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MANAGING LABOUR UNDER EXTREME RISK:  
COLLECTIVE BARGAINING IN THE NORTH SEA OIL INDUSTRY

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Submitted in partial fulfilment of the requirements for the  
Degree of Doctor of Philosophy to the Council of National  
Academic Awards.

Robert Gordon's Institute of Technology,  
Aberdeen

In collaboration with the CBI (Scotland)

March 1989

MANAGING LABOUR UNDER EXTREME RISK:  
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ABSTRACT

The thesis is concerned with the means by which labour is managed in the young, turbulent and high risk industry of North Sea oil extraction. To explain this, the study had to extend beyond the more usual focus of research attention, the immediate relationship between employer and employee, to examine the wider commercial relationship between the major oil companies and their contractors from the perspective of both parties. The response of the trade unions is assessed in this broader context.

In a relatively short period of time an industrial relations system of considerable complexity has developed. The spreading of financial risk by the operating companies (oil majors) is paralleled in industrial relations by the delegation of responsibility to contractors. As a result, a two tier workforce has developed. The study analyses the processes at work, drawing on a range of interview, observation and archival techniques.

Collective bargaining has been widely used to cope with the labour problems posed by these extreme financial and environmental circumstances. It is demonstrated that this has sometimes been imposed upon the contractors and that it operates at both the multi-employer, industry level, and at that of the individual company. However, the thesis concludes that this collective bargaining rests more on loose, informal agreements, and trade union lobbying, rather than formal agreements and procedures.

## ACKNOWLEDGEMENTS

I am indebted to my two supervisors, Mr Douglas Gourlay of R.G.I.T. Business School, and Professor William Brown, University of Cambridge, for their support and guidance throughout the research and writing of this thesis. Without their help and encouragement this thesis would never have been completed.

The CBI (Scotland), in agreeing to act as collaborating establishment, opened doors which might otherwise have remained closed, and I thank them for that.

It is with appreciation and gratitude that I record the assistance given by Mr Mel Keenan; his help in making contacts and testing ideas was invaluable.

I must thank staff and research unit colleagues at the Business School, who gave freely of their time, knowledge and friendship, particularly Mrs Deidre Hunt, Dr Brian McVey, Dr Reiad Auda, Karen Sutherland, John Lomax, Mike Sutherland, Gil Martin and Jorgo Berdos. The help given by the secretarial, technical and library staff is also much appreciated.

Morag Anderson has offered constant encouragement, and I am particularly grateful for her help in proof-reading the manuscript, and for her friendship.

Without the help and co-operation of a large number of people who must remain anonymous in oil and oil related companies, trade unions and employers' organisations, this study would not have been possible. I acknowledge my debt to them and thank them for their time and their candour.

My parents have urged me on throughout my life; at times it went unappreciated, and so I thank them now. Finally I must acknowledge my greatest debt; to my husband, Neil, whose encouragement, support and patience made this possible. I dedicate this thesis to him.



TO NEIL ANTONY DALRYMPLE

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#### ABBREVIATIONS

AEU	:	Amalgamated Engineering Union
ASTMS	:	Association of Supervisory, Technical and Managerial Staffs
BALPA	:	British Airline Pilots' Association
CAA	:	Civil Aviation Authority
CBI	:	Confederation of British Industry
CLSC	:	Contractors Liaison Subcommittee (of UKOOA)
COTA	:	Catering Offshore Traders' Association
DoE	:	Department of Energy
DSV	:	Diving Support Vessel
ECA	:	Electrical Contractors' Association
ECA(S)	:	Electrical Contractors' Association (Scotland)
EETPU	:	Electrical, Electronic, Telecommunications and Plumbing Union
EPC	:	Employment Practices Committee (UKOOA)
HOLG	:	Helicopter Operators Liaison Group
IUOOC	:	Inter-Union Offshore Oil Committee
LP	:	Liaison Panel
MDR	:	Man Day Rate
MSF	:	Managerial, Science and Finance Union
NUMAST	:	National Union of Marine, Aviation, Shipping and Technical Officers
NUS	:	National Union of Seamen
OCA	:	Offshore Construction Agreement (a.k.a. Hook-Up Agreement)
OCC	:	Offshore Contractors' Council
OCPCA	:	Oil and Chemical Plant Constructors' Association
OCSA	:	Offshore Construction (Services) Agreement
OIAC	:	Oil Industry Advisory Committee
OPITB	:	Offshore Petroleum Industry Training Board
OSO	:	Offshore Supplies Office
PCA	:	Post Construction Agreement
POB	:	Personnel On Board
SCOTA	:	Scottish Offshore Training Association
SJIB	:	Scottish Joint Industrial Board
SWA	:	Southern Waters Agreement
TASS	:	Technical and Supervisory Staffs
TGWU	:	Transport and General Workers' Union
UKOOA	:	UK Offshore Operators Association

CHAPTER ONE  
INTRODUCTION AND METHODOLOGY

The relationship between the employer and employees has conventionally been seen as relatively stable and self-contained. Hence most industrial relations research has focussed on the circumstances in individual establishments, firms or industries without their integrity being in question. Yet no factory or firm exists in isolation and therefore there are a number of reasons why studies should be extended beyond the boundaries of the employer-employee relationship. For example, changes in world markets and information technologies, and increased interdependence are, in many industries, resulting in a fluid structure of sub-contracting and insecure employment for which conventional conceptions of industrial relations do not offer adequate explanation.

This study is concerned with the brief, turbulent history of industrial relations in the North Sea oil industry. In less than a decade a thriving, massive industry developed around north east Scotland, established by a combination of nomadic multinational companies and a host of more-or-less transitory service sub-contractors. In little more than a decade, the industry was rocked by economic crisis, the oil price crash illustrating again the volatile nature of the exploration and production sector. These circumstances have been made more remarkable by the speed with which the industry has grown, slid into crisis, and then sought to regain its balance.

The focus of the study is the problem of managing an unusual workforce: a workforce which has had to acquire, rapidly, the skills with which to handle capital equipment of almost unprecedented cost in a hostile environment requiring highly advanced technology. Even the most basic catering work has to be done under conditions of extreme harshness. These circumstances have combined to place labour in a position of fluctuating vulnerability. Managers have had to develop adequate ways of managing this workforce within the legislative, political and cultural systems of the UK.

This study analyses the solutions which have been devised for managing a complex workforce in difficult circumstances involving a high level of risk, and considers the causal influences behind these solutions. It also describes the equally problematic development of the trade union response. Of particular interest has been the way in which employers and unions have come together on a number of issues to build collective bargaining institutions to help contain the anxieties and uncertainties which have threatened the stability of the complex industrial relations system, and thereby threatened productivity.

#### The Present Study

The oil exploration and production companies situated in Aberdeen provided excellent case studies close at hand. More importantly, the rapid rise of the UK oil industry meant that the opportunity was available to study the development of industrial relations policy within very recent memory. The oil price crash of 1986 and the subsequent crisis were not anticipated. However, they offered the valuable chance to assess to what degree industrial relations policy was affected by economic circumstances.

Having embarked upon the fieldwork, it became clear that the circumstances of policy formulation could only be appreciated by developing an understanding of the wider links with contractors. This became apparent quite early on in the study when the extent of contracting was revealed. Therefore investigation of the relationship between client and contractor became a key element in the research. Furthermore, it was impossible to describe and assess adequately management's policy in a vacuum; therefore, just as it was necessary to consider economic circumstances, it was essential to assess the capacity of the trade unions to organise. Hence access to the appropriate trade union machinery was gained. Thus an attempt was made to evaluate the resultant institutions of collective bargaining in the industry.

The starting point is the question of how far existing research literature on the management of industrial relations and on multinational oil companies casts light on these unusual circumstances. In the remainder of this introductory chapter the relevant research literature, which is fairly sparse, is considered, and the research methodology adopted for this study is explained. Chapter 2 gives a brief history of the North Sea oil industry and goes on to describe the processes involved in the development of an offshore field.

This background information is essential to the understanding of the power relationships which exist within the industrial relations system. The pattern of employment in the industry is described in chapter 3, and again this is central to understanding industrial relations. Chapter 4 then provides an overview of the development of industrial relations in the North Sea. The institutions introduced in that chapter are discussed at greater length in chapter 5; these are key actors in the story which unfolds. In chapters 6 and 7, the data collected from the operating companies is summarised and evaluated; chapter 6 considers industrial relations within the individual companies, and chapter 7, their relationship with contractors. Chapter 8 examines the relationship from the perspective of two contract sectors, catering and construction. In chapter 9, a case study is used to illustrate the realities of the power relationships within the industrial relations system. Chapter 10 moves away from consideration of individual companies to assess the interaction at industry level between the oil companies and trade unions. The following chapter picks up this theme and discusses the obstacles which have faced and are facing the trade union movement in organising the North Sea oil industry, and the prospects for change. The final chapter, 12, summarises the main arguments and conclusions of the research.



### Relevant Research

Research in industrial relations has only relatively recently tackled those aspects of employer behaviour relevant to the issues to be examined. Although "the characteristics of organisation among employers and control systems within the firm" had been suggested by Bain and Clegg as "the major explanatory variable in labour relations", (1) there had been comparatively little research work done in this area. The most notable exception was the work of Neil Chamberlain who stressed the overemphasis of industrial relations research on trade unions, and highlighted the significance of the external environment (such as economic conditions, government policy and public opinion) on industrial relations decisions (2).

One reason for this "neglect" has been the preferences of students: most labour history students have been more sympathetic to trade unions and therefore have focussed their studies on them (3). Business historians, on the other hand, have concentrated on the entrepreneurial, commercial and administrative aspects of business in preference to the industrial relations aspects (4). Another reason is the comparative lack of evidence: company records are often sparse, and in any case business organisations tend to be more secretive than unions making access more difficult (an aspect which was confirmed by this research). In addition, much of the work done on specific businesses has tended to be, for reasons of its origin, laudatory and uncritical.

However, a number of authorities on industrial relations such as Bain and Clegg (5), Purcell, and Timperley have, in recent years, made a number of suggestions as to the future direction of industrial relations research, and the focus of industrial relations research has indeed been moving steadily away from trade union membership and institutions, and broadening into the examination of workplace relations and work processes. For example, in 1983, Brown stated that the research programme of the Industrial Relations Research Unit (Warwick University) planned for 1984-88 would set industrial relations in a "broader perspective through research that emphasises the role played by management, intentionally or otherwise, in shaping the structure of industrial relations".

In addition, industrial relations scholars have been paying more attention to multinational organisations, hitherto somewhat ignored from an industrial relations point of view. Though a wealth of material exists on business policy and strategic planning within such organisations very little attention has been paid to the question of labour relations. In an article published in the BJIR, March 1983, Purcell stressed that while it

"is increasingly noted that insufficient attention has been paid to the policies and practices of management in the handling of industrial relations.....one notable feature has been the failure to appreciate the distinctive features of modern business corporations which increasingly dominate both private sector manufacturing and service industries and provide a model for management in public sector concerns such as nationalised industries". (6)

However, so far as this researcher is aware there is little that has analysed collective bargaining in circumstances of extreme contractual uncertainty, other than the literature on flexible workforces to which the thesis will return. Furthermore, the existing literature on oil multinationals says little about industrial relations policy. Hence, though the researcher became aware at an early stage that there was a very large, more peripheral literature on management and on organisational change, it was established that this was unlikely to provide any strong purchase on the main issues of industrial relations in the North Sea oil industry, and the decision was made to place the emphasis of research on empirical description and analysis. Before concentrating attention on the North Sea oil industry, it is useful to draw out some of the main points to emerge from previous research on multinational oil corporations.

## MULTINATIONAL OIL CORPORATIONS

Their size and high international profile have long made the international oil corporations a focus of research interest. Definitions vary as to what a multinational corporation (MNC) actually is. Brooke and Remmers offer the simplest criterion; "it performs its main operations, either manufacture or provision of a service, in at least two countries"(7). For Channon and Jalland, a MNC is "a company which seeks to operate strategically on a global scale"(8). Professor Vernon, Harvard Graduate School of Business Administration, maintains "that a firm would be called multinational if it possessed at least six overseas manufacturing subsidiaries"(9). The precise criteria are unimportant for the present research, as the companies involved in this study are some of the biggest in the world, with the number of subsidiaries running into hundreds as opposed to a handful.

The texts cited above were concerned with strategic decision making. Strategic decisions are those which are "concerned with the long-term health of the enterprise.....the basic long-term goals and objectives of the enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals"(10). Chandler et al look in addition at the structure of organisations, the accepted wisdom being that the latter "is to be seen as reflecting the route and the priorities in the decision-making."(11)

On a less theoretical level, Christopher Tugendhat, while he does not ignore strategy and structure in "The Multinationals", is more concerned with the conduct and behaviour of MNCs. Tugendhat claims that MNCs should not be thought of in conventional national terms since the "overriding aim of each one of them is to pursue its own corporate interest which is separate and distinct from that of every government, including the government of its country of origin"(12). A clear example to support this is that of the Argentinian subsidiary of a MNC with its roots in Britain which supported the Argentinian war effort during the Falklands conflict.

With regard to the oil exploration and production industry, opinions differ as to the importance of nationality. Kitchen, in "Labour Law and Offshore Oil", states that nationality is important in shaping employment practices and industrial relations attitudes (as are corporate structure and behaviour)(13). Buchan, on the other hand, was of the opinion that nationality,

"is of little significance - each establishment was part of a multinational enterprise, which had evolved a method of operations.....which owed little to national characteristics, and took little account of variations in custom and practice of specific host countries."(14)

According to Tugendhat, the key feature of a modern MNC is its central direction. He likens the head office to a brain and nerve centre, and the subsidiaries to limbs. "Despite frequent assertions to the contrary," Tugendhat goes on to say, "the subsidiaries are not run as separate enterprises each of which has to stand on its own two feet. They must all work within a framework established by an overall group plan drawn up at headquarters and their activities are tightly integrated with each other"(15). Such central direction only became possible in the 1950s with the advent of rapid and reliable air travel, telephone, telex and computer systems, and was aided by the establishment of GATT which reduced obstacles to international trade.

While central direction may be normal at a global, strategic level, there are considerable variations in the degree of autonomy enjoyed by subsidiaries on a tactical, day-to-day level. In Brooke and Remmers' study a number of arguments were made for and against centralization. The arguments in favour of centralization are largely commercial; for example, there may be a need for rationalizing production across frontiers; or some subsidiaries may produce products which are sold to other members in the group. Indeed, Brooke and Remmers state that "where there is scope for integration, then close control over the subsidiaries seems an inevitable development."(16)

There are a number of arguments against centralization; by destroying room for initiative the company may lose managers of high ability (examples of this were found during the research but it was almost impossible to get any confirmation from the company concerned) and, furthermore, decentralization may be less expensive since centralization can result in the growth of officialdom at head office and requires an expensive monitoring system. In addition, if a MNC favours decentralization then its subsidiaries may enjoy a more harmonious relationship with the indigenous government. Tugendhat claims that subsidiaries of MNCs do their utmost to blend into their surroundings and take on a local character for just this end:

"They hate to draw attention to their size and influence for fear that it will provoke the animosity of governments, small businessmen, and the general public."(17)

An interesting example of this was the oil company which had as an actual policy the integration of its staff in the host community. With this in mind, the company refrained from building sports and leisure facilities - at least until it became apparent that Aberdeen did not have enough to offer.

One management function which might be expected to be decentralized is personnel, because practices vary from country to country, as does labour legislation. In addition, trade union negotiations make central control difficult, though that is not to say that head office does not have any influence or input in local negotiations. For example, head office may impose budgetary limits, or it may make regular visits. There may be vague guidelines in operation throughout the corporation. One such guideline which was cited by a number of managers interviewed during this research was that their company always aimed at being amongst the wage leaders, but not the leader (who remains anonymous). Brooke and Remmers, however, point out that more centralized relationships in the personnel function are emerging. Their study revealed that some companies were beginning to use aptitude tests worldwide, others were looking at promotions on a global level, a feat made possible by computerising the personnel records of the company's senior staff.

Indeed, one of the exploration and production companies studied had developed a global Organisation Development programme. The programme, which was designed to establish a single, uniform, worldwide employee information system, has several objectives. These include improved manpower planning; internal transfer, promotion and replacement planning; identification of "high potential" individuals; and personnel development. The OD database has information on all employees above a certain salary grade, and many below.

#### RESEARCH METHOD

The oil industry can be described as a tree, with the exploration and production companies forming the trunk. The companies which can be considered as the 'twigs' are numerous and, although some of them could technically be called MNCs, the decision was taken to focus on the 'majors' at the heart of the industry to ensure consistency.

In order to attain the detailed information required, it was decided to conduct in-depth studies as opposed to a more 'broad brush' postal survey. When the research began, there were 15 operating companies (or operators) and a sample of between six and eight of these companies was planned. To some extent, companies featured in a study such as this are self-selecting, since access to appropriate personnel and information is granted at their discretion. However there is no cause for anxiety in this instance as the sample group is broadly representative in terms of size and nationality of the total spread of companies.

Initial contact was made with personnel managers of several exploration and production companies by attendance at meetings of the Grampian Personnel and Training Officers Group (GPTOG). Follow-up appointments were then made with those managers who thought that their company might be interested in participating in the study. In addition, attendance at the meeting of the Liaison

Subcommittee of the UK Offshore Operators' Association's (UKOOA) Employment Practices Committee (EPC) with the Inter Union Offshore Oil Committee (IUOOC) resulted in follow-up meetings with managers of three companies.

Establishing criteria for drawing comparisons of size between the companies was a little problematic. To look at global rankings would have been of no help as this study was concerned with North Sea operations. Furthermore, some of the companies were themselves subsidiaries of giant corporations which concentrated on other industries. To use the number of employees, be it offshore or onshore, Aberdeen or UK, would be misleading for a number of reasons. Firstly, the labour structure varies from company to company because various jobs or functions may be subcontracted in or out. For example, some companies carry out their own drilling, others bring in specialist companies. Some companies prefer to use project management companies such as Matthew Hall in the development of a field. Many staff (such as clerical workers, draughtsmen, planning and commissioning engineers) may be contracted in via employment agencies for temporary work.

Secondly, different fields will be at different stages in their development and this will affect the number of people employed. A third factor which makes employee numbers a less than useful choice is that some oil companies use their London offices as "clearing houses" for their European and African operations. In addition, London-based personnel may provide support and services for all the UK subsidiaries of the MNC (eg any refining or chemical activities). Some companies are maintaining this type of organisation, while others are dismantling it and moving some management functions to Aberdeen.

Fourthly, the number of employees will obviously be affected by the number of production platforms. This number is a function of the geology of the field. For example, there are at the time of writing (1988) three steel platforms on Britoil's Beatrice field (and a floating platform under construction) which has estimated

recoverable reserves (ERR) of 20 million tonnes. Shell's Fulmar field, with ERR of 60 million tonnes has only two steel platforms. BP's Forties field, ERR 261 million tonnes, has four steel platforms. This latter point also renders the number of platforms useless as a criterion for ranking the companies.

Two possible contenders therefore remained; the number of fields for which each company is the operator, or the size of oil reserves held by each company. This information was deduced from material published by the North East Scotland Development Agency (NESDA) in the 1985 NESDA Directory (18).

The former can be misleading because fields vary so much in their size and formation. However, the number of fields is a reflection of the size of each company's operations and investment in the North Sea, because the development of each field is a separate project which takes several years to reach completion. Each field development calls for a complete team to plan the project and organise its coming to fruition. Hundreds of staff will be involved - all types of engineers, cost controllers, material controllers, purchasers, project managers, and many more - without taking into account the people who build the platform, install it, work on it, and keep it supplied.

On the other hand, the number of fields alone does not reveal the size of each company's share of the North Sea "cake". A more useful indicator in this respect is the ERR. Present technology is not sufficiently advanced to make complete recovery of a field's reserves economically feasible. Therefore it is quite possible that at some future date the ERR of fields will change as technology advances. At present, there may be as much as 40% of a field's reserves left in the ground when a well is capped.

Using these criteria, and acknowledging that the information used named the operator of the field only, and not the other members of the consortium, nor the size of any company's shareholding, a ranking was established. Many - if not all - of the companies have



interests in other fields for which they themselves are not the operator. All these names and figures are unknowns and therefore the ranking may not be totally accurate. In addition, new developments in the pipeline may alter the balance slightly. Production rates can be altered according to demand, price, conservation interests etc. Hence the largest producer may not be the company with the largest ERR.

A distinction was drawn between the largest (three companies) and the smallest companies (five), the remainder falling into the "medium" category. The final sample comprised one large company, two medium, and three small.

The nature and depth of information sought suggested that a series of face to face interviews were the most appropriate means of collecting data. To ensure consistency, a schedule was used on each occasion; this appears in the thesis as appendix A. The length and number of interviews in each company varied, but on average there were between six and eight interviews of one to one and a half hours duration. In four of the six companies the same manager was interviewed on each occasion, and in the remainder, various managers according to the topic in question.

A number of minor problems did occur. For example, though six operating companies agreed to take part, another six approached to do so refused. Though a representative sample was eventually constructed, the length of time taken by some companies in the second group to decide not to participate delayed the beginning of the field work. One such company took more than two months and three meetings before making the decision. Secondly, the workload of interviewees meant that the sequence of interviews tended to spread out over a longer timespan than originally envisaged. Indeed, in one participating company, interviews began several months later than in other companies, as the interviewee was heavily involved in coordinating and overseeing a job evaluation exercise.

A third problem, but a welcome one, was the volume of information obtained, which grew as the participants overcame any initial reservations they might have had regarding the exercise. Selecting and summarising the most significant data was fascinating but time consuming.

Time, resources, and the remit of the project dictated that any study of the contractor sector had to be selective. The aim of investigating this area was to gain a better understanding of the client to contractor relationship which, it was believed, was a formative influence on the industrial relations system in the industry. The two most labour intensive sectors were selected: catering and construction. Again the nature of the information sought suggested face to face interviewing as being the most appropriate method for gathering information. The schedule used for this purpose appears as appendix B.

In the catering sector, four companies out of a possible nine took part. Efforts were made to vary the sample with regard to COTA (Catering Offshore Traders' Association) membership and trade union recognition. In the construction sector, four companies took part. The group from which they were drawn (seven in total) was restricted to those companies which listed construction and hook up amongst their main activities. The contract companies are described in chapter 8. Only one visit was made to each contractor; each was approximately one and a half hour's duration.

The data gathered in the scheduled interviews were supplemented by ad hoc interviews with appropriate trade union officials (eg the AEU officer, when an offshore ballot was being organised); attendance at IUOOC meetings, and attendance at meetings of the IUOOC and Liaison Panel of UKOOA. As will be shown below, these were particularly important in the study, not simply as sources of raw data, but in demonstrating the relationships in the industrial relations system, and the strengths and weaknesses of the institutions. In addition, an overnight offshore visit was made, enabling the working environment and technology to be observed, as

well as the 'mechanics' of a visit by a trade union officer (there were two present). This visit enabled the researcher to appreciate fully the complexity and enormity of an offshore development. For example, the literature does not explain that the pressure of the oil is so great that the wellheads are hot to touch. Similarly the number of processes which the associated gas must undergo before being fed into the pipeline was a revelation. The trip also offered some small insight into the general atmosphere on the platform. On the whole it was very settled, everyone appearing to know their way around the routine, and the workforce had taken steps to make the environment more homely. For example, there were tropical fish tanks in the canteen, and someone had painted pictures for the television lounge (which, interestingly, was for the use of the operator's personnel only). Finally, the opportunity arose to attend and follow the protracted wage talks in COTA which followed the Griffin affair; these events form the basis of the case study in chapter 9.

All participating companies and individuals were assured anonymity and therefore fictitious names have been used for companies and platforms.

### Summary

It was established that though the central subjects were the multinational oil companies, it was necessary to investigate the contractors and trade unions to fully appreciate the industrial relations system. The primary source of data was a series of management interviews in six operating companies, and single management interviews in eight contractors. Further information came from attendance at meetings at which both the oil companies and trade unions were represented; attendance at inter-union meetings; and from following the protracted wage talks in the catering sector. This thesis concerns the management of industrial relations in circumstances of high risk.

