many countries before the global financial crisis. The resurgence was due to increased investment from both the private sector and the Government. The €165 billion NDP represents the most ambitious programme of public capital investment ever seen in Ireland and all stakeholders agree that Ireland's public infrastructure needs significant modernisation. Even so, there has been a significant degree of capital carryover since the NDP was launched and this is concerning to the CIF.

CAPITAL CARRYOVER PER ANNUM 2016 – 2020

€ million	2016	2017	2018	2019	2020	2021
Capital Carryover	74	70	93	215	710	819
% share of total capital expenditure	1.9%	1.5%	1.5%	2.9%	7.2%	5.8%

Data Source: Dept. Finance and Dept. Public Expenditure & Reform

Sustained high levels of uncertainty - now caused by the war in Ukraine, which has destabilised the European economy and led to an energy crisis - together with other post pandemic issues and supply chain pressures have led to a delay in the roll out of some NDP projects. This is extremely concerning and a continuation of delays in rolling out projects, or indeed the cancellation of projects, would have a detrimental effect on construction activity.

Future competitiveness of the construction sector

It is important to highlight the trade, supply chain and contractual challenges that will continue to impact on the competitiveness of the construction sector in 2023 and beyond.

Supply chain and viability challenges will continue because of global volatility and the duration of inflation and rising prices remains uncertain. Slow economic growth and diverging levels of inflation across European Member States is a growing matter of concern for the European Commission and EU Member States. It is a priority for the wider built environment sector that contract conditions continue to attract the industry to bid for public projects. This will require investing in the resources necessary to bring the public procurement process and the Public Works Contract (PWC) in line with international norms, including fair and effective price variation mechanisms.

As indicated earlier, the fiscal challenges facing budgetary policy over the medium-term as Ireland faces the costs of an ageing population and climate change will continue to deepen.

Private consumption and total investment are forecast to weaken over the medium term which precipitates pressure on existing services and infrastructure.

COMPARATIVE RATES OF PAY

a) **Pay Rates in Irish Public Bodies – Building Momentum 2021-2023**

Pay rates in the public sector are based on a scale of up to 15 points or increments.

The rates of pay for craft workers and GOs employed by Local Authorities, the HSE and the university sector are shown in the table hereunder.

	Start	**Mid-Point**	**Top**
Local Authorities (rates as at 1st October 2022)			
Craftworker	€18.01	€19.50	€20.99
Craftworkers Mates	€15.04	€16.14	€17.24
GO's/Labourers (outside Dublin)	€15.24	€16.24	€17.24
HSE (rates as at 1st October 2022)			
Craftsmen (Paypath)	€18.07	€19.57	€21.06
Craftsmen (Non-paypath)	€17.88	€19.27	€20.66
Craftsmen's Mates (Paypath)	€14.02	€15.09	€16.15
Labourers	€14.76	€16.23	€17.70
University (Increase of 1st October 2022)			
Craftsmen	€19.76	€20.32	€20.87
General Operatives	€16.14	€16.43	€16.72

Source: Individual Organization Publications

The above rates of pay are inclusive of the provisions of the revised *Building Momentum* agreement which was agreed between the Dept of Public Expenditure & Reform and ICTU in late 2022.

Building Momentum provides for the following increases in pay in 2022 and 2023:

- 1% (sectoral bargaining fund) — 1nd February 2022
- 3% — 2st February 2022 (backdated)
- 1% — 1st October 2022
- 2% — 1st March 2023
- 1.5% (or €750, whichever is greater) — 1st October 2023

Agreement expires 31 December 2023.

Building Momentum provides for higher percentage increases in pay than the current construction SEO. However, as can be seen above, the rates of pay for craftworkers and general operatives covered by the SEO are substantially higher than those paid to equivalent workers employed in public bodies.

- Craftworkers employed in the construction sector are currently paid €21.09 per hour, regardless of service. Craft workers in the construction sector are paid higher rates of pay than craft workers employed by Local Authorities, the HSE or craft workers employed in the university sector.

- Category B workers in the construction sector are General Operatives (GOs) with 2 years' experience in the industry. These workers are entitled to a rate of €18.99 per hour. This rate is 9% higher than the top GO rate on the Local Authorities pay scale. The €18.99 rate is also 7% higher than the top rate paid to GOs employed by the HSE, and 12% higher than the top rate paid to GOs in the university sector.

- Category A workers in the construction sector are GOs on a rate of €20.47 per hour. This rate is over 16% higher than that paid to GOs in Local Authorities, 14% higher than that paid in the HSE, and 18% higher than their equivalent employed in the university sector.

Excluding the sectoral bargaining fund, workers employed by Local Authorities are entitled to an increase in pay of 7.5% in 2022 and 2023. In accordance with the SEO, workers employed in the construction industry received pay increases of 5.6% over the same period. However, workers in the construction industry are in receipt of higher rates of pay than equivalent workers employed in the public sector. Additionally, CIF is proposing a further increase in pay of 1% in 2023 and 3% in 2024.

b) **Comparative National Pay Rates – CSO**

Data on earnings for Q3 2022, as released by the CSO, show the following weekly averages:

	Average Earnings per Week for Q3 2022
National	€864.32
Construction Sector	€913.75
Private Sector	€808.33

Source: CSO

As can be seen from the above table, average weekly earnings in the construction sector for Q3 in 2022 were 5.5% (€49.43) greater than the national average, and 11.5% (€105.42) greater than the national average in the private sector. [1]

[1] Earnings and Labour Costs Q2 2022 (Final) Q3 2022 (Preliminary Estimates) - CSO - Central Statistics Office

As can be seen from the above, average earnings in the construction sector are approx. 5.5% higher than the national average, and 12% higher than earnings in the private sector.

c) **Comparative International Pay Rates**

Our nearest competitors are based in Northern Ireland and Britain. The British Building and Allied Trades Joint Industrial Council (BATJIC) recently concluded a one-year agreement for a 5% wage rate increase across the board.

