



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

February 2019

INTRODUCTION

In accordance with s.14 of the Industrial Relations (Amendment) Act 2015, the Construction Industry Committee of the Irish Congress of Trade Unions (CIC) has requested the Labour Court to examine the terms and conditions relating to the remuneration and pensions/sick pay scheme of craftworkers, general operatives and apprentices working in the construction industry. In particular, the trade unions have requested the Labour Court to examine the following:

- minimum rates of remuneration including basic pay and travelling time;
- standard daily and weekly hours of work; and
- pension contributions.

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 craftworkers, 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 Sectoral Employment Order (Construction Sector) 2017 was introduced. At that time the CIF provided evidence to the Court in support of our contention that the Federation is substantially representative of the sector. In the intervening period since 2016, the numbers of workers employed by our members has increased generally in line with the increase in the number of workers employed in the industry.

For the purposes of this submission, CIF has examined the current SEO in terms of (a) labour cost issues and (b) non-labour cost issues. CIF is strongly opposed to any increases in labour costs at this time. With regard to non-labour cost issues, CIF respectfully makes a number of submissions below to ensure any new SEO is fit for purpose.

TRADE UNIONS' CLAIMS TO INCREASE LABOUR COSTS

The SEO was introduced in October 2017 and provided for substantial increases in labour costs for employers in the construction sector. Rates of pay increased by a minimum of 10% and above 20% in many cases. These increases were introduced overnight and as the majority of contracts are entered into on a fixed price basis, these increases were not recoverable.

The SEO was introduced 4 years after the striking down of REAs in the industry. The absence of a legally binding mechanism for setting wages in the industry, together with the 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 in order for the contractor to remain in business and the employee to remain in 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 in the sector. The construction industry is labour intensive and an SEO provides a mechanism for ensuring that contractors can tender for work on a level playing field with regard to labour costs.

The SEO was introduced in October 2017 and provided for rates of pay substantially in excess of the rates being paid to construction workers at that time. The SEO provided for a minimum increase of 10% in hourly rates, and substantially higher increases for contractors outside the greater Dublin area in particular. These increases placed a substantial financial burden on our members. The vast majority of contracts, if not all, are priced on a fixed-price basis. Labour costs account for approximately 40% of a tender and contractors who had tendered for and were awarded contracts prior to October 2017 were legally obliged to pay substantially higher hourly rates without the ability to recover these increased costs. The SEO was introduced approximately 15 months ago and many contractors, particularly those outside the greater Dublin area, continue to struggle to meet the terms contained within the Order.

An increase in labour costs would add to the cost of construction for a house builder. This in turn would result in an increase in the cost of the house to the purchaser. Driving up the cost of housing at this time would only serve to exacerbate the current housing crisis.

CIF is, therefore, opposed to any further increases in labour costs at this time. We believe that the SEO in its current form, save for some amendments proposed below, should remain in place.

SUBMISSION ON REMUNERATION, PENSIONS AND SICK PAY AND DISPUTE RESOLUTION PROCEDURES

1. HOURLY RATES OF PAY

The SEO provides for the following rates of pay:

<i>Category 1 Worker</i>	<i>€17.04 per hour</i>
<i>Category 2 Worker</i>	<i>€18.36 per hour</i>
<i>Craft Worker</i>	<i>€18.93 per hour</i>
<i>Apprentice</i>	<i>Year 1 - 33.3% of craft rate</i>
	<i>Year 2 – 50% of craft rate</i>
	<i>Year 3 – 75% of craft rate</i>
	<i>Year 4 – 90% of craft rate</i>
<i>New entrant worker</i>	<i>€13.77 per hour</i>

CIF is opposed to any increase in the hourly rates set out above at this time.

A Category 1 Worker is a general operative (GO) who has worked in the sector for more than 1 year. CIF requests that this rate should apply to a GO who has worked in the sector for more than 3 years. The construction industry has traditionally had a four tiered general operative grading and pay structure. General operatives have traditionally moved up the grading structure as they undertake training and acquire more skills. The Industrial Relations (Amendment) Act 2015 had the effect of reducing this grading structure to a 3 tiered structure. We believe this was unintended by the legislature and last summer CIF made a submission to the Department of Business, Enterprise and Innovation seeking an amendment to the Act to provide for a new GO rate to restore the GO grading structure to what was agreed with the unions over 20 years ago.