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## CHAPTER TWO

### THE BASES OF POWER RELATIONSHIPS IN NORTH SEA OIL EXTRACTION

#### THE DEVELOPMENT OF THE OIL INDUSTRY IN THE NORTH SEA

Exploration proceeded rapidly in the North Sea following the discovery of the massive gas field, Gronigen, off the Dutch coast. The fact that the field was very similar to smaller fields off the east coast of England suggested that the two discoveries could be part of the same geological trend. A number of magnetic and seismic surveys were carried out, with encouraging results. The Continental Shelf Act 1964 provided the necessary legal framework to establish ownership of any finds, allowing exploration to begin. In the autumn of 1965, BP discovered the West Sole field with its first well, and in 1966 Shell-Esso discovered Leman Bank, which turned out to be one of the largest offshore gas fields in the world. By 1968, the names Indefatigable, Hewett, Viking and Rough could be added to the list, and the decision had been taken to convert Britain to natural gas.

Despite these successes, the prospects for finding oil were far from clear. Several companies drilled a number of exploratory wells farther north in the North Sea over several years, finding only 'sniffs' of oil until in 1969 Amoco found oil off the coast of Scotland. This was followed by Phillips Petroleum's announcement in 1970 of the discovery of the giant Ekofisk field in the Norwegian sector.

Spurred on by this news, the industry changed tactics, moving the centre of activities from Great Yarmouth to Aberdeen, and bringing in large, deep water drilling rigs from other parts of the world. BP had discovered the giant Forties field by the end of 1970, and just over a year later Shell-Esso hit success in the Brent field. (Shell in the North Sea operates under the name Shell Exploration and Production Company Limited - usually shortened to Shell Expro. It is, however, owned jointly with Esso, with Shell as operators of the partnership's ventures.) It was clear by 1973 that

"the North Sea had been proved as a major new oil and gas province of world importance"(1). The first of Britain's oil was brought ashore by Hamilton Brothers in 1975.

While "gas had stirred some glimmerings of optimism in the 1960s, oil was now to provoke nothing short of euphoria in the 1970s"(2), and since then successive British governments have looked to the North Sea oil industry for economic prosperity. Figures published in the "BP Statistical Review of World Energy" for 1985 put the size of the North Sea finds in perspective. The figures for proved reserves at the end of 1984 reveal that the UK has a share of 1.9% of the world's reserves. Despite its comparatively small reserves, the North Sea "has two significant advantages over several of the other 'more prolific' areas, namely:

it is very near one of the world's four main industrial markets,

The various countries which border and control it are, at present, politically stable."(3 sic.)

However, the oil industry in the North Sea is subject to the same problems as the oil industry worldwide, as outlined by Sampson: for example, alternation of shortage and glut, the hectic oscillation of prices, and the interdependence of oil and transport, to name but three.

In many aspects the oil industry in the North Sea is more vulnerable to such pressures than it is in many other areas, because the hostile environment makes developing the fields in the North Sea very costly in comparison to fields elsewhere, particularly onshore. As a result, any drop in price can render a development unprofitable and the oil will be left in the ground. This is even more true today, since it is widely accepted that there is little probability of any more "gushers" being found, and the remaining fields are smaller, more inaccessible and therefore more marginal.

This vulnerability was particularly apparent when the price of oil collapsed in 1986, resulting in the postponement of a number of proposed offshore developments. Furthermore, the considerable time span involved in the development of a North Sea field (it takes four to five years, perhaps more, to get the oil ashore after the decision to develop has been taken) exacerbates planning problems.

Figures published by Phillips Petroleum indicate that in 1980 it cost anything from £2-8 million to drill a single well. When Phillips Petroleum's plans for Ekofisk are completed, there will be more than 150 wells in the system, feeding 27 platforms, some of the latter being fed by as many as 25 wells. Each Ekofisk well cost an average \$4.7 million to drill. In short, the "cost of getting each barrel of oil out of an offshore field can be ten times that of an equivalent onshore field."(4)

The oil industry is probably the most capital intensive in the world and this puts tremendous emphasis on keeping to schedules. In addition to the financial pressures, the inhospitable environment in the North Sea creates its own deadlines. There is a fairly short "weather window", and if this is missed the development can be put back a whole year at phenomenal cost. As a result, "delays of any kind are disproportionately expensive and cannot be tolerated under any circumstances if avoidable"(5). It is therefore "essential for an oil company to establish a pattern of industrial relations.....that will safeguard it from industrial unrest"(6). This, though applicable to the production phase, is even more true of the development phase, since the "basic fact of oil industry economics is that it costs a fortune to find and develop a field, but once that is done, the production costs are relatively small"(7).

## PHASES OF DEVELOPMENT

For the industrial relations observer, understanding the importance and implications of the various stages in the development of an oil field is crucial to grasping the nature of the power relationships at a given point in time. This became apparent with the revelation that during certain phases in a field's life trade union agreements could apply, and at others there was no such application. As the research progressed, it became clear that this was only one of a number of changes in the industrial relations system which could be identified as an offshore field moved into its productive life. Consequently attention must be paid to the problems of developing a North Sea field, as only then can the industrial relations system be understood.

In essence, the processes involved in developing an offshore field are the same as those involved in developing an onshore find; the crucial difference is the much more hostile environment offshore, particularly in the North Sea, which results in a number of constraints and commercial considerations which do not exist in an onshore environment. The operating companies have produced a number of promotional brochures outlining their technological triumphs over the inhospitable North Sea, and indeed, their engineering achievements are extremely impressive. Technological developments in the industry have been likened to those in the "space race".

The sums of money involved in developing a field are vast, and it is therefore the norm for each individual field development to be funded by a group of companies, to spread the financial burden. One company, usually that with the largest shareholding, takes responsibility for developing and operating the production facilities - hence they are known as the operating companies or the operators. This spreading of risk on the financial side was found to be analogous to the spreading of risk on the employment side, as will be discussed in later chapters. The development of an oil field can be divided into three separate phases, exploration, fabrication and hook up, and production (8).



## Exploration

Oil and gas are normally found in sedimentary basins, and therefore the search for such basins is where the search for oil and gas begins. A detailed seismic survey will be carried out by a survey or seismic ship. In some cases, this will have followed an initial search by an aeroplane, used to survey the magnetic properties of rock. These ships are sometimes custom built, sometimes converted small passenger vessels or stern trawlers. There are two methods used by survey vessels:

- a) the ship moves back and forth using a gravimeter to measure accurately the Earth's gravity ;
- b) in this more common method, the ship creates a series of small explosions sending shockwaves into the sea bed. These are reflected back and detected by instruments called hydrophones, towed behind the ship.

From the results of the survey, geologists can build up a fairly accurate structural picture of the rocks.

The survey and interpretation of the results account for almost 4% of the cost of drilling an exploration well. As a rule, the survey vessels are leased or chartered to geophysical contractors by marine companies, and the geophysical contractors are hired by the multinational oil companies involved in the exploration and production of oil. These companies must then compete with each other for "blocks" in the North Sea, allocated by the government during a licensing round, of which there had been ten at the time of writing.

The successful companies may then decide to begin exploratory drilling. In most cases, this will be carried out by a drilling company hired by the operator, and though most of the people on the drilling rig will be employees of the drilling company, the operator will also have a few people on board to oversee the proceedings. It is a risky as well as an expensive activity - on average, about six holes out of seven will be dry.

There are three types of drilling vessels (see Figure 1):

i) "jack-up" rigs, which are really only suitable for shallow water. Their legs point skyward when the rig is being moved into position, and are then lowered into the water.

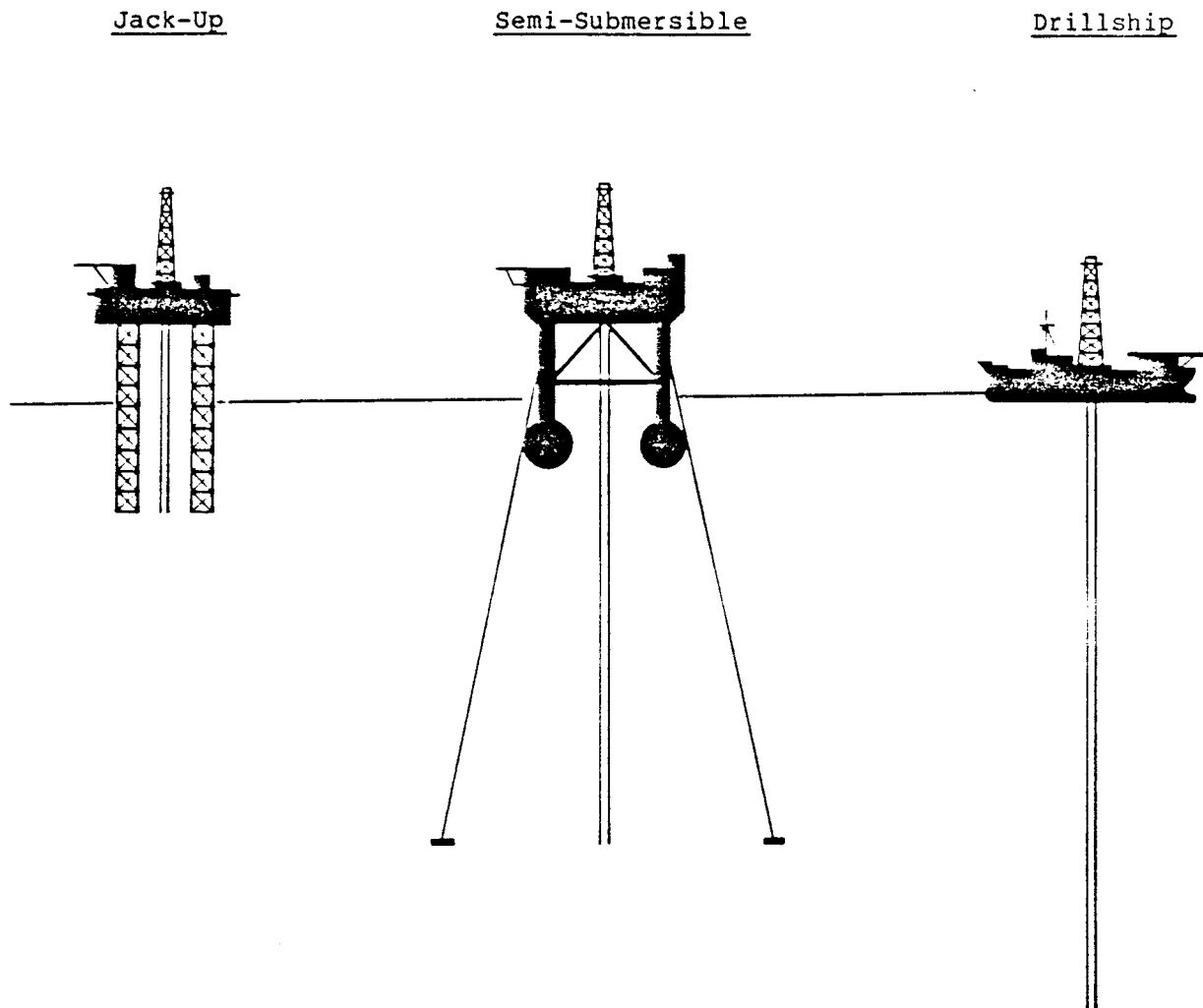
ii) semi-submersible rigs, which are the most common choice in the North Sea. They float on underwater pontoons which link the legs together, and these pontoons are ballasted with sea water to provide stability, with the drilling deck remaining above the water. While drilling is taking place, the "semi-sub" is held in position either by anchors or by thruster propellers. Modern semi-submersibles can drill in water more than 1000 feet deep, all year round.

iii) In very deep water, a drill ship will be used. This is a ship's hull with a drilling derrick either in the centre of the ship or over one of the sides. During drilling, the ship is kept in position by anchors over the bow and stern, and a computer controlled propeller system. The most up to date drillships can drill in water 5000 feet deep.

The drilling company will usually own the rig, and will be responsible for its day to day running. The exploration company (operator) hires the rig, the crew, and will pay for all consumable items. While drilling is being carried out, the drilling rig or drill ship will be provided with everything from mud, cement and drill pipe to food and medical supplies by supply ships.

Figure 1 - Types of Drilling Vessel

Source: "UK Offshore Oil and Gas", UKOOA.



If oil and/or gas are found, further drilling will be carried out to estimate the size of the field, and to appraise total reserves, quality of oil and flow rates, with a view to establishing the viability of the field. The decision whether or not to develop a field will be taken following evaluation of the results of the exploratory drilling.

The decision to begin exploratory drilling is heavily dependent on the economic climate, in particular the price of crude oil - this being one of the most significant factors in the decision to develop the find. When the research began in 1984, the price of oil was high and consequently a considerable amount of drilling activity was taking place. In 1986, however, the price of oil fell dramatically - from about \$32 to \$8 per barrel. This price collapse had a considerable impact on the industry since fields which are economically viable for development at \$32 per barrel will appear considerably less so at \$8 - or even \$18 - per barrel. Thus as the recession bit deeper in the industry, some consortia postponed those development plans which were at a sufficiently early stage to stop. As a result, the drilling community in the North Sea faced a grave shortage of work, and there was a string of drilling rigs "stacked" just off the coast from Dundee to the Moray Firth. Indeed, so desperate were some of the drilling companies to find work, they were hiring out drilling rigs at a loss, simply to make some contribution to costs (see Panorama, November 1986).

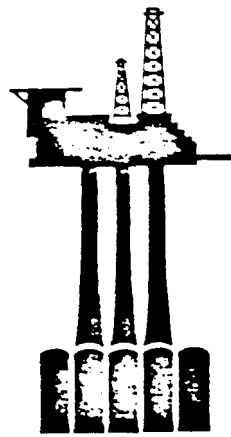
Another inhibiting factor in a complex sum is the Petroleum Revenue Tax (PRT) which the operators must pay the state on each barrel produced. This is paid in the year following production, hence the industry was having to pay PRT on oil produced and sold at around \$30 per barrel from income generated a year later when oil was sold for between \$8 and \$18. Not surprisingly, the industry pressed the Government for concessions (granted in the 1987 Budget), but in the meantime the industry claimed that funds available for investment in future developments were in short supply.

### Fabrication and Hook Up

If the consortium wishes to develop the field, it must submit an "Annex B" application to the Secretary of State for Energy. If the response is positive, proceedings will then enter the fabrication and hook up phase. The fabrication element concerns the design and construction of the production facilities; the hook up element, the assembly of components and preparation for production at sea. Since each field is unique, each calls for a specific, custom built platform. The depth of the water, the quantity and quality of the oil (or gas), and the sea bed character are most important in deciding the type of platform to be installed, and also in deciding the type of facilities to get the oil ashore; a subsea pipeline, if economically viable, or a single buoy mooring (SBM) in the field for tankers to take on crude oil if a pipeline does not make commercial sense.

As has already been suggested, the production platform is made up of a number of different parts which are assembled prior to production at sea. These various parts are the jacket, support frame, modules and template. A brief discussion of what these parts are and their construction will facilitate the appreciation of the time and money involved in developing a field, and the pressures on the parties involved. There are several types of production facilities, illustrated overleaf in Figure 2. The design and construction of the platform will be carried out by contractors at various sites, possibly across the globe, under the supervision and coordination of the operator.

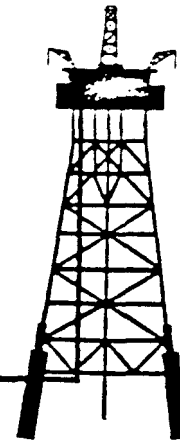
The production platform is a phenomenally expensive piece of equipment: Marathon's order for the Brae Alpha platform jacket alone was worth £47 million in 1980 ("The Brae Story"). The jacket is that part of the platform which will stand in the water and support the production facilities - in other words, the jacket is the legs of the platform (see Figure 3). Usually the jacket is made of steel but sometimes it will be made of concrete, eg the Ninian Central platform. The Brae Alpha jacket referred to above was constructed at Ardersier, north east of Inverness, and was a two year project.



Concrete Gravity



Underwater Manifold  
Centre (UMC)



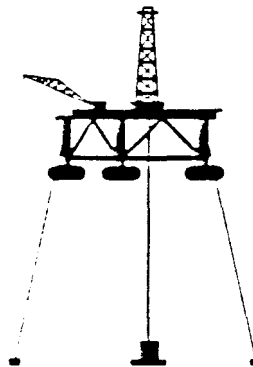
Steel Piled

Concrete Gravity and Steel Piled are the most common types of platforms.

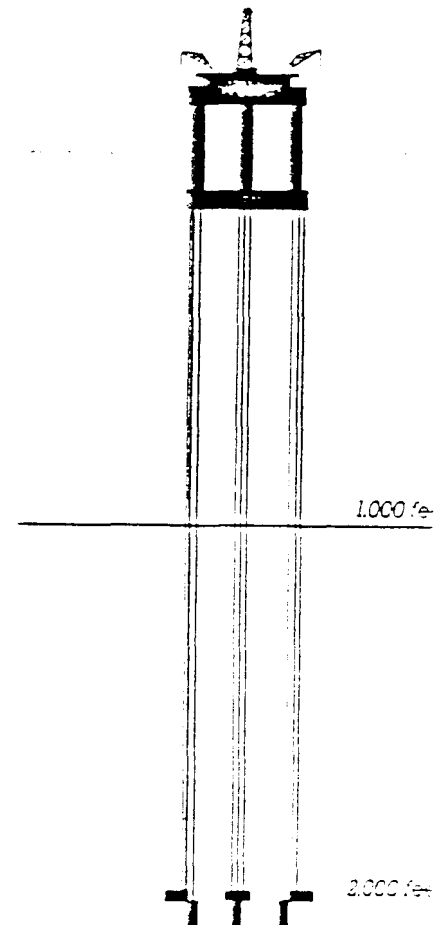
The UMC is a fairly recent development (1983). The wellheads are on the seabed, and oil is sent to a conventional platform by pipeline. UMC's will increase in number, as they are a commercially viable means of developing small satellite fields.

Floating production facilities are in use in 2 fields, the Argyll and Buchan. A specially adapted semi submersible is tethered by the production risers and hydraulic hoses.

The TLP, first used in 1984 (its only application to date) was developed for production in water depths of over 1,000 feet.



Floating Production  
Systems



The Tension Leg  
Platform (TLP)

Figure 2 - Types of Production Facilities

Source: "UK Offshore Oil and Gas," UKOGA

Accommodation

Drilling

## Topside Facilities (Modules)

Production

Figure 3 - Platform Parts

Source: "The Claymore Story,"  
Occidental

Deck Support  
Frame

Jacket

Sea Bed Piles

To save time, Marathon issued subcontracts for the rolling of the tubular sections, the nodes and the bottles (bundles of tubes through which the piles which secure the platform to the seabed are driven). In total 24 subcontractors were involved in the construction of the jacket, 12 in Europe, the remainder in Japan. This example illustrates the complexity and enormity of the undertaking - the work involved in the construction of Brae was by no means unusual as far as the North Sea is concerned.

On top of the jacket sits the massive module support frame. Essentially the support frame is constructed from giant girders, though not in a grid formation as might be expected. Usually it is a series of parallel beams; floors and walkways are incorporated into the topside design. Attached to the underside of the support frame are a number of peg-like features which will each sit in a hollow leg to secure the frame.

The cost of carrying out work offshore is in the region of six times the cost of onshore work, and therefore as much work as possible is done onshore. Hence the "top-deck" - that part of the platform which will sit on the support frame - is constructed in modular form while the jacket is being built. There is a variety of different types of modules, outlined below, which are combined in the appropriate permutation for the platform concerned. There can be 20 or more modules on a large installation.

Drilling modules are used for development as opposed to exploration drilling. They can be hired or purchased by the operating company, and may possibly be removed from the platform when drilling operations are complete. A second type of module is the well head; this incorporates the well head and valve often known as a "christmas tree", shut down and production manifolds, and stores drill pipe. It must be designed to withstand considerable stresses.



The process module contains the equipment necessary to process the oil into the appropriate condition for transportation. Gas and water will be separated from the crude and disposed of in a variety of ways. The gas may be used as a power source for the platform, it may be flared off, or it may be collected and sent ashore by pipeline or tanker (if the latter, then the gas will be liquified). It may also be used to enhance recovery from the field by being injected into the reservoir. If the oil is to be transported by pipeline, then it is likely that the necessary pumps will form part of this module. The utilities/power module contains the equipment necessary for the other modules to function, such as power generating units and air compressors.

To obtain maximum returns on their substantial investments, the operators use water and/or gas injection techniques to enhance recovery from the reservoir. Either water or gas is pumped into the reservoir at high pressure, forcing the oil out. If water is being used, then the water/gas injection module will contain lifting pumps (to raise water from the sea), a filtration plant, and chemical injection equipment to render the water non-corrosive, and also sterile, to prevent the growth of bacteria. If gas is being used, then the module will incorporate gas compression equipment. Whether water or gas is being used, it is crucial that the medium is cleaned to prevent the corrosion and clogging of extraction equipment.

The final type of module is that comprising living quarters - this includes the recreation and catering areas, and communication equipment. The offshore visit undertaken during the research revealed the living quarters to be warm, comfortable and very clean. The platform visited had two berth cabins, each with its own bathroom. These were arranged on four floors, around a central stairwell. Recreation facilities included a pool table, table tennis, a sauna and gym, a cinema and television/video lounge. In addition, the radio room, helicopter lounge, shop, laundry and catering facilities were in this block. Accommodation on the platform had been upgraded during its lifetime; accommodation on its sister platform was four to a cabin with communal facilities, as was the norm for first generation platforms.

The above is a somewhat simplistic description, as it does not convey the quantity or complexity of plant and equipment which must be accommodated. For example, the well-head module on the platform visited contained 36 well-heads, each with oil passing through them. These are warm to touch as the crude oil leaves the reservoir at very high temperatures. The drilling derrick is moved about the drill floor on rails to cover whichever well is to be drilled.

Conventionally, a North Sea platform had its deck sections assembled offshore, and was equipped with machinery and accommodation modules before itself being used to drill wells. Such was the case for the first generation of production platforms. The development of the North Sea has precipitated the development of engineering technology, and in some way each field development seems to be more efficient than the one prior to it. For example, in the case of Phillips Petroleum's Maureen platform, the deck units were assembled onshore at Loch Kishorn on the support frame. The entire deck structure was then floated into the loch where it was "mated" with the jacket. The completed platform was then towed to its final position.

Another development in North Sea technology is that of template drilling. This allows development drilling to proceed while the platform is being fabricated, which both speeds up progress and provides valuable information about the reservoir. The template is basically a steel grid with slots for the wells and a guide system to assist the accurate positioning of the production platform. Like the platform, the template is secured to the sea bed by steel piles. A semi-submersible drilling rig can then move over the location and begin drilling the development wells. This can be a long task - in the case of the Maureen development, four years. Wells for enhanced recovery injection techniques will also be drilled.

Whether or not a template is used, all North Sea developments call for the use of directional drilling; ie the wells deviate from the vertical as they are drilled, fanning out to ensure the reservoir is drained effectively. This is necessary because it would be impossible economically to place a platform over each location where a well is wanted, given that a field may have 36 wells. When hook up is completed (usually when "first oil" flows to the platform) the development then enters the production phase.

### Production

During the production phase, the number of people on the platform (POB - Persons on Board) will fall in relation to the hook up phase, but there will still be a heavy contractor involvement. Until recently, the proportion of operator to contractor personnel on board during production was approximately equal. The contractors' personnel will include caterers and stewards, divers, welders, technicians, drillers, and others involved in maintenance work on the platform. During the recent recession in the industry, companies made efforts to reduce costs, for example by postponing non-essential maintenance work. Not only is money saved on the work not done, but also POB figures are reduced, further contributing to a decrease in costs.

### Contract Allocation

Work is allocated to contractors during the production phase by means of competitive tendering. This takes place on a regular basis; companies in the two sectors examined, catering and construction, have to rebid at least every two years. The exact operation of the competitive tendering process, and its impact on industrial relations, are discussed in more detail in Chapter 8. Though contractors have to bid against each other for fabrication and hook up work, such contracts are on a job and finish basis, ie the work is of a finite duration.

Contract costing can be described as either 'reimbursable' or 'lump sum'. In the case of the former, the client company (operator) pays the contractor for labour and plant hire, and consumables. If a contract is 'lump sum' the contract price is fixed when the contract is awarded and will be the price paid unless the contract contains an 'escalator clause'. For example, if the contractor's workforce is covered by a national agreement such as the Offshore Construction Agreement then the contract may contain a clause whereby the contract price will be revised upwards to accommodate a rise in rates laid down in the national agreement, should such a rise occur during the running of the contract. Where no such escalator clause is included, any increase in cost must be borne by the contractor.