The euro equivalent of the increased rates as at 30th of January 2023 are:

Advanced Craft:	€15.96
Intermediate Craft:	€13.76
General Operative:	€12.20[2]

Craft workers and general operatives employed in Ireland are paid substantially higher rates of pay than their equivalents employed in the UK and Northern Ireland. Despite the fact that the SEO applies to all workers in the Republic of Ireland, Irish contractors operating in border regions continue to lose work to Northern Irish contractors who are more competitive due to lower labour costs as per the above. Further increases in labour costs beyond what is being proposed by CIF will widen the gap between rates of pay for workers from the North and South of Ireland, which in turn will diminish our international competitiveness.

Workers Covered by the SEO

Construction workers are well paid workers to reflect the skills and performance required. Since the introduction of the first SEO in the industry in 2017, construction workers have been awarded increases in pay of over 21%:

10%	October 2017
2.7%	October 2019
2.7%	October 2020
2.8%	February 2022

[2] BATJIC wages and holidays | FMB, Federation of Master Builders

2.8%	February 2023

As set out above, an increase in pay of 2.8% was awarded to construction workers on 1st February 2023. The current SEO was signed into law in November 2021 and it was anticipated that no further increases would apply until at least February 2024. An additional increase in pay in 2023 could not have been foreseen and, therefore, could not be priced into contracts. Employers and workers in the industry have been severely impacted by high levels of inflation due to Covid-related bottlenecks, supply chain issues and the war in Ukraine. Therefore, due to these exceptional circumstances, CIF is proposing the following additional increases in pay:

1st July 2023	1% increase in pay
	1% increase in pension contributions
1st July 2024	3% increase in pay
	3% increase in pension contributions

CIF is, therefore, proposing that in the period 2022-2024 construction workers will receive increases in pay of 9.6%. This equates to an average increase of approximately 3.2% p.a.

Craft workers and general operatives employed in the construction industry are paid substantially higher rates of pay than craft workers and general operatives employed by Local Authorities, the HSE, the university sector. Construction workers covered by the SEO are also paid substantially higher than the national average and equivalent workers employed in the North of Ireland and the UK.

Any increase in pay to Irish construction workers in excess of what is proposed above will:

- place the industry out of line with other workers in the economy
- further widen the gap between our nearest competitors in the North of Ireland and the UK, thus impacting negatively on competitiveness
- negatively impact on investment decisions which would erode growth potential

INFLATION

In January 2023, the CSO reported that inflation reached a 38 year high in 2022, with the annual rate peaking at 9.2% in October, before falling slightly in November. However, in October wholesale energy prices decreased by 37% compared to October 2021 and were at their lowest level in a year.

According to initial estimates by the CSO, the annual rate of inflation slowed to 7.7% in January 2023. November 2022 saw for the first time in 17 months that the rate of inflation eased internationally. According to the CSO, the CPI eased to 8.2% in December 2022, down from 8.9% the previous month. The main factor was a fall in the price of petrol, diesel and home heating oil. Data from the CSO shows that the annual average rate of inflation for 2022 was 7.8%, the highest annual rate since 1984. Inflation is due to continue to reduce with the Irish Central Bank predicting that inflation will fall to 6.3% in 2023.

Inflation rose globally in 2022 as a result of supply-chain bottlenecks lingering from the pandemic, and shocks to the energy and food market due to the war in Ukraine. In 2022, Government made supports available to all households to ease the burden of rising costs in 2022 and 2023. Supply-chain issues are easing, the cost of energy has decreased and it is anticipated that the rate of inflation will continue to reduce.

In January 2023, Eurostat, the statistical office of the EU, reported that Eurozone inflation fell by more than expected in December 2022. Despite the fall in inflation, underlying price pressures rose. According to Eurostat, the problem is that the longer price growth stays high, the more difficult it will be to tame it as firms start adapting their pricing and wage policies, perpetuating inflation. Eurostat warned that seeking pay increases to match inflation would only exacerbate the problem further.

On 1st February 2023 Davy Stockbrokers predicted that inflation would slow to an average of 4.7% this year.

In January 2023, the CSO reported on high inflation in the cost of materials in the construction sector, with prices for fabricated metal up 57% on an annual basis in October, and the price of PVC pipes and fittings used in plumbing up 28%. Increases of these magnitudes could not have been foreseen and, therefore, could not have been priced into contracts. The majority of contracts are entered into on a fixed-price basis and additional costs are not recoverable.

WAGE PRICE-SPIRAL

There is a danger of a wage-price spiral emerging where trade unions seek increases in pay to keep up with inflation. Increasing pay broadly in line with increases in the cost of living will do nothing other than perpetuate inflation. To avert the risk of a wage-price spiral emerging, decisions on increases in pay must be made by taking other factors into consideration. The Government introduced significant measures in Budget 2023 to assist all households cope with rising costs. The Government also increased the tax-free bonus which many employers in the industry offered to their employees last Christmas. All of these measures combine to improve living conditions for workers.

IMPORTANCE OF MULTINATIONAL SECTOR

The importance to the construction industry of investment by the multi-national sector in Ireland cannot be over-stated. Continued investment by these firms during the recent recession ensured the survival of a substantial number of construction firms. It is essential that the construction sector remains competitive in order to attract further investment. The recent positive GDP figures and corporate tax receipts reflect the continued strength of the multinational sector in Ireland. GDP is greatly influenced by the outsized role that the multinational sector plays in the economy.

Multinational firms make investment decisions based on a number of criteria. However, it is essential that high labour costs in the construction sector are not an impediment to future investment by these firms.

