

PCS Commercial Sector Update and Progress Report - 2011

Introduction

Dear Colleagues,

I am pleased to introduce this paper which updates conference on the work of the Commercial Sector and also identifies some of the challenges and opportunities for our union across the private sector.

The report sets out a number of important recommendations which taken together begin to map out how our union can organise and re-organise workers to build industrial power across companies providing services to central government. The report also suggests ways in which we might begin to extend the influence of our union across private sector employers. The key challenges for us are clear:

1. How do we build a network of workplace leaders in the private sector?
2. What do we need to do to significantly increase membership and income from the private sector?
3. Can we develop new approaches that build collective power to improve terms and conditions?
4. How can we best support and resource activists across our union to take on the task of establishing or re-establishing an activist base in the private sector to resist job cuts, site closures and attacks on our pay and pensions?
5. At a national level there needs to be a plan to sensibly invest resources to build a fighting, campaigning and vibrant commercial sector.

This paper sets out the first steps in how we might meet those challenges.

The role of PCS reps in both the public and private sector is vital. Most of our public sector branches have private sector members as part of their membership. With your active support we can now move forward in the commercial sector to build the union to meet the challenge the unprecedented threats that face us now and in the year ahead.

Chris Baugh
Assistant General Secretary

Recommendations

1. To provide resources for an Organising Strategy based on group plans to expand membership, increase density, develop reps networks, strengthen branch organisation.
2. To consolidate and expand collective bargaining coverage and recognition in companies holding central government contracts.
3. To develop the campaign across the Commercial Sector to secure a living wage (London and UK equivalent) for all members in recognised areas.
4. To participate in a PCS national campaign to establish minimum labour standards for members working in call/contact centres within the civil service, NDPB's and Commercial Sector companies with PCS recognition.
5. Work with FairPensions in campaigning for minimum labour standards in Commercial Sector and FTSE 100 companies.
6. To draw up and promote protocols at workplace/branch/groups based in the civil service and the Commercial Sector covering:
 - a) Cooperation around national and local campaigns;
 - b) Common facilities
 - c) Recruitment initiatives
 - d) Personal case advice/support
 - e) Training for reps
 - f) Union learning
 - g) Equality networks
 - h) Young Members network
 - i) Credit Union
7. Exploring joint campaigns with TUC affiliates sharing recognition and bargaining rights in Commercial Sector companies.

Mapping the Commercial Sector

PCS members working in the private sector do an incredibly diverse range of jobs. We have significant groups of member's who work in facilities management in occupations such as cleaning, messengers, catering, guarding, file retrieval and management and similar. Many of these members are extremely poorly paid often earning the minimum wage and work on where statutory minimums are the norm.

We also represent large numbers of IT staff in a range of companies. This is also a diverse group of workers with huge divergences in pay, terms and conditions. Workers in IT face significant challenges including pay and job cuts, pay systems which are not coherent or fair and attempts by employers to undermine collective bargaining.

We have a growing number of members providing welfare to work services such as Flexible New Deal, Employment Zones and Pathways to Work. These contracts will be subsumed into the Coalition Government's Work Programme during 2011.

Whilst the majority of members work in these 3 areas we also have members working in finance, insurance, procurement and a wide range of other occupations.

Our membership base has traditionally been dominated by ex-civil servants who have been TUPE transferred into the private sector. They have 'image' contracts which are essentially civil service protected terms and conditions protected at the point of transfer.

These image employees work alongside workers who have been directly employed by their company. These workers have standard contracts, normally worse than the image contract terms creating an immediate two tier workforce. Our ability to organise these workers and win collective bargaining arrangements is crucial.

There are currently 123 different private sector companies where we have membership. Of these 109 are currently located outside of the Commercial Sector. In 18 of these companies we have more than 100 members. In 58 of the employers we have less than 10 members. In total the Commercial Sector has 12,000 members.

At 2007 ADC Motion A126 identified a need to "establish a criterion for allocating commercial sector members to the appropriate representative structure". The current criteria and principles date back to 2004 (MAB/15/04) and suggest that:

- Where companies have a number of contracts with a significant membership these should be dealt with by the Commercial Sector with a view to establishing freestanding groups.
- Individual contracts should be serviced from the appropriate regional office.

The reality has been more haphazard and our structures have grown up in an ad hoc manner.