This distinction has caused problems in the past for COTA members (the Catering Offshore Traders' Association). One of the problems with coming to some agreement for catering staff wages in 1986 (see Chapter 9) was that some COTA members held contracts with escalator clauses and others did not. Hence the latter group had more difficulty in agreeing to an increase, as they could not pass the cost on to the client.

The same is true for the construction companies, particularly if a contractor undertakes a 'lump sum' contract to design and build a platform as in this sector of the industry additional costs of a significant order are mainly the result of design changes. Though too early to claim a trend, there are indications of a move towards 'turnkey contracting'. A 'turnkey contract' is a contract to design, build, hook-up and commission a platform; in other words to carry out the whole project from drawing board to production. Such contracts inevitably give rise to joint ventures because of the requirements placed on the contract holder for facilities, such as a construction yard and heavy lift barge. The contract holder will subcontract in a number of spheres.

Turnkey contracting is attractive to operating companies because contracts are fixed cost. It represents more risk for the contractor than reimburseable contracts, and is more cost effective for the oil companies because design changes are paid for by the major contractor. This development may cause contractors some problems because of the length of the contract, as contractors will have to estimate manhours and pay rates for the later years of the contract when they prepare their bid, and will have to bear the cost if they miscalculate.

Another problem which construction companies face is the performance bond. This is a financial guarantee which the contractor must be able to provide for the client if called upon to do so. If anything goes wrong with the contract the client can call in the bond, which is 100% of the contract value, and possibly bankrupt the contractor. If a contractor is working for several different clients a bond must be available for all of them, which ties up considerable sums of capital.

## The Power Relationship in each Phase

### Exploration

Of all the different elements making up this complex enterprise, the drilling companies are closest in reality to the tough, pioneering, "macho" image which mention of the oil industry conjures up for many people. These companies have a reputation for a "hire and fire" attitude to industrial relations; and for being staunchly anti-union (though two of the five drilling companies studied by Buchan recognised and negotiated with trade unions). To be more accurate, Buchan's work (9) suggests that this opposition to collective representation is more correctly associated with American drilling companies. Since the majority of drilling companies are American it is not hard to understand how their behaviour has resulted in other companies being associated with the same style and attitudes.

The idea of trade unionism flies in the face of the tough, individualistic, pioneering culture which pervades - and is cultivated by - the drilling industry. As one senior manager from an operating company put it, "no self respecting driller would be seen to have all his fingers". Furthermore, it is thought that the presence of trade unions would be a potentially disruptive influence in an arena where any stoppage of work proves prohibitively expensive. Of course this attitude was not unrelated to the perceived "British disease" of constant industrial action, fostered by media coverage at home and abroad.

Such a management stance on industrial relations was tenable not least because wages and conditions for workers in the industry are (or were at the time of Buchan's research) relatively high in comparison with other sectors. An additional factor during the 1980s has been the economic recession which has gripped other industries, severely restricting opportunities to find alternative employment, particularly in areas of high unemployment such as Teesside, from which many come.

With the exception of Buchan's work, there has been little or no attempt to differentiate between the industrial relations conduct of the drilling companies and that of the operators. Since both Carson's (10) and Kitchen's (11) research was carried out during a time of rapid and extensive exploration and development, it is not altogether surprising to find this failure to distinguish between the styles of the operating and drilling companies, though it is clearly the style of the latter which dominates their work. This is particularly true in Carson's work, in which he rejects the argument that the challenges posed by working at the frontiers of technology in a hostile environment have led to unavoidable, albeit regrettable, fatalities in the offshore industry.

Thus to date the popular image of oil industry industrial relations is, in essence, that of the drilling industry, prevalent during exploration. Numerous anecdotes have been circulated about the anti-union, autocratic - if not ruthless - philosophies cultivated by the dominant American companies. One operating company manager interviewed during the course of this research had spent some time with a drilling company, and had been horrified by what he saw regarding industrial relations; "I was getting through a packet of Rennies a week!". A trade union officer interviewed asked a drilling company supervisor how the company motivated its personnel, to be told "if a guy does a good job, he gets to keep it".

During the exploration phase, the balance of power with regard to industrial relations lies in management's favour for several reasons. Firstly, comparatively good wages and conditions encourage compliance in the workforce. A second reason is the recruitment practices of the companies; at its most basic, one drilling company manager was publicly reported to have said "the company went through 18,000 British workers to find the right 350"(12). Other companies, while perhaps a little less thorough, nevertheless showed a preference for "ex-servicemen and ex-seamen (which militated) against unionisation "(13). This was indeed mentioned by an offshore employee of an operator. Furthermore, "the labour force is

not by nature one which is easily persuaded into union activity, partly because of apparently high wage rates, partly because of its itinerant nature -.....will pack a bag and prepare to move anywhere - and partly too because of the disillusionment with industrial unrest directly or indirectly experienced onshore"(14).

Thirdly, the dependence of the drilling companies on the operators for work means "speed and efficiency are the bywords of the offshore drilling industry. The faster a well is drilled the cheaper it costs, the more profit it provides and the more it improves the drilling companies reputation with its bosses....This preoccupation with speed and efficiency explains most of the drillers' extremely conservative behaviour and attitudes. They oppose anything that might complicate or interfere with their efforts to drill wells as quickly as possible"(15). The somewhat euphemistic last sentence has been expressed more bluntly by Kitchen: "Every care is taken....to ensure the loyalty and cooperation of the employees. If this is not forthcoming, they are dispensed with and replacements sought.....Orders are carried out immediately or dismissal follows."(16)

A major explanation for such behaviour is the tremendous cost of hiring drilling facilities (Kitchen's work, published in 1977, quoted figures of £100,000 per day as operating costs) which means unscheduled stoppages cannot - and will not - be tolerated, by either the drilling company management or the client company. Hence efficient handling of industrial relations is an essential prerequisite if the company is to compete effectively for business in the exploration industry. This competition has intensified as the pace of development in the North Sea has slowed down, reducing the amount of work available. The situation is exacerbated by the hostile environment which means that pre-production work can only be carried out offshore at certain times of the year, the so called "weather window".



As stated earlier, the drilling industry has been the main focus of attention in previous oil related studies and therefore it will not receive a great deal more attention here. Instead, this study will focus on the companies who initiate and sponsor exploration and development in the North Sea and, to a lesser degree, on some of the contractors who compete for work handed out by the operators.

#### Fabrication and Hook Up

When it enters this phase, the operating company has, by definition, committed itself to developing the oil field in question. As was established earlier, the sums of money invested in such projects are enormous; indeed, exploration costs pale in comparison. This being the case, the operating companies (and their partners) are understandably anxious to begin production as soon as possible. It is this urgency which has given rise to the pragmatism so prominent on the part of the operators during this phase, but conspicuous by its absence during the production phase.

The major oil companies have always used contractors for major projects such as platform design and construction, and other work which will wildly fluctuate, as is standard practice in industry. The construction industry is, by tradition, heavily unionised on large sites and platform construction yards are no exception (though the platform construction yards are not covered by the national construction agreement). This also means that construction workers on a hook up project are likely to be union members. Onshore, the relationship between unions and employers has been very strong, and with good reason; the construction contract is for a set time and budget, and therefore the contractor wants to minimise - if not eliminate - time lost in disputes. Thus it is in their interests to have a well controlled, well managed workforce, and trades unions can be of great help in maintaining discipline amongst what can be a somewhat maverick, not to mention mobile, group of workers. In addition, such arrangements stabilise wage rates.

The rapid pace of development in the oil industry during the mid-70's resulted in a sellers' market as far as construction companies were concerned, and clients and contractors shared the same incentives for harmonious industrial relations as their counterparts onshore. Indeed these incentives are enhanced in the oil industry because of the comparatively short weather window. If this is missed, then production will be considerably delayed. This situation has very clear parallels to that identified in the exhibition industry by the National Board for Prices and Incomes. In its report (17), the NBPI highlighted the ramifications for industrial relations of certain factors prevalent in the industry. Firstly, exhibition space is limited and, given that London was thought by most firms to be the most suitable centre for exhibitions, they were held in the Earl's Court and Olympia centres "more or less continuously throughout the year with limited slack periods in August and December" (18). Consequently, schedules were very tight and exhibitions had to be "built up" or "broken down" in the shortest time possible. This pressure on "build up" time to meet the deadline of the exhibition opening can be equated to the deadline created by the "weather window" for the operating companies and, as in the exhibition industry, this has "important consequences for the pattern of work - for example in the amount of week-end working which it makes necessary" (19).

Furthermore, the oil industry, particularly in an offshore location, is capital intensive, and can therefore more easily tolerate increases in the labour budget if necessary. Similarly, the NBPI discovered that "it seems that exhibitors are not primarily concerned with stand construction costs, which are only one element in the total cost of participating in an exhibition, and even those costs usually represent.....only a fraction of a firm's total promotional budget" (20).

In these circumstances, the operating companies found it in their interests to accept some form of trade union agreement and therefore endorsed the Offshore Construction Agreement (OCA) which the Labour government of the day encouraged the Oil and Chemical

Plant Constructors Association to conclude with various trade unions. It is important to note that the operators do not sign the agreement. Again there are parallels here with the exhibition industry.

The OCA (or hook up agreement, as it is often called) was renegotiated annually until 1987, when a two year agreement was made. It is quite detailed and wide ranging, covering: working hours and rates, shift and travel allowances, proficiency payments, productivity, safety, guaranteed payments, holidays, termination, redundancy, and disciplinary procedures. It applies only to work carried out in preparation of production when the platform is in place in its final position, and ceases to apply as soon as "first oil" is produced, or some subsequent date stipulated by the operator. The work carried out thereafter is classed as maintenance work.

Hence, it is during this phase (ie hook-up) that the operating company is most vulnerable to pressure exerted by an organised workforce, and conversely labour has most leverage, as is the case with workers in the exhibition industry who have been able to exercise influence in the past by virtue of the necessity to finish the job on time.

For other contractors such as helicopter, supply boat and catering companies, the only major difference between phases is the amount of work in each; during the hook up phase there are more personnel on the platform and therefore more people to cater for and more people, materials, equipment and food to be transported to the platform. There is no drastic alteration to the industrial relations environment as is the case for companies involved in fabrication and hook up work. On the other hand, the competitive bid system is applicable to these companies and therefore they must operate within the constraints this system imposes.

While the production facilities are being constructed, the operator selects and trains the individuals who will monitor the production process, and will establish a shore-based support team for the field. Industrial relations for these groups do not differ significantly between the fabrication and hook up phase, and the production phase. Thus they will be summarised under the production heading, and examined in more detail later in the thesis.

### Production

The production phase can be considered "the norm"; after a period of frenetic activity the company can settle into as much of a routine as the North Sea will allow. It was examination of this phase in particular that highlighted the uncommon elements in the industrial relations of the industry. During the production phase, auditors from the operating company and its partners are keen to cut costs and maximise revenue. Maintenance work is therefore allocated to contractors by the process of competitive tendering, on a regular basis. As the North Sea oil industry developed, so the number of contractors chasing work proliferated. The existence of the OCA stabilised wage rates during hook up work, and since for these companies labour costs are a comparatively high proportion of total costs, the OCA provided some shelter from the ravages of unregulated competition.

In the production phase, however, there is no such stabilising agreement, and labour costs become an important element in the ability of a contracting company to compete successfully with its peers. Inevitably this results in a downward pressure on wage rates for contractors' personnel. Excluding the Offshore Post Construction Agreement for the Scottish Joint Industry Board of the electrical contracting industry, there is no universally recognised agreement covering post-construction work. The Offshore Construction Services agreement was signed between the OCPA and appropriate trade unions in 1986, but has not been effective, basically because it explicitly excludes maintenance work and, more importantly, it was not sanctioned by the operating companies.

In the absence of a post-construction agreement (the reasons for which are explained later in the thesis) the contractors' personnel do not have the protection afforded by grievance and disciplinary procedures as is the case when the OCA applies. Taken together, these factors combine to ensure that the potential leverage on the part of the contractors' workforce present during the fabrication and hook up phase is removed during production.

Nor is this potential leverage bequeathed to the operator's personnel during this phase, as this group are relatively poorly organised. The trade union movement made little headway in organising the operators' personnel in the first twelve years or so of the industry, with the exception of the oil terminals. A major factor in this was the physical difficulties encountered by the movement when faced with an isolated workforce which, when ashore, was scattered throughout the UK.

Another hurdle was the lack of incentive for the operators' employees to join a trade union. These companies placed great emphasis on the individual at work, as opposed to the group; the package of benefits provided was virtually second to none and, certainly in every company visited, consultation arrangements had been established and developed.

In addition, the recruitment policies developed by the operators did not encourage trade unionism to flourish; many men were recruited from the armed services, partly on the presumption that they and their families would adapt more easily to the lifestyle which resulted from working offshore, partly because they would be well disciplined, and partly because they would have no experience of - and no commitment to - trade unionism. Obstacles to unionisation and prospects for change are discussed at length in chapter 11.

### Summary

After giving a brief history of the oil industry in the North Sea this chapter described the major phases in developing an offshore find; exploration, hook-up and production. This background is important in understanding the industrial relations system, as the characteristics of the system vary according to the phase of development underway. A short account of the nature of commercial contracts allocated has been given as this, too, is essential background information. Finally, the basic power relationships in each phase have been described introducing both the dynamic nature of the industrial relations system, and the concept of different workforces.

This concept is central to the following chapter, which demonstrates the employment patterns prevalent in the industry. This provides the framework necessary to fully appreciate the review and analysis of industrial relations in the oil industry which is to follow.

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CHAPTER THREE  
EMPLOYMENT PATTERNS IN THE NORTH SEA OIL INDUSTRY

Two of the most distinctive features of this new industry are its dynamic and turbulent nature. Britain produced its first oil in 1975 amidst euphoria and optimism in both the industry and the government. A boom period followed, with rapid expansion and development onshore as well as off. Yet within five short years many of the contractors which had sprung up in the shadow of the operating companies were facing a downturn in their fortunes. Only a decade after first oil the entire industry was shaken by the collapse in the oil price (1986) and the second phase of offshore development virtually stopped in its tracks. This turbulence and uncertainty stimulates and sustains a system of risk spreading in the industry; the vast majority of fields are developed by consortia, as opposed to individual companies. Risk and responsibility are further spread by a very high level of contracting and subcontracting. In terms of industrial relations, such a system has resulted in an environment in which there are gradients of security for those who work in it. Such a system is commonly described in terms of 'core' and 'periphery'.

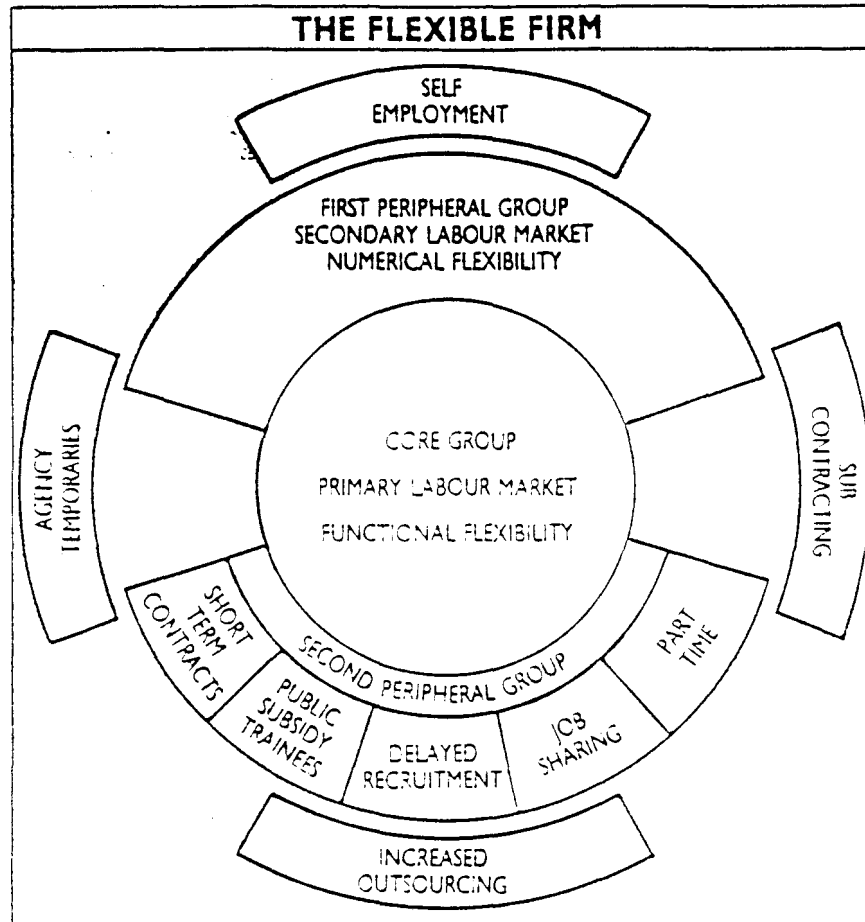
After summarising the major elements of the core-periphery debate, the remainder of this chapter goes on to discuss the implications of the model for the oil industry and its distinctive pattern of risk shedding; and the influences on, and significance of, the complex pattern of organisation and control.



### The Core Periphery Model

Many labour economists over the years have described the fact that employers give different degrees of job security to different segments of their labour force. In Britain the phenomenon has been publicised in the 1980s in the 'core-periphery' accounts of Atkinson of the Institute of Manpower Studies. His work (1) claimed that there has been increased interest by employers in more flexible work patterns, stimulated by accelerating changes in technology and growing competition from foreign competitors. Atkinson identified three types of flexibility sought by firms: functional, numerical and financial. Functional and numerical flexibility are encouraged to flourish by financial flexibility, which links pay and labour costs more closely to profitability, and supply and demand in the labour market. Functional flexibility entails dismantling demarcation barriers to enable the rapid and smooth redeployment of personnel to suit the tasks at hand. Consequently, the workforce profile changes in line with changes in products and production methods. Numerical flexibility enables the firm to increase or decrease the size of the labour force to match the needs of production, ideally at short notice. Such arrangements would inevitably have a considerable impact on the nature of the employment relationship. Hence the "flexible firm" exhibits the core-periphery pattern of employment shown diagrammatically in Figure 4.

FIGURE 4



Source: Industrial Relations Review and Report, 7.8.1984

The core group of employees are functionally flexible, possibly carrying out firm-specific tasks. These employees do not vary in number as output varies, and therefore enjoy security of employment in addition to career prospects within the firm. Core employees will have access to training and retraining. Both the first and second peripheral groups, as outlined by Atkinson, are numerically flexible, their employment figures rising and falling to suit the firm's requirements. In the first peripheral group, employees have lower levels of job security and virtually no career prospects. Access to training and retraining will be considerably reduced, if it exists at all. The tasks performed by this group will not be firm-specific, and will tend to be less skilled. These factors, together with enhanced levels of female recruitment,

encourage relatively high levels of turnover, facilitating the adjustment of workforce numbers. Those in the second peripheral group have contracts aimed at combining functional and numerical flexibility, eg part-time employees, short term contracts or job sharing.

These groups may be supplemented still further by the use of self-employed and agency personnel, and the subcontracting of highly specialised or mundane tasks (such as cleaning) to other companies. Private tendering in the NHS is an example of this. A study carried out by the General Municipal and Boilermakers' union revealed that permanent employees had been replaced by temporary or casual workers in more than half of the 370 workplaces studied (2). In addition, the Industrial Society has published figures showing that the number of temporary vacancies had risen from 19% in April 1983 to 38% in January 1985. The society concluded that the use of temporary labour has developed beyond the traditional uses for holiday cover and to meet seasonal demand (3). This change in the workforce profile has been the subject of debate in the National Economic Development Council. In 1985 Sir Terence Beckett, director-general of the CBI urged that trends towards a flexible workforce be "deliberately encouraged". Norman Willis, TUC general secretary, took issue with the CBI attitude, suggesting Britain was "moving from a service to a servant economy", naming the economic recession as the catalyst for change, not popularity of new work patterns with the workforce (4).

The rationale behind the adoption of such a pattern requires little explanation: it enables employers to improve control over labour costs (though relying on casual and uncommitted labour can create its own problems, particularly in periods of expansion when employers may wish to retain valued staff), linking them more directly to demand for the firms product or service, and to supply and demand in the labour market, in the belief that this will improve efficiency and therefore competitiveness, resulting in a healthier firm.

In spite of the above, the model has been regarded as being of limited value in some quarters, in particular by Pollert of the IRRU at Warwick University. The purpose of her paper is to ask "whether the model is indeed a practical tool of analysis" (5). Though Pollert goes on to quote Millward and Stevens' Workplace Industrial Relations Survey as giving "some weight to the view that non-core or 'peripheral' workers are, perhaps increasingly, being used by employers to make a closer connection between output and employment" (6), she points out that,

"there is little in this to prove a long term trend, rather than a short term response to tentative recovery from recession.....a cyclical response witnessed in previous periods".(7)

This is a fundamental difference between Atkinson and Pollert which stems from their explanations of the rationale for the development of such a pattern. Atkinson's explanation suggests that the "flexible firm" is essentially a proactive creation; a policy deliberately developed as part of an overall strategy. Pollert, on the other hand, suggests that the "flexible firm, if it exists at all, is a reaction to economic circumstances.

Pollert goes on to assess the evidence supporting the model in a number of areas, including part time work, sub-contracting, and the evidence for a 'core', eventually referring to Atkinson's work, albeit indirectly, as a "useful journalistic construction which makes clear, simplified 'news' out of complex developments" (8). Central to her criticism is the charge that the model appears to be explanatory, prescriptive, and predictive all at once. Pollert claims,

"The appeal, but also the weakness, of this model is both its comprehensiveness, in covering a wide number of employment situations in one model, and its simplicity" (9).

With regard to the oil industry, the core periphery model is a useful descriptive device for summarising the complex pattern of organisation, but it raises some important questions which go

unanswered. For example, what were the causal influences in the development of this pattern in the industry? Nor does the model offer any insight into the relationship between the core and the periphery, the clients and the contractors. Furthermore, the model is naive in that it makes no attempt to explain how the core maintains control in circumstances where it has voluntarily devolved responsibility, or the implications for industrial relations which result from them. These questions are considered in this thesis.

### The Core Periphery Model in the Oil Industry

Both observation and employment statistics suggest that the exploration and production sector of the oil industry can be described in terms of the core-periphery employment diagram. Table 1 (overleaf) gives a breakdown of oil related employment in 1987, and of changes in the figures since 1985 (10). The figures given were derived from Grampian Regional Council surveys, based on interviews with employers and MSC data. The 1987 information was gathered in the latter half of 1986, ie six months to a year after the oil price began to fall. These figures indicate that of a total 40,000 employed in 520 oil related firms, only 11,900 were employed by the operators. Furthermore, if the figures for offshore workers in only the two contractor sectors examined are added together (construction 3,950 and catering 1,300) the total, 5,250, exceeds the total offshore workforce of the operators, 4,900. In the oil industry therefore, it appears this pattern does not correspond to "a short term response to tentative recovery from recession".

