

Building: teamwork or conflict?



L. Gordon Bayley

A review of labour
relations in the
building industry

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A 'Building' book



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Introduction

For some years the Department of Building at the University of Manchester Institute of Science and Technology has taken an interest in the development of human relations in the construction industry. One result of this interest was a course of lectures, under the title of *Building Industry—Teamwork or Conflict*, which was sponsored by the department in the autumn of 1971. These lectures were given by Geoffrey King and John Walker, both of the Joint Industry Board for the Electrical Contracting Industry; Donald Speakman, research officer of the Amalgamated Society of Woodworkers; Tim Organ, formerly a director of J. T. Developments Ltd; and the author.

Interest in the subject also gave rise to a seminar on *Human Relations in the Building Industry* which was held in Liverpool under the auspices of the North West Building Productivity Committee, of which the author is the present chairman. Out of this developed a suggested code of industrial relations practice. The committee further expressed an interest, as did the Institute of Building at one stage, in the establishment of such a code for the building industry and has encouraged publication of it.

This book has developed from these lectures and activities. Until quite recently management in the construction industry has been essentially paternalistic in approach. While this has been acceptable in the past, it now appears too static and inflexible in the light of current labour relations. All too often it reduces communications to a one-way, rather than two-way, process and this in turn creates tensions which may well lead to conflict. The industrial dispute of summer 1972 demonstrated how costly such conflict could be.

The author of this book does not preclude all forms of conflict from a healthy climate of industrial relations. On the contrary, as he says: 'That there will always be conflict must be accepted, but it is the nature of that conflict which is crucial: it need not always be destructive. It does

not preclude co-operation and can contribute more than anything else to the collective success of the enterprise.' This book argues for just such a climate in which a productive exchange of ideas is encouraged. The Industrial Relations Act of 1971 has led some in the industry to rethink their management policy, and it is hoped that a more flexible approach will spread generally throughout the industry. The industry cannot long defer some major decisions which will determine the climate of industrial relations. These include a revised wage structure, based on a job evaluation with appropriate job descriptions, which would take account of skill differentials and the extra payments which have increased over the year; the possible grading of operatives; the position of incentives as a reward for effort; the rules for overtime which at present permit the payment of full premiums to those who have not worked a full working week; a revised holiday-with-pay scheme which would prevent an accumulation of frozen funds; and, finally, possible disciplinary sanctions for those who violate agreements. This book offers its own code of industrial relations practice to help bring about the right climate in which industrial relations can flourish.

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1—Background to industrial relations in the construction industry

There is a major manpower crisis facing the building industry which is going to affect not only the climate in which negotiations between employers and unions are conducted at national and site level, but will also force changes in the techniques used in the industry. These changes will introduce radical alterations in industrial relationships. As a result, both employers and unions must do some hard thinking about the consequences in order that these changes occur with the least possible disruption. This however poses the question of whether it is possible for an industry as diverse as construction to have a collective view on many matters, particularly in relation to its perception of future trends.

While the manufacturing industry has had to work within a rigid framework in respect of its personnel and labour policies, the construction industry has enjoyed in large measure informal relationships and very little codification of its policies. The structure of the industry and its method of working have contributed to this informality. However, the larger companies in particular are having to change owing to pressure from organised labour. They are also being influenced by the experience of other industries, brought in as a result of mergers between construction companies and those of other industries (eg, Swan Hunter, Trafalgar House Investments etc). This is leading to a more centrally dominated personnel policy, and the influence is reinforced by the impetus to codification of procedures brought about by the Industrial Relations Act 1971 and its Code.

There are other influences at work. The authority of the National Joint Council for the Building Industry (NJCBI) is being challenged and to some extent is dwindling, as we shall see later. Members of the council may not accept that this is the case, but it is in fact linked with the decreasing effectiveness of the constituent parties, and in particular that of the construction unions.

