Learning legacy

Lessons learned from the London 2012 Games construction project

Olympic Park Industrial Relations: the Memorandum of Agreement

The Memorandum of Agreement: an 'industrial relations partnership'

In 2007 the Olympic Delivery Authority (ODA) and CLM Delivery Partner (DP) negotiated and agreed a Memorandum of Agreement (MoA) with the four UK construction trades unions: GMB, UCATT, Amicus and TGWU (the last two subsequently merging to form Unite).

In their preamble, the parties to the MoA concurred that 'on a Programme of the size and complexity of the 2012 Olympics, good Industrial Relations is not an optional extra. Rather it is the key to realising the ultimate goal of a successful project, completed on time and within budget'.

Describing their relationship as an 'Industrial Relations Partnership', the ODA, DP and the trades unions expressed the intention that the MoA should provide a 'well structured framework for the conduct of Industrial Relations, based on agreed principles', enabling a large and diverse construction supply chain and workforce to 'function as a team and go about their tasks in a constructive and disciplined manner'. The ODA agreed to incorporate the MoA into all its construction contracts.

Provisions of the MoA included:

- support for trades union membership and representation, including the provision of appropriate facilities at individual project or employer level, and reasonable time off for trades union duties;
- access to construction employers for full-time union officials on the Olympic Park;
- commitment to the ethos of a directly employed workforce; and
- terms and conditions of employment for construction operatives in accordance with the National Working Rule Agreement (NWRA) relevant to a contractor's type and scope of work.

Accordingly, rather than setting actual levels of pay, benefits and allowances, the MoA defined minimum acceptable employment standards, benchmarking these to the main NWRAs then operating within the UK construction sector (for example: the Construction Industry Joint Council agreement for civil and building operatives; the Joint Industry Board agreement for electrical operatives; and the HVAC and JIB-PMES agreements for mechanical operatives). Above and beyond these minimum benchmarks, the structure and level of an employee's reward package remained a matter for decision at the level of the individual employer.

Author
Andrew Eldred
CLM Delivery Partner

Furthermore, in line with the ODA's Tier One delivery strategy, principal responsibility for trades union engagement, subcontractor MoA compliance and day-to-day management of project employee and industrial relations was assigned to individual Tier One contractors, with the ODA and the DP agreeing to undertake 'an active monitoring and coordinating role to ensure the consistent and fair application of the principles across all contractors engaged to work on the Programme'. Individual employers remained responsible for the management of relations with their own employees, including relevant trades union engagement.

Implementation and enforcement

In line with the MoA, local full-time trades union officials received Park passes, enabling them to visit individual project sites by prior arrangement with the relevant Tier One contractor. Numerous employers were reported as recognising stewards accredited by one or other of the construction unions, and some of the larger projects established convenor or senior steward arrangements by agreement. These measures helped to ensure that industrial relations issues could be resolved promptly and effectively at an appropriate level.

These measures helped to ensure that industrial relations issues could be resolved promptly and effectively at an appropriate level.

The ODA's decision to insist on full compliance with the MoA's direct employment and minimum terms and conditions provisions marked a significant departure from common industry practice, and appeared to come as a surprise to many Tier One contractors and their subcontractors.

Several significant examples of non-compliance in the early stages of the programme, including some uncovered by the trades unions, convinced the ODA of the need to improve contractor performance. Accordingly, the DP developed compliance processes and procedures to assist Tier Ones in interrogating and auditing supply chain employment practices, and promptly correcting any non-compliance.

By the end of 2011, over 500 separate payroll audits had been carried out on Park employers, either by Tier One contractors, the DP or jointly. As the processes for ensuring MoA observance became more entrenched, these audits confirmed consistently high levels of direct employment and NWRA-compliant earnings, although instances of false self-employment and low pay continued to require correction from time to time, particularly at the lower skilled end.

Workers constructing cable net roofing at the Velodrome

Non-compliance with other NWRA benefits and allowances was encountered more frequently, and thousands of Park construction workers eventually benefited from additional days of paid holiday, full industry sick pay, access to a contributory pension scheme, and mandatory life and accident cover.