The major oil companies (operators) have always used contractors for major projects such as platform design and construction, and other work which will fluctuate. This is standard practice in industry. The majors are distinctive, however, in that they have also used contractors, agency and self-employed personnel to a considerable degree in work which does not fluctuate, eg catering, cleaning, some clerical and administration work, and platform maintenance. This cannot be described as short-term; the

TABLE 1 - OIL RELATED EMPLOYMENT

ACTIVITY		1985	1986	1987	1985-6 % CHANGE	1986-7 % CHANGE	1985-7 % CHANGE
Oil/Gas Operators	Onshore	6,240	6,400	7,000	+ 2.56	+ 9.38	+12.18
	Off	4,530	4,570	4,900	+ 0.88	+ 7.22	+ 8.17
	Total	10,770	10,970	11,900	+ 1.86	+ 8.48	+10.49
Other Exploration		5,500	5,250	3,000	- 4.55	-42.86	-45.45
		7,730	5,900	4,500	-23.67	-23.73	-41.79
		13,230	11,150	7,500	-15.72	-32.74	-43.31
Engineering		5,900	5,600	4,050	- 5.08	-27.68	-31.36
		2,650	2,400	2,700	- 9.43	-12.5	- 1.89
		8,550	8,000	6,750	- 6.43	-18.63	-21.05
Construction		1,000	900	500	-10.00	-44.44	-50.00
		3,100	4,000	3,950	-20.03	- 1.25	-27.42
		4,100	4,900	4,450	-19.51	- 9.13	- 3.54
Distribution		2,500	2,200	1,300	-12.00	-40.91	-48.00
		650	500	500	-23.08	0	-23.00
		3,150	2,700	1,800	-14.29	-33.33	-42.86
Catering		400	400	300	0	-25.0	-25.00
		1,600	1,450	1,300	- 9.375	-10.34	-13.75
		2,000	1,850	1,600	- 7.5	-13.51	-20.00
Sea Transport	Off	1,600	1,400	900	-12.5	-35.71	-43.75
	Total	1,600	1,400	900	-12.5	-35.71	-43.75
Air Transport		1,100	1,050	750	- 4.55	-28.57	-31.82
		100	100	50	0	-50.00	-50.00
		1,200	1,150	800	- 4.17	-30.43	-33.33
Transport Support	On	2,000	1,800	1,100	-10.00	-38.88	-45.00
	Total	2,000	1,800	1,100	-10.00	-38.88	-45.00
Business & Professional		3,300	3,700	2,400	- 2.63	-35.14	-36.34
		500	400	500	-20.00	-25.00	0
		4,300	4,100	2,900	- 4.65	-29.27	-32.53
Other		760	700	200	- 7.89	-71.43	-73.68
		340	290	100	-17.65	-64.29	-70.59
		1,100	990	300	-10.91	-68.39	-72.72
Total: inc. exc.	Ops	52,000	49,000	40,000	- 5.77	-18.37	-23.08
	Ops	41,230	38,030	29,100	- 7.76	-26.11	-31.85

example of an individual who worked for a major for six years on an "agency" basis before being taken on as staff is not an isolated one. Furthermore, it is not uncommon for employment agencies in Aberdeen to advertise temporary posts as "long term positions". Figure 5 attempts to fit the oil industry into Atkinson's core-periphery diagram.

One significant employment-related impact of the establishment of the North Sea oil industry in Aberdeen has been the growth in the number of employment agencies and businesses. This is evident from walking along the main streets of the city, but more so from the "situations vacant" and the classified advertisements in the local press. By far the bulk of oil-related advertisements are placed by agencies. This, together with conversations with non-operator personnel, suggested that the pattern of employment in the industry was and remains more complex than had ever been suspected.

Furthermore, the oil industry has developed the use of sub-contractors to such a degree that the contractors themselves have developed along the core-periphery lines in order to survive in the fiercely competitive environment which has evolved. Hence, as a result of these practices on the part of the operators, particularly competitive tendering, the major construction and maintenance contractors maintain computerised employment registers and hold Employment Agency licences. Some contractors have also been known to issue employment contracts which specify that they are only for the duration of the contract with the client. This behaviour suggests that the contractors themselves are developing core-periphery policies. While on the whole this has been confined to the labour intensive sector, or areas where the use of temporary labour is traditional (eg clerical, administrative and draughting work), applications for Employment Agency licences from, for example, laboratories, may be an indication that this pattern is emerging in more highly skilled areas, though further research would be required to produce firm conclusions.

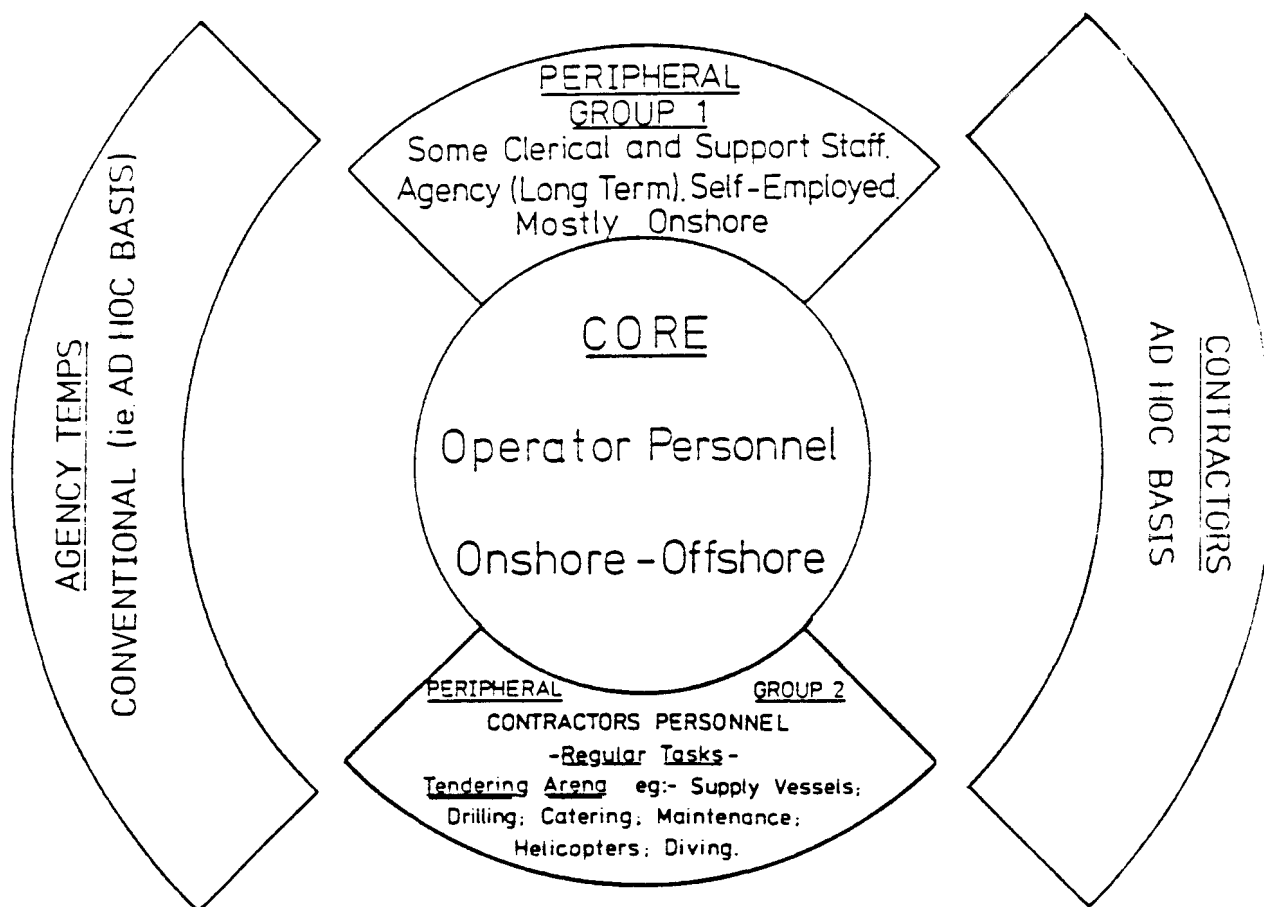


FIGURE 5

THE CORE AND PERIPHERY IN THE OIL INDUSTRY



The identification of this 'waterfall' effect suggests that Atkinson's model is not sufficiently developed to illustrate adequately the pattern of employment in the offshore oil industry. This shall be considered later in the thesis, in the light of evidence gathered from the fieldwork.

Though in legal terms each worker has only one employer, the industry is organised in such a way that there are a number of organisations with influence on the employment relationship. As mentioned in the previous chapter the oil companies spread the financial burden amongst themselves, one of them taking responsibility for developing the find and the day to day running of production facilities. The operator's partners in the venture, however, closely monitor the progress of their investment, maintain constant contact with the operator, and are free to conduct an audit when they so wish. Thus the partners can, if they choose, exercise considerable influence on management decision making in many spheres, including industrial relations. Hence, if the partners are more hawkish in their industrial relations attitudes than the operator, this can be reflected on the platforms in question, particularly with regard to contract workers as will be shown below. Indeed, such a scenario was suggested by a participant as a possible explanation for the Griffin/COTA affair discussed in chapter 9.

The proportion of the offshore workforce not employed by the operating companies required explanation. Prior to the price fall (a consequence of which was the reduction of personnel on board - POB - in an effort to cut costs) the proportion of contractors' employees on a platform was 50% or slightly above. During the "hook-up" phase, this proportion is very much higher, thereby making the hook-up phase that in which operator control over industrial relations on the platform is (theoretically) at its lowest.

Figure 6 shows the usual control structure during development of an oil field (see overleaf). If an operator has more than one project in the development phase, this structure will be repeated from the operator project team downwards (inclusive). In such a situation, it is not necessarily the case that the operators will commission the same platform designers, project management team, fabrication company or other contractors. These contracts do not come up for periodic renewal, as they are on a "job and finish" basis, ie the contract runs until "hook-up" is completed, though the contractors concerned must initially compete with their rivals for work during the development and hook-up phases.

During the production phase the structure is slightly different (see Figure 7). As stated above, though the number of contractors' employees is reduced, there is still a considerable contractor presence. The structure shown in Figure 7 will prevail until the productive life of the platform ends. Throughout this period the various contractors will have to compete regularly for finite contracts. In the two sectors examined, catering and construction/hook-up, the normal length of these contracts is two years, possibly with a 12 month option (ie the contract at the end of two years, can "roll on" for 12 months more if the operator so wishes). The impact of the competitive tendering process on industrial relations is discussed later in the thesis.

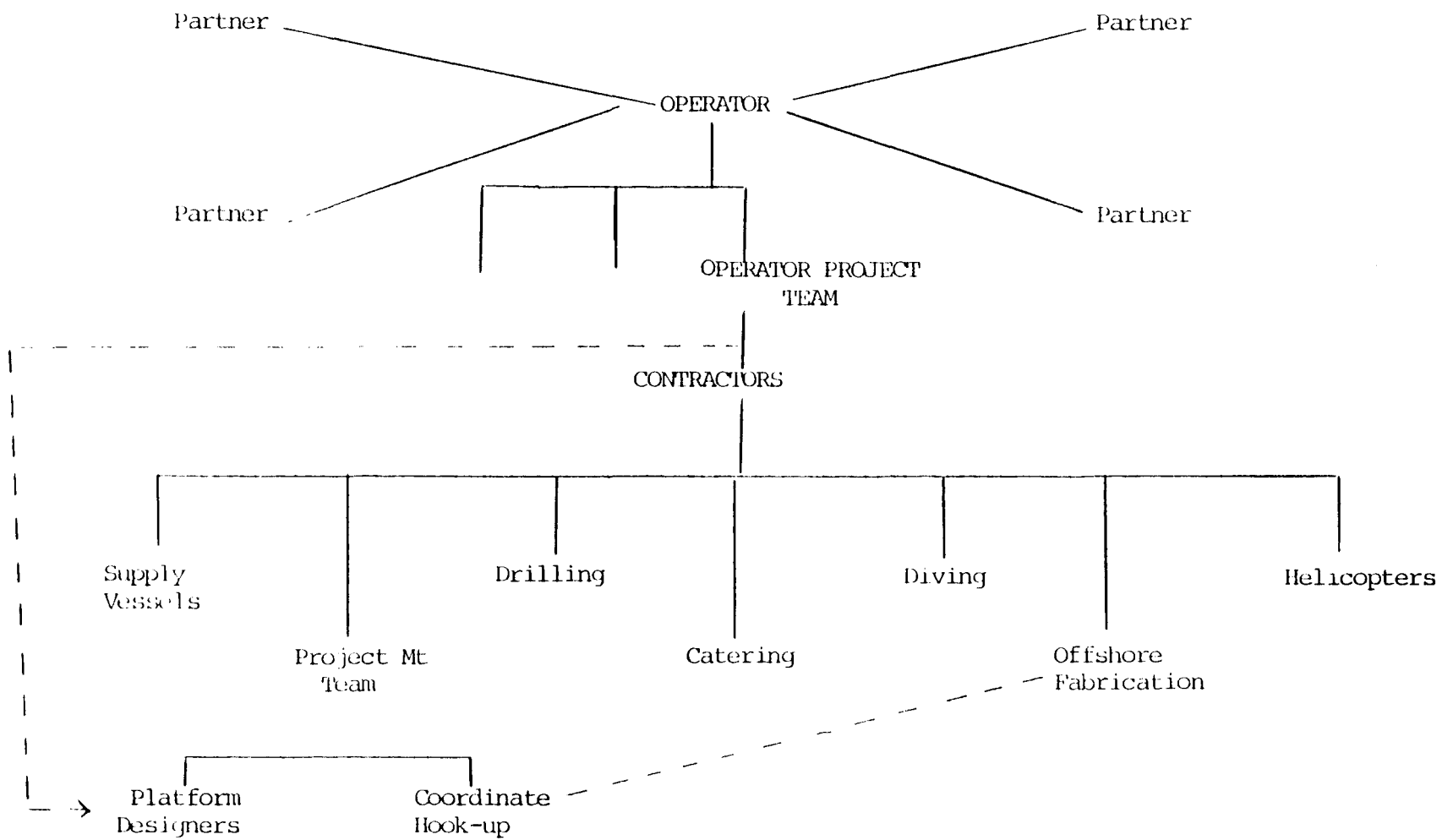


FIGURE 6

Development Phase

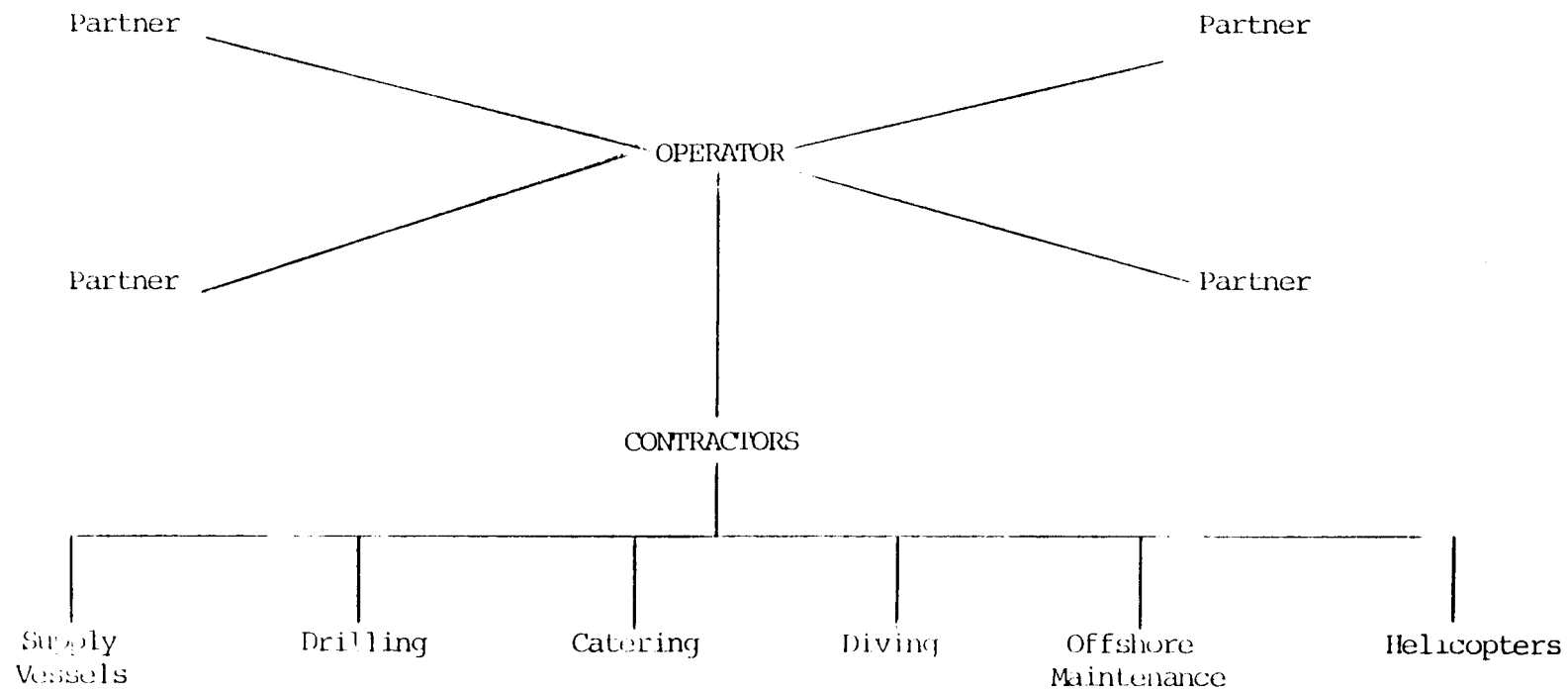


FIGURE 7

Production Phase

### Implications for Industrial Relations

When questioned on the rationale behind using contractors for work which does not fluctuate, in particular catering, cleaning and security, respondents explained that the oil companies have chosen not to develop expertise in these fields, as it is more efficient and cost effective to bring in specialists in the field in question. Having said that, three managers voiced the reservation that they could be storing up trouble for themselves by deliberately creating what they called a "two tier society". One particularly sympathetic manager saw no real reason for not employing such workers directly, believing them to be just as much part of the "team" as everyone else.

Atkinson has pointed out that the securing of some employees' pay, security and career opportunities at the expense of others without creating a clear division of status or organisation, is ill-advised as it spoils morale, affecting productivity. Certainly for the peripheral individual, job insecurity, and fluctuating income can lead to problems. These may be exacerbated for contractors', and particularly agency, personnel by lack of training, holiday and sick pay. All of these factors will have a negative impact on industrial relations. In fact some concern was expressed by unions, operators and contractors, with regard to attracting and retaining suitably skilled staff, particularly in light of the anticipated upturn in construction activity onshore.

In the highly competitive environment which exists, the contractors are fighting for survival as opposed to growth. Should industrial relations deteriorate as a result of the inevitable downward pressure on wage rates this competition has created, the operating company is relieved of responsibility. Thus if an industrial relations problem occurs, the offending individuals can be replaced easily, or the contract can be transferred to another contractor (though this latter course of action has never been taken in the sectors studied). Supply and demand in the labour market will be of relevance to this point, having a direct affect on the ability of contractors to find and provide suitable replacements at the right time and at the right price.

This spreading of risk by the operators on the employment side is analogous to the spreading of risk on the financial side, and perhaps adds credence to Pollert's assertion that, the "maintenance of a 'core' and 'periphery' in the 'flexible firm' may be far more concerned with the establishment of control over labour than with encouraging flexibility"(11). The ease with which contractors can adopt this model is not universal: in the construction and catering sectors it is much easier to "man up" or "de-man" than in the helicopter or supply boat companies who have to recruit highly skilled specialist personnel and retain them because they are less readily available in the labour market than many other occupational groups.

The potentially volatile nature of industrial relations on the periphery is apparent. Less obvious, however, is the means by which the operating companies maintain overall control in this complex pattern. This is revealed later in the thesis, where it will be shown that the pragmatism, if not ambivalence, of the operating companies towards unionisation is a key element in the explanation. With this in mind, it is now appropriate to give a brief industrial relations history of the North Sea oil industry.

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CHAPTER FOUR  
THE DEVELOPMENT OF COLLECTIVE BARGAINING OFFSHORE

It is the popular belief that "there are no unions offshore" and that all oil companies are hostile to trade unions. In reality, the system of industrial relations is far more complex, and the purpose of this chapter is briefly to describe the pattern of formal agreements which exist in the industry.

Work Organisation Offshore

It has already been established that there are two very different workforces offshore; the employees of the operating companies, and those of the contractors. The latter group are involved in an extensive variety of occupations including drilling, electrical work, welding, rigging, scaffolding, and other associated construction occupations as well as catering. The contractors' employees outnumber those of the operating companies offshore, though the actual ratios vary over time. This variation is a function of the phase of the development, described in chapter 2. To avoid confusion, the operating and contractor companies are discussed separately.

Table 2 - Offshore employment by activity

	<u>Drilling</u>	<u>Hookup</u>	<u>Production</u>	<u>Total Offshore</u>
1981	3,200	5,200	10,100	18,500
1984	4,400	4,900	13,700	23,000
1985	4,300	3,300	13,600	21,200
1986	2,400	3,800	13,000	19,200
1987	2,500	3,600	12,300	18,400
1991	3,500	2,600	13,600	19,700
1996	3,500	2,900	16,200	22,600
2001	2,400	2,200	17,400	22,000

Source: Grampian Regional Council (1)



### Industrial Relations in the Operating Companies

In October 1985 it was reported that ASTMS were claiming "a major breakthrough" in the offshore oil industry (2). The "breakthrough" was ASTMS's success in gaining recognition agreements for five of Star's 12 platforms in the North Sea. The same article pointed out that the ASTMS already had a representation agreement for one platform belonging to another operator. Thus it can be seen that with regard to the operating companies trade unions were involved, albeit to a minor degree. Two operating companies (there were 15 when this study was initiated) have recognition-only agreements with one union, ASTMS, while a third company has an agreement in the southern sector of the North Sea. However, most of the operating companies visited were quite prepared to admit that a number of their employees have come from unionised backgrounds and have retained their union membership, perhaps in anticipation of one day returning to work in such an environment.

The managers of those companies participating in this research had a number of different comments to make with regard to their reputation as being "anti-union". For the most part there was a natural reluctance to say that their company was anti-union, but one manager was frank enough to admit that it was a conscious decision to operate in the North Sea without trade unions, and that the company would resist any moves in that direction. (It was later discovered that this company had been successfully pursuing a policy of resistance for some time.)

The general attitude of the operators' employee relations management has a paternal element, as demonstrated by comments such as :

"we like to think we are good employers";

"we would feel disappointed if the men felt that they needed a trade union - it would mean we had failed";

"we don't think there is anything a trade union could do for our lads that we can't do better ourselves".

To some extent the latter point is true in so far as the vast revenues generated by the exploration and production industry enable the operators to offer terms and conditions which are considerably superior to those offered to similar occupations in other sectors. For example, the EETPU, when carrying out a pay survey in 1987, accepted "that the primary reason for joining and staying in a trade union for such workers may not be salary levels, but in the wake of the change in world oil prices, issues affecting job security".(3)

Before going any further, it is useful to outline the pattern of existing agreements, in order to establish a backdrop against which the central actors can play out their roles. Both of the major oil terminals, one in the Shetland Islands and the other in the Orkney Islands, are fully unionised. The operators have negotiating agreements with various trade unions. In both cases these agreements were set up in the early days of the plant's existence - indeed before they were operational, and there are common elements in the explanation given for both. According to one trade union official, there were several factors which contributed to the comparative success of the trade union movement at the Flotsam Terminal.

An important formative event was the bitter firemen's strike of the early seventies. The potential dangers of a fire in an oil or gas terminal are such that both the Flotsam and Jetsam terminals, as others, require their own firemen on site. The firemen who were brought in were politicised and committed to trade union membership and activity following the national strike. Furthermore, the construction site was, as is quite normal on such sites, highly organised. Indeed, its size was sufficient to justify several full-time trade union convenors among the workforce. In addition, a number of unionised dockers were brought in during the construction phase and they generally see themselves as amongst the "vanguard" of the trade union movement. The firemen joined the TGWU straight away, and won themselves good terms and conditions. The catalyst was a disagreement over contractual hours and the length of shifts.

The firemen, who were a sufficiently large core group, capitalised on the disagreement to press successfully for unionisation. The Flotsam operator now negotiates with the TGWU, AEU, and EETPU.

There were similar circumstances at Jetsam, in particular politicised firemen and the construction site environment. At approximately the same time as this terminal became unionised, ASTMS was successful in gaining a recognition agreement on the Mercury platform. Mercury and Jetsam share a common factor in this respect, that is, the perception by the workforce of bad judgment on the part of management. An additional element at Jetsam was that many of the locally recruited personnel came from fishing or farming backgrounds. They regarded the oil industry as a risky source of employment and viewed trade union membership as an insurance policy. This operator negotiates with the TGWU and EETPU.

He observed that: "there were quite a few American managers - and they all thought that they were John Wayne!" Many of the oil company's employees had worked abroad in the industry, were high earners, and used to being well treated. It is indicative of the nature of the men's discontent on the Mercury platform that they requested only a recognition agreement as opposed to full negotiating arrangements, which suggests that they were quite satisfied with their terms and conditions in general.

In addition to the recognition agreements on five Star platforms, ASTMS already had a representation agreement on the Mercury platform (but not on its sister, Mars) which is operated by an American company. Thus it can be seen that with regard to the operating companies, trade unions are involved, albeit to a minor degree. Two operating companies have recognition-only agreements with one union, ASTMS, while a third company has an agreement in the southern sector of the North Sea. It would appear that ASTMS's success in recruiting members in Star stemmed, once again, from bad judgment on the part of management concerning the handling of a safety incident. Following a serious accident offshore (involving

some fatalities) it seems that the company disciplined its supervisors harshly, driving them into the ASTMS. In the ballot, more than 82% of eligible staff voted, 70% favouring trade union representation (4).