We now need to take forward a number of tasks to improve our structures and develop a coherent approach to organising and servicing our membership. To begin this work we need to think carefully about how we bring workers from the same company together, how we might effectively service and organise 'isolated' workers and how we address fairly consistent membership decline in what should be a growth area for us.

There is a clear requirement too to ensure that the Commercial Sector approach reflects the mainstream of our union. There are undoubted challenges in the commercial sector but blaming the environment we find in the private sector should not be an acceptable excuse. Ranged against us are some of the most powerful, rich and aggressively anti-union employers in the world. Many are global giants who stand ready to enjoy what the Chief Executive of Capita called in the Independent in June 2010 'an outsourcing bonanza' as a result of the CSR and the Coalition Government cuts agenda.

A starting point has to be an honest assessment of our strengths and weaknesses.

Our membership density in the IT Sector is, we estimate, between 20-30% with the total being lower in some areas and higher in others. This figure relates to central government contracts only, and whilst we have some members on some commercial IT accounts the number are very small.

Our membership density amongst welfare to work employers such as Working Links and A4E, is around 2%.

In FM it is not possible to provide an estimate due to a lack of mapping but what we can say is that if we look at the bigger players in this sector (ISS, Interserve, Carillion, Serco, G4S, Compass, Mitie etc) then our membership density is less than 0.5% on their central government contracts. The figure will be even lower in smaller companies.

We do not have any agreements with Welfare to Work companies. In FM we have some small agreements and in October 2010 signed an agreement with ISS covering the 3,000 workers on the DWP Contract. In IT we have numerous agreements with employers but in the main these cover ex civil servants only. This has begun to change recently following disputes with Fujitsu and HP.

As a union in the private sector we should recognise that we have 'hung on' through difficult periods and we still have around 12,000 members with us after being

privatised. We should also highlight some of our successes more - such as the IT Concordat, the HP dispute on pay and jobs and also the work that activists do for members every day.

However, as a union we also need to take a view on how we respond to the inevitable privatisation proposals that the Coalition is going to try to impose. We can decide to focus all of our energy on the fight to stop privatisation and rely on activists and branches doing what they can to win for members should we lose. Or we can decide to prioritise fighting privatisation but also prepare to organise the private sector to the point that further privatisation becomes economically unpalatable to the Government and the employers.

We have national union policy to develop a plan to organise workers in the private sector.

Motion A25 unanimously endorsed at 2010 ADC commits us to set out the best 'appropriate and effective manner to represent FM workers' and to build new structures across the FM Sector to 'effectively organise, recruit new members and develop new layers of activists'.

In 2009 ADC passed motion A15 which instructed the NEC to 'either put in sufficient resources to unionise' FM workers or to approach other trade unions to ask how we could help them to organise workers such as outsourced cleaners, guards, messengers and other groups and to transfer our membership to these unions.

Recommendations

In March 2010 the NEC approved a paper that committed the union to facilitate analysis of and improve support for commercial sector members. The NEC also agreed that PCS should establish a Branch structure that facilitates the development of self supporting Branches that can bargain, campaign and organise on behalf of members. Finally, the NEC decided that there should be a review of the current arrangements with a view to:

1. Reclassify all commercial sector codes to improve our mapping information.
2. Review all commercial sector areas to remove non constituent parts, develop appropriate branch structures and consider appropriate levels of support for Branches from PCS.
3. To transfer over time non-recognised workplaces to specifically work type Branches within Commix.

This work should continue and should be supplemented by 3 further priorities:

1. To provide resources for an Organising Strategy based on group plans to expand membership, increase density, develop reps networks, strengthen branch organisation.
2. To use the exercise to consolidate and expand collective bargaining coverage and recognition in companies holding central government contracts.

3. To undertake 2 pilot projects, in the facilities management sector focussing on the MITIE Cleaning Contract in DWP covering over 3,000 workers and with the Welfare to Work employer Working Links covering over 2,100 workers. Both projects will be run in conjunction with the DWP Group and the national union. The pilots will allow us to trial some of the proposals in this paper and to allow a conversation to take place within the union about the merits of a thought out strategy to build industrial power in new areas for our organisation. It may be that the union would wish to compare the merits and challenges of such an approach with other possible areas of work such as infill recruitment in the civil service and/or other organisational suggestions.

A Living Wage

Over the past 12 months PCS has engaged in two significant disputes with the IT multinational Hewlett Packard (HP) and also the FM multinational Capita.