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The greatest challenge to the present system of industrial relations arises from the style of management under which the industry operates. This style derives from the attitude which is adopted by management towards employees. It is, as we shall see, largely authoritarian coupled with a measure of paternalism. But as power, as an absolute right, passes from management to the shop floor, so the challenge which this change presents can, more quickly than anything else, lead either to a headlong confrontation or to a constructive discussion out of which a really healthy industrial relations climate can be created. These factors will be discussed separately.

THE CHANGING STRUCTURE OF THE INDUSTRY

There is a distinct trend towards the larger firm; this is best illustrated by Table 1.1 which shows how the sort of labour force employed by contractors has shifted towards the larger-sized company. In 1965 the method of classifying the size of firm was changed from classification according to the number of operatives employed to classification by the total number of employees—the latter now including clerical, administrative and technical personnel, in addition to manual workers. In redefining the size groups, the Department of Employment endeavoured to form group sizes as nearly comparable as possible to those previously used. We therefore note that in 1970, 31 per cent of the labour force was employed by firms with over 600 employees, whereas eleven years earlier 21.4 per cent of the labour force was employed by firms with at least 500 operatives on their pay-roll. The influence of firms with over 600 employees on the pattern of industrial relations, and particularly on the earnings level within the industry, has commensurately increased.

No precise figures are available to indicate how many firms are linked financially or by common directorships, but the number has increased in recent years. Various property developers and a number of finance houses have sought to incorporate construction firms within their groups. This is clearly going to lead to a greater conformity in numerous management practices.

While the size of firm has been changing, recent years have witnessed some major changes in the trade union structure in the industry. In 1965 (according to W. S. Hilton in his book, *Industrial Relations in Construction*) there were 19 unions affiliated to the then National Federation of Building Trades Operatives with a total of some 420,000 members. In 1972, following the wind-up of the NFBTO's successor, the National

Year	Size of firm by number of operatives											
	Nil	1-5	6-10	11-19	20-30	31-50	51-70	71-99	100-249	250-499	500-999	1,000 & over
1959	2.3	11.3	7.9	9.2	7.3	8.6	5.6	4.9	12.6	8.8	6.7	14.8
1965	1.9	9.2	6.8	8.4	6.7	8.1	5.0	4.8	12.5	8.9	7.6	20.1
	Size of firm by number of employees											
	Nil	2-7	8-13	14-24	25-34	35-59	60-79	80-114	115-299	300-599	600-1,199	1,200 & over
1965	1.2	9.8	7.1	8.7	5.2	8.8	4.4	5.2	12.8	8.9	7.9	20.0
1970	1.6	10.1	6.8	8.2	4.9	7.8	4.2	4.9	12.4	8.0	9.3	21.7

Table 1.1 : Percentage distribution of the labour force between firms of differing size (Source: Department of the Environment)

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Federation of Construction Unions (NFCU), there were only three effective unions negotiating with employers on the National Joint Council and the total membership has fallen sharply in the intervening period.

The merging of the unions might have been expected to increase the power of the union movement within the industry. While the unskilled-dominated union, the Transport and General Workers Union, is the largest organisation as such, the majority of union members in the construction industry will be found within the new union, the Union of Construction, Allied Trades and Technicians, formed out of the former Amalgamated Society of Woodworkers, the Amalgamated Society of Painters and Decorators, and the Amalgamated Union of Building Trades Workers (the bricklayers' union). UCATT has suffered a decline of some 20,000 members in the last twelve months and has a total of 260,000 members out of an estimated total of half a million potential members. This decline in the membership of UCATT is now affecting the power of the unions as a bargaining unit besides making it more difficult to restrain the more vocal elements of its membership.

There are conflicting interests within the new union structure since UCATT still has its labouring section associated with the former AUBTW. At times this makes for an uneasy peace when it comes to establishing differential wage rates for skills, let alone those for skilled and unskilled. The relative weakness of the craft union UCATT, as opposed to the giant TGWU, could make things difficult if the industry is to establish a sound wages structure. In the meantime the national negotiations have to be conducted against this backcloth of rival interests between the various unions which make up the operative negotiating team.