An alternative interpretation was that the "honeymoon" period was over. One observer suggested that the Star offshore staff simply felt taken for granted, that there was some "them and us" feeling developing towards onshore staff by those offshore, and that the latter felt they endured the hardships to bring the oil in while others were taking the credit, and they were treated, at best, with indifference. Furthermore, an interviewee working on one of the affected platforms considered industrial relations to be at "an all time low", not simply because of the accident mentioned above, but also because of flexibility problems. The company is now training its operators to carry out certain maintenance work, which will break down the present demarcation between operators and maintenance staff. These moves, according to this unconfirmed source, were made without consultation with the workforce, such consultation arrangements as do exist being completely management dominated.

Two factors make a more accurate assessment of whether the "honeymoon" is indeed over more difficult. Firstly, the high unemployment rates mean that alternative employment opportunities are severely limited. This is particularly the case in areas like Teesside, where many offshore workers have their homes. Thus disenchantment, frustration and irritation on the part of the workforce are unlikely to manifest themselves in terms of high labour turnover. Secondly, the excellent remuneration packages offered by the operators can become "golden handcuffs" in that even if they can find alternative employment outside the industry, people cannot leave without taking a substantial drop in salary. Hence low labour turnover should not be taken as an indication of high job satisfaction.

There are several feasible explanations for the limited success of the trade union movement in organising the operators' employees. As mentioned above, a major factor has been the highly attractive terms and conditions which the operators can afford to offer their employees. A second major factor cited by interviewees was the 'team spirit' which is generated by the physical isolation of the platform. The practical difficulties of organising an offshore workforce are a third factor. Though the industry has accepted the Memorandum of Understanding on Access (see Appendix C), visits by trade union officers to offshore installations are still very much dependent on the whim of the company concerned. Indeed, one officer gave an example of how the Memorandum could be abused; an October date was given in response to a request made in February. Furthermore, the homes of the workforce are scattered throughout the UK, making organisation very difficult during leave periods. In addition to the geographical consideration, there is the further obstacle of apathy to be overcome; having spent two weeks offshore, the workers are much more interested in getting home than in attending union meetings. Another major stumbling block is the domination of the industry by American companies and their culture, which seeks the free operation of market forces and they therefore exhibit a negative reaction to anything which inhibits them, including both trade unions and employers organisations. These obstacles are considered in more detail in chapter 11.

However, the operators do engage in dialogue with the trade union movement through the UK Offshore Operators' Association (UKOOA) and the Inter-Union Offshore Oil Committee (IUOOC). As will be explained in more detail in the following chapter, UKOOA has a number of permanent committees, one of them being the Employment Practices Committee (EPC) which deals with the trade union movement and contractors. There are about 45 members on the EPC, and therefore dialogue with IUOOC representatives is conducted by the Liaison Panel, which is made up of six members of the EPC. Panel members are not representing their individual companies, but are representing UKOOA. The Liaison Panel meets with the IUOOC on a

quarterly basis. It is stressed by those concerned that these meetings are strictly consultative, and not negotiations. Terms and conditions, recruitment, manning levels, and specific complaints about individual companies are outwith the remit of the meetings. Instead, discussions are confined to concern about safety matters, difficulties of access to offshore installations, and trade union recognition.

Given that current industrial relations thinking portrays unions as defensive organisations, reacting to management initiatives and stimuli (5) the failure of trade unions to modify their strategy and tactics in the face of increasingly sophisticated management policies is an interesting and valuable point to consider. Therefore chapter 11 considers this matter in more depth.

### Industrial Relations and the Contractors

Contractors' employees provide most topics for discussion between the IUOOC and the Liaison Panel, as opposed to those of the operators - yet the contractors themselves are not represented at these meetings. However, the union movement is considerably more involved in this arena. More specifically, a variety of agreements exist. For example, a number of British shipping companies have built semi submersible drilling rigs (which for the purposes of maritime law are regarded as ships) and, following shipping industry custom and practice, they have entered into negotiating agreements with unions represented on the British Seafarers Joint Council.

Following a sit-in by divers on the Saturn platform in 1983, diving companies with offshore interests formed the Diving Contractors' Association to negotiate with the NUS, the first agreement on pay and conditions being implemented in August 1984. Prior to this, such trade union recognition as existed had been on a company to company basis and did not relate to pay. This group is even harder to organise than the rest of the offshore workforce as they are particularly independent, and are almost all self-employed. In the early 1970's, divers' rates were high in comparison with other skilled workers in the industry, simply because there was a great demand for their skills in relation to their numbers. However, by the turn of the decade, these differentials had been considerably eroded. The NUS became more involved during the Saturn sit-in and became recognised as the union which would negotiate for the divers, though the Professional Divers' Association (PDA) has been attempting to claim recognition for the divers it has in membership.

An agreement, which significantly remains unwritten, exists between the Catering Offshore Traders Association (COTA) and the TGWU. This is particularly interesting because it is generally agreed that this agreement was made as a direct result of pressure from the operating companies. During the late 1970's, intense competition between catering companies meant that they had to reduce bids in order to gain (or even maintain) contracts. This led to a

corresponding reduction in rates of pay for catering company employees, and thus resulted in very high rates of labour turnover, which in turn had an adverse affect on the quality of service which the companies could provide. There were periodic bouts of unrest, and the quality of some of the caterers' staff offshore was poor. This had a direct impact on the operators' own staff. The operating companies brought the catering companies and the TGWU together and actively encouraged an agreement. Minimum rates were effectively set by the operators, though this has never been made public. This group is the subject of the case study in chapter 9.

Probably the most significant agreement is the Offshore Construction Agreement (OCA). The parties to this are: the Offshore Contractors Council, which represents the offshore interests of the Oil and Chemical Plant Constructors Association (OCPCA, an employers organisation made up of construction contractors), the Electrical Contractors Association (ECA), the ECA (Scotland); AEU ; TASS; GMBATU ; EETPU (Plumbing section); and EETPU (Electrical Section).

The construction industry is, by tradition, heavily unionised and therefore the trade union movement has some presence offshore in the form of men who have retained their trade union membership. Onshore, the relationship between contractors and unions is very strong; the contract is for a set time and budget, and therefore the contractors want to minimise if not eliminate time lost in disputes. Thus it is in their interests to have a well-controlled, well managed workforce, and trade unions can be of great help in maintaining discipline amongst what can be a difficult group of workers to manage. Furthermore, such arrangements are seen as stabilising rates.

This was particularly applicable in the mid-70's when the oil industry was developing rapidly, resulting in a sellers market as far as construction companies were concerned, and clients and contractors shared the same incentives for harmonious industrial relations as their counterparts onshore. Indeed, these incentives



were considerably enhanced because of the comparatively short weather window. Exploration and development costs are astronomically high and it is therefore imperative to begin production on time. Thus, the operating companies found it in their interests to accept some form of trade union agreement and it was with their sanction that the OCPCA entered into the OCA with the trade unions mentioned above. The operators do not sign the agreement.

The most recent review of the OCA (or hook-up agreement as it is often called) produced a two year agreement covering 1987 and 1988. Until then agreements had generally been of one year duration. Its scope is extensive, covering: working hours and rates, shift and travel allowances, proficiency payments, productivity, safety, guaranteed payments, holidays, termination, redundancy, and disciplinary procedures. It applies only when the platform is in place in its final position, and ceases to apply as soon as "first oil" is produced, or some subsequent date stipulated by the operator. The work carried out thereafter is classed as maintenance work, for which there is no agreement other than the Offshore Post Construction Agreement for the Scottish Joint Industrial Board for the electrical contracting industry.

The trade unions have been pressing for a Post Construction Agreement (PCA) for several years, arguing that if the operators can accept the need for an agreement prior to production, then surely they can accept the need for one to cover maintenance work. The operators argue that it is nothing to do with them and the trade unions must take their case to the OCPCA. In 1986, as part of their campaign to achieve a post construction agreement, the unions refused to sign the OCA, and began preparations for a strike ballot. The unions involved experienced some problems, at least initially, in that many contractors withheld the names and addresses of employees, thereby making it very difficult for the unions to comply with the law in making sure that all those entitled to vote received a ballot paper. (Construction workers move between companies fairly frequently, but often fail to notify their union office.)

The operators appeared unperturbed, referring to it as yet another recruitment drive, though they admitted that the OCA is an expensive agreement and they would resist a similar agreement for post construction work. Various employee relations managers also admitted that they were digging a hole for themselves in creating a "two-tier" society offshore, and that they can sympathise with workers who find their wages have dropped significantly overnight when "first oil" reaches the platform and hook-up ends. However, contracts are awarded according to strictly commercial criteria, and these managers face an uphill battle in justifying anything other than the cheapest bid.

The timing of the trade union action, early 1986, was decisive; although claiming to be optimistic, the unions admitted that it would have been a much easier task five years earlier. The fall in oil prices did not help their case, though they could not have foreseen the extent and implications of the price fall when the decision to act was taken. Furthermore, there were only two hook-up projects scheduled for that year, and it is doubtful that bringing pressure to bear on only those two operators could change the overall stance of the operators.

There are two major complaints which the trade unions have with regard to the present system. The first is that the terms and conditions of the men on maintenance work are being continuously eroded: "Bear Facts No.5" (a leaflet produced by the OCA unions for their members in the industry) states that "the post-construction man is working for 30% less than the union negotiated Hook-Up Agreement". Not only are maintenance rates low in comparison with OCA rates, but the gap between them is growing because conditions have deteriorated in the fierce competition for work.

The second complaint is that the absence of an agreement leaves the maintenance man vulnerable to victimisation, since he has no protection from a grievance or disciplinary procedure. Thus, "they risk the N.R.B. [Not Required Back] syndrome if they attempt to agitate, organise or educate." (Bear Facts No.5) Though union

officials admit companies allow them visits offshore, they point out that they are usually chaperoned, and the room they are given tends to be next door to the Offshore Installation Manager's (OIM) office or some similar situation, thereby allowing the operating company to keep a check on which members of the workforce are showing an interest in trade union affairs. Nor are they protected by legislation; contracts of employment may apply only for the duration of the contract between the contractor and the client. As a result, length of service may fall short of the two year period of employment necessary for recourse to an industrial tribunal on grounds of unfair dismissal. Similarly, if contractor X fails in its bid to renew a contract, and its workforce is taken on by the successful contractor, as is sometimes the case, the transfer of undertakings regulations do not apply and therefore employment is not deemed to be continuous. Furthermore, individuals may be asked to waive their rights to obtain employment (see the contract of employment in Appendix D).

It was believed that the OCPCA would never enter into a post-construction agreement without the sanction of the operating companies but in 1986 the Offshore Contractors Council signed the Offshore Construction Services Agreement with the AEU, TASS, GMBATU, AND EETPU. However, because the agreement was concluded without the blessing of the operators, its scope specifically excludes "Repair and maintenance work and minor modifications, unless otherwise determined by the operator" (6). Moreover, although OCPCA members agreed to bid according to this agreement, the client companies did not agree to limit themselves to accepting bids from OCPCA members alone. This failure of the operators to confirm that they would accept bids based on the OCSA led OCPCA members to believe that they would be unable to successfully compete for work if they bid according to this agreement. Hence not only has maintenance work been excluded, the agreement has never been applied, and is unlikely to be renegotiated.

The pragmatic approach of the operators to trade union involvement is further demonstrated by the following example. One operator, using a revolutionary type of platform design, carried out much of the hook-up work in the Moray Firth as opposed to in the platform's final position. It was easier and cheaper to transport the men, there were fewer weather worries, and once hook-up was completed the oil could be produced more quickly. The most important activity to be carried out was welding. As stated earlier, the OCA applies only when the platform is in its final position, which was not the case in this instance. The company wished to avoid any delays due to disputes, and therefore they initiated an agreement between the contractor and the GMBATU, AUEW, AND EETPU, but they did not sign it themselves. Indeed there was a dispute, and having the agreement saved the operator considerable time and trouble.

The PCA which the EETPU has with the ECA (Scotland) is applicable only to employees of major electrical contractors which are members of the ECA. At least one trade union officer has alleged that some contractors have set up new companies outside the ECA in order to evade honouring this agreement. Similarly, some major contractors are not in the OCC and therefore would be outside the control of any PCA, assuming the unions are eventually successful.

The principal explanation for the operators' overriding control of contractors is the highly competitive bid system which operates in the industry. As a rule, contracts for maintenance and catering work come up for renewal on a bi-annual basis. To gain new contracts, or even hold on to existing ones, contractors are having to cut tenders to the bone, and therefore there is a downward pressure on wage rates, particularly in labour intensive sectors such as construction and catering, on which research attention was focussed. Hence, there is evidence from as far back as 1982 to show that trade union agreements with individual contractors have been terminated because they inhibited the ability of the company to compete (see the letter included as Appendix E).

The change in fortunes in the oil industry serves only to illustrate this more clearly. During the boom period of the mid seventies, when oil was selling at more than \$30 per barrel, money was virtually no object for the operators in a rush to begin production and recoup their investment. Once a field began production, then the operator, if not its partners, sought ways to control, if not reduce, fixed costs. Hence the operators refused to sanction a post construction agreement to cover maintenance work, the operators choosing instead to allow the operation of free market forces to regulate contract prices. The fall in the price of oil in effect increased the operators' leverage, in that some exploration, development, and non-essential maintenance projects were postponed, resulting in less work being available for contractors. This inevitably led to a fall in real terms in contract prices, and thus attempts on the contractors' part to reduce wage bills. Though the price crash exacerbated the situation, there is no doubt that this is only an exaggerated version of events which could be observed as the pace of North Sea development slowed dramatically in the early 1980s.

#### Summary

In short, it can be seen that the industrial relations experience of contractors was seen to be more complex than that of the operators: though forced to conduct their industrial relations within constraints set by the operators, there was, at the same time, considerably more trade union involvement. There is sufficient evidence to indicate that the operators - though themselves showing ambivalence to trade unions - have encouraged contractors to involve trade unions when expedient, thereby allowing the contractors to "police" agreements while they themselves control the environment from a distance.

This chapter has summarised the pattern of existing agreements in the offshore oil industry, considering both those which exist between the trade unions and operators and between trade unions and contractors. This review illustrates the contrasts in the industrial relations in the two arenas, contrasts which become clearer when the fieldwork results are considered in the chapters which follow. One major difference is that where formal trade union agreements exist with operators, they are at establishment level (if platforms and oil terminals can be considered establishments); in the contractor sector, such agreements exist at industry level. Furthermore, the operating companies exercise considerable influence over the industry level arrangements in the contractor arena, as will be demonstrated in more detail later in the thesis. The primary institutions involved in collective bargaining, introduced in this overview, will now be considered in greater detail.

### References

- (1) "Future Oil and Gas Prospects, 1987 Update", Grampian Regional Council Department of Physical Planning, June 1987, p.29.
- (2) Financial Times, 10th October 1985.
- (3) "Offshore workers may earn £24,600", Philip Bassett, Financial Times, 2nd September 1987.
- (4) Financial Times, 10th October 1985.
- (5) See, for example, "Managerial Strategies and Industrial Relations", H.F. Gospel and C.R. Littler.
- (6) Offshore Construction Services Agreement 1986, p.2.

## CHAPTER FIVE

### THE MAIN COLLECTIVE BARGAINING INSTITUTIONS

The operating companies and contract companies which participated in the study will be introduced and described in due course. Before discussing individual companies, the main collective institutions on both sides, already touched upon in chapter 4 will be considered in more detail. They have an important and recurring role to play in the remainder of the thesis.

#### EMPLOYERS ORGANISATIONS

##### UK Offshore Operators Association

The UK Offshore Operators Association Limited (UKOOA) was formerly known as the UK North Sea Operators Committee. This latter body was established shortly after the UK's first licensing round, 1964. The operators of these licences formed the Committee to provide a discussion forum for technical and administration matters. The Committee also served as a means of communication with the government and other appropriate bodies. The new body was welcomed by the government, which consulted with it extensively, and became involved in virtually all matters relating to the offshore industry. The Committee became UKOOA in 1973, and gained a small permanent staff. Membership of UKOOA is restricted to oil and gas companies which are operators of licences for exploration and production on the UK Continental Shelf, and is concerned solely with offshore matters. Present membership totals about 40 companies.

UKOOA elects a Council, approximately half of the membership, to control its affairs. This Council appoints five Executive Officers: a President; two Vice-Presidents; an Honorary Treasurer; and an Honorary Secretary. There are 20 Permanent Committees and two Ad Hoc Committees, on which relevant experts from UKOOA members sit (see overleaf).



FIGURE 8

# UKOOA ORGANISATION

## UKOOA COUNCIL

### EXECUTIVE OFFICERS

President  
Vice-President  
Vice-President  
Honorary Treasurer  
Honorary Secretary

### PERMANENT OFFICERS

Director-General  
Director-External Affairs  
Director-Technical Affairs  
Technical Secretary  
Administrative Secretary

Permanent Committees	Sub-Committees
Aircraft	
Clean Seas and Environmental	Oil Spill Response Ecology
Diving Advisory	
Drilling Practices	
Employment Practices	Liaison Panel Contractors' Liaison Remuneration Training
Engineering and Development	Structural Pipelines Electrical Facilities Instrumentation
Exploration	Scout
Fishing Liaison Group	
Full and Fair Opportunity	
Information and Public Affairs	PA Working Group
Legislation	Royalties Fiscal Licensing Decommissioning
Marine	
Medical Advisory	
Metocean	
Oceanographic	
Offshore Emergency Services	
Offshore Protection Advisory	
Safety	Safety Legislation
Surveying and Positioning	
Telecommunications	
Ad Hoc Committees	
Finance	
Legal	

The Association is in regular and frequent contact with government, representing the industry in presentations to select and back-bench Committees. Its involvement with government covers two main areas:-

- 1 "Legislation, including licence terms and conditions, and financial measures having a direct effect on offshore activities".
- 2 "Regulations and standards directly relating to offshore operations, such as engineering standards, work practices and safety regulations" (1).

UKOOA is also represented on a number of joint industry bodies, such as the Offshore Petroleum Industry Training Board (OPITB), and the Oil Industry Advisory Committee to the Health and Safety Commission (OIAC). The OIAC was formed in 1977, as a result of the extension of parts of the Health and Safety at Work Act to offshore facilities, and is made up of representatives from the Departments of Energy and Transport, and the trade union movement as well as the oil industry.

The most important organ of UKOOA with regard to this research is the Employment Practices Committee (EPC), in particular two of its subcommittees, the Liaison Panel (LP), and Contractors' Liaison subcommittee (CLSC). The Liaison Panel is made up of six representatives from the EPC, and it is this body which maintains a dialogue with the Inter Union Offshore Oil Committee (IUOOC). According to UKOOA, this contact is aimed at "promoting orderly industrial relations throughout all offshore operations" (2). To the same end, the EPC maintains regular contacts with contractors' organisations, particularly the Offshore Contractors' Council (OCC). Interaction between these various groups is discussed below.

### Employment Practices Committee

The EPC meets six times a year, four times in London and twice in Aberdeen. All members of UKOOA are entitled to send a representative, but attendance usually numbers 20-24 senior employee relations managers, as many companies in UKOOA are operators in name only, ie they do not have responsibility for day to day production. The terms of reference of the EPC are as follows:

- "1. To provide a forum where Member Companies can exchange opinions, and when necessary formulate an industry viewpoint in the field of employment practices including Training, Employee and Industrial Relations.
2. On behalf of UKOOA and as generally directed by the Council to conduct studies, make reports and recommendations, and represent UKOOA in meetings with other bodies on matters concerned with the above subjects.
3. To keep abreast of, review, and disseminate as appropriate details of companies' employment practices in the interest of promoting orderly industrial relations; and to keep abreast of employment practices' trends in industry generally.
4. To encourage major contractors engaged in work for Member Companies to ensure a reasonable degree of uniformity in terms and conditions of employment.
5. To maintain liaison with Government or other bodies as required to achieve these objectives.
6. To advise Council as necessary on all matters affecting employment practices in general, and the offshore oil industry in particular.
7. Recommendations of the Committee concerning UKOOA policy or financial involvement are in all cases to be submitted to Council for prior approval.(3)"

Examples of items on the agenda of the EPC include: changes in compensation (remuneration) terms; industrial relations problems; reports from subcommittees (the LP and CLSC); and any other business, such as health and safety executive reports, and items from UKOOA Council. Meetings last up to two hours, which would suggest discussions are of a fairly superficial nature.

However, given that UKOOA has no authority to bind companies, this is perhaps inevitable. Decisions are reached by consensus, not vote. It would appear that the LP has a higher profile, if not an altogether more significant role, in industrial relations.

#### The Liaison Panel

The Liaison Panel represents the EPC, and provides an interface with the IUOOC. It cannot commit the EPC, or UKOOA in any way, rather it is a listening body which reports back to the EPC. To this end it meets with the IUOOC four times a year. There are no Panel meetings outwith these quarterly encounters. Six representatives sit on the Panel, and two alternates are appointed to deputise for members unable to attend. However it appeared from meetings attended, and was confirmed by a participant, that there was little turnover of membership of the Panel. The main criterion for membership appears to be a high level of offshore activity, eg a hook-up imminent. The Panel has no prepared agenda for its meetings with the IUOOC. Instead it was described as a "firefighting, if not stonewalling, exercise". Nonetheless, it was considered useful as an "escape valve", and for providing and maintaining a valuable interface with the appropriate trades unions, contacts which would be already established should an operator experience an industrial relations problem. The lunch which follows the Panel - IUOOC meeting was considered particularly important in this respect. The joint meetings are discussed in depth in chapter 10.

#### Offshore Contractors Council

The Offshore Contractors Council (OCC) was formed in 1984 to act on behalf of the Electrical Contractors' Association of Scotland [ECA(S)], the Electrical Contractors' Association (ECA), and the Oil and Chemical Plant Constructors' Association (OCPCA). These three bodies are signatories to the national agreements which cover hook-up work: the Offshore Construction Agreement (OCA) in the northern North Sea (and hence, the one which is of most concern here) and the Agreement for Major Hook-Up Contracts in the southern sector (the Southern Waters Agreement).

The OCC, which represents more than 200 contractor companies in the offshore industry, was formed as a result of plans for future development in the North Sea as revealed in a UKOOA report produced in 1984 (4). This "Technical Paper" predicted major investments in new developments in both the northern and southern sectors, and anticipated an upturn in the volume of work on existing platforms in "mature" sectors. A second incentive for the creation of the OCC was the commitment on the part of the Department of Energy and the Offshore Supplies Office to a higher degree of UK involvement in forthcoming licensing rounds. Taken together these factors resulted in the identification by the contractors' associations of an overwhelming need for closer liaison between the government, the oil industry and contractors, and the OCC was established for this purpose.

An information leaflet issued by the OCC (5) lists the objectives of the Council as follows:

"By acting as the coordinating body of all member offshore companies the Council has the following aims:

to give strong leadership and direction to the offshore contracting industry within the UK, by promoting the aims and objectives of all members.

to promote constant liaison between the industry's clients, Government bodies and institutions (UKOOA, OSO, etc) and offshore contractors.

to recommend and approve policies for negotiation of agreements with Trade Unions and Employer Federations in the interest of the industry as a whole.

to undertake a specialist advisory role in the areas of Industrial Relations, Training, Health and Safety."

A significant element in the industrial relations brief of the OCC is to monitor the application of the national agreements mentioned above (the OCA and Southern Waters Agreement). Though originally the actual parties to the agreement on the employers' side were the individual employers' associations, ie the OCPA, ECA(S), and ECA, the OCC is now signatory on their behalf. The Council also endeavours to maintain a stable relationship between the member companies, trade unions, and the workforce.

The Council is made up of 14 representatives from the employers associations, and a secretary. Three Council members are nominated by both the ECA and the ECA(S), and six by the OCPA. In each case, the nominees must include the Director of the Association. Two members are nominated by the Association jointly. Council members are required by the Constitution, (see Appendix F), to be "executives with authority to make policy decisions and to commit the industry in the field of offshore work". Members are nominated (or renominated) on an annual basis . Council members elect a Chairman and Vice-Chairman for the year. The Chairman has a casting vote, but cannot be an Association Director. In addition to the pursuit of the objectives outlined above, it is the duty of Council members to ensure OCC policy does not run counter to that of the constituent associations they represent.