In both cases multi millionaire bosses were seeking to impose pay freezes or derisory pay awards on staff earning very poor levels of pay. For example if every PCS member in HP earned no less than 20 times the pay of their boss (a proposal that the Tories have floated for the public sector) then every PCS member would be a millionaire's within 2 years! In Capita the CEO earns more in a week than our members do in a year.

In a survey of commercial sector branches and activists conducted in 2010 low pay was the issue of most concern. As a result PCS now includes in all pay claims a demand for a minimum pay rate of £15,500 per year (the European Decency Threshold) and/or a minimum hourly rate of £7.50 per hour (£7.80 in London).

As part of our work PCS is sponsoring the FairPensions campaign which is launching a major initiative in the FTSE 100 companies to persuade them to pay their workers a living wage.

Central to the work will be involving lay activists in the campaign and to target employer AGMs and shareholder meetings.

PCS has identified 4 priority areas where we can work in partnership with FairPensions which are Capita, MITIE and Fujitsu but ultimately a clear focus on persuading government department to require all contractors to pay the living wage on government contracts. As part of our work we will:

1. Conduct research on each company i.e. what they do, where is their HQ, if a public company where are they listed, their market capitalisation.
2. Publish 'Living Wage Status' reports to highlight the lowest current pay rates for staff and to demonstrate how widespread these rates are.

3. Find out the date of AGMs and ensure that trained activists from the company attend the AGM to raise the demand for the living wage.
4. Identify the top investors in these companies and seek their support for a living wage.
5. Research the remuneration of board members, shareholder dividends and the pay ratio gap between our members and their bosses.
6. Identify the key subsidiaries and brands of these companies and approach them to support our campaign for the living wage.
7. Investigate their offshore tax arrangements and publicise these via the media.
8. To undertake direct action against these employers including pickets of their offices.
9. To link our demand for the living wage to our bargaining agenda, campaigning activity and industrial action strategy.

However we recognise that if a key objective is to defend and progress conditions of employment our strategy must be sectoral and it must involve taking on every employer providing the service/function across central government. In short, horizons must be broadened.

Employers do not operate on a site by site basis - they are national or even global. These employers are engaged in a race to the bottom and so if one is organised to pay decent wages and offer good terms and conditions their competitors will destroy it by undercutting them at every opportunity.

All of the companies we have members in face aggressive competition from other private sector employers and who want to win new contracts by bidding on the basis of minimum standards. In a practical sense what this means is that whilst we will undoubtedly deliver some significant gains for workers that we need to accept at the outset the only we can truly change things is ultimately on an industry wide basis.

For example, the best chance of winning the living wage for ISS workers is to also win it with Interserve, Carillion, Serco, MITIE and so on. Simply put we will need to look at the whole industry and target our efforts at persuading all of the employers to pay the living wage as well as stepping up the pressure on Ministers to make the payment of the living wage a requirement of their procurement process.

Recommendations

1. To develop the campaign across the Commercial Sector to secure a living wage (London and UK equivalent) for all members in recognised areas.
2. To participate in a PCS national campaign to establish minimum labour standards for members working in call/contact centres within the civil service, NDPB's and Commercial Sector companies with PCS recognition.
3. Work with FairPensions in campaigning for minimum labour standards in Commercial Sector and FTSE 100 companies.

Supporting PCS Branches – a new protocol

The involvement, support and active participation of all PCS activists is critical to the success of our the PCS approach.

We know that anecdotally many reps and activists would like to do more to help private sector workers on their site/in their Branch. We also know that there are barriers to this including facility time, training, availability of advice and support and often a lack of information about if and how workers should be recruited into our union.

The NEC will address this over the coming year by drawing up and promoting protocols at workplace/branch/groups based in the civil service and the Commercial Sector covering:

- Cooperation around national and local campaigns;
- Common facilities
- Recruitment initiatives
- Personal case advice/support
- Training for reps
- Union learning
- Equality networks
- Young Members network
- Credit Union

We will also convene talks between GECs and National Branches and the NEC and Commercial Sector to discuss how best to facilitate closer working, cooperation and planned work on recruiting, organising and servicing workers from the private sector.

Finally, the NEC will consult widely about the most effective structures for isolated workers with a view to exploring the possibilities of federated membership for these workers. This would require a rule change motion at a future ADC.