Therefore, as a result of the narrow provisions of the 2015 Act in relation to rates of pay, the SEO provides for a 3 tiered grading structure for GOs instead of the 4 tiered structure that has traditionally existed. A GO who enters the industry for the first time is entitled to an hourly rate of €13.77. After one year's service, this operative's rate of pay increases by 24% to €17.04 per hour. This situation has placed a substantial financial burden on employers and is simply not sustainable. An increase in pay of 24% for a GO after 1 years' experience also dis-incentivises workers to enter the apprenticeship system. An apprentice is entitled to a rate of €17.04 in the final year of the apprenticeship whilst a GO is entitled to the same rate after 1 years' experience without any attainment of skills or qualifications.

Submission to the Court

1. The hourly rates set out in the SEO should not be increased.
2. The Category 1 Worker should receive the rate of €17.04 after 3 years' experience in the sector.

2. DAILY AND WEEKLY HOURS OF WORK

ICTU has advised that it is seeking the re-introduction of a 39 hour week in the construction industry. CIF submits that it is not necessary to have standard daily and weekly hours set out in the SEO. Universally applied hours of work would cause disruption to businesses and restrict the flexibility that currently exists between an employer and employee to negotiate suitable hours of work depending on location of site, etc.

Employers and workers need flexibility on starting and finishing times. Hours of work vary depending on the time of the year/hours of daylight, avoidance of high volumes of traffic at peak times, avoidance of interruptions to clients' business, etc.

Submission to the Court

CIF submits that daily and weekly hours of work should not be provided for in the SEO as these hours are best agreed locally.

3. OVERTIME

The SEO provides for the following overtime to apply:

<i>Monday to Friday normal finishing time to midnight</i>	<i>time plus a half</i>
<i>Monday – Friday Midnight to normal starting time</i>	<i>double time</i>
<i>Saturday (1) first four hours from normal starting time</i>	<i>time plus a half</i>
<i>(2) all subsequent hours until midnight</i>	<i>double time</i>
<i>Sunday All hours worked</i>	<i>double time</i>

Submission to the Court

CIF submits that the above provisions should remain in place and should be categorised under the heading of "Overtime". The above provisions are currently set out under the heading of "Unsocial Hours Payments". There is no requirement for a premium for "Unsocial Hours".

4. TRAVEL

CIF is strongly opposed to travelling allowances being introduced for the following reasons:

1. The introduction of one hour's travelling allowance per day represents an increase of 12.8%.
2. To our knowledge, no other sector of the economy is obliged to pay a travelling allowance.
3. For the past 5 years approx. no legally binding travel allowances have existed in the industry.
4. 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.
5. In the urban areas of Cork, Limerick, Waterford and Galway a series of conditions were attached to the agreements which meant 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.
6. 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. 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.
7. 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.
8. Contractors outside of the urban areas, in particular, have seen significant increases in labour costs since the introduction of the SEO in October 2017. In most cases the increase in hourly rates was over 20%. 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 and would have the potential to threaten the very survival of many companies.
9. Recent statistics published by the CSO show that 62% of all housing completions in Ireland in Q3 2018 were in the Dublin and Mid-East Region. The commercial viability of housing remains a significant challenge in the sector and the market value of houses in most parts of Ireland is less than the replacement cost of constructing new housing units. Therefore, the introduction of one hour's travelling allowance (i.e. an increase of 12.8%) will 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.

It is, therefore, the case that the payment of travel allowances in the construction industry have 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.

Submission to the Court

CIF submits that travelling allowances should not be provided for in the SEO.

5. PENSIONS, SICK PAY AND DEATH IN SERVICE

The provision of a mandatory pensions and sick pay scheme places a significant cost on employers. CIF members recognise the benefits of contributing to a scheme for pensions, sick pay and death in service for all employees. We believe the current contribution rates are fair and reasonable and no amendments should be made to the contribution rates at this time.

CIF requests that the current contribution rates should also be expressed as a daily allowance for workers who do not work a full week, as follows:

Pension Contribution

<i>Employer Contribution</i>	<i>Worker Contribution</i>	<i>Total Combined Employer and Worker Contributions</i>
€5.33 per day to a maximum of €26.63 per week	€3.55 per day to a maximum of €17.76 per week	€8.88 per day to a maximum of €44.39 per week

Death in Service Contribution

<i>Employer Contribution</i>	<i>Worker Contribution</i>	<i>Total Combined Contribution</i>
€1.11 per day to a maximum of €1.11 per week	€1.11 per day to a maximum of €1.11 per week	€2.22 per day to a maximum of €2.22 per week

Sick Pay Scheme

We request that the sick pay contribution rates for employers and workers should remain unchanged, as follows:

<i>Employer Contribution</i>	<i>Worker Contribution</i>	<i>Total Combined Contribution</i>
€1.27 per day to a maximum of €1.27 per week	€0.63 per day to a maximum of €0.63 per week	€1.90 per day to a maximum of €1.90 per week.