A quorum requires eight or more members, at least four from the ECA's, and four from the OCPA. The Council cannot commit the Associations to financial outlay without their approval. The Council actively seeks to expand its membership, but some important contractors remain outside the organisation. This has a destabilising effect, as it makes it more difficult to maintain cohesion and uniformity amongst Council members, particularly during periods when there is a shortage of work. The Council's difficulties in this respect are exacerbated by the fact that the operating companies have not committed themselves to using only contractors within the Council. These difficulties are not unique to the OCC members; the existence of COTA (discussed below) was threatened by very similar circumstances, as explained in chapter 9.

### Catering Offshore Traders' Association

The Catering Offshore Traders' Association (COTA) is especially significant because it is widely agreed by the operating companies, unions and the Association itself that COTA was established at the operators' behest. COTA was formed in 1978 by eight companies involved in providing catering and housekeeping services to the offshore industry. As outlined in the previous chapter, during the late 1970s, the intense competition between catering companies resulted in constant undercutting in bids submitted in the attempt to gain or maintain contracts. This inevitably led to reductions in pay rates for catering employees which, in turn, resulted in very high levels of turnover; Buchan's research (6) revealed turnover rates of 150 and 300% per annum. Such instability adversely affected the quality of service which was provided. There were periodic bouts of unrest, constant rumours of industrial action, and the calibre of some of the catering staff offshore left much to be desired. The importance of a high standard of catering and clean and comfortable living conditions is considerably increased when workers are isolated on an oil platform from family and friends, and recreation facilities are limited. Hence, the unhappy situation which had developed in the catering industry offshore had an immediate, and direct impact on the operators' own employees.

The unrest allowed the unions (TGWU and NUS) to step up recruitment, and there was an increase in claims for recognition. Meanwhile there was a growing perception amongst the operators of the potentially volatile nature of industrial relations offshore which, it should be said, was not confined to the catering sector (for example the following year, 1979, saw a lengthy but unconstitutional stoppage by offshore construction workers). They therefore initiated an investigation into industrial relations among their contractors.

In the catering sector this revealed a lack of organisation amongst employers which, in this case, was working against the operators' interests. Hence, the operators used their considerable influence to encourage the establishment of COTA. Opinions vary as to the exact nature of this encouragement. An office-holder in COTA was of the belief that a major catering company had been the driving force behind COTA. At the other extreme, a catering company spokesman (see chapter 8) claimed the caterers were virtually given an ultimatum: "if you don't form COTA we won't deal with you". Although there was no written policy as such, it was understood that UKOOA companies would not give consideration to bids submitted by companies outside COTA.

The precise origins of trade union involvement with COTA are hard to determine. One manager pointed out that the "operators encouraged the catering contractors to establish proper terms and conditions. This did not necessarily imply negotiating with the Union" (7). On the other hand, a former manager in the same company has stated COTA was formed "primarily with the aim of negotiating an agreement with the TGWU on wages and conditions of employment" (8).

This brief history of COTA's origins offers some insight into the relationship between the operating companies and the contractors, at least in the catering sector, and indicates the influence which the former can exercise.



## TRADE UNION ORGANISATION

### Inter Union Offshore Oil Committee

The Inter Union Offshore Oil Committee (IUOOC) was formed by eight unions at the Scottish TUC (STUC) conference in April 1974 but is a TUC sub-committee. The composition of the IUOOC at the time of writing was TGWU; NUS; NUMAST; MSF; EETPU; AEU (Engineering and Construction sections); and the Boilermakers (full membership), and BALPA (associate membership). However, the expulsion of the EETPU from the TUC in 1988 was having repercussions in that one or two unions were threatening to withdraw in response to the expulsion of the EETPU from the Committee.

The Committee was established to facilitate recruitment and organisation among the offshore workforce. At the 1974 STUC conference Jack Jones, TGWU General Secretary, criticised the attitude of some American companies towards labour, describing them as "wild west". There was a dispute between the unions and a drilling company at this time, the workforce seeking a change in the work cycle from 14 days offshore, seven leave (14/7) to an equal time basis (ie 14/14 or 7/7). In addition there was, and had been for some time, widespread concern over the safety record in the industry, an issue central to the work of Carson (9). Though the Committee had the public support of the STUC, Kitchen's assessment (10) of the initial reaction of companies as one of "non-co-operation" is essentially correct. The IUOOC wrote to drilling and operating companies shortly after its formation, inviting them to a meeting to explain the reasons behind it. The Committee was formed,

"for the express purpose of establishing in the oil industry the right of workers in that industry to belong to a Trade Union and, as a consequence of that membership, the right to enter into negotiations with the employing company to establish agreed wages and conditions." (11)

While the operating companies recognised the importance of keeping abreast of the situation, the operators and drillers decided not to attend the meeting. Their perception of the situation was that attendance could be taken as formal recognition of the IUOOC, and it could appear that the companies were prepared to come together as a negotiating body. Developments in the IUOOC were, however, monitored by the operators to whom inter union rivalry prior to the formation of the IUOOC was giving concern.

Each union has one vote on the IUOOC. Hence the merger of the ASTMS and TASS reduced the total number of votes by one, and though three MSF officers can attend, MSF has only one vote. The IUOOC elects a Chairman and a Secretary on a biennial basis. The post of Secretary had, however, been held by the ASTMS officer for eight years at the time of writing. This has the advantage of providing continuity in administration and communication, and a point of contact for outside bodies. Another major reason for the retention of the office by the ASTMS was that the workload of the other officers was such that they did not wish to take on this extra task, and some of them are not actually based in Aberdeen. The nature of the relationship between the IUOOC and the operating companies, individually or as UKOOA, is such that an onerous burden of correspondence falls on the Secretary of the Committee. Individual unions cannot approach companies directly on matters such as recognition, or visits offshore. All such approaches must be made through the IUOOC. This is not to say that informal communication does not take place from time to time between individual union officers and companies.

According to the Constitution of the IUOOC (see Appendix G) meetings are held on a quarterly basis. However, in practice this did not seem to be the case. Instead, on the morning of the meeting between the Committee and the Liaison Panel of the EPC, the IUOOC holds a "pre-meeting" at the venue before the joint meeting begins.

Attendance at the quarterly meetings which do take place can be extremely low (four officials are required for a quorum) due to pressure of work, other commitments, and the geographical location of officers, who were based in Inverness, Edinburgh, Glasgow and Norfolk in addition to Aberdeen.

Ad hoc meetings can be arranged to deal with pressing issues or problems. A tragic example of this was the Chinook crash in November 1986, which initiated a number of IUOOC meetings. As a result of attending meetings between the IUOOC and the Liaison Panel, it was possible to attend a number of IUOOC meetings. These took place between December 1986 and May 1987. Three of these were "special meetings", called specifically to discuss the Chinook incident, though this issue also appeared on the agenda of the two additional meetings attended. The mechanics of the IUOOC are discussed at more length in chapter 10.

#### Summary

In this chapter the constitution and machinery of the relevant employer organisations have been described. It can be seen that there are industry level links between these organisations, as well as links between individual companies. In addition a short description and history of the IUOOC has been given, tracing the emergence of and influences behind inter union collaboration. Hence over a relatively short time span, the industry has acquired a relatively complex set of institutions for which a prime concern is collective bargaining. The interaction between them is considered later in the thesis, particularly in chapters 9 and 10 which deal with industry level relationships between operators and contractors, and operators and trade unions respectively. Before that, however, the individual participating companies will be introduced, and the industrial relations policies of the operating companies will be discussed (chapter 6), followed by a discussion of the operators' perception of the client to contractor relationship, in chapter 7.

### References

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- (3) UKOOA, op cit, pl2.
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- (6) "Approaches and Attitudes of Managers to Collective Bargaining in North East Scotland", James Buchan, unpublished PhD Thesis, RGIT, Aberdeen, 1984
- (7) Letter to Author
- (8) N. Campbell, op cit.
- (9) "The Other Price of Britain's Oil", W.G. Carson, 1981.
- (10) "Labour Law and Offshore Oil", J. Kitchen, 1977, p.102.
- (11) Unattributed quote, N. Campbell, op cit.

## CHAPTER SIX

### THE INDUSTRIAL RELATIONS OF THE MAJOR OPERATING COMPANIES

In the popular view, the operating companies are the oil industry, but as we have seen they are only the tip of a complex iceberg. Nonetheless, the operating companies must manage labour relations in a young, turbulent and high profile industry. This chapter considers the means by which this is achieved. Hence attention is focussed on several specific areas of policy considered germane to the central theme of the thesis, namely the management of labour in circumstances of extreme risk. These policy areas include unionisation, consultative arrangements, and remuneration. However, prior to this discussion, the participating companies are introduced.

#### Operator Profiles and Structure

All companies which agreed to take part in the study are involved in exploration for and production of oil and gas in the North Sea. In addition, they are all offspring of huge multinational corporations which are fully integrated, ie the parent corporations are involved in all aspects of the oil industry as outlined previously. Efforts were made in selecting the sample to mix the nationalities of the companies as much as possible, but two factors worked against this: firstly, the international oil industry is dominated by American companies and therefore it was inevitable that the companies studied would include a substantial proportion of companies of US parentage. Secondly, the group was self selecting to some degree since only those companies which allowed access could be studied. Four of the six companies are American, one is French and one is British.

The Aberdeen offices of all six companies are responsible for day to day operations in the North Sea. Each of the companies reported to a London office, and the nature of these links was examined. Of the six, one company was of the group designated as large, two medium, and three small. The group of companies which refused to participate was made up of one large company, one small,

and four medium. The descriptions given below are necessarily brief, in order to preserve the anonymity of the companies and interviewees. The ERR (estimated recoverable reserves) figures have been calculated from those available when the research began.

#### Company A

The parent of company A claims to be the second largest industrial concern in Europe, and the sixth largest industrial company in the non-Communist world. This company conducts its business in separate business streams in order to "facilitate the management of the groups increasingly diverse activities whilst at the same time ensuring the necessary management accountability for decisions and actions" (Company Report). Overall control is exercised from a Corporate Head Office. In March 1981, significant changes were made to central organisation, taking into account increasing diversity in worldwide operations, and allowing for greater devolution in decision-making. Company A is the operating company of the Exploration stream.

Company A, British in origin, is large, being the operator of production facilities which controlled 21% of total ERR in the British sector of the northern North Sea, as estimated in 1985. At the beginning of the fieldwork for the project, Company A had three fields in production, and one in the development phase. By the end of the project, the company had one more field in the development phase. Thus in 1985, production facilities consisted of six platforms with another under construction. At the end of the research, the platform under construction was in the process of being installed. Production on the new field in the development phase, scheduled to begin in 1988, is to be done by vessel. Company A also operates Flotsam, one of the two North Sea oil terminals. The workforce numbered approximately 1,000 offshore, 1,400 onshore in Aberdeen (the latter figure includes about 200 agency personnel) and 550 at the terminal. Several people were interviewed in this company during the fieldwork: the Employee Relations Manager; Employee Relations Officer; Senior Personnel Officer; and the Head of Training.

### Company B

American in origin, Company B is the operating unit responsible for exploration and production of oil and gas in the UK sector of the North Sea. The parent corporation is itself a subsidiary of a giant multinational in the chemical industry, bought by the chemical company in 1982.

Company B, medium in size, is responsible for about 4.7% total ERR. In 1985, as in 1987, two fields were in production. Production facilities operated by the company total two platforms. The offshore workforce numbered about 300, onshore 263. The Personnel Superintendent was the contact in Company B, and the opportunity also arose to talk to the London-based Manager of Employee Relations.

### Company C

The head office of the parent company - which is in the top ten largest US oil companies - is based in California and, like all the parent companies, has interests stretching across the globe. Company C placed applications for North Sea blocks with the Government in the fourth round of licensing, 1971, and by 1974 had discovered two fields.

In 1985, this medium company was operating these two fields on behalf of itself and its partners, responsible for reserves representing 9.8% of total ERR. Production facilities comprised two steel platforms. In 1987, a third field came on stream, producing oil by means of subseaproduction facilities. This company operates Jetsam, the other oil terminal. The workforce numbered about 900, 400 of these based in Aberdeen, 270 at the terminal, and 230 offshore. In the main, the fieldwork interviews were conducted with the Manager of Human Resources. However, the Industrial Relations Co-ordinator also had some input, as he was present on the offshore visit made during the research.

#### Company D

The parent company of Company D was established in 1917. It is engaged in oil exploration and production across the world, this being one of the five groups into which the company's activities are organised. This group in turn is divided into geographic zones, UK operations coming under the auspices of Europe and Africa.

Throughout the project this small (in North Sea terms) company operated one field, accounting for 1.2% ERR, with production facilities comprising one steel platform. Company D had 140 employees, 80 offshore and 60 in Aberdeen.

Company D was a comparative new-comer to the North East, having had a base in Aberdeen for only four years at the start of the project. The Head of Administration and the Employee Relations Supervisor were interviewed during the fieldwork.

#### Company E

The parent corporation of Company E was founded in 1890, and has its headquarters in California. Company E's head office is based in London, though Aberdeen is the base from which operations in the UK sector of the North Sea are directed. The London office is also the Regional Office for the Middle East, Europe and Africa. The Head of the Administrative Services was interviewed during the fieldwork.

Like Company D, this company is small, and produced oil from one field by means of one steel platform. This field was discovered in 1973, began production in 1978, and represents 0.8% ERR. No further field developments were undertaken by this company during the research. The workforce comprised 82 offshore, and 63 onshore in Aberdeen.



#### Company F

This company is the offspring of a French parent. Like the other companies in the study, Company F has a UK Head Office in London, in addition to its substantial presence in Aberdeen. It was founded in 1964, and drilled its first North Sea well in 1965. Following the discovery of the Pluto gas field in 1971, Company F took on the responsibility for the construction, installation and operation of the delivery system for Pluto gas (the production facilities on the Pluto field itself are operated by another company). This entailed the installation of two pipelines, each 225 miles long, to carry the gas from the field to a terminal in the North East Scotland operated by Company F. The first deliveries of gas to the UK were made in 1977, and the system now delivers approximately 40% of Britain's needs. Company F also installed, and still operates, a platform midway on the Pluto pipeline, one of its main functions being to compress the gas, facilitating the continuation of its journey along the pipeline, and thereby boosting the overall capacity of the system.

Throughout the project this company was developing an oil field, the production facilities for which consisted of two steel platforms, and which has ERR equivalent to 1.5% of total. Forty eight people, from a total of 419, were employed offshore in 1985 (though this figure will increase substantially when the oil field comes on stream), the remainder being employed in Aberdeen (303), and at the gas terminal (48). The main contact in Company F was the Head of Personnel Studies (he had formerly been Head of Personnel), but the Head of Personnel and the Head of Training were also interviewed.

## AREAS OF POLICY

### Industrial Relations Policies

With two exceptions, the companies preferred to use the term 'employee relations' instead of 'industrial relations' with reference to their own employees. Reasons given included the explanation that 'employee relations' emphasises the individual as opposed to collective relationship; and 'industrial relations' implies the presence of trade unions. The latter was described by one interviewee as a 'subset' of employee relations. The term 'industrial relations' was confined to contractors.

The companies agreed that the offshore situation gave rise to a unique environment in which industrial relations were to be conducted. One interviewee explained that the need for harmony was heightened offshore, as the workforce was compelled to work and live together in a confined space for two weeks at a time. Another interviewee thought that the isolation aspect was an important factor in 'team building', and that the existence of 'team' feeling amongst the workforce negated the need for a structured trade union organisation. Furthermore, he continued, the 'greenfield' aspect motivated the workforce.

It can be said that there was some degree of formality in employee relations policies, as all companies had a manual in which such policies were contained. However, three interviewees (C, D, and E) stressed that there was room for some flexibility in application of policies, taking into account individual circumstances. Monitoring of adherence to these policies, mentioned by companies A and F, is by internal audit of the payroll. In companies B and E monitoring was carried out by those in London to whom the interviewees were accountable.

### Attitudes to Trades Unions

The attitude of the companies to unionisation is a central feature of their industrial relations policies, and the alleged anti-union stance of the companies was investigated. More significantly, the longer term intentions of the companies regarding unionisation were considered. Questions also sought an explanation for the apparently ambivalent attitude to trade unions which the operators exhibited overall.

The interviewee from Company A dismissed as "nonsense" the popular view that there were no unions in the oil industry, as its sister companies in downstream activities were heavily unionised. Interviewee F thought the myth grew up through the companies who had no operating experience in the UK environment, especially American drilling and service companies, those often referred to as 'cowboy outfits'. Such companies, he said, held the 'popular' view that trades unions in the UK were disruptive, and wanted nothing to do with them. The majors were believed to be of the same opinion.

Interviewee A said that his company tries to take a neutral stance on unionisation; not encouraging organisation, but leaving the membership decision to the individual employee. Many of the workforce had come from unionised backgrounds, and the interviewee believed that the majority of these were likely to have retained their union membership in the event of returning to such an environment. The exact level of membership was unknown, as the company was not party to any agreements and therefore check off arrangements did not exist.

It was felt by A that the majority of management accepted that a trade union agreement leads to "more hassle", because it inhibits their ability to manage, and "people's attitudes to relationships change as they adopt stances". Furthermore, there had never been any pressure for trade union representation from the offshore staff, which numbered more than 1000 spread between seven installations.

The company put no restriction on access for trade union officers going offshore, and provided the facilities considered appropriate. At a rough estimate he thought that perhaps 12 out of 75 of A's employees would visit the officers, the others "voting with their feet".

However, there are two areas where the operating companies are happy to accept trade union agreements; hook-up and catering. The explanation given for the former was that hook-up involved large numbers, included many different contractors and disciplines, and required massive investment. Without the OCA it would be more difficult to manage the hook-up, as the agreement eliminates a major potential conflict area by keeping everyone on the same terms and conditions. On the catering side, the COTA agreement stemmed from unrest amongst catering workers in the late 1970s. It was also a result of the poor terms and conditions at that time, which in turn led to a calibre of staff which failed to satisfy the clients, the operating companies.

The likely response to a request for unionisation in this company would be an investigation to find out the cause, as "obviously this would mean something had gone wrong". At the end of the day, A continued, everything depended on the relationship the company wanted with its workforce. Company A had worked at creating an environment in which an individual could air grievances via the line manager without third party involvement and without fear of victimisation. Hence they had been trying to encourage employee involvement for 20 years, with consultation, pension and share schemes.

Given that interviews were conducted in the wake of Star Oil's recognition of the ASTMS on five platforms, and the fact that the AEU and EETPU were preparing to hold a strike ballot, all interviewees were asked if they felt a significant industrial relations change was imminent. Interviewee A thought things were not changing before the price fall, but that perhaps the ballot was

evidence of change. Though he believed that some contractors' employees had seen their real wages fall, such a reduction was not visible on A's platforms as the company had been monitoring contractors' wage rates without a formal agreement. The environment however had inevitably changed, from one of all boom, to a turndown, and the service companies - particularly drillers - had felt "the cold wind" first. In the oil majors themselves, there had been very little evidence of real change.

Interviewee B considered it "fair to say that the company has a preference not to be unionised: they do not want to recognise a trade union if they can help it - and the way to prevent it is to make sure there is no need for a trade union". He thought that if the workforce wanted a trade union then the company would have to accept it, but it is more efficient and better for morale without a trade union, as "even the best unions have an interest in some degree of conflict, if only to justify their presence". It was suggested that there was little to fear from the union at the forefront of organising the North Sea workforce (the ASTMS). There was no company directive with regard to unionisation; he described the company's approach as pragmatic.

When asked his opinion as to why client companies accepted a union agreement to cover hook-up work (the OCA) but will not sanction such an agreement to cover maintenance (a PCA) the reply was that the oil companies were made to see the need for the OCA because they were beginning to have labour problems. It was a 'seller's market' with considerable potential for stoppage and delay, and a very short 'weather window'. It was his opinion that the unions got "an exceptionally good deal" in the OCA. Furthermore, from the point of production (first oil) onwards the operation should be a commercial exercise. However the interviewee believed that such a stance could prove to be 'shortsighted' as by not taking a more proactive role they have opened the door to problems (at the time of interview, those unions signatory to the OCA were organising a ballot for strike action). He stated that

UKOOA endorsed the OCA and its annual reviews, but would not do the same for a post construction agreement. The OCPCA was free to enter an agreement without UKOOA's sanction (it eventually did so, in signing the OCSA discussed in the previous chapter) but the interviewee believed it would not do so because of the significant number of firms outside the OCPCA, which would have a commercial advantage if OCPCA members tendered for work based on a post construction agreement.

He continued that now it is a buyers market: those with business to dispense can pick and choose, and the selection is done commercially "which obviously results in the diminution of rates". Though the company did not want to see contractors paying their people substandard rates, it had no desire to tell them what to pay. The company was faced with the problem of finding a middle course.

Company C thought that there was no doubt that historically oil companies have been anti-union, the problem being that American companies do not understand British trade unions. For example, their perceptions of trade unionism in the UK had been coloured by the very poor reputation of the Teamsters union in the USA.

He argued that the absence of a post-construction agreement enables the oil companies to contain costs. Furthermore, there was some feeling amongst the oil companies that the OCPCA and the unions were in league with each other when pressing for an agreement, as both would benefit from an increase in rates. However, though he would not admit as much in an open forum, the interviewee considered the request for an agreement to be reasonable, and could foresee problems in creating a two class society offshore. The unions were described as being on the horns of a dilemma; if they were successful in their efforts to improve rates then there would inevitably be lay-offs amongst contractors' personnel.

In Company D, two areas of concern were expressed with regard to trade unions. First, companies are concerned about their ability to manage with 'interference' from a third party; and second, there was a fear of the political aspirations of some trade unions, as demonstrated said the interviewee by the miners' strike of 1984-5. In addition there was a view that 'classical' trade unions do not have a part to play in an industry where terms and conditions are very high. The interviewee drew attention to the fairly low profile kept by some unions: "they are aware that their members have a pretty good deal and wouldn't want to disrupt that". Hence "oil companies are anti-union but for these very reasonable reasons".

It was stated that downstream operations were heavily unionised and that trade unions play an important part in coordinating communication. This function was not really needed offshore as workforce numbers are smaller and therefore more manageable, and also the workforce cannot leave the workplace.

When recruiting offshore workers, the company realised that many would come from a unionised environment. Management considered the facilities provided by a union which they would have to provide, the main things being communication and consultation. Company D therefore deliberately developed very open and easy consultation arrangements. These do not involve representation as all members of the workforce are seen by management once a month.

The company response to a request for union recognition would depend on "who asked and which trade union" it was said, albeit tongue in cheek. However the interviewee continued by saying that the answer would be no, because employees are single status, and therefore one group seeking unionisation would affect all (the company would not entertain separate bargaining groups). Since trade union strength is vested in the hands of the membership, there would be no recognition agreement unless feeling was demonstrated by a strike.

A very different view was expressed with regard to a post construction agreement. The interviewee shared the desire on the part of the unions for an agreement after hook-up, as the decline in terms and conditions is too great. "Market forces determine terms and conditions for contractors", it was said. The interviewee considered this to be a risk area in industrial relations and, because contractors' personnel were no less important than D's own employees, the company should treat them in the same way. Company D were therefore addressing the matter at the time of interview, seeking a commercial method of offering contractors long term security. Such a method, it was claimed, had been devised 'downstream'. At a refinery, the contractor was offered a two year rolling contract in return for improved productivity, in spite of the fact that the company claims to prefer control by market forces. However to ensure the contractor does not take advantage, bids are invited every two years for the purposes of making comparison with the market rate. This description is very similar to the competitive tendering system discussed in chapters 7 and 8.

In Company E the interviewee explained that the company viewed itself as a good employer; and that it was felt that the terms and conditions offered were such that the company would be disappointed if their workers felt the need to seek trade union membership in order to negotiate them. Management would be similarly disappointed if employees regarded grievance procedures as requiring a need for trade union representation. In the view of the interviewee, "pro-workforce" was a better description of the company's attitude than "anti-union". Negative attitudes towards unions had emanated from the drilling sector, said the interviewee, and the operating companies had been tainted by the drillers' reputation for hostility to organised labour.



Marketing and refining in E's sister companies were highly unionised, as was exploration and production in the USA. The explanation given for the company's labour practices in the North Sea was that they were shaped by those of other companies in the industry already established. He thought the most likely reaction to a request for unionisation would be to find the source of the problem. However without widespread grievances the unions were considered to have no real prospects for organising the workforce, and terms and conditions were so good unionisation was highly improbable.