Recommendations

To draw up and promote protocols at workplace/branch/groups based in the civil service and the Commercial Sector covering:

- Cooperation around national and local campaigns;
- Common facilities
- Recruitment initiatives
- Personal case advice/support
- Training for reps
- Union learning
- Equality networks

- Young Members network
- Credit Union

Working with other unions and Organisations

PCS recognises almost all of the employers in our commercial sector have contracts outside of central government and that other TUC affiliates also have an interest in organising workers in these companies. In particular most employers also hold contracts in local government and the NHS.

PCS will explore how we can work together with other unions on joint campaigns, how we can maximise our collective strength to win new bargaining rights and if it is possible to run joint organising initiatives.

By way of example Unite's organising strategy has as a basic premise that sectoral agreements need to be won with a least 75% of the companies in a targeted area with a membership objective of 65% in each of the companies. In the last 3 years Unite have spend well over 10 Million on this strategy. The membership income directly generated by this approach is well over double the amount spent and total membership growth in the targeted areas to date is 61,096 members.

PCS and Unite are discussing the possibility of a joint campaign in Fujitsu with clearly defined spheres of influence. There should be national level talks going forwards about the possibility of joint work across a number of IT Sector employers.

Unison are running a joint initiative with the US Union, Service Employees International Union called the '3 companies project'. This aims to organise workers on 3 outsourced catering contracts in local government. The project is seeking to challenge the growing threat of multinational corporations who are making huge profit from public sector contract by attacking the pay, terms and conditions of the workers that provide the services and providing a worse service to users.

Many of the companies providing cleaning, catering, guarding and other facilities management services in local government do exactly the same in central government. Most employees work on or just above the minimum wage, do not have a pension and most need to work two or three part time jobs to make ends meet. PCS will seek national level dialogue with Unison to explore the possibility of joint work around our living wage campaign and joint organising work with defined spheres of influence with employers who hold FM contracts in local and central government.

Recommendations

PCS should explore joint campaigns with TUC affiliates sharing recognition and bargaining rights in Commercial Sector companies.

Case Study 1 – Hewlett Packard Dispute

Our members working on the DWP contract took 3 days of strike action at the beginning of 2010 and voted overwhelmingly for a further 4 days of strike action to follow. Those 4 days were suspended after the employer agreed to talks at ACAS.

PCS members on the contract maintain and repair the IT systems that operate benefits paid by DWP and MoD. This includes benefits payments, pensions, child benefit, war pensions, emergency benefit payments and the Winter Fuel payments to pensioners. Our members also process and post giro and other payments. A small number of members work on the General Motors commercial account.

The dispute centred on 3 issues:

1. Pay

HP imposed a global pay freeze on its staff for 2009 and attempted to do the same for 2010. Some of our members in HP earn as little as £12,800 per year and most of our members earn less than £22,000. In 2009 HP declared a profit of almost \$8 billion and the then Chief Executive, Mark Hurd, enjoyed a salary and benefits package worth \$24.2 million.

2. Job Security

HP has cut 25,000 jobs globally since its takeover of EDS. 1,000 of these job cuts have been in the UK. Our members were seeking an extended guarantee on compulsory redundancy along with a protocol for managing staff reductions and workload.

We were also seeking assurances about the future of sites many of which are based in some of the poorest communities in the UK.

3. Collective bargaining rights

In HP Enterprise Services PCS represents ex Civil Servants (image contract) who previously worked for DWP and MoD.

However an increasing section of our membership is made up of staff on standard contracts that have never been in the Civil Service. In some locations standard contract staff will soon form the majority of our membership.

As part of our claim for 2009 and 2010 we formally claimed for collective bargaining rights for all HP Staff on central Government contracts, where standard contract staff chose to opt in for collective bargaining.

Our campaign

The National President and the General Secretary issued a Branch Briefing on the HP Dispute and Mark Serwotka also wrote an open letter to all HP Staff.

We put down a series of parliamentary questions highlighting the industrial disruption caused to date urging DWP ministers to investigate clear attempts by HP to underplay the impact of the strike.

A 10 Downing Street on line petition was launched and we issued circulars and materials to members and activists throughout the campaign.

We also compiled a detailed report of the industrial disruption caused by their action. In DWP and MoD HP missed deadline and SLA's and elsewhere systems upgrades were in danger of going live without proper testing. HP was forced during the dispute to hire staff from Accenture (a direct and significant competitor) to do coding work for them. Not only was this expensive (it costs around £200,000 per day) but it was humiliating for a multi-national company with the reputation of HP to have to resort to hiring a direct competitor to do work that it has been contracted to deliver.