Submission to the Court

1. The current contribution rates remain in place.
2. Contributions to be expressed in terms of daily and weekly contributions.

6. DISPUTE RESOLUTION PROCEDURES

The following procedure is currently provided for in the SEO.

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

Individual Dispute

a) The grievance or dispute shall in the first instance be raised with the employer at local level with a requirement to respond within 5 working days. Notice in writing of the dispute shall be given by the individual concerned or his trade union to the relevant organisation representing employers or to the employer directly.

b) If the dispute is not resolved it shall be referred to the Adjudication Service of the WRC.

c) Either party can appeal the outcome of the Adjudication Hearing to the Labour Court.

Collective Dispute

a) The grievance or dispute shall be raised in the first instance with the employers with a requirement to respond within 5 working days. Notice in writing of the dispute shall be given by the workers concerned or their trade union to the relevant organisation representing employers or to the employer directly.

b) If the dispute is not resolved the issue shall be referred to the Conciliation Service of the WRC.

c) If the issue remains unresolved, it shall be referred to the Labour Court for investigation and recommendation.

Submission to the Court

CIF submits that the disputes procedure set out above should remain unchanged.

IMPLEMENTATION DATE / LEAD-IN TIME

The SEO was signed into law by the Minister on 19th October 2017, with immediate effect. This meant that on 20th October 2017 a contractor's labour costs increased by a minimum of 10%. As stated above, the increase was substantially higher for regional contractors in particular. 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. The introduction of a substantial increase in labour cost in 2017, in a labour-intensive sector, placed a substantial burden on contractors and many contractors continue to struggle to meet the terms of the SEO.

A lead-in time of a minimum of 6 months is essential for any future increases in labour costs associated with the SEO. This will provide an opportunity for contractors to include increases in labour costs in tender prices.

Submission to the Court

A minimum lead-in time of 6 months is required prior to the implementation of any future SEO.

INDUSTRIAL RELATIONS (AMENDMENT) ACT 2015

In accordance with s.16 of the Industrial Relations (Amendment) Act 2015 the Court shall have regard to the following matters:

- The potential impact on employment and unemployment in the sector
- The terms of any relevant national agreement
- The potential impact on competitiveness in the sector
- The general level of remuneration in other economic sectors in which workers of the same class, type or group are employed

In accordance with the above, CIF makes the following submission:

1. Industry Performance & Activity

- Nationally
- Internationally

1.1 Comparative Pay Rates in Irish Public Bodies

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

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

	Start	Mid-Point	Top
Local Authorities			
Craftworker (01/01/18)	€16.06	€18.16	€18.79
Craftworkers Mates (01/01/18)	€13.13	€14.95	€15.35
GO's/Labourers (outside Dublin) (01/01/19) An increase of 1-2%	€13.58	€15.18	€15.50
HSE (01/10/18-a total increase of 2% in 2018)			
Craftsmen	€16.27	€18.40	€19.04
Craftsmen's Mates	€13.31	€15.19	€15.59
Builders Labourers	€13.08	€14.98	€16.01
General Labourers	€13.08	€14.98	€16.01
Builders Labourers Non-Dublin Non-Paypath	€13.25	€14.96	€15.29
General Labourers Non-Dublin Non-Paypath	€13.25	€14.96	€15.29
University			
Craftsmen (01/10/18-a total increase of 2%)	€17.96	€18.47	€18.97
General Operatives (01/01/19-1-2% increase)	€14.59	€14.89	€15.12

Source: Individual Organization Publications

All craftworkers in the construction sector are currently paid €18.93 per hour, regardless of service or experience. This rate is higher than that top rate paid to a craftworker employed by a Local Authority. A newly qualified craftworker in the construction sector earns 16.3% more than their equivalent in the HSE and 17.8% higher than their equivalent employed by a Local Authority.

In accordance with the SEO, Category 1 workers are GOs with 1 years' experience in the construction industry. These workers are entitled to a rate of €17.04 per hour. This rate is 10% higher than the top GO rate on the Local Authorities pay scale. The €17.04 rate is also 6.5% higher than the top rate for GOs in the HSE and 12.7% higher than the top rate in the university sector.

Category 2 workers in the construction industry are GOs on a rate of €18.36 per hour. This rate is over 14.4% greater than that paid to GOs in the HSE and 18.5% higher than the top rate for a GO employed by Local Authorities, and 21.5% greater than their equivalent in the university sector.