The two building employers' associations—the National Federation of Building Trades Employers and the Federation of Master Builders—are competing with each other in the industrial relations field. The NFBTE is the body which negotiates with the unions on industrial matters. While there are no such negotiations with the unions and the FMB, the latter has been permitted to register under the 1971 Act as an employers' association whose principal objects include the regulation of relations between employers and unions. This recognition by the Chief Registrar could lead either to pressure for the FMB's inclusion in the employers' team at the negotiating table or to a separate agreement if the unions saw an advantage in doing so and the FMB supported such a step in an attempt to achieve equality with the NFBTE. It appears unlikely, however, that the exclusion of the FMB from the NJCBI will be continued indefinitely.

The NFBTE remains the most influential association on industrial relations matters. The national contractors' group within the federation plays an important part and as long as this group can find common ground among its members, it can exert a very powerful influence on the industrial relations climate. This influence can be used both within the federation in policy making and outside it, where the vulnerability of large firms to militant action by employees is aided by the transient nature of the labour force. We have seen this in the Barbican and Horseferry Road disputes of the late 60s, and in the Birmingham dispute and more widespread strikes during 1972.

The national contractors are forced to adopt policies and practices which conflict with those of the medium and small firms. This creates tensions within the federation which are difficult to resolve. However, the federation still presents to the unions a common front, but the price which the industry pays to maintain this sense of solidarity is resistance to change. Sooner or later, it may lead to open conflict in the federation, especially if the gap between the earnings level of the operatives in the small and large firms continues to widen. The break could occur sooner than we think.

THE DECLINE IN THE INFLUENCE OF THE NATIONAL JOINT COUNCIL

There has been a decline in the influence of the National Joint Council. The main reason stems from the reduction in the proportion of the labour force coming within its jurisdiction. The traditional crafts for which the NJCBI is responsible are playing an ever-decreasing part in the total value of work carried out by the construction industry. An increasing proportion of this total value is now undertaken by the mechanical trades. This is seen from the percentage of work carried out by the heating and ventilating engineering and the electrical contracting industries. Their combined proportion has risen from 8.2 per cent in 1960 to 11.6 per cent in the first quarter of 1970. In the same period the total labour force has fallen by 100,000, which is largely attributable to the decrease in the number of operatives employed by those firms which come within the jurisdiction of the NJCBI and who form a large part of the NFBTE membership.

The declining coverage of the National Joint Council in terms of the total labour force must be seen alongside the increase in power of other national joint negotiating bodies covering the remainder of the industry. These include the Civil Engineering Conciliation Board which for many

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years followed the lead of the NJCBI, but which recently has shown a tendency to take an independent line so further fragmenting the wage bargaining structure within the whole industry.

The heating and ventilating industry has its own joint council and wages structure. The relationship between this industry and the plumbing industry has in the past been a source of friction since they work so closely together. It is therefore not surprising to record that the plumbers have now established their own Joint Industry Board for Plumbing Mechanical Engineering Services in England and Wales which operates in much the same way as the electrical JIB. This further weakens the NJCBI.

There are other bodies which cover occupations basically concerned with construction. Probably the most influential in terms of its own power and control over those within its jurisdiction is the Joint Industry Board for the Electrical Contracting Industry. This body has considerable power and is setting the pace within the industry for improved terms and conditions of employment which must ultimately influence other agreements. The most interesting feature of the wage structure in this sector is the move towards greater parity with the engineering industry. It is this which emphasises the fact that, as the construction industry uses more and more industrial products and processes, so its former isolated position becomes increasingly untenable and it moves towards a greater interaction with the other major industries of this country.