DETERIORATING ECONOMIC OUTLOOK GLOBALLY

Minister for Enterprise, Trade & Employment, Simon Coveney, at the launch of Enterprise Ireland's latest annual report on 10th January 2023, warned that the deteriorating economic outlook internationally was likely to bring setbacks to the Irish economy. However, he said that the Government still expects the Irish economy to continue to grow this year, while many other peer countries fall into recession.

According to the ESRI, a risk to Ireland is our dependence on the ICT and pharmaceutical sectors. Pharma related products accounted for 5% of Ireland's exported goods in 2022, while ICT services make up 56% of exported services. The ESRI predicts that both sectors are especially vulnerable to changes in the global market and that Ireland's biggest trading partners, including the US and EU, are at risk of recession. Companies such as Meta, Stripe, Twitter, Amazon, Microsoft, Paypal and Intel have all announced job losses due to slowing demand and a worsening global economic outlook. Workforce reductions have not just been confined to the tech sector. Other large companies, such as Salesforce and Goldman Sachs also recently announced reductions in their workforce. The slew of job losses in the tech sector in particular is likely to increase unemployment rates in Ireland.

The ESRI also outlines other risks to the Irish economy, such as:

- The UK is in recession, a fact which is likely to have a detrimental impact on the Irish economy.
- While Ireland's exports grew by 13.5% in 2022, they are expected to grow by only 5.2% in 2023.

HOUSING

Recent CSO data shows that housing commencements are down, apartment planning permissions have plunged and construction indices have illustrated a drop off in house building. The slowdown reflects the soaring cost of construction, meaning there is a viability gap for developers. While 2022's target of 24,600 new homes will be exceeded, housing output will remain very challenging for 2023 due to rising costs, interest rates and planning backlogs.

The industry, therefore, faces many challenges. It is essential that increases in labour costs are realistic and sustainable. It is also essential that sufficient lead-in time is provided to enable firms include any increased cost of labour into tender prices.

STATUTORY SICK PAY

Labour costs increased on 1st January 2023 with the introduction of Statutory Sick Pay. Prior to January 2023, the only mandatory sick pay scheme in the economy was in the construction sector. In addition to contributing to the Construction Industry Sick Pay Scheme, construction employers are now also obliged to adhere to the Statutory Sick Pay Scheme. This Scheme will increase to 10 days over a short period of time. In an industry that is labour intensive, this Scheme increases labour costs on construction employers substantially.

CONCLUSION

CIF is supportive in principle of SEOs. We believe they are of benefit to employers by providing a level playing field in terms of labour costs when tendering for work. They are also beneficial to workers in the industry as they provide good rates of pay and terms and conditions of employment. An SEO also provides a mechanism for resolving disputes in an orderly manner without recourse to immediate industrial action.

We have addressed the various clauses under sections 15 and 16 of the Industrial Relations (Amendment) Act 2015 in Part 1 of this submission.

Part 2 sets out the CIF's position regarding amendments to the current SEO, S.I.598/2021. We respectfully request the Court to amend the current SEO to provide for the following increases:

Increase in pay of 1% on 1st July 2023

Increase in pension contributions of 1% on 1st July 2023

Increase in pay of 3% on 1st July 2024

Increase in pension contributions of 3% on 1st July 2024

CIF is not seeking any further amendments to S.I 598/2021.

CIF requests that travel allowances are not included in an amended SEO.

Part 3 of this submission contains economic arguments in support of our proposal on increases in pay and pensions. CIF members did not foresee any additional increases in pay in 2023 beyond the 2.8% which was paid on 1st February. Additional increases in labour costs have, therefore, not been included in tender prices. CIF members have been subjected to inflationary pressures over the past year with substantial increases in materials and energy costs. As the majority of contracts are entered into on a fixed-price basis, increased costs are not recoverable and most be borne by the contractor.

However, due to the exceptional circumstances existing at present due to the high level of inflation, CIF is proposing an increase in pay and pensions of 1% on 1st July 2023. This will bring the total increase in 2023 to 3.8%. This is on the higher end of increases in pay in the economy generally. Any increase in pay that is higher than 1% is simply not sustainable.

A further increase in pay of 3% is proposed on 1st July 2024. The industry is operating in a time of uncertainty and increases in pay beyond what is being proposed could threaten the survival of many companies.

Construction workers are paid substantially more than their counterparts in the public sector. They are also paid substantially more than workers employed in the North of Ireland and the UK. Contractors based in these jurisdictions are our nearest competitors.

CIF is acutely aware of challenges facing the industry which would impact on future activity. These challenges include:

- A deteriorating global economic outlook. The UK is already in recession and a global recession is predicted. While it is anticipated that Ireland may avoid recession, our economy will undoubtedly be negatively affected by a global downturn. If growth occurs, it will likely be at much reduced levels.

- The Irish economy, and the construction industry, is heavily reliant on the multinational sector. Recent job losses in the tech sector and other multinational firms due to a global slowdown will likely impact on decisions to invest further in Ireland.

- The housing sector is experiencing viability issues will likely result in a reduction in housing projects this year.

CIF respectfully requests the Court to provide for increases in pay and pensions as proposed in this submission. Construction workers are well paid. Government supports have been introduced to assist households with increased prices. Inflation is predicted to reduce to more sustainable levels by 2024. Attempts to match inflation with increases in pay will only serve to increase inflation further.

END

February 2023

Irish Plant Contractors Association (IPCA)

INTRODUCTION

The Sectoral Employment Order (Construction Sector) 2021, SI No. 598/2021, which both amends and should be read in conjunction with SI No. 234/2019, came into effect on 1st February, 2022. It set minimum rates of pay and other conditions relating to sick pay and pension entitlements for persons employed in the construction sector. Under the Order those rates of pay are due to rise again in February, 2023.

WHO IS THIS SUBMISSION MADE BY?

This submission is made by the Irish Plant Contractors Association (IPCA).

WHO IS THE IRISH PLANT CONTRACTORS' ASSOCIATION (IPCA)?

