

New Sectoral Employment Order for the Construction Sector

The legislation which is known as a Sectoral Employment Order (SEO) for Construction came into legal effect on 19th October 2017 and all employers in the construction industry must satisfy the conditions of this new legislation.

Who does this apply to?

The SEO is legally binding on construction sector employers and its terms are enforceable in the Workplace Relations Commission (WRC).

The definition of the sector is wide and covers "Building Firms" and "Civil Engineering Firms", each of which is given a broad definition, and includes for example businesses involved in the "*construction, reconstruction, alteration, repair, painting, decoration and demolition of*" a variety of structures.

What is crucial to note is that employers falling within the definitions are bound by the terms of the SEO, whether or not they are CIF members and whether or not they agree with the SEO and its terms.

What changes does this bring about?

1. Hourly Rates

The new minimum hourly rates of pay are as follows:

- New Entrant Workers: **€13.77 per hour**
- General Operatives with more than 1 years' experience (Category 1 Workers): **€17.04 per hour**
- Skilled General Operatives (Category 2 Workers): **€18.36 per hour**
- Craft Workers: **€18.93 per hour**
- First year Apprentices: 33.3% of the Craft Worker rate, to increase up to 90% for fourth year Apprentices

It is noteworthy that these rates far exceed the statutory minimum wage, and that they are approximately 10% higher than they had been under the REA.

2. Unsocial Hours

The Order also provides for 'time and a half' or 'double time' payments for various unsocial hours e.g. time and a half for "Monday to Friday normal finishing time to midnight", and double time for Sunday.

3. Pension Scheme and Sick Pay Scheme

The Order provides for mandatory pensions and sick pay schemes and obliges employers in the construction sector to provide statutory minimum pension entitlements for certain

employees including operatives, craft workers and those employed by building firms and civil engineering firms.

The SEO mandates that the pension scheme for workers should meet certain criteria and that the benefit levels of a pension scheme are required to be no less favourable than those provided under the Construction Workers' Pension Scheme (CWPS).

Employers in the construction sector who are not currently providing pension benefits to employees can satisfy their obligation under the SEO by registering with CWPS or by an alternative arrangement that provides similar or better benefits.

The minimum employer and employee contribution rates provided under the SEO are as follows:

Pension contributions

Employer:	€26.63 per week
Employee:	€17.76 per week
Total weekly	€44.39

Death in service contributions

Employer:	€1.11 per week
Employee:	€1.11 per week
Total weekly:	€2.22

As an Employer what do you need to do?

You must register with a relevant pension provider and register employee's details.

Is there tax relief on contribution?

There is PAYE relief on the employee portion of the Pension and Death in Service benefit part of the contribution only. This amount should be deducted from the gross pay before the tax is calculated.

In relation to the employer, if trading as a Limited Company, the employer portion of the Pension and Death in Service contribution can be claimed against Corporation Tax at the end of each financial year. For a Sole Trader this can be claimed against personal tax.

What happens if you don't register an employee?

This legislation has immediate legal effect and all employers in the construction industry must satisfy the conditions of this new legislation.

Conclusion

The intention behind this first SEO under the Industrial Relations Act is to restore stability in the construction sector, and to promote harmonious relations between construction workers and their employers. The Minister stated that: *"This Order will bring a sense of certainty to employees and employers in the construction sector around pay and terms and conditions, particularly at a time when employers are tendering for contracts"*.

Employers in the construction sector should without delay ensure that their standard terms and conditions meet the terms of the SEO. SEOs in other sectors are now expected in due course.