The effect of labour-only sub-contracting, with the opting out of National Agreements which this entails, has assisted the decline in the influence of the NJCBI. Firstly, it has hit trade union membership very hard and created the need for union mergers to maintain financial viability. Secondly, the council has proved powerless to enforce either its former Agreement or its present 'declaration of intent'. The council has no teeth. Its constituent parties seem to enforce only those parts of the National Agreement that suit them. In the case of labour-only sub-contracting, the unions have had to take their fight to the individual sites, witness the Birmingham disputes of 1972. Labour-only sub-contracting is condemned by the unions and so long as employers are reluctant to tackle this problem they will be subjected to industrial action.

Sound industrial relations require among many things an acceptance of a responsibility for seeing that the agreements are observed. The absence of any sanctions against defaulting employers can only emphasise the impotence of the bodies concerned, and this, in turn, does not make for a healthy climate for industrial relations.

BACKGROUND TO INDUSTRIAL RELATIONS

THE ROLE OF THE CLIENT AND HIS PROFESSIONAL ADVISERS

The impact of the actions and inactions of those who are outside the direct relationship of employee and employer is greater in the construction industry than in any other. The fragmentation of roles within the industry into different practices and enterprises such as those of architects, engineers and quantity surveyors as well as main contractors and sub-contractors tends to mask their basic interdependence on one another. Fragmentation affects the conduct of affairs within each party. This is especially true of those whose employment is least secure, namely the operatives employed by main and sub-contractors. Too often the effect of the design team's decisions is not appreciated. Such decisions can result in a lowering of morale, a disruption of earnings patterns, and in some cases they can create a sense of frustration which must put at risk the successful and satisfactory completion of a project.

There is an urgent need for all those engaged in the building process to be aware of the consequences of their decisions upon other parties who may be affected. This is especially true where decision changes take place during the actual construction work. It is not acceptable for each party to ignore other people's problems. All contractors are aware of the effect of such changes upon the earnings pattern of their operatives and the compensating payments which they are sometimes forced to make. This places a heavy burden upon those who seek to control and organise construction work. All concerned must acknowledge their interdependence and take all possible steps to avoid actions which could bring about a deterioration in relationships. This extends to the main contractor's actions towards his sub-contractors.

A new feature of industrial relations which has recently arisen concerns the role of the client on large construction sites. Clients are taking an increasing interest in the industrial relations situation on construction sites and are taking an active role with the express aim of ensuring that they can put their plant into operation in accordance with their programmes. This role can take two forms. The first is the establishment of basic welfare services under the clients' own direction so that each contractor does not have to duplicate these services. The second concerns the level of pay and, in particular, bonuses.

It is clear that the client is now intervening in these areas because the numerous contractors involved have failed to agree on a unified policy and programme, and because in many instances they have failed to provide adequate machinery to locate possible causes of conflict. There is

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so much reliance upon crisis management that too few have considered the appointment of specialist industrial relations officers as a means of establishing a sound procedure to deal with industrial relations problems, leaving it rather to personnel managers who have other duties to perform. Until 1971, there were fewer than a dozen industrial relations personnel employed within firms in the NFBTE.

The clients on the large sites are major industrial concerns which see the construction industry's approach as archaic compared with their own. It is natural to expect them to try and improve the situation which in the past has hit them so hard—particularly in power station construction. When this involvement reaches the stage where industrial concerns are prepared to 'buy out' trouble by authorising additional payments, as occurred in the recent case with Alcan Ltd, then the effects can have repercussions on the construction industry as a whole. In the Alcan case, the effect at the moment is confined to the electrical contracting industry but its repercussions will spread in time.

This type of intervention arises from the relationship between the capital cost of the plant and the overall economics of plant operation. The amount of an additional wage payment to secure completion of a project on time is significantly less than the loss likely to result from disruption of production plans. A client who initiates such payment, however, may affect the construction industry to an extent far greater than he realises.

STYLES OF MANAGEMENT

It is sometimes said that effectiveness of any organisation is directly proportional to the influence of the person with the greatest power. In a business this is in most cases the largest shareholder. The construction industry has an above average number of enterprises where the major shareholder is himself the controlling director. In such cases the leadership as well as the tone of the organisation emanates from him. It is not unusual in such situations to find the authoritarian or sometimes paternalistic style of management.