The Irish Plant Contractors' Association represents a substantial number of Irish sub-contractors and employers operating in the construction sector on the island of Ireland. Our membership, which is involved in civil engineering, groundworks, specialist sub-contracting activities and plant maintenance and repair, consists of 80 members who between them employ approximately 4,800 direct employees and another 6,000 indirectly. Members vary in size from those employing 400 employees to those who employ in single numbers. Our membership is spread out right across the country and we represent members in every county in Ireland. Our membership is concerned with what is best described as "First Phase Construction Works" given that those we represent are the first to break ground on all construction projects. IPCA members employ groundworkers, craftworkers, general operatives, construction plant fitters and apprentices in the sector and invest in and own considerable amounts of both heavy and light construction plant, machinery and tools.

For the purposes of this submission, the IPCA has examined the current SEO in terms of (a) labour cost issues and (b) non-labour cost issues. Whilst the IPCA is strongly opposed to any increases in labour costs at this time and respectfully makes a number of submissions in relation to both labour cost and non-labour cost issues to ensure that any new SEO is fit for purpose, at the outset of this submission, the IPCA wants to assure the Labour Court that its main purpose, and indeed hope, in making this submission, is to ensure fairness and consistency across the sector and a decent wage for those who work in it.

ISSUES OF CONCERN WITH AND SUBMISSIONS TO THE COURT IN RELATION TO THE SEO:

1. Labour Costs:

Bearing in mind the pressures that the (a) state of the economy; (b) soaring prices of fuel; (c) possible shortages of fuel; (d) increases in the costs of materials; (e) ongoing delays in the supply of materials and (f) shortages of labour, are putting on the construction sector, it is submitted that any increases in labour costs at this time are not only adding to the problems as outlined but are unsustainable and will ultimately result in the loss of jobs, the collapse of the sector and the exacerbation of the housing crisis.

Submission to the Court:

The IPCA recommends the abolition of the rates of pay and labour costs prescribed in the current SEO pending the establishment of an independent body capable of auditing and monitoring any rates of pay prescribed in any existing or new SEO. This new body should have the power to enter any and all construction sites across the country to ensure that all workers are being paid the recommended legal rate. At the very least, the current hourly rates of pay and labour costs should be frozen pending the outcome of that independent audit.

2. Lack of Enforcement:

There is a serious lack of fair and consistent enforcement of the SEO's rates of pay in both the private and public sectors. In particular, it has come to the attention of the IPCA that many Local Authorities and State Agencies are not enforcing the SEO's rates of pay. They do this by awarding works to contractors who, keen to win work, bid for the work at the lowest possible cost. In these instances, awarding the works to the lowest price contractor means that Local Authorities and State Agencies are not paying those contractors to whom they award the works enough to enable them in turn to pay the legal rate of pay, contained in the SEO, to their employees.

Whilst IPCA members have complied and will continue to comply with the SEO and pay their employees the legal rate of pay outlined therein, they are not content to pay it in circumstances where it is not applied and enforced in a consistent and fair fashion. Surely, the whole notion of "fairness" was the basis of the SEO in the first place. Currently, the rates of pay contained in the SEO are neither applied nor enforced consistently across the sector and there is nothing fair in that.

Submission to the Court:

It is submitted that it is essential that all aspects of the SEO should be consistently and fairly applied and enforced across both the country and the public and private sectors. A complete reform of the system of enforcement is necessary prior to any further increases in rates of pay and labour costs.

3. Two Tier System:

In a labour-intensive industry like the construction industry, the SEO was supposed to provide a mechanism for ensuring that contractors tendering for work do so on a level playing field with regard to labour costs. However, in reality, through lack of fair and consistent application and enforcement, the SEO has created an anti-competitive two-tier system. It has come to the attention of the IPCA that a number of employers in the sector do not pay the appropriate SEO rates of pay which of course reduces their labour costs. These reduced labour costs give these non-compliant contractors an unfair advantage over those who pay the correct rates, thus affording those who are non-compliant the opportunity to undercut and win work over those who are compliant. In many instances, non-compliant contractors are not only private contractors, but are actually working on behalf of the State. It goes without saying that non-compliant contractors and Local Authorities, who fly in the face of the SEO by repeatedly hiring in cheap labour, are not only an irritant and disincentive to honest, hard working, compliant contractors, but are also causing serious long-term detriment to the sector. Compliant contractors and employers simply cannot, and indeed should not have to compete, with non-compliant contractors and/or employers, no matter who they are.

Submission to the Court:

The IPCA proposes the establishment of a legal body governed by the State that has the ability, authority, appropriate funding and independence to ensure that all employees in both the private and public sectors, are being paid the correct legal rate of pay under any SEO. It is submitted that this could be achieved through the practice of spot-checks or whatever other method, after consultation with those concerned including IPCA members, is deemed most appropriate

4. **Skills Shortage:**

Failure to comply with the SEO rates of pay on the part of some employers is having the effect of (a) causing an exodus of talent and skill, particularly young talent and skill, from the sector and (b) failing to attract young people into it in the first place. This is particularly evident in rural areas where the non-compliant low rates of pay, particularly on Local Authority works, do not attract young people, with the result that many employees operating plant and machinery are in their 50s and 60s. It is not hard to see that if this continues, the industry will be in crisis in the very near future. Whilst other sectors recruit from abroad and outside the E.U., the current Department of Enterprise, Trade and Employment's Critical Skills Occupations List and Ineligible Occupations List make it difficult for the industry to bring in workers from outside the E.U. and many young and/or skilled workers are understandably leaving the country in order to work in the Australian & Canadian construction sectors instead where rates of pay, stability and career progression are guaranteed.