Resistance by the client companies to a post construction agreement was explained as follows: in the early days of the industry, companies tended to issue contracts with far less regard for costs - if costs were high, returns were even higher. Hence they cared very little that the OCA was expensive. However, once hook-up is finished, the companies start looking to cut costs. The OCA was described as extravagant and expensive, and the interviewee believed that if the companies could turn back the clock they would not agree to it. Sympathy was expressed for the contractors, but the interviewee explained that the client companies are very hardnosed.

Company F thought there were several reasons for the failure of the trade unions to make inroads amongst oil company employees. The basic explanation was the excellent terms and conditions package. A second explanation was that offshore was definitely not a shopfloor - everyone worked together as a team and this was a very important aspect, as was the isolation factor. Furthermore, the interviewee explained, many of the workers company F recruited wanted to get away from heavily unionised backgrounds, due to their experience of restrictive practices.

However, though the interviewee did not think that the Star agreements would have a domino effect in the North Sea, he considered the extension of trade unionism in the North Sea likely, as the production peak was passed and people became more worried about their future.

The company response to a request for union recognition would be to establish the amount of interest in the common interest group by asking either the Electoral Reform Society or ACAS to hold a ballot. The company would then follow the employees' wishes, as it would be bad practice and shortsighted to show any resistance.

According to this interviewee, resistance to a post construction agreement stemmed from a fear of putting too much power in the hands of the trade unions, thereby diminishing the power of the company. The hook-up situation was very different, because it was of a very limited duration. The interviewee believed there always had been a 'two tier' labour force offshore, recalling his horror in the mid 1970s when he found some contractors' personnel were paid far more than those of the oil companies. This had resulted from a shortage of skills, and the fact that work on a contract basis was a new phenomenon in Aberdeen. Therefore a premium had to be paid to persuade workers to join the industry from secure posts. He recognised that the balance had now tipped the opposite way.

#### Consultative Arrangements

Investigation of consultative arrangements revealed the scope of issues subject to discussion in the companies and, perhaps more important, those excluded. The discussion also aimed to discover the means available for dealing with grievances.

Two companies, A and F, have formal consultative arrangements covering all staff. Company A has produced a handbook for consultative representatives, wherein 'consultation' is extensively defined:

"consultation is a process for communication between staff and management to enable the views of staff to be expressed, discussed and taken into account before management makes a decision on a matter".

The handbook clearly states that consultation is not "a forum for negotiating the terms and conditions of employment.....(it) is not negotiation or a substitute for unionisation". However, it also states that "terms and conditions of employment ....can be discussed and suggestions and views taken into account by management".

Three types of issues are not discussed; individual grievances, issues for which a forum already exists (eg pensions and safety), and commercially sensitive issues. Prior to 1981, all areas (eg Aberdeen, offshore) fed into the Company Consultative Committee (CCC) with the result the CCC became loaded with items related to offshore terms and conditions. Hence in 1981 an offshore meeting was established, and continues to meet twice a year. Each area is free to devise its own constitutional arrangements, thus some meet monthly and others quarterly. The CCC meets on an annual basis at a hotel with approximately 45 people in attendance. Items discussed are those which are applicable to the company as a whole, such as terms and conditions, hours and holidays (see figure 9, overleaf).

It was estimated that about 60% of items on the agenda were initiated by employees. Efforts were being made to redress the balance, given the potential of the CCC as a sounding board for management proposals. At local level, the interviewee estimated that about 75% of items on the agenda were initiated by employees. He considered this to be due to the failure of management to fully grasp the potential benefits of consultation.

In Company F there is a consultative committee in London and another in Aberdeen which meet quarterly. Management nominate members and staff elect representatives. In addition, local committees have been established for Aberdeen, offshore and the terminal staff. These meet more frequently but "tea and toilets still prevail". Any subject, including terms and conditions, may be raised with the exception of individual grievances.

FIGURE 9 - Example of CCC Agenda

1. Chairman's Introduction.
2. Matters Arising from last meeting.
  - a) Disciplinary Procedures.
  - b) Communications Briefings.
  - c) Participating Share Scheme.
  - d) Education Trust.
  - e) Staff Appraisal.
  - f) Pensions.
3. Remuneration Policy.
4. Community Relations.
5. Employment Mix.
6. Voluntary Early Retirement - More Flexibility.
7. Future Prospects.
8. Relocation Package.
9. Holiday Entitlement for Employees with Long Term Sickness  
Absence.
10. Staff Appraisal.
11. Training and Further Education.
12. Chairman's Summing Up.

The interviewee expressed disappointment that nominated members (ie management) are always better prepared than the elected representatives, and therefore little real discussion, other than a question and answer, takes place. The company has offered elected members the opportunity for training in public speaking, and runs meetings in company time. Overall he considered arrangements to be successful.

In Company B, formal consultative arrangements only exist for offshore workers. The committee has 12 representatives from offshore crews, is chaired by the General Manager in Aberdeen, and meets three times a year. These arrangements have evolved over time from the briefing group system which eventually proved inadequate in providing feedback from employees.

The interviewee revealed that in reality management had never really used the arrangements to consult, but considered them to be a "safety valve" for airing grievances. Pay rates and terms and conditions cannot be discussed. Issues are in the main employee driven, but management are making efforts to use the meetings for communication and discussion.

Formal consultative arrangements had existed offshore in Company C, but had eventually collapsed because the workforce started talking in terms of negotiating terms and conditions; representatives raised these matters time and again. After management had made it clear that such issues were not up for discussion and removed them from the arena, there were not really any other items to discuss. Since then the General Manager has implemented Briefing Groups (as promoted by the Industrial Society) which are held every five weeks. It was emphasised that these are strictly local arrangements and the corporation as a whole does not engage in consultation.

Companies D and E are relatively small companies, and can therefore meet with every crew on each offshore trip. In E, 'Good Operations' meetings are held with the whole crew, at which the employees can air grievances. However, there is no consultation on pay, and this is a purely local arrangement. It was thought that management and workforce raise an approximately equal proportion of issues.

A very similar system operates in Company D: a visit is made by management from Aberdeen on each tour of duty, and an operations meeting is held with both crews on the platform. There is no limit to the subjects which can be raised, and the interviewee stated that the company had discussed and moved on a terms and conditions item, that of a payment of travel to Aberdeen and overnight accommodation. Again, management and employees raised about the same proportion of issues. The nature of issues raised tends to vary according to the time of year, but has included holidays, pay rises, and arrangements for providing coverage of the World Cup.

According to Marchington, the form of consultation described above has been introduced by some companies (not specifically oil), "to prevent the development of independent trade union organisation.....(The) principal activity of the JCC [Joint Consultative Committee] will be educative - .....to inform employee representatives and persuade them to go along with management thinking; representatives will be left in little doubt about managerial prerogatives." (1) Furthermore Marchington describes the mechanics of the non-union model:

"Information of both a 'hard' (business-oriented) nature and a 'soft' character (welfare, social and personalities) will be given to the workforce. It is unlikely that the employee representatives will meet outside of the JCC, partly because there is no provision for so doing during working time but also because they lack any sense of collective identity.....The chair of the JCC will be taken by a senior

manager...who has high status and is seen to command the respect of the representatives: other managers will attend as appropriate.....Meetings will be held several times a year but not usually monthly."

The above accurately portrays the consultative arrangements in the operating companies, which were found to include discussion of a variety of matters from company share information (hard) to coverage of world cup football (soft). The fact that consultation fell by the wayside in Company C when management made clear it was not to be confused with negotiation is indicative of the reminder to the workforce of managerial prerogative, as mentioned by Marchington. Furthermore Company B stated quite clearly that the mechanism was seen by management as a "safety valve". Marchington further argues that, "Meeting with senior managers on a regular basis, and perhaps spending time before or after the meeting may help to confirm the belief that the management is reasonable and committed to the overall benefit of the company and its employees; this in turn would help reinforce the idea that belonging to a trade union would not be in workers' interests." It is likely, given the applicability of the model to the operating companies, that this aspect would also be valid. Given the above, it is reasonable to conclude that the operators use consultation procedures at least partly as a counter-measure to union organisation.

#### Remuneration

No industry wide agreements exist for pay for operators' employees; each company has developed its own arrangements, though there is considerable similarity between them. It was explained that the remuneration structure was initially developed to attract personnel to an unknown industry in a hostile environment.

In Company A the remuneration structure is based on the concept of market groups. Those in the professional group are covered by a UK-wide salary scheme, though there are subsets, eg drillers and geologists, who are paid more because they are in relatively short supply. The 'local' group covers all onshore staff outwith the professional group. At the time of interview all were on the same salary scales, but the company was about to look at "tailoring" the package to fit the local market. The third group comprises offshore staff. Previously they were paid according to the onshore grading system, topped up with a system of allowances. However the company decided that these jobs were not equivalent to those onshore, and workers in them were adversely affected because allowances were not pensionable. As a result some allowances have become part of the basic salary, thereby becoming pensionable. All salaries are reviewed annually.

In Company B pay increases are totally merit based, and the remuneration structure is based on a grade system encompassing personnel on and offshore. There is a 'core' package of benefits which are common throughout the corporation, eg pension, stock ownership plan, and holidays, all other items being determined locally. No overtime payments are paid in northern operations, a policy in line with the company's single status philosophy.

The offshore allowance is divided into three parts:

- a) offshore supplement - fixed sum, pensionable, not attendance related, this is paid to cover bank holidays and hours worked in excess of 40 hours per week (2);
- b) offshore allowance - to compensate for the social and domestic inconvenience of offshore work;
- c) northern North Sea allowance - to compensate for extended travel time.

Items b and c are not pensionable, and are attendance related. In theory, this means they are not paid to an employee who arrives late at the heliport and misses his flight, is sick, or training. In practice the rules have been relaxed, and only apply if the employee is truly responsible for his absence.



Aberdeen based staff in Company C are paid according to a total merit programme, the remainder of staff are on incremental offshore scales. The offshore package comprises base salary; 42 hour premium (covering the two additional hours worked per week); additional overtime; a job flexibility payment; offshore allowance (including a shift allowance); travel allowance; and a clothing allowance. Less than half of the total monetary value is pensionable.

Similarly, in Company D, the offshore allowance package is made up of a number of items, including an offshore allowance paid as an incentive to encourage people to work offshore; a shift allowance; and balanced hours pay.

In Company E there is a national pay structure applicable throughout the company, with the exception of offshore workers, who are paid "a rate for the job", plus overtime. All others receive merit-based salaries. There are no corporate elements in the package. The interviewee felt that in general offshore allowances are excessive, and that his company's was probably the lowest in the industry. When allocating rises, the company tends to put more on the base salary, which is pensionable, than on the offshore allowance. It was explained that if the offshore allowance was too big, then the company had difficulty in transferring an individual from off to onshore. The offshore allowance system had been introduced as an essential incentive in days of full employment. An attendance related bonus scheme had been introduced to combat rising absenteeism; it was explained that the company had become a victim of its own generous sick pay scheme.

In Company F, the structure covers all UK employees, and has 14 grades, progress through which is merit based. The company has followed what became established practice and pays offshore allowance. However, they did not follow the proliferation of allowances, but pay only one, pensionable allowance. The proportion of the package which the offshore allowance represents varies from one third to one fifth according to the level of the individual. The allowance is, and always has been, attendance related.

Most, if not all, interviewees referred to an annual survey of remuneration levels in the operating companies conducted by a well known management consultancy. Though the survey refers to the companies as A, B, C and so on, it seems that the identity of the companies was an open secret. Furthermore it was revealed that monthly lunch meetings of employee relations management from the operators take place, at which any improvement of the remuneration package by an individual operator would be discussed.

#### Job Flexibility

Given that the operators considered offshore work to be little different to processes employed onshore (the environment was considered the unique factor) and that this work is carried out in a workplace with limited accommodation, the questions of manpower utilisation and demarcation are highly relevant. Furthermore, the research presented an opportunity to investigate to what extent the operating companies took advantage of their greenfield sites to revise working practices.

Flexibility in Company F was described as having developed by custom and practice, as the company did not stipulate to the workforce that they would be multicraft. Offshore workers are known as either technicians or operators, but over the years the company has come to expect them to do more than the limit of their job title. The company has made minor adjustments in job responsibilities, and has increased salaries where appropriate, "almost a productivity bonus". The interviewee said that management and workforce were working towards the common goal of efficiency.

Management and technical staff in Company A were described as already exhibiting a high degree of flexibility, voluntarily expanding the parameters of their post to "tackle a job and get it done".

Company B explained that it had no problem with regard to flexibility. It was made clear to contractors' personnel that demarcation practices would result in 'NRB' (Not Required Back). The interviewee stated that the contraction of the offshore workforce meant that people were being expected to carry out tasks they had not done before. He revealed that the company was meeting some resistance because of job security worries.

Company C had "grasped the nettle early on", buying out restrictive practices, though the interviewee explained that there had never been a problem. He thought that this was just as much to do with the team or family environment as the payment of a flexibility allowance.

Interviewee D revealed that flexibility had been built into the organisation, the assumption being that all members of the workforce have some spare time. Hence they are given additional tasks, eg onshore secretarial staff will do helicopter schedules and payroll administration. Offshore, however, he said that the company had not been as progressive as it had hoped to be.

Company E thought flexibility a very important issue, and essential in the workforce. It is company policy to develop "all rounders", and implement succession plans.

### Training

The amount and type of training carried out by each company was examined, as it was believed that this would be indicative of the overall attitude of the participating companies to employee relations. It was anticipated that there was heavy investment in human resource development within the companies, and this was indeed the case.

Most of the training for Company A in the UK is done in Aberdeen as it is from here that the majority of staff are administered. There is a separate Training Centre staffed by 12 people providing safety, technical and development training.

In 1986 an extensive review of training was carried out, the major outcome of which was the identification of the need for a training policy and strategy to be modified annually. The training superintendent stated that the company had always carried out extensive training, and estimated the proportion of the manpower budget spent on this as about 5%. On average, individual employees receive one and a half to two weeks per year training, depending on age, discipline and grade. The value per capita was thought to be approximately £1000.

About 40% of training was resourced by in-house personnel, the remainder by consultants, vendors of technical equipment, and outside bodies, eg the OPITB. Training was described as exploration-specific (as opposed to firm specific), though the content is tailored "to the culture in which the company operates", and emphasis is placed on the need to link training to the workplace.

Training was reviewed with the downturn in the industry, but if anything, had been increased. This was partly due to new projects, for example in the southern North Sea; information technology; and the introduction of new safety training standards. Continued increases in the training budget were predicted. In spite of this, the interviewee still regarded the Centre as facing an "uphill battle", as some line managers view training as a panacea, and others do not appreciate their responsibility with regard to training, not least in feeding information back to the training centre. As a result they tend not to brief individuals before they commence training, or give the individual enough scope afterwards.

Company B was described as carrying out a "phenomenal amount" of training in the past, but was now cutting back. However training was available for all employees. Virtually all of the 'personal development' type training is carried out in-house, while technical training is to a large extent external. Training is carried out to suit the organisation's needs, but a more thorough analysis of those needs now takes place.

Company C carries out "quite extensive" training, with particular emphasis on supervisory training. Over a two year period, supervisors will receive at least twelve and a half days. Staff in lower grades receive on average two days per annum, others eight days. Approximately 50% of training is carried out in-house. On the whole the company recruits experienced personnel, but trains staff in areas where there are shortages, eg data processing and petroleum engineers. The training budget is approximately 2.5% of the total manpower budget, but this figure was considered an underestimate as it did not include the manhours involved in in-house training.

In Company D, the amount of training carried out peaked in 1983-4 (during preparation for production) and since then there has been a steady stream of refresher training. Efforts are made to try and anticipate training needs before a problem arises. Once a training budget has been set, the company gives priority to needs, taking into account individual weaknesses, and potential career development. The motivational aspect of training was considered important: it was thought that employees' perception of their value, and job satisfaction could be helped by the company encouraging them.

Company E explained that because of its size (small) there was something of a tendency to attract personnel from other companies. However training was still required to familiarise them with E's procedures. The majority of training is carried out in-house. The training budget had been cut in the industry slump, but at the time of interview was estimated to represent almost 2% of the salaries and benefits budget.

The interviewee in Company F described the emphasis placed on the development of the individual as paternalism. For example the company was moving into career counselling. Each autumn a training needs analysis is carried out, whereupon a training budget is allocated and a plan drawn up. All management and supervisory training is carried out in-house, and the company brings in a number

of external speakers. In some areas, training is 'company specific', again due to the need to train people in company procedures. Despite a very positive attitude to training, and the active role played by the training department, the company still tended to buy in experienced personnel. However, efforts were being made to change this.

Approximately 3% of the manpower budget is spent on training. In the recession, training is reviewed more frequently, but there has been little change. The interviewees nevertheless felt that it was difficult to convince line management of the need for training during the recession.

The volume of training undertaken, and the resources devoted to it in all the participating companies, underline the paternalist nature of the companies' attitudes towards their employees which was revealed in other ways, for example by their emphasis on the 'offshore family' and in their attitudes to unionisation.

### Summary

All the companies agreed that the North Sea created a unique environment within which industrial relations were conducted. It was thought that the need for harmonious industrial relations was heightened offshore, as the workforce lived and worked together for two weeks at a time. However to some extent the geographical isolation of the workforce was considered by respondents to be an advantage in that a 'team' or 'family' spirit was created and fostered on offshore installations. This 'team building' aspect negated the need for structured trade union organisation.

The 'popular' view of British trade unions as too powerful, disruptive, and politically motivated appears to have contributed to the development of the industrial relations system in the industry. This is not altogether surprising given that the industry became established in the period immediately after the Donovan Commission had published its report (1968), the Commission itself having been set up in part as a result of growing concern regarding the frequency and effect of strikes. Not only did companies wish to avoid trade union involvement, it appears from the respondents' comments that many of those recruited to work offshore sought to avoid unions, and escape restrictive practices experienced in their workplace onshore.

The reputation of the industry for being vehemently anti-union stems from the largely American drilling and service companies, highly prevalent in the early days of the industry. Such companies made it clear that they wanted nothing whatsoever to do with unions. Furthermore these companies were (and are) associated with a 'wild west', pioneering culture, portraying those who work in them as tough, individual, 'macho' types, laughing in the face of danger.

The operators themselves have taken a more 'softly softly' approach, developing a remuneration package which they each describe as competitive, and which by any standards is certainly generous (3), thereby removing any financial incentives for the workforce to organise in a union. However it is interesting to note that in four

of the six companies offshore employees have a different remuneration system, which does not reward individual performance in the way that those onshore are rewarded, conjuring up the suggestion of a division along blue and white collar lines. This is possibly due to the fact that those offshore are in control of the flow of oil and therefore potential sources of disruption, such as salary differentials between individual employees, must be minimised.

In addition all operators studied have ensured arrangements exist whereby the workforce can air any grievances they may have, and management can quickly dispell any dissatisfaction. In the case of two of the companies this was done by ensuring that a management representative talks to all offshore employees on every tour of duty. The remainder of companies have developed more formal consultative arrangements, in some instances with the remit to discuss anything including terms and conditions, in others anything but terms and conditions. As described by the respondents, the consultative arrangements correspond to the specifications of Marchington's non-union model of consultation.

The interview results indicate that the overall attitude of the major oil companies, while pursuing a policy of resistance to unionisation, is essentially pragmatic, and that their stance at a given point in time is dictated by expediency. The hook-up agreement, lack of a post construction agreement, and the operators' involvement in the establishment of COTA and its policies (discussed in more detail later in the thesis, especially chapter 9) all illustrate a pragmatic approach. In particular the hook-up agreement (OCA) and COTA illustrated the operators' propensity to encourage trade union involvement and collective agreements, formal or informal, to bring order and stability to an unstable situation when the instability is working against the interests of the operators. By sanctioning trade union involvement as opposed to signing the agreements themselves, the operators have managed to achieve stability, flexibility, and some control over costs. Chapters 7 and 8 give greater insight into how this is achieved.



### References

- (1) "The four faces of employee consultation", Mick Marchington, Personnel Management, May 1988.
- (2) When offshore, a 12 hour shift, seven shifts a week is worked, totalling 84 hours. Over the four week cycle (two on, two off) this averages out at 42 hours per week.
- (3) See "How to judge a good job", Bob Eadie (EETPU official), The Press and Journal, 9/9/88, in which a "league table" of salaries is presented, starting from £20,200 per annum.

## CHAPTER SEVEN

### THE CONTRACTORS AND THE OPERATORS' POLICY TOWARDS THEM

As knowledge of the exploration and production industry was built up, it became clear that it was impossible to carry out a comprehensive analysis of industrial relations within the oil majors without researching attitudes to contractors, and those of managers in the contracting sector. The research sought to investigate the client-contractor relationship from both sides, to ascertain thereby how the operators maintained control in circumstances where there is a high level of contracting as part of the process of risk shedding. Hence this chapter is concerned with the contractors' external environment, and in particular to what extent this is determined by the behaviour of the operating companies. Several areas of possible influence were examined, including the rationale behind the high level of contracting, and the degree of intervention by the operators in contractor industrial relations.

The industrial relations experience of contractors was found to be more complex than that of the operators: though forced to conduct their industrial relations within constraints set by the operators there was considerably more trade union involvement, possibly denoting a different attitude to trade unions among contractors, which required exploration. There was also evidence to suggest that the operators - though themselves showing ambivalence to trade unions - had encouraged contractors to involve trade unions when expedient, thereby allowing the contractors to "police" agreements while they themselves controlled the environment from a distance. Before discussing the attitudes of the operating companies to contractors, the sample group of contract companies is introduced.

### Choice of Case Studies

Without exception, the operators studied used contractors offshore for catering, drilling, construction, and some maintenance of the platform structure, plant and instrumentation. Though only mentioned specifically by three of the six companies (A, C and D) it is known that all companies make use of helicopter companies to carry personnel to and from offshore platforms (and between platforms on a field, in some instances). The same is true for supply vessels (which carry food, equipment, mud, cement and so on to the platform, and scrap and waste back to shore) and standby boats (usually converted trawlers, these stand by in a field in case of accidents or emergency). Diving was also mentioned by only three companies, but the understanding gained during the research is that this is also a contracted function throughout the exploration and production industry. Other functions mentioned were specialist services (mud, cement, etc); supply base facilities; and electrical/instrumentation work. In addition, some individual posts are held by non-operator personnel, usually via a recruitment agency. For example, Company B mentioned that its deck crew was made up of contract labour, and though some companies employ their own crane drivers, others contract.

It was not feasible in the time available to survey all contract industries and it was therefore decided to concentrate on the two most labour-intensive sectors, catering and construction/hook-up. As in the operating companies, data were gathered by means of face-to-face interviews, one in each company. Appendix B shows the subject areas covered in the interview. Four companies were interviewed in each sector, and the secretary of each of the trade associations, the Catering Offshore Traders Association (COTA) and the Offshore Contractors Council (OCC).

Originally the size of each company was taken as given in the NESDA (North East Scotland Development Agency) Directory, a directory of local businesses (particularly oil and oil related companies) which is produced annually. The NESDA classifications, based on number of employees, are:

Small - 1-25 persons  
Medium - 26-100 persons  
Large - 101-500 persons  
Very Large - over 500 persons

Accordingly three of the four catering companies were designated large, and one medium. In total there are nine catering companies, eight large and one medium. The group of companies from which the construction sample was selected totalled seven. There are many more companies listed as construction or hook-up, but because the industrial relations system changes significantly on completion of hook-up (ie during the maintenance phase) the list was narrowed down to include only those companies which included construction, hook-up, and maintenance work among their main activities. In the construction/hook-up sector, two of the companies were large, and two very large. Managers in one medium and one large company declined to be interviewed.

As will be demonstrated, the size of the company as given in the NESDA Directory can be misleading. Since the work of these companies is allocated to them by the operators on a contract basis, the workload of the contractors is prone to fluctuation. The research revealed that this leads to corresponding fluctuations in the size of the workforce.

## CATERING

To call these companies "caterers" is something of a misnomer as the service they provide is much more extensive. A more accurate description would be housekeeping, as in addition to providing food they are responsible for cleaning, laundry and the shop on a platform (the shop stocks sweets, toiletries, perfumes, sweatshirts, jumpers, stationery, etc). With the exception of one or two drilling companies, all catering/housekeeping services are contracted out to companies like those in the sample, P, Q, R and S. Three of the four companies were members of COTA, and the fourth was a former member.