In Newcastle, HP also offered overtime to civil servants to do some of the testing work (in contravention of our national overtime ban in the civil service which was in operation at the time). The PCS DWP Group was asked to help our members in HP by encouraging all DWP staff to report system failures up their line management and to remind members about the overtime ban currently in operation across the Civil Service.

PCS FTOs and activists mounted a series of picket style protests outside of HPs corporate headquarters and handed out leaflets highlighting HPs grotesque profits and its treatment of workers.

The union also took our campaign to the United States and we had a number of articles in the press in the USA on the dispute. Whilst responding furiously to this HPs board also instructed its UK managers to intervene with a view to resolving the pay dispute.

HEADS OF AGREEMENT

A Heads of Agreement was reached at ACAS following 2 days of talks with HP. On the basis of the Heads of Agreement mass meetings of members voted to suspend the planned action.

The Heads of Agreement commits HP to a groundbreaking recognition deal, significant improvements to pay and an agreement on job security.

As a result of our action all PCS members across the DWP HP account were enabled to opt in to collective bargaining. This is the first time that our union has won negotiating rights for HP staff who were not previously TUPE transferred civil servants.

In January 2011 PCS and HP began talks to agree a way to facilitate full recognition and collective bargaining across all of HP's central government contracts. We have also signed an agreement on job security for all staff on all of HP's central government contracts.

A significantly improved pay award which increased the pay pot by over £1 Million was accepted by members in a ballot. The lowest paid received an award of 10%.

The HP dispute is significant for two reasons.

Firstly, our members had a glimpse of the industrial power and leverage and as a result HP has had to accept that where it wins work on central government contracts, that our union has a legitimate right to organise workers and to seek collective bargaining rights and to negotiate on job security and fair pay for all of its members.

Our claim for Collective Bargaining rights for HP staff on all central government contracts follows on from our agreement on recognition with Fujitsu last year. This dispute proves that there is no reason why an employer should refuse to allow PCS members on standard contracts to opt in to collective bargaining arrangements.

Secondly, this dispute was proof that we can resist attacks on jobs, endemic low pay, pay freezes and the threat of job cuts and site closures where we are organised and where members are willing to act.

Case Study 2 – Capita Campaign for a living wage

PCS members working on the Capita Document Maintenance Centre contract (there are three sites – Manchester, Nelson and Darlington) spent the last 3 months of 2010 in dispute with their employer over pay.

Capita management made a pay offer worth 1.08% increase for our members meaning for the majority of members a paid rise of 6p per hour. Our members working on this contract have a starting rate for the job of £5.93 per hour, with the current rate for the job being £6.42.

The aim of our campaign is to eradicate low pay in the contract.

Our claim was for:

- A fair pay award for 2010
- A written commitment from Capita to move towards paying the living wage with a confirmed date for everyone on the contract to be earning the living wage

As part of our campaign we:

- Hand delivered a weekly newsletter to all members and created our own website - www.pcsfilestorenews.co.uk/
- Involved our NEC Liaison Officer Emily Kelly in our campaign
- Launched a weekly skype conference of activists to plan the campaign
- Persuaded all of our members to write to their MP's, local councillors and local media. The PCS Parliamentary Group also wrote to Capita urging them to offer members a fair pay award.
- Our BEC also sent speakers to all local and regional trades councils to gain practical support for our campaign.
- We attended the TUC Conference in Manchester to build awareness of the campaign. This included attending the PCS reception where we met with Mark Serwotka, Janice Godrich and leading NEC members.

We held a picket outside of Capita's corporate headquarters in London where we gave out leaflets highlighting Capita's profits (£350 Million in the last 12 months), highlighting the pay of their Chief Executive, Paul Pindar (£9 million in 2009 and £1 Million plus share options last year) and contrasted them with a pay offer to our members worth £2.52 per week.

Whilst we were outside Paul Pindar personally confronted us about the leaflet and explained to workers that his salary of £14,000 per week meant that he was actually badly paid. The Daily Mirror ran a full page story on this titled "fat cat boss: I'm only on £14k per week"). The Daily Mail also ran the story.

In the industrial action ballot members voted to take action short of a strike (94% yes vote) and for strike action (84% voting yes).

Following the press stories and the ballot result Capita made a revised 2 year offer of between 3-6% and have committed to talks with PCS AGS Chris Baugh and members of their board about the living wage on Capita contracts.