Submission to the Court:

It is submitted that the consistent application and enforcement of the appropriate rates of pay across the sector will not only retain skilled and experienced labour in the sector but will also attract new unskilled and skilled entrants all of whom will enable this now-more-than-ever essential sector to remain effective, attractive and vibrant.

5. **Lack of Representation/Consultation:**

The IPCA is dismayed, not to mention astonished, that its members who not only form the bedrock of the industry, but who also employ and substantially represent so many in the sector, have been neither consulted nor considered in any negotiations about the ongoing increases in the SEO's rates of pay and labour costs. Further increases in labour costs, without appropriate consultation and representation, will result in many tried, tested, skilled and experienced employers being forced to leave the sector, thus rendering it defunct.

Submission to the Court:

It is submitted that, going forward, any changes to, or reform of the SEO, should only be made after fair and reasonable consultation with those who substantially represent so many in the industry, including those in the IPCA, both in relation to rates of pay and the implementation and enforcement of the SEO on a nationwide basis.

6. **Sustainability/ ESG:**

At a time when there is a very real push towards achieving a climate resilient and climate-neutral economy as outlined in the Climate Action and Low Carbon Development (Amendment) Act 2021, it is important that all employers in the sector are both able to, and indeed do, play their part in achieving the goals as set out therein. Change is usually a costly affair and the changes required in the construction sector to achieve the goals of the 2021 Act are no different. Non-compliant State bodies and Local Authorities who do not allow for the SEO's rates of pay are rendering it impossible for the contractors they engage to meet the goals of the 2021 Act. It is incongruous to say the least, that Local Authorities who are obliged to prepare Climate Action Plans, to include both mitigation and adaptation measures under the 2021 Act, are in turn making it very difficult for the contractors they engage to meet their particular goals/obligations under the Act.

Submission to the Court:

In line with the common thread running throughout this paper, it is submitted again that the fair and consistent application and enforcement of the SEO's rates of pay are essential in order to ensure that contractors awarded works by Local Authorities are in a position to support initiatives such as Climate Action Plans, Reduced Carbon Footprints, Waste Action Plans and involvement in the Circular Economy thereby ensuring that Ireland achieves its climate goals and obligations under the Act in a timely fashion.

CONCLUSION

It is worth noting that the original SEO was introduced in 2017 at a time when the economy and indeed the construction sector in general was thriving. Since then global events have had a detrimental effect on the economy. In conclusion therefore, bearing all of the above in mind and in order to stem the ongoing serious loss of revenue to the State, the IPCA recommends:

- The abolition and/or freezing of the rates of pay and labour costs contained in the current SEO.
- A complete and comprehensive review and reform of the current enforcement system used to ensure the fair and consistent implementation of the rates of pay and labour costs outlined in the SEO.
- The strict, fair and consistent application and enforcement of the rates of pay and labour costs contained in the SEO across the entire sector, both public and private.
- The establishment of an independent body to audit, monitor and enforce the SEO's rates of pay and labour costs.
- Fair and reasonable consultation with those who substantially represent employers in the sector, including the IPCA.

While the IPCA members are content to pay their workers the legal rate of pay outlined in the Sectorial Employment Order act we are not content on paying it when the act is not legally enforced. The principle of non enforcement leads to a two tier system. Contractors who are keen to win works will bid for the work at the lowest cost whereby it is not possible to pay the legal rate of pay as set out under the SEO.

- *The IPCA would be unable to support any SEO rate among members when there's no enforcement throughout the country including UK registered companies delivering works in Ireland. There are companies on state projects not paying the SEO Rates. This practice is unacceptable given that firms who do pay the legal rate are unable to win state works.*

The IPCA is, therefore, opposed to any further increases in labour costs at this time. We believe that the SEO requires reform including adequate consultation with industry in order to address concerns in relation to how the SEO is implemented on a nationwide basis.

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IPE AWARDS 2020 — 2020 Winner — *Best Pension Fund in Ireland*

IPE AWARDS WINNER Best Pension Fund in Ireland — 2018 Winner — *Best Pension Fund in Ireland*

Pensions AWARDS 2017 — 2017 Winner — *Pension Trustee Board of the Year*

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3rd February 2023

The Secretary
The Labour Court
Lansdowne House
Lansdowne Road
Dublin 4

By email: esubmissions@labourcourt.ie

Notice of intention to conduct an examination into terms and conditions in the Construction Sector pursuant to Section 15 of the Industrial Relations (Amendment) Act 2015 (the "Act")

Dear Chairman and Members of the Labour Court,

We, as the Trustees of the Construction Workers Pension Scheme (the "**Scheme**") and the Construction Workers Sick Pay Trust (the "**Sick Pay Scheme**"), wish to make a submission in relation to the above notice (the "**Notice**") as issued by the Labour Court.

We wish to make representations in support of a Labour Court recommendation for the making by the Minister of a Sectoral Employment Order ("**SEO**") under Section 17 of the Act, in order to specify the minimum requirements for pension, death benefits and sick pay entitlements arising in the context of employment in the construction contracting sector.

Briefly, by way of background, the Scheme is an industry-wide occupational pension scheme which provides for the retirement savings of over 341,811 members in total, which includes 53,771 active members and 8,258 active employers in the broad construction sector.

As you may be aware, the Scheme has been in operation for over fifty years and has been providing pension and death in service entitlements for workers in the construction sector during this time. In so providing the Scheme has gained technical and specialised experience in this sector, and of the specific needs and pension requirements of members of the construction sector workforce. Accordingly, the Scheme has developed a range of benefits and entitlements for that workforce on this basis.

Similarly, the Sick Pay Scheme is also an industry wide scheme for the payment of sick pay benefits to the construction sector workforce. It is separate to the Scheme but closely linked to it, in terms of administration and membership.