Comparative National Pay Rates

Data on earnings for Quarter 3 of 2018 recently released by the CSO show the following weekly averages outlined below:

	Average Earnings per Week for Q3 2018
National	€740.32
Construction Sector	€777.60
Private Sector	€679.18

Source: CSO

As can be clearly seen from the above table, average weekly earnings in the construction sector for Q3 in 2018 were over 5% (€37.28) greater than the national average and 14.5% (€98.42) greater than the national average in the private sector.

1.2 International Comparisons

In terms of international competitiveness, we note that the euro equivalent for the published Building and Allied Trades Joint Industrial Council BATJIC wage rates in Britain effective from 25th June 2018 valid to 23rd June 2019 are:

Advanced Craft: €14.13

Intermediate Craft: €12.16

General Operative: €10.80

Craftworkers and general operatives employed in Ireland are paid substantially higher rates than their equivalents employed in the UK. Irish contractors operating in border regions continue to lose work to Northern Ireland contractors who are more competitive due to lower labour costs as per the above. Despite the fact that the SEO applies to all workers working in the Republic of Ireland, Irish contractors

operating in the border regions in particular continue to lose contracts to competitors from the North of Ireland. Further increases in labour costs would only serve to widen the gap between rates of pay for workers from the North and South of Ireland. Therefore, any increases in labour costs would only serve to diminish our international competitiveness.

ECONOMIC CONTENT

Foreign Direct Investment

The industry is acutely aware of the value of the FDI sector to the Irish economy in general and the construction industry in particular. Investment in projects in Ireland by large multi-nationals creates employment for thousands of construction workers. Unsustainable increases in labour costs in the construction sector will result in foreign direct investment being re-directed to other countries with lower cost bases.

Brexit

At the time of making this submission we are none the wiser on Brexit and uncertainty regarding its outcome remains high. The Irish government is actively preparing for a no-deal Brexit scenario. Amid international trading tensions and declining domestic productivity the resilience of the Irish economy may be tested at a time when the short to medium term economic outlook is clouded.

The impact of Brexit on the Irish economy will be both geographically and sectorally diverse. As a sector which relies heavily upon the UK for (1) the importation of construction materials and products, and (2) the exportation of construction services, there will be significant cost implications for construction should the UK follow a disorderly Brexit. The construction sector could see a decline in output of 5 percentage points from its baseline following a disorderly/no-deal Brexit scenario. Indeed, given the size of most enterprises operating in construction it is likely that SMEs will require some financial supports in adapting to the Brexit transition.

It is anticipated that economic growth will moderate down to 4.2 per cent of GDP in 2019 (if the UK follows an orderly Brexit based on the Withdrawal Agreement). Economists predict, however, that economic growth will be at least three percentage points lower should there be a no-deal or World Trade Organisation (WTO) Brexit scenario.

National Development Plan 2018-2027/Project Ireland 2040

Labour costs account for over 40% of any tender. Therefore, stability with regard to labour costs is of paramount importance to the industry. The threat of wage rate and construction price inflation will dominate the government's agenda in 2019 and may impact on the appraisal of capital projects and programmes identified under the National Development Plan 2018-2027.

Businesses in the construction industry need certainty around the forward work programme. The prioritisation and timeframe for delivery of capital projects and programmes becomes a vital business planning consideration for CIF members. Construction cost inflation may disrupt allocations to specific projects and programmes - thereby reducing the pipeline of work ahead for the sector and impacting on growth and certainty of the forward work programme. It is assumed that the future expenditure figures detailed within the National Development Plan will not vary. This infers that if costs are higher than anticipated then Exchequer expenditure will not change but the deliverables from the National Development Plan will be reduced – which is bad news for construction companies, society and the general economy.

Should the unit labour cost element in construction increase, without a concurrent increase in expenditure by the Exchequer, then there will likely be a reduction in the number of projects that proceed and a reduction in the total labour hours required. Our position is not that there will be job losses but that an increase in the unit labour cost will reduce the future employment potential of the

construction sector in Ireland at a time when Ireland is in the midst of a housing crisis and existing infrastructure capacity is under pressure.

Employment

The construction sector comprises predominantly SME and micro-enterprises. Over 96% of businesses in the construction industry employ 9 people or less. Over 65% of people employed and engaged in construction work are in small companies of 9 persons or less, and just 14 companies employ over 250 persons. The sector has the third highest share of micro-enterprises in comparison to other sectors of the Irish economy. As a result of its structure and degree of fragmentation the construction sector is highly sensitive to the costs of doing business. The cost of labour is a substantial element in the overall cost of doing business in a labour-intensive sector such as construction.