The authoritarian manager takes the 'direct' and 'command' aspects of management almost as a divine right and this gives less discretion to subordinates than in the case of a manager who does not possess the same direct financial interest in terms of shareholdings. The authoritarian manager sees labour as a commodity to be hired in a similar manner to plant and materials and his style of management has never accepted formal representation of the labour force as a potentially constructive

component in a business. Hence there is an inbuilt sense of hostility towards unionisation which, at a time of increasing power in the unions, brings nearer the possibility of a confrontation. The existence in the construction industry of non-union firms is very widespread.

For many years the NFBTE resisted the inclusion of references to union functions and in particular to shop stewards in the National Agreement. This resistance is led by the numerically stronger medium and small builders within the NFBTE. Agreements have been phrased which try to circumscribe the stewards' power and make them into functionaries of the union movement, rather than accepting them as spokesmen of the employees. These moves have never fully succeeded, yet they demonstrate the attitude towards employee representation by employers who see them as a challenge to the right of the man with greater power to manage and control at his sole discretion. However, the authoritarian style of management conflicts with the concept of how industrial relations should be conducted according to the Code of Industrial Relations Practice associated with the 1971 Act.

Paternalistic managers on the other hand tend to dispense the 'welfare state' in many forms without giving an outlet for views and contributions of employees, relying often upon the notion of the manager's 'open door'. This seldom operates in practice since, however well known the manager may be to his men, there is an acknowledged difference in status and duties which makes communication upwards within the management system difficult.

The industry abounds in these two styles, although with the larger national company the professional managers, as opposed to the major shareholder-directors, are increasing in numbers. Many of these managers adopt a more conciliatory approach towards labour because they are not defensive about their shareholdings. It is these managers who are more receptive to modern management thinking and who see labour as having an educated mind to be deployed in the interests of the enterprise. Yet the climate of industrial relations within the industry in many respects continues to be influenced by the old authoritarian style which is coming under increasing pressure to change its approach. Where the paternalistic approach exists, its influence decreases as firms grow in size.

THE INFLUENCE OF THE INDUSTRIAL RELATIONS ACT

The method by which the industry secures its work, through competitive tendering for varied sizes and types of contract, creates a measure of

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uncertainty which affects the continuity of employment. Furthermore, continued changes in the location of the place of work, coupled with the sequential nature of the specialist tasks to be performed, increase even more the difficulty of organising the labour force within a trade union. Yet the Act recognises the role which organised unions should play, and its Code states that management should initiate comprehensive employment policies. These employment policies include not only the forecasting of future needs but also decisions as to identifying what should be done to meet these needs. The training aspect of manpower planning needs to be tackled. This problem is highlighted when it is noted that, except for the mechanical trades, the amount of training in the traditional crafts appears to be falling off dramatically. Figures 1.1 and 1.2 show the number of apprentices in the industry over recent years.

It is doubtful whether this part of the Code will have an effect upon training itself, but it could well lead to a reappraisal of the extent of casual employment within the industry. Any attempt to drastically reduce labour turnover comes up against the restrictions placed on management's freedom of action in relation to dismissal in cases where an employee has been engaged for two or more years.

The introduction of the Redundancy Payments Act made a number of firms cautious of their policy to keep labour permanently employed. The onset of redundancy may be brought about not through a deliberate policy, but through uncertainty about the future work load due to the nature of the industry's operations. Its attendant cost to a firm by legal actions over which the firm has little control can be substantial. The fact that the provision for redundancy payment and the Industrial Relations Act's provision concerning unfair dismissal are both operative in cases of two years' continuous employment raises important issues in relation to employment policies.