It is particularly noteworthy that workers from the **age of 15** and upwards can join and contribute to the Pension Scheme and the Sick Pay Scheme until **age 70.**

It is our strong belief that the provision of minimum terms and conditions and reasonable rates of contributions relating to pension, death benefits and sick pay for workers in the construction contracting sector would be of great benefit to those workers and their families. Beyond those immediate benefits, we also believe that such provision would be of wider societal value.

It is our view that by providing for minimum pension terms and conditions, workers in this sector, will be in a position to benefit from a minimum level of retirement income, which will become available to them in addition to the State pension, upon retirement. We would respectfully submit that a recommendation of minimum levels of conditions and rates would be broadly in line with this Government's policy to increase the number of members participating in occupational pension schemes in order to reduce the sole dependency of workers upon the State pension.

By providing for minimum death benefit entitlements for workers employed in the construction contracting sector, it will ensure that the families and dependents of such workers have a sufficient level of protection in the event of death prior to retirement of a worker in the construction contracting sector.

The availability of sick pay benefits at a basic level will provide a minimum safety net for workers who fall sick, assisting them to re-enter the workforce.

We would welcome the opportunity to appear before the Labour Court to answer any questions it may have in relation to this submission or indeed, in respect of the Scheme and Sick Pay Scheme.

Yours faithfully,

Dominic Doheny
Chairman Construction Workers' Pension Scheme

Submission to the Labour Court

Examination into the Terms and Conditions in the Construction Sector pursuant to Section 15 of the Industrial Relations Amendment Act 2015

3 February 2023.

Introduction

1. The Industrial Relations (Amendment) Act 2015 provides for, amongst other things, the making of Sectoral Employment Orders (SEOs) which establish certain legal minimum conditions of employment for workers in the sector concerned.

2. On the 17 November 2021 the Minister for State at the Department of Business, Enterprise and Innovation, Mr. Damien English TD, made a Sectoral Employment Order (SI No. 598 of 2021) setting certain legally enforceable minimum conditions of employment for workers in the construction sector. Save in exceptional circumstances, a further order cannot be made for 12 months.

3. On the 9 December 2022 BATU, Connect Trade Union, OPATSI, SIPTU and Unite the Union (hereafter referred to as the Unions) requested the Labour Court to conduct an examination into the minimum terms and conditions of employment in the construction sector as provided for in Section 15 of the Industrial Relations (Amendment) Act 2015.

4. On 9 January 2023, the Labour Court published a notice advising of its intention to conduct an examination and inviting interested parties to make written representations to the Court by 5 February 2023.

5. The Unions are requesting the Labour Court to make a recommendation to the Minister for a new SEO for the Construction Sector which would include:

   - Increases in basic pay as follows;
     - an increase in basic pay of 4% from 1 June 2023;
     - an increase in basic pay of 4 from 1 February 2024;

   - the payment of not less than one hour's basic pay per day in recognition of time spent traveling to construction sites that are not designated bases;

   - Increases in employer and worker pension contributions in line with the increases in basic pay;

   We will provide more detail on each of these later in this submission.

6. In preparing this submission we have had particular regard to the Supreme Court Judgement[1] in the case of NECI V the Labour Court, The Department of Enterprise, Trade and Innovation, Ireland and The Attorney General.

[1] pdf (courts.ie)

The Unions

7. At the time of making the application the Unions represented approximately 34,500 workers.

8. We estimate that there are approximately 53,000 workers currently employed in the sector covered by the scope of the Construction SEO. This is based on an report provided to the Unions by the Nevin Economic Research Institute (NERI)[2]. This report was provided to the Labour Court as part of the Unions application for an investigation.

9. The main employer organisation in the sector is the Construction Industry Federation (CIF). Since the mid 1960's, the Unions and the CIF have conducted collective bargaining negotiations through the National Joint Industrial Council for the Construction Industry (NJIC).

10. The Labour Court is required by the provisions of the Industrial Relations (Amendment) Act 2015 to be satisfied that the party seeking an investigation is substantially representative. Given the number of workers represented by the Unions in the sector and the fact that the Unions are recognised by the main employer organisation for collective bargaining purposes, it is clear that the Unions are substantially representative.

The Position of the Construction Sector

11. Section 16 (2) of the Industrial Relations (Amendment) Act 2015 requires the Labour Court to have regard to certain matters when making a recommendation to the Minister.

12. The matters that the Labour Court are required to have regard to are as follows:

- the impact on the level of employment/unemployment in the construction sector;
- the potential impact on competitiveness in the construction sector;
- the general level of remuneration in other economic sectors in which workers of the same class, type group are employed;
- the terms of any relevant national agreement relating to pay and conditions currently in existence;
- that the SEO shall be binding on all workers and employers in the construction sector.

We have sought the advice of NERI on these issues and this is reflected in paragraphs 14 to 29 of this submission.

[2] www.nerinstitute.net

13. The construction sector underwent a period of rapid expansion prior to the onset of the Covid-19 pandemic. The CSO's seasonally adjusted *Production in Building and Construction Index* increased in value terms from 102.1 to 172.6 (69.0% or 17% per annum) between Q1 2016 and Q1 2020 (the last mainly pre-pandemic quarter) and increased by 55.9% over the same time in volume terms.[3] The volume and value indices were showing double digit annual growth just prior to the pandemic. Overall, the construction sector was one of the fastest growing industrial sectors between 2013 and 2019.

14. The lockdown caused a dramatic, albeit temporary, slowdown in activity. The value of production index fell 7.9% in 2020, while the volume index fell 8.7%. However, the indices have recovered substantially from their Q2 2020 levels.

15. The recovery in the construction sector is further illustrated by the growth in employment in the period between Q3 of 2020 and Q3 of 2022. The CSO Labour Force Survey shows that in that two-year period employment in the construction sector has grown by almost 28%[4]. Seasonally adjusted Q3 employment is also up on the last pre-pandemic year with employment growth of almost 14% since Q3 2019.