Construction sector SMEs operate within very tight margins and are more likely to be vulnerable to the effects of rising wage rate inflation. SMEs in construction are often left with the decision to reduce staff or operating hours or to raise prices, which in turn increases overall construction cost inflation.

Construction Prospects

Gross Fixed Capital Formation in Building and Construction was estimated at €26 billion in 2018. The total value of construction investment peaked at €38 billion in 2006, meaning that although the sector has been recovering since 2011 actual construction investment is still over 30 per cent below its peak level.

2018 saw the introduction of the longer-term spatial planning framework (*National Planning Framework/Project Ireland 2040*) and capital investment plan (*National Development Plan 2018-2027*). From 2019 onwards, there will be gains in contributions from social and productive infrastructure and an increase in the share of repair, maintenance and investment in the private non-residential and residential sectors. Total capital expenditure of €10 billion is committed in 2019 (Exchequer and non-Exchequer), this amount is broadly in line with the overall allocation set out in the *National Development Plan* for 2019. However, in light of a review of the National Children's Hospital project it is likely that some deferral of projects will occur which will impact on public capital investment and new construction activity in 2019 and 2020.

The number of new homes completed in 2018 is estimated by the ESRI to be approximately 60% (over 30,000 units) lower than were completed in the year 2000. The CIF forecasts 18,500 new dwelling completions for the full year of 2018. Based on investment levels, CIF forecasts that completions will increase to 24,000 in 2019 and 28,500 in 2020. The National Planning Framework's National Policy Objective 32 targets the delivery of 550,000 additional households to 2040. The current residential construction output is concentrated in the Greater Dublin Area (GDA) and is not meeting existing market demand for 35,000 units plus per annum. Recovery in new dwelling construction outside of the GDA is slow, and construction of new dwellings in many parts of the country will remain far from viable in the medium term.



Source: CSO

The spread of investment and the resulting new construction activity beyond residential dwellings is very much focused on the main urban centres. Construction businesses spread across the regions are not experiencing the same level of activity or Gross Value Added, as those centred in, and travelling to, the main urban centres for work. One further implication is that a higher proportion of construction workers are engaged in commercial building projects which are predominantly taking place in the Greater Dublin Area.

The Central Bank of Ireland in its first quarterly bulletin of 2019 has indicated that the growth of consumer spending is projected to ease towards 2 per cent in 2019 and 2020. This together with easing in investment spending means that growth of underlying domestic demand is projected to moderate to 4.1 per cent in 2019 and 3.3 per cent in 2020. The Central Bank contends that this reflects a slowdown in the growth of private consumption and investment, which has been offset by stronger growth in government spending.

The Central Bank has also warned that as the economy moves closer to full employment during 2019 and into 2020 there is a need to avoid overheating in the domestic economy. While high risks to economic outlook are mainly external (the most significant one being Brexit), they could be exacerbated by overheating in the domestic economy.

As the representative body for construction employers in Ireland, the CIF is seeking to enable the sector to sustain viable businesses for its member companies. The increase in public and private investment forecast in 2019 and planned construction activity will be wholly dependent on projects passing a value for money test at all stages.

In Summary

To summarise, CIF respectfully makes the following submissions:

1. The industry cannot afford any further increases in labour costs.
2. A Category 1 Worker should receive the rate of €17.04 after 3 years' experience in the sector.
3. Daily and weekly hours of work are agreed between the employer and employee and these hours should continue to be agreed locally.
4. Overtime should be removed from the current heading of "Unsocial Hours Worked" and be provided for under the heading of "Overtime". No provision for unsocial hours worked is required.
5. 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 a 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 extra costs on contractors that cannot be recovered.
6. The contributions towards pensions, sick pay and death-in-service should remain unchanged. Provision should, however, be made to provide for daily contributions.
7. The dispute resolution procedure contained in the current SEO should remain unchanged.
8. 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 a minimum period of 6 months is required before any future SEO becomes operational.

CONCLUSION

The SEO, which was introduced approximately 15 months ago, introduced substantial wage increases for construction workers. The minimum increase was 10% and for most workers, it was substantially higher. The increase was introduced overnight and contractors were unable to recover these increased costs which placed a substantial financial burden on our members.

While the industry is in growth phase, this growth is confined mainly to the greater Dublin area. Large areas of the country have yet to experience an upturn in construction activity. The sustainability of the industry is heavily dependent on public capital programmes. These projects are subject to continuous economic assessment to ensure value for money. An unsustainable increase in labour costs would undoubtedly place some of these projects in jeopardy.

Seeking further increases in pay so soon after a minimum increase of 10% would only serve to threaten regional recovery and growth.

Our members simply cannot afford any further increases in labour costs at this time.

END