Other measures

Other steps taken by the ODA and DP to monitor Tier One and employer management of employment matters, and to support positive site industrial relations included:

- monthly Tier One reports on project employment and industrial relations matters;
- monthly information and coordination meetings chaired by the DP's Industrial Relations Manager, and attended by all Tier One industrial relations leads;
- regular project reviews, also attended by the Tier One and DP Project Directors. In addition to industrial relations, these meetings covered the ODA's equality, training and local employment objectives, with a view to encouraging improved Tier One performance in these areas as well;
- an innovative and well received half-day people management skills course for supervisors, designed and delivered by the National Construction College;
- a confidential helpline operated by an independent third party, and open to any Park employee wishing to report a grievance or concern which they had been unable to resolve by talking to their employer or trades union;
- close liaison between the DP Industrial Relations and Park Operations functions, ensuring that important decisions about site access, security, travel to work and management of specific incidents took full account of the industrial relations implications; and
- systematic monitoring of both internal and external industrial relations risks.

Programme Review Group

As envisaged in the MoA, a Programme Review Group (PRG) consisting of trades union national officers and senior ODA and DP representatives met at four-monthly intervals. As well as contractor compliance with the MoA, matters covered at PRG meetings included the progress of work on site, safety, health and environmental performance, equality and inclusion and employment and skills. Any queries or concerns raised by the trades unions were answered either immediately at the meeting or as soon as possible thereafter, following further investigation.

Clients and contractors on some other large UK infrastructure projects have already started to adopt elements of the Park compliance and audit regime.

Achievements and lessons learned

Stable, constructive industrial relations throughout the construction phase helped the ODA to deliver the Park venues and infrastructure within time and budget. The commitment to direct employment, enshrined in the MoA and enforced across the Park, is also thought to have contributed to the ODA's and its contractors' success in achieving industry leading safety performance and exceeding the target for apprentices by more than 100. Clients and contractors on some other large UK infrastructure projects have already started to adopt elements of the Park compliance and audit regime.

By negotiating a clear framework for industrial relations via the MoA, a strong foundation for trades unions and workforce support was secured.

Specific lessons learned from the ODA's experience over the past four years include the following:

The benefits of proactive trades union engagement

By negotiating a clear framework for industrial relations via the MoA, and by giving early attention to concerns in related areas including safety, training, welfare and travel to work, the ODA and the DP secured a strong foundation for trades union and workforce support for the objectives and interests of the Park construction programme. Although the trades unions never hesitated from pointing out where they believed the ODA or its contractors were falling short, or doing something with which they disagreed, their contributions have generally been perceived as constructive and positive, and as having been made with the wider interests of the programme in mind.

The importance of executive level support

The active interest and involvement of the ODA's Construction Director and the DP's Programme Director proved crucial in securing wider support for MoA compliance and a proactive approach to industrial relations. This included four-monthly meetings with Tier One chief executives, who they would brief on high level objectives and concerns, and task with reporting back on the actions taken subsequently in response to these.

The importance of intermediate level support

Day to day, DP industrial relations personnel worked closely with senior managers and individual project leaders to monitor Tier One contractor performance and to apply pressure, where necessary, to ensure that specific issues (for example, any non-compliance revealed by an audit) were dealt with promptly and effectively.

Gaps in contractor capability

Initially, few Tier One contractors possessed any in-house industrial relations expertise, and considerable effort was required in many cases to get them and their subcontractors to take MoA compliance seriously. Once persuaded, most Tier One contractors needed further help in building up, more or less from scratch, the knowledge and processes necessary to manage supply chain industrial relations matters consistently with the MoA. Even then, performance levels continued to vary from contractor to contractor, and it is recommended that other major clients scrutinise potential contractors' capability in this area very closely in future, especially in higher risk industrial relations environments.

Maximising synergies between industrial relations, equality and inclusion and employment and skills

As the programme proceeded, closer cooperation between the CLM Industrial Relations and ODA Equality and Inclusion/Employment and Skills functions proved highly effective in helping each to achieve their respective objectives, and supporting a distinctive 'respect for people' culture on the Park. On future projects, consideration could be given to coordinating these functions still more closely as mutually reinforcing elements of an integrated resourcing, productivity and engagement strategy.

© 2012 Olympic Delivery Authority. The official Emblems of the London 2012 Games are © London Organising Committee of the Olympic Games and Paralympic Games Limited (LOCOG) 2007–2012. All rights reserved.

The construction of the venues and infrastructure of the London 2012 Games is funded by the National Lottery through the Olympic Lottery Distributor, the Department for Culture, Media and Sport, the Mayor of London and the London Development Agency.

For more information visit: london2012.com/learninglegacy

Published August 2012
ODA 2012/031