16. The job vacancy rate (JVR) in the construction sector was 1.5% in the third quarter of 2022.[5] This is the highest ever recorded JVR for the construction sector and reflects the intense demand for and under-supply of construction workers. Job vacancies have risen from 500 in Q3 2019 to 2,000 in Q3 2022. Data from Jobfinders.ie also shows that the number of vacancies in the construction sector in the fourth quarter of 2022 had increased[6].

17. It is also clear that the construction sector is set to grow very rapidly over the next five years. Notably, residential housing supply remains well below projected medium-term population demand and there is likely to be immense and ongoing political pressure for governments to ensure continued growth in supply. The very healthy state of the public finances suggests significant increased capacity for the government to follow on and expand plans to increase capital spending on housing supply. For example, the *National Recovery and Resilience Plan*[7] places a very strong emphasis on the need to accelerate retrofitting as a response to the climate change challenge and the construction sector is well placed to benefit from government supports.

18. The likely growth in the construction sector over the coming years will result in strong demand for more qualified construction workers. Our view is that construction is the economic sector with the largest growth potential over the next three to five years. It is therefore imperative that we have wage rates sufficient to attract the skills the sector will

[3] CSO (December, 2022), Production in Building and Construction Index
[4] Employment - CSO - Central Statistics Office
[5] CSO (November 2022) Earnings and Labour Cost
[6] Jobs market 'cooling' amid fall in vacancies (rte.ie)
[7] 162666 2cea0451-5682-436e-9ddd-a816f328c1df.pdf

require. Higher levels of public investment in infrastructure projects, including sustained investment in the ongoing capital projects is necessary to achieving Ireland's net zero targets. This will further increase the need to attract thousands of new workers into construction. If terms and conditions of employment in the sector are not attractive, then Ireland will fail to achieve its housing and climate targets.

19. It is clear that the construction sector has recovered strongly following the pandemic, that it will continue to grow, and that there will be continued strong growth in the numbers employed in the sector over the short to medium term. The high number of job vacancies in the sector implies that wage increases in the sector will not lead to a reduction in employment. The improvements in terms and conditions of employment been sought by the Unions will be needed to make the sector more attractive to workers.

20. It is important to note that the construction sector is not an internationally traded export sector and is not subject to international competitiveness pressures in the same way as manufacturing and certain types of services such as ICT. The Irish construction sector does not compete for market share with construction sectors in other countries. Domestic demand is serviced by domestic supply and the construction sector does not export to other countries. In other words, total employment in the sector would not be affected if the Irish construction sector was to lose 'competitiveness' against other countries because no such competition exists. Even so, we note that the total hourly labour cost in construction in 2020 per employee was below the average for the former EU15. This suggests that Irish construction worker wages are not high by Western European standards.[8]

21. Overall, the position of the construction sector within the economy as a whole is positive. The ESRI and other bodies estimate that long-run demand for housing remains well above current supply levels. It's important to consider the ongoing supply and demand mismatch alongside the very high levels of household savings and record net wealth, the low levels of household and corporate debt, and the potential for significant further government initiatives to support housing supply and investment in green infrastructure. All of this implies significant scope over the next three to five years for rapid expansion in house building and in investment generally, as well as sustained high levels of employment growth in the sector, and high levels of profitability.

22. The contribution of the construction sector to the economy as a whole or gross value added (GVA) in current prices was €3.1 billion in Q3 2022. This represents a significant increase over the previous quarter and over the previous year (€2.4 billion in Q3 2021). There has now been three consecutive quarters of year-on-year constant price output growth in construction. Final output in 2022 is likely to be very close to 2019 output. A more medium-term picture of activity shows that construction output in constant prices has increased by 19% between Q3 2016 and Q3 2022.[9]

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[8] Eurostat (January, 2023), Labour Cost, Wages and Salaries
[9] CSO (December, 2022), Quarterly National Accounts

23. The available data would suggest that in the short to medium term the construction sector will continue to have a strong competitive position within the Irish economy. The view of the Unions is that improvements we have sought for workers will not undermine the competitive position of the construction sector.

24. The Labour Court is required to consider the general level of remuneration in other economic sectors in which workers of the same class, type group are employed.

25. Average hourly earnings in the construction sector in Q3 2022 (€23.88) are lower than in the economy as a whole (€26.17), lower than in the private sector (€24.45), and lower than in the industry sector (€25.34). Average hourly total labour costs in the construction sector (€27.11) are also lower than in the economy as a whole (€30.30), lower than in the private sector (€28.69), and lower than in the industry sector (€30.35). Average weekly earnings in the construction sector (€915.75) are higher than in the economy as a whole (€864.32) and higher than in the private sector (€808.33). However, this is explained by average weekly paid hours in the construction sector (38.3) being well in excess of average weekly paid hours in the economy (33.0) and private sector (33.1). Weekly earnings are higher in the Industry sector.

26. As of Q3 2022, the average hourly labour cost in the construction sector was €27.11. This was 10.5% below the €30.30 average for the economy as a whole and 5.5% behind the €28.69 average for the private sector.[10] The construction sector has the 6th lowest average hourly labour cost of the 13 main economic sectors. Hourly labour costs in construction increased 21.6% in the five years between Q3 2017 and Q3 2022, with hourly labour costs in the economy as a whole increasing 18.1%.

27. Average weekly earnings in the construction sector grew 5.1% year-on-year in Q3 2022. It is important to bear in mind that this growth in earnings reflects the growth in earnings of workers not within the scope of the construction SEO. It is also worth noting that the construction sector now has the longest average hours of any sector, reflecting labour supply issues. Further, average hourly earnings in construction are just 91.2% of the economy-wide average and 97.7% of the private sector average. The relatively low wages are likely to be a significant impediment to attracting new labour into the sector with ongoing potential consequences in terms of the housing crisis and the net zero transition.