Company P was at one time one of the biggest caterers in the North Sea, but one consequence of the contract nature of work is that the ranking of companies can be altered drastically over time. Hence, it is now designated medium by NESDA. It does not have an agreement with a union at the present time though it had a recognition agreement with the TGWU in the late 1970s. This expired as a result of the loss of the contracts on which the members were employed (agreements, where they apply, cover only those employed on a particular commercial contract). The offshore workforce numbered approximately 150 at the time of interview (1987), compared with the company's peak employment figure of 700. There are 12 administrative staff. Company P was one of the four "front men" in COTA following its formation, ie it negotiated with the unions, TGWU and NUS. The interviewee in Company P was the Personnel Director.

Company Q was one of the largest caterers in the North Sea, claiming that until two years before it had been the largest. Its position slipped slightly when two hook-up contracts came to an end. Like Company P, Q at one time had had recognition agreements with the TGWU. These covered employees on two platforms, but lapsed when these contracts were lost to another company (1986) in the circumstances discussed in Chapter 9. The offshore workforce numbered 200, from a peak of between 400 - 500, and there are ten administrative staff. Company Q is one of the companies which

participates in the wage talks with the TGWU, and has been since these talks first took place (1978). The interviewee in this company was the Personnel and Administration Manager, and the Managing Director was contacted by telephone, with regard to the origins of COTA, as was the company's Industrial Relations manager.

Company R is probably the leading caterer in the North Sea at the moment, though this has not always been the case since the workload of this company is prone to fluctuation, like that of others. It is described by NESDA as large. Both the TGWU and the NUS are recognised by Company R for the purposes of negotiation. These negotiations exclude wage rates (as this is the subject of talks between COTA and the unions) but can cover any other topic. Furthermore, agreements which result from discussions with the unions are unwritten (ie informal), and to some extent are based on custom and practice. The level of membership on platforms for which R holds the catering contract varies significantly from 80% to 10%. (The number of R personnel on board varies from ten to 40, giving figures of 20 to 80 when including those on leave.) The workforce of Company R had virtually doubled in size over three years, and the total stood at approximately 700 offshore, working on 19 contracts. In Aberdeen there are 20 administrative staff. Like Company Q, R was at the forefront of the original COTA talks, and this is still the case. The interviewee in this case was the Personnel Director, negotiator for the company with the unions, based in the Strathclyde area but in the Aberdeen office regularly.

Company S did not give figures for the size of its workforce but it is referred to as large by NESDA. However, it was known that it had only one production contract at the time of interview (1986), covering two platforms in the Northern sector. (This contract was lost in 1988.) In addition, Company S also has work on diving support vessels (DSVs) and drilling rigs. It is therefore difficult to gauge the exact position of Company S in a ranking of catering companies. There were no current agreements with a union covering the platform work, but the work on DSVs usually involved agreements with the NUS because they are classed as boats. Though the exact

size of the workforce was not given, the proportion of administrative staff was given as 8 - 10 %. This company is a former member of COTA. The Personnel Manager was the interviewee in Company S.

The information relating to the catering companies is summarised in Table 3, overleaf.

#### CONSTRUCTION/HOOK-UP

These companies are engaged in construction-related activities on offshore platforms. The workforce they employ includes the full range of skills associated with the construction of oil and chemical plant, eg welders, fitters, riggers and scaffolders. As indicated in Chapter 2, a platform is only partially built onshore, the various sections being assembled, or "mated", at sea. Assembly of first generation platforms took place in the platform's final position, but changes in design and technology have enabled more recent platforms to be assembled inshore, and towed out to their production site. Nevertheless, there is still a significant amount of work remaining to be done before production can begin. This is the "hook-up" phase, as described in Chapter 2. Once production has begun, the work of these companies is classified as "maintenance". Contracts for maintenance work are put out to tender on a regular basis, as in the catering sector, and hence the size of each company's workforce will vary significantly over time. Companies K, L and M are members of the OCC (see chapter 5).

TABLE 3 - CATERERS

Company	Size	Cota Membership	Union Agreement	WORKFORCE			Job Title of Interviewee
				Onshore Admin	Offshore Present	Offshore Peak	
P	M	Yes	Lapsed	12	150	700	Personnel Director
Q	L	Yes	Lapsed	10	200	4-500	Personnel and Administration Manager
R	L	Yes	Informal - with TGWU & NUS	20	700	700	Personnel Director
S	L	No	With NUS on DSVs	NOT GIVEN			Personnel Manager



Company K, described by NESDA as very large, is one of the two major contractors in this line of work in the Northern sector. It is a member of the Oil and Chemical Plant Constructors Association (OCPCA) and the OCC, and as such is party to the Offshore Construction Agreement (OCA) and Offshore Construction (Services) Agreement (OCSA). During hook-up work there is a formal recognition relationship between the company and the unions which have signed the OCA (AEU, EETPU, GMB). Outwith the hook-up phase, no such formal recognition exists, but there is a dialogue with appropriate union officers on an informal basis. Permanent head office (administrative) staff number 35, and is supplemented when necessary by using the company's own employment agency. The offshore workforce numbered about 1,200. In the past this figure had been as low as 250, and as high as 2,300. The company maintains a computerised register of labour on which there are over 5,000 people. The interviewee was the Manpower Services Manager.

Company L, also very large, is part of a group of companies with interests in many oil-related areas, as well as non-oil related industry. Again, outwith the hook-up phase there is no official relationship with the trade unions, but an informal dialogue is maintained. It was also pointed out by this company that some of their employees could be working on a hook-up project, but not be covered by the OCA, eg if they are working in a support function role, such as that of safety officer. The offshore workforce numbers about 600 at present (two years ago it was less than 200), and administrative staff, ten, in addition to engineers, based onshore. The job title of the interviewee in Company L was Labour Manager.

Company M works alongside a sister company providing personnel, supplies and technical expertise for projects managed by its sister company. Though personnel are employed by Company M, they are generally known offshore as employees of the sister company. The relationship between Company M and the unions is on the same basis as that between the union and companies K and L -

formalised during the hook-up phase, informal but ongoing at other times. At the end of August 1987, the offshore workforce employed by Company M numbered 1,705. In the past it had been as high as 3,500, and at the beginning of 1987 was less than 200. The interviewee was the Industrial Relations and Safety Manager, employed by the sister company but working in Company M.

Company N, described by NESDA as large, is not a member of the OCC. The OCA was acknowledged where appropriate, but outside of this it appears that this company's relationship with the unions has a very low profile in the organisation, if it exists at all - "we occasionally talk to them". (In fact the interviewee queried the purpose and necessity of investigating the issue of trade union recognition during the interview.) The offshore workforce numbered 350, from a peak in 1987 of 450. In addition there are 30 management and administration staff.

The information given is summarised in Table 4.

TABLE 4 - CONSTRUCTION

Company	Size	OCC Membership	Union Relationship	WORKFORCE			Job Title of Interviewee
				Onshore Admin	Present	Offshore Peak	
K	VL	Yes	Formal During Hookup - Otherwise Informal, Ongoing	35	1200	(Low - 250)	Management Services Manager
L	VL	Yes	Formal During Hookup - Otherwise Informal, Ongoing	10	600	(1985 - less than 200)	Labour Manager
M	L	Yes	Formal During Hookup - Otherwise Informal, Ongoing	12	1705	(Beg 1987 - 200) 3500	Industrial Relations and Safety Manager
N	L	No	Exists When OCA Applies	30	350	450 (1987 Peak)	Director

## CLIENTS, CONTRACTORS AND INDUSTRIAL RELATIONS

The relationship between client and contractor is a particularly difficult area to investigate and evaluate for a number of reasons. Firstly, this is a very sensitive area as far as the client (in this case the operator) is concerned, for reasons which will be explained more fully below, but which can be summarised as the desire on the client's part to tread the thin line between retaining control and delegation of responsibility. The problems in gathering data which result from this sensitivity on the operators' part are compounded by the fact that the quantity under discussion cannot be measured empirically, and was sometimes difficult to gauge exactly what was meant by phrases such as "we monitor industrial relations".

Secondly, some generalisation in the discussion will inevitably occur, as the operators' conduct will differ from one to another. The operators were not asked which contractors they used, nor the contractors asked which operators they were working for, as it was felt that asking for this kind of sensitive information might inhibit responses given. Quite often, however, this information was volunteered and in any case was available from other sources if necessary.

The contracting out of those functions for which requirements will fluctuate is not unusual. For example, the drilling function fluctuates considerably, being much more predominant during the exploration phase, and immediately prior to production. It is now commonplace for production wells to be drilled by a rig or drillship through a drilling template on the seabed, while the platform itself is being constructed onshore and floated out to its final position. Once production begins, the drilling function, though still vitally important, is much reduced, being confined to the production platform and conducted by drilling company employees under operator supervision. The operator may simultaneously be conducting

exploratory drilling elsewhere. The amount of exploratory drilling taking place will be directly related to the economic climate prevalent in the industry. Hence the drilling companies were some of the first to feel the effects of the oil price crash in 1986.

Other contractor functions, for which requirements are more stable, were investigated, eg security and catering. Onshore, all the operators used contractors for security and cleaning, and four of the six for catering (companies D and E did not have canteen facilities). When asked why these stable (ie non fluctuating) functions were not performed by operator personnel, company F explained that these are not an integral part of the oil business; and company B explained they contract out these functions because they do not want to be involved in them. Company D said contracting was "economically effective" because a cleaning company, for example, would be more likely than itself to invest in up to date machinery, since that is its chosen area of expertise.

Such comments are even more pertinent when applied to the use of contracted helicopters, supply vessels and standby boats. Helicopters and vessels are expensive pieces of equipment, requiring highly skilled specialist personnel to crew and maintain them, as are drilling rigs. By allocating transport and drilling functions to contractors, the operators gain several advantages: a specialised service provided by experts, which is therefore more cost effective; they are free to invest capital in exploration and other projects as opposed to investing it in expensive transport facilities, or drilling rigs; they do not have to develop expertise in these areas, and therefore attract and retain specialist crews; the operators can maintain control without responsibility for equipment or workforce; and, most important of all, they can control costs by means of the competitive bid system.

Contracts are put out to tender on a regular basis (see next chapter) and therefore companies providing these services are in constant competition with each other. When the oil industry was expanding rapidly in the early-mid '70s, it was a 'seller's market' because there was more than enough work to go around. The potential rewards for operators, with oil at more than \$30 per barrel, meant that contract price became an almost secondary consideration, since each day's delay was a day's revenue lost. Inevitably new companies sprang up to seek work from the operators, intensifying the competition. As the rate of expansion slowed considerably at the turn of the decade, contractors found themselves competing for a now virtually static volume, whatever the service they provided. When, in early 1986, the oil price plummeted, reaching a low of \$8 per barrel, contract prices assumed unprecedented importance, and were driven down further by intense competition between contractors, undercutting each other in attempts to survive the downturn in the oil industry's fortunes. Hence, there was evidence of drilling companies hiring out rigs at a loss, simply to make a contribution to fixed costs (1).

For certain types of contract work, however, there was not such a straightforward explanation. Draughting is by tradition an area where high levels of self employed and/or agency personnel are found, and given the high incidence of project work in the oil industry (development of a field up to the point of production) it is understandable that this is indeed the case. With regard to clerical and administrative work, the use of temporary labour has traditionally taken place on an ad hoc basis, to cover peaks in the workload, or holidays or sick leave. In the operating companies, the numbers involved on a "temporary" basis, and the length of time for which these individuals are deployed, suggest a different rationale for their utilisation. Recruiting an individual from an agency may be a convenient way for the operator to have someone serve a "probationary" period. Yet, numerous examples exist of individuals classed as "temps" or "agency" but whose service can be counted in terms of years as opposed to weeks or months. In one

operating company (not in the sample), for example, an individual worked as "agency" for six years before being taken on as staff. This, together with the conduct of the operators in the wake of the price collapse, suggests that it is deliberate policy to maintain an abnormally high level of "temporary" labour, and that this group of workers serves as a "buffer" around the more secure core group. For example, one company studied divested itself of almost 150 temporary clerical staff as the recession started to bite; another imposed an immediate freeze on recruitment, so even "temps" who had proved their worth to the company had to remain on temporary status. A third company (not studied) jettisoned virtually all agency personnel.

Since these interviews were carried out, trade union sources have claimed that the practice of recruiting agency personnel as production operators (offshore) has grown. Of the examples cited, only one company was in the sample group studied (A). It is known that on one field operated by this company, "agency workers are now being used to replace (A's) employees when posts become vacant", and another field "came on stream in 198(\*), using a combination of (A) and agency staff" (2). Thus "(security) of employment for (A) staff is reinforced...by the buffer of agency workers who will be the first to be dismissed when shutdown approaches." (3)

Whatever the explanations, it is clear that the operators consider functions to be 'core' or 'peripheral'. Application of Atkinson's core-periphery diagram to the oil industry (see figure 5 in chapter 3) extends the debate as to the model's validity. A variety of employment relationships exist on the periphery, but those on the periphery are carrying out work for the oil companies and are influenced by them. The model is therefore a valid descriptive device, illustrating the way in which the oil companies organise their business and thereby their employment. Statistically there appears to be some evidence that the peripheral sector acts as a buffer zone, protecting those in the core when the business faces adverse conditions, such as those which followed the oil price fall in 1986.

Grampian Regional Council noted that,

"Although a few [operators] made redundancies in 1986, their total employment actually increased by 300 over the year. They have therefore escaped the serious retrenchment seen in several other sectors".(4)

#### Maintenance of Control

There was considerable involvement of the management industrial relations function in the allocation and monitoring of contracts. Two companies, D and E, said they "vetted" contractors. Company D (American) said that they are not supposed to intervene at all in a contractor's business because of the anti-trust legislation in the USA. In practice, some efforts are made to "try and harmonise some conditions of sub-contractors with our own, but inevitably there are differences....If (the company) has had a contractor for a long time, these employees have much expertise and value to the company", because of their thorough knowledge of the platform, and its operating procedures. Management in company E must be able to justify their decision if a contract is awarded to a company whose bid is not the cheapest. In the early days, company E looked at curricula vitarum of contractors' personnel, the training record of the company, and the terms and conditions paid by the contractor. Now arrangements are well established.

The company said that they exercise indirect influence over contractors by looking at their terms and conditions during the tendering process. According to this company, they would normally say to a sitting contractor "we will accept an increase in (contract) rates in the order of, for example, 6%. It is up to the contractor to decide how that is divided." However, it was added that the company may offer "informal" advice if asked. The Industrial Relations department of company A requests a thorough breakdown from contractors of any trade union agreements, terms and conditions, wages, fringe benefits, and holidays. The interviewee, Senior Personnel Officer, said that to some extent this had been the case for about five years, but there was now more emphasis.



Hence the department's influence is increasing, and its input positively sought. It was explained that this interest in contractors was good industrial relations practice; it is no good to the company if its contractors are unhappy. The involvement of the department in this area is accepted as valid by other departments. However it was stressed that a firm line was drawn with regard to contractors' industrial relations: company A seeks to monitor, not influence.

Companies B and F were similar in that vetting and monitoring of contractors by those with responsibility for industrial relations was increasing. In the past, company F had no systematic monitoring process with regard to industrial relations, only taking an interest when something looked amiss. Now the process is more systematic; all contracts with "major person use" are vetted by the Personnel department. An example given was that of an instrumentation maintenance contract. A company bid according to the terms of the SJIB post construction agreement, believing the work to be done fell within the scope of this agreement and it therefore applied. Company F thought it did not apply, and the issue had to be resolved with the contractor concerned. Companies are vetted during the final bid analysis stage, when the head of personnel will request the terms and conditions of employment. This company also pointed out that most of the major contractors are well established, have better, more professional departments, and "know the ropes".

Like F, Company B has seen the input and influence of the personnel department grow in the area of contractors comparatively recently. In the past, the personnel department of Company B has practised a "hands off" approach, though they sometimes heard informally what contractors were paying. The interviewee believed that his department should be more involved with the selection of contractors within Company B, but not with the contractors themselves, as this would make the operators the target for trade union attention. It was his belief that the company should be more sophisticated in assessing contractors with regard to the terms and

conditions they are offering. At the time of the interview (February 1986) the company only received (as it requested) the most basic information in this area, whereas the interviewee expressed a desire to see a more detailed breakdown including holidays, sick pay, etc. It was likely, he added, that management changes would allow movement in this direction.

Company C said that the personnel department can give an opinion on contract allocation, but that in fact this rarely happens because only about four major contractors have been used since production commenced. If a new contractor were to be brought in, then the department would probably get involved within Company C, but it has not in the past. The interviewee also pointed out that if you get involved in running your contractor's business then you must take responsibility for any problems or difficulties.

Companies A and B believed that they made less use of contractors than some other companies, but this is likely to change, and they "will go along the same road", (Company A), as "in the current climate contracting saves a lot of money".

#### Contractors' Morale, and Operator Employees

The importance of the "family atmosphere" or "team spirit" on an offshore platform was stressed time and again by the operators, as an explanation for the harmonious industrial relations environment which prevails. On one occasion it was suggested that in the offshore situation, this bond was so strong that an individual's first loyalty was to the platform, and then to the company by which he was employed. However, press coverage of industrial unrest offshore suggested that not all family members were happy with their circumstances. For example, the Press and Journal, 4th February 1986, carried an article relating to a strike ballot to be held covering offshore construction workers (6), and the same newspaper four months later referred to a "row" between the TGWU and a catering company (7).

Company F agreed that it was conceivable that poor morale among contractors could rub off on its own employees. Two companies, A and E, said that there had been occasional "sympathetic noises" for contractors' employees from their own people, but that was the full extent of transfer of poor morale from one group to another. The four remaining interviewees expressed personal concern regarding the plight of contractors' employees. This centred around the reduction in contract rates, caused by a slowing in the rate of expansion of the industry, following the initial boom period (which ended around 1981-2). This meant that contractors - particularly those involved in construction and hook-up work - were chasing fewer contracts. As a result competition between them was intensified, and contractors were undercutting each other in an effort to win hook up contracts, and retain maintenance contracts. In the labour intensive areas, such as catering and construction/hook up work, this inevitably created a downward pressure on wage rates, (though wages of construction workers on hook up projects were and are protected by the OCA - see Chapter 5). Undoubtedly the situation was exacerbated by the price fall in 1986, but it is important to note that the contractors were already facing problems.

Despite this concern, Company B said that it was a "buyer's market", and therefore contract selection was done on a commercial basis. Company F said that though the climate was giving concern with regard to industrial relations offshore, companies had to be more cost conscious. However, the interviewee added that while people will accept a standstill in wages, "managers must be mad if they expect people to accept the cuts reported by unions". Company F was not interested in saving pennies at the risk of problems in the long term, and therefore it "would not screw contractors just because other operators were". The interviewee in Company C expressed misgivings about contractors doing the same job as C people but being paid only half as much. It was his belief that there should be some relativity between the two groups, but if he suggested this then he would be out of line with his own management. The operators had created the problem by paying their own people too much. Contractors faced a choice, he said, between

laying people off, or retaining contracts at cheaper rates dictated by the market. This, the interviewee continued, created a dilemma for trades unions; should they protect wages or jobs? The "two tier" system was creating problems, but a post construction agreement was not the answer, as fixing the rates would be problematic. If set during a boom period, they would be artificially high, and, conversely, if set in a harsher climate they could be artificially low.

Likewise, Companies B and D said they had no wish to see contractors reduce wage rates. Company D suggested that more work needed to be done in this area, as contracting on this level was a US phenomenon, alien to British industrial culture. Some contractors on D's platform were going through a wage freeze, while D's employees were receiving rises on average of 6%. This he identified as a potential area of conflict, but added that they (operators and contractors) are working in different marketplaces. Company B, though it does not want to see substandard rates paid by contractors, does not want to tell contractors what to pay. The problem is finding a middle course. A post construction agreement would not make commercial sense. However, two interviewees said that they believed their companies should nevertheless consider a minimum rate. The impression gained was that were such a suggestion put forward within their companies, it would not find favour with their superiors.

### Summary

The main impetus behind the high level of contracting is commercial considerations. The oil companies do not wish to develop expertise in catering, or invest huge sums in helicopter and supply ship transport. Contracting is deemed to be more efficient as the contract companies can achieve economies of scale. The 'boom' nature of the exploration and production industry encourages the rapid growth in number of contract companies, and the operators can control costs by maintaining constant competition amongst the contractors. The high use of agency or temporary labour in stable, key functions (eg production operators) as well as in more traditional areas such as clerical work, suggests that the operators have encouraged the growth of a peripheral, or buffer, group. This is supported by employment figures in the industry (see chapter 3) which show that on the whole the operators have not experienced the retrenchment of other sectors.

While devolving responsibility for certain functions to contractors, the operators seek to maintain control in the industrial relations sphere. The industrial relations function within the operating companies has a high profile in the selection of contractors, and monitoring of existing contracts, though it should be borne in mind that in the harsh economic climate of recent years it is difficult in some companies to argue against the cheapest bid. Despite the fact that they claim to seek to monitor, as opposed to influence, contractors' industrial relations (simultaneously shedding responsibility and avoiding trade union attention) the operators require details of contractors' terms and conditions and industrial relations record, including existing trade union agreements. On the whole, unionisation or non-unionisation of contractors is not a criterion for selection. However, as will be shown, the operators exercise a major influence on whether or not a contractor is unionised.

The drop in wage rates for contractors' employees, observed prior to but highlighted by the 1986 price fall, is causing some concern in the operating companies. Interviewees were aware that there were potential problems of unrest, and attracting and retaining skilled personnel in the 'two tier' system, and that they had to some extent created them by paying their own people so well. However the operating companies do not see a post construction (maintenance) agreement as providing a viable solution, though two interviewees thought there was some merit in considering a minimum rate, a view which was not consistent with company policy. Despite these concerns, the inherent tensions in the system can be contained, partly because of the prevailing economic circumstances in the industry, and partly because of the lack of suitable alternative employment for contractors' employees elsewhere. However, if the predicted upturn in onshore construction work takes place, the operators will have to address these problems and seek solutions.

In the next chapter, the two most labour intensive contractor sectors are examined, catering and construction/hook up, giving an insight into the contractor side of the relationship.

### References

- (1) For example, see Panorama, "Oil in Aberdeen", BBC Television, November 1986.
- (2) Unpublished Honours dissertation, RGIT Business School, 1987.
- (3) Ibid.
- (4) "Future Oil and Gas Prospects, 1987 Update", Grampian Regional Council, Department of Physical Planning, June 1987.
- (5) "Industrial Relations and the Oil Industry", James Buchan, RGIT Economic Bulletin, Summer 1985.
- (6) "Offshore workers ballot for strike", The Press and Journal, 4.2.86.
- (7) "Caterers in wages row", The Press and Journal, 25.6.86.

CHAPTER EIGHT  
THE CONTRACTORS' PERSPECTIVE

Introduction

In order to fully understand the industrial relations system in the industry it was necessary to investigate both sides of the relationship between clients and contractors. Literally hundreds of service companies have established themselves in the wake of the operators in a variety of disciplines. These include transport companies (helicopter, supply boat and standby vessels); drilling; catering; construction, hook-up and maintenance; diving; project management; instrumentation and supply bases. Time and resources were limited and therefore attention was confined to the two most labour intensive groups, catering and construction/hook-up. There were two main reasons for choosing these sectors. Firstly, the fact that they were labour intensive suggested that these sectors would best illustrate the industrial relations implications of operator behaviour, particularly the practice of allocating work by competitive tender, which by this stage was suspected of playing a major role in shaping the industrial relations system and the relationships within it. The second reason was purely practical; the researcher already had access to the appropriate trade union officers, and had begun attending the COTA wage talks. This being the case, it was comparatively easy to establish contacts within the contract companies (though some companies still refused to participate).

Since the research concerned the power relationships between clients and contractors as well as those between employers and employees, the investigation centred on possible areas of uncertainty, dependence and control. Interviews in the contractor companies covered five specific areas; namely the preparation of tenders; contract length (relevant to the level of security enjoyed by individual firms); monitoring of contracts by the operating companies (to determine contractors' discretion); the nature of employment contracts, and remuneration levels (giving some insight into the level of security enjoyed by the workforce); trade union



recognition; and the general commercial environment, including the impact of recession (to determine how far the pattern of industrial relations and its inter-relationships could withstand economic shocks). These data, which complement the previous chapter, offer further insights into how the operating companies can devolve responsibility without incurring unacceptable levels of vulnerability. As will be shown, a key element in sustaining stable relationships is selective application of collective agreements. This feature is introduced in this chapter, but demonstrated more clearly, using a case study from the industry, in chapter 9.

#### Preparation of Tenders

The different types of commercial contracts, lump sum, cost plus, fixed term, and job and finish, were explained in chapter 2. By investigating how the competitive tