

## **Fair Pay Agreements Bill Submission**

### **Introduction**

The Specialist Trade Contractors Federation (STCF) is an umbrella group of organisations representing the specialist trades that are the backbone of our building and construction industry. Our members include specialists in structural steel, electrical, plumbing, gasfitting, drainlaying, scaffolding, heating and ventilation, roofing, precast concrete, windows, ceilings, and wall linings.

STCF members represent the businesses that complete approximately 80% of all the construction work in Aotearoa New Zealand and are arguably most likely to be affected by unintended consequences of the Fair Pay Agreement Bill

### **General**

STCF supports fair pay and conditions for all workers and does not believe Fair Pay Agreements (FPA) are needed in our industries as workers are well paid and experienced workers earn the median wage or more.

It is unclear how coverage under the FPA Bill will be determined, and there are serious concerns about who would negotiate these agreements for employers. FPAs will add considerable complexity to the industry and government and are unlikely to be as fair as the current system of individual and collective agreements.

The construction industry is under considerable pressure with supply chain shortages and delays, skills shortages and strong inflationary pressure on material and labour inputs. Introduction of FPAs could have significant consequences for employers who are tied to fixed supply contracts with the unintended consequences of layoffs, casualisation of labour and business closures.

### **Specific comments:**

- Construction is a complex industry with a fragmented and specialised supply chain. The FPA Bill is unclear about how coverage would be implemented in the construction industry, with possible FPA by industry (all of construction), or by trade/service (e.g., electrician, plumber, roofer, labourer). Regardless of how coverage is determined, construction industry associations will be pressured to negotiate FPAs on behalf of all employers in their sector.
- Industry associations are not resourced to negotiate FPAs and would also be representing non-affiliated businesses. Members of industry associations would be carrying the cost of negotiations for businesses who are non-affiliated, and costs of negotiations could render smaller industry associations unsustainable.
- Business NZ has stated it will not be the default bargaining party to FPAs, meaning if an industry association, or group of associations does not accept the role of bargaining agent, the FPA will be determined by the Employment Relations Authority.
- Within each trade or industry lies a multitude of roles, levels of experience and skill. An FPA will need to recognise these, as well as regional differences to avoid the same wage scale being applied to, for example, a new apprentice/trainee and an experienced and competent worker, which would overnight wipe out thousands of jobs for trainees and remove the financial motivation associated with training and upskilling.

- The complexity within the sector is currently well managed through individual and collective employment agreements. Managing this complexity across a broader FPA will add more complexity, cost and compliance, which will add to the overheads and administrative burdens of businesses.
- Construction trades are under immense pressure to meet demand while struggling with supply chain issues and labour shortages. Wages have grown significantly over recent years, often more than charge out rates can keep pace with. Productivity is under pressure from supply chain shortages in both material and labour and material prices are escalating. Specialist trade businesses are predominantly small or medium size and very vulnerable if labour rates were to move significantly across a whole workforce due to a FPA. This applies especially if the business is tied to fixed price, long term contracts, for example Kainga Ora maintenance contracts.
- Market forces have driven up wages significantly over recent years and these market conditions are not expected to change with a strong forward pipeline of work. Current methods of wage bargaining have worked well for employees and employers, providing the flexibility required by the thousands of small businesses in the sector.
- Specialist trades have been free of industrial disputes for many years with wages and conditions steadily improving, despite the boom bust nature of the construction sector. This long period of industrial harmony is testament to the ability of employers and employees to bargain for themselves in the current system of individual and collective employment agreements.
- Applying FPAs to specialist trades will not result in overall higher pay or improved conditions but will discourage specialist trade business from increasing employment and may result in businesses downsizing to cap wage costs. It is very likely that employers will replace waged staff with contractors or use third party labour hire companies to avoid FPAs.
- FPAs will be costly and time consuming to negotiate and manage for government and industry. FPAs for specialist trades will bring significant risks with doubtful growth in wages.

## Summary

Workers in specialist trade businesses are well paid with experienced workers generally earning above the median wage. This is testament to the effectiveness of the current system of individual and collective agreements working in our dynamic and complex industry.

Specialist trade associations are not resourced to negotiate FPAs, and Business NZ have stated they will not be the default bargaining agent. This is very likely to lead to FPAs for specialist trades being set by the Employment Relations Authority, which has no understanding of industry drivers or potential consequences of the FPA.

STCF does not support the FPA Bill which has serious risk of unintended consequences to workers and employers. Specialist trade businesses have a proven record of negotiating fair pay and conditions for our workers and there is no benefit from introducing the FPA Bill.

## Contact STCF

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