28. High rates of inflation are undermining workers real incomes. The annual CPI inflation for 2022 was 7.8% while annual inflation averaged 8.7% in Q3[11]. Most institutional forecasts are projecting inflation rates in the region of 6% to 7% in 2023. Given that the construction sector already has very high average hours worked it is unrealistic to expect increases in average hours worked to contribute much if anything in the future to average weekly earnings.

[10] CSO (November, 2022), Earnings and Labour Cost Quarterly
[11] CSO (January, 2023) Consumer Price Index

29. Longer-term nominal wage increases in the Irish economy are likely to average close to 3.5%. This is based on the ECB's revised inflation target of 2% and an economy-wide productivity growth averaging close to 1.5%. Any amount lower than 3.5% is likely to be consistent with a decline in the labour share of GDP. Ireland has a very low labour share relative to other Western countries, suggesting medium-term policy should aim for wages increases in excess of the long-run average of 3.5%. Of course, in the shorter run it will be necessary to have even higher nominal wage increases simply to prevent living standards from falling. Cumulative 2023-2024 inflation is likely to be in the order of 9% to 10%.

30. In light of the earnings data referred to in the previous paragraphs, it is clear that the improvements in pay that the Unions have sought are justifiable in order to protect the living standards or workers in the sector.

31. The Labour Court is further required to have regard to the terms of any relevant national agreement relating to pay and conditions currently in existence and to consider if the SEO shall be binding on all workers and employers in the construction sector. The Unions are not aware of any relevant national agreement that will be impacted by revising the SEO as proposed in this submission.

32. The Unions further confirm that all workers falling within the scope of the definition of the construction will be bound by the terms of any new SEO. We understand that employers (main contractors, sub-contractors and Agencies) in the sector are

33.A Revised SEO – The View of the Unions

34. The Unions are seeking an increase in the basic pay rates as follows:

- 4% from 1 June 2023;
- 4% from 1 February 2024.

35. The increases been sought by the Union reflect the extraordinary circumstances which we have witnessed over the last year. In 2021 an investigation by the Labour Court resulted in the making of a Sectoral Employment Order for the construction sector which provided for two increases in pay of 2.8% the first of which applied from the 1 February 2022 and the second from the 1 February 2023. In our submission we sought annual increases of 4% for three years.

36. However, the Court will be aware we are living through a period of very high price inflation. The CSO confirmed that the annual rate of inflation for 2022 was 7.8%. It is fair to observe that in 2021 nobody envisaged the levels of price inflation we are currently experiencing.

37. In late 2022 the Unions met with the CIF to discuss what measures we could agree to mitigate the impact on workers arising from the high rates of price inflation. Over the course of the two meetings the CIF refused to contemplate any additional payments to construction workers. They made it clear that they regarded the SEO process as the only one which was capable of dealing with pay and that any increases the Unions intended to seek should be sought through that mechanism.

38. Table one below has been prepared for ease of reference and shows the impact of the increases in basic pay proposed by the Unions.

Table One

Category of Worker	Current Hourly Rate of Pay	Hourly Rate of Pay 1/6/2023	Hourly Rate of Pay 1/2/2024
Craft Worker	€21.09	€21.93	€22.81
Category A General Operative	€20.47	€21.29	€22.14
Category B General Operative	€18.99	€19.75	€20.54
New Entrant	€15.35	€15.96	€16.60
Apprentice Year 1	€7.03	€7.31	€7.60
Apprentice Year 2	€10.55	€10.97	€11.41
Apprentice Year 3	€15.82	€16.45	€17.11
Apprentice Year 4	€19.98	€20.78	€21.61

39. As the Court will be aware, travelling time has traditionally formed an important part of the remuneration of workers in the construction sector. It is paid in recognition of the fact that workers are required to travel to numerous different work locations which is not their actual place of employment. The 2015 Act makes very clear provision for the payment of traveling time (when working away from base).

40. There are numerous collective agreements in the construction sector that provided for the payment of travelling time. It is the case that a significant majority of workers in the sector have an additional payment in recognition of time spent travelling to construction sites that are not their base.

41. It is clear therefore that given circumstances in the sector, and the prevalence of travel time payments, it is entirely appropriate for the Court to provide for the payment of a minimum additional one hour of basic pay per day in recognition of time spent by workers travelling to construction sites that are not their actual base.

42. As part of the current SEO workers and employers are required to make minimum levels of contributions to a pension scheme. The importance of maintaining and extending the coverage of occupational pension schemes has been recognised by Government as a key policy measure in order to avoid poor living standards in retirement.

43. It is the stated policy of Government to introduce a form of mandatory occupational pension and this is to be implemented through the roll out of auto-enrolment from 2024. As part of this there will be a minimum level of pension contribution, for employers and workers. It is critical therefore that the pension contributions in the construction sector continue to keep pace with the overall movement in basic pay.

44. We are therefore prosing that employer and worker pension contributions increase 4% on the 1 June 2023 and 4% on the 1 February 2024:

Table Two

Weekly Pension Contributions		
	[illegible]	[illegible]
[illegible]	€29.22	€19.50
[illegible]	€30.39	€20.28
[illegible]	€31.60	€21.09

Summary and Conclusion

45. In this submission we have sought to convince the Court that a revised SEO for the construction sector is required.

46. We believe that we have demonstrated that the current level of activity in the sector means that our claims for an increase in pay is affordable, sustainable and fair. The revisions we have sought will assist in attracting and retaining the skilled construction workers.

47. In seeking a multi-annual approach to pay we believe that this will benefit employers in the sector as it will allow them to have certainty about the cost of labour when tendering for work. It will also support the maintenance of industrial peace in the sector.

48. The increase in employer and worker pension contributions are required in order to ensure that workers can have the confidence that they will have a decent income in retirement and they are consistent with national pension policy of enhancing and increasing occupational pension coverage.

ENDS.