

Joint Industry Board – Written evidence (OPR0016)

- The Joint Industry Board for the Electrical Contracting Industry (JIB) is a jointly owned organisation established by the Electrical Contractors Association (ECA) and Unite the Union (Unite). Its principle function is the regulation of relations between employers and employees (including apprentices)
- The JIB administers a collective agreement which covers 650 employer members and 11,500 employees and apprentices and is founded on the principle of direct employment
- The JIB sets the employment standards for the Industry, including pay rates for directly employed operatives, in particular in the industrial and commercial part of electrical contracting. It does not cover or represent mainly self-employed electricians who operate in the domestic sector of the industry. However non-direct off-payroll working has been a growing phenomenon in our sector
- In our national agreement, off payroll working is recognised through Employment Businesses being permitted to supply labour to JIB member companies through what is known as ECS Check (a skills card competency checking service). Employment Businesses subscribe to the service to check competence cards and this allows them to supply labour to JIB member companies. Such an Employment Business must have an Industrial Relations policy agreed with Unite. However this Rule has come under pressure and is difficult to enforce
- The JIB has published a report this year **Direct Employment - A study of Economic, Business and Social Outcomes** based on the Electrical Contracting Sector. The Report highlights the negative impact which the steady growth in non-direct, off-payroll working is having on the UK electrical contracting and construction industries
<https://www.jib.org.uk/compelling-report-calls-for-the-enforcement-of-direct-employment>
- The report shows that as many as 50 per cent of employees in our sector have come to be not directly employed, but are either self-employed, falsely self-employed, or attached to umbrella companies
- The report shows the impact on
 - **Skills** – Direct employment delivers and grows the skills needed for the industry both now and into the future
 - **Business Improvement** – Direct employment empowers the industry to accelerate adoption of new technologies, enhance productivity, innovation and skills.
 - **Social outcomes** - Direct employment underpins a safer and healthier workforce
 - **Economic** - Direct employment increases income tax and national insurance receipts, builds human capital, and supports the transition to a high skill/high wage/high productivity economy

- Whilst individuals working off-payroll remain a necessary feature of electrical contracting (and other parts of the construction industry), the balance has been allowed to tip too far away from direct employment. It indicates that if the industry's and the Government's priorities for this and future decades are to be achieved – for example, in skills, safety, quality, efficiency and innovation – then a healthier, more sustainable balance needs to be restored. The report highlights ways in which this imbalance is distorting and damaging the construction industry – and by extension wider UK economic performance. Areas negatively impacted include apprenticeship training, upskilling, workforce functional flexibility, productivity, quality, safety and well-being
- Overall, non-direct working has a negative effect. This is a particular problem in the area of skills formation, where non-direct employment threatens the future of apprentice training, career progression, and the industry's capacity to take up new technologies and techniques. Put simply, self-employed workers in our sector cannot and do not take on apprentices which will only continue to seriously hinder investment and growth in construction sector skills needed in the UK. To ensure the UK government's commitment to achieving Net Zero greenhouse gas emissions by 2050 is on track, the construction industry will require the equivalent of 350,000 new roles to be created by 2028
- There is compelling evidence that large differences in the National Insurance contributions payable for the employed and self-employed in the UK are a major driver of false self-employment within construction. Complex and obscure tax rules on employment status have further compounded this trend. With very few exceptions, construction clients and supply chains currently do little to encourage direct employment, attracted instead by the short-term cost advantages of self-employment, many of which advantages flow from the tax system
- Whilst some construction workers genuinely prefer to be treated as self-employed (not least because of the tax and National Insurance savings), many others feel they are given little real choice but to work in this way. Over a working life, any perceived income advantages prove illusory and/or offset by shortfalls in holiday pay, sick pay, pension savings, etc. Moreover, self-employed construction workers often lack any voice in the workplace and suffer worse safety and mental health outcomes
- Research evidence indicates the negative effects on health, safety and well-being, and the undermining of industry standards and regulations. From a broader societal point of view, non-direct working also reduces the tax receipts which fund public services
- The JIB supports IR35 in that it seeks to curtail false self-employment. At the same time, we realise that greater complexity has been introduced into an industry with already complex tax arrangements. Overall we feel that a reformed tax system which treats all equally would encourage the benefits of direct employment

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