The Industrial Relations Act is designed to reform labour relations procedures as well as to initiate them where they are non-existent. It seeks to provide a set of 'Queensberry Rules' to reduce the incidence and effect of friction and discord, as well as to give rights in law on a more extensive scale than hitherto. This presents in many ways a challenge to the traditional ways of conducting industrial relations in the construction industry and in particular to the traditional style of management it adopts. Recent discussions with a number of employers indicate an attitude of 'wait and see' in relation to the Act. However, some leading firms, exposed to union activity, are having to look hard at their policies in this field.

BACKGROUND TO INDUSTRIAL RELATIONS

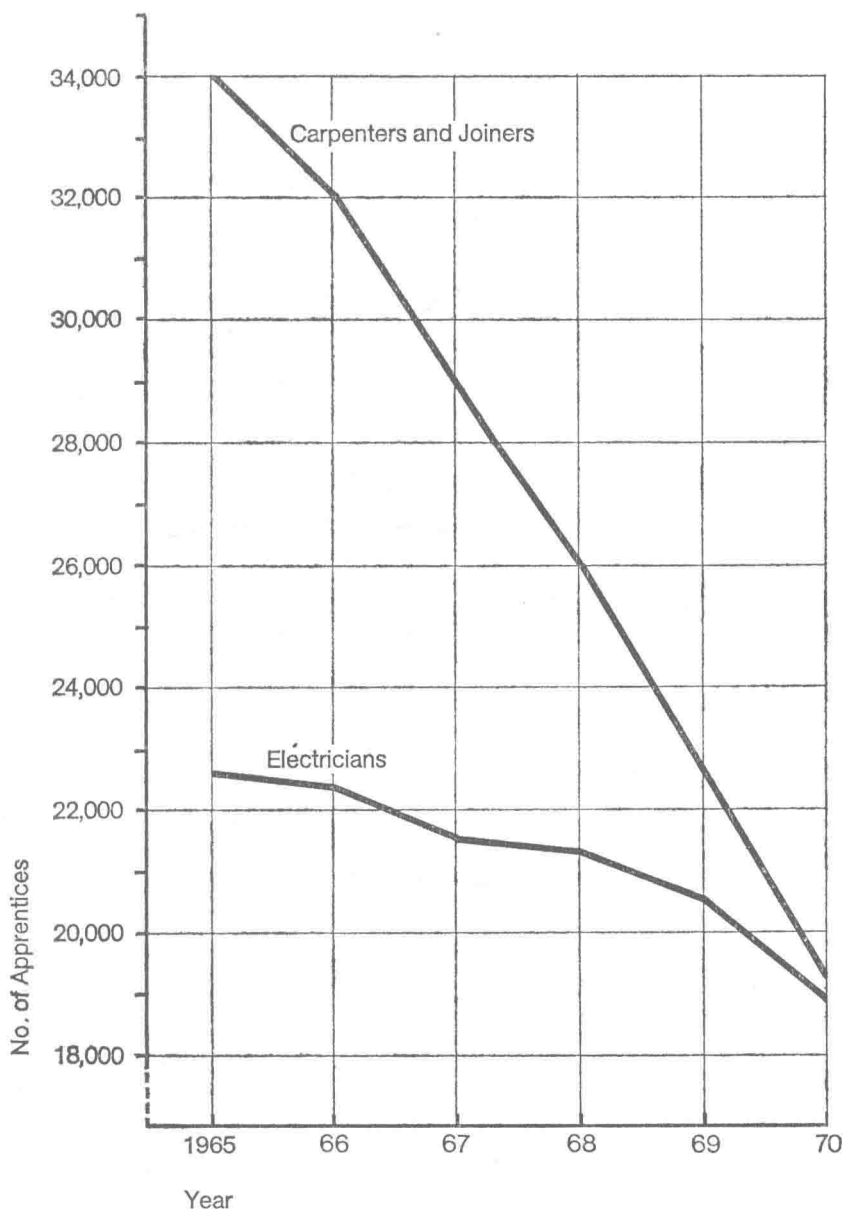


Figure 1.1: Graph showing the number of apprentices (carpenters and joiners and electricians) for the period 1965-70 (Source: Department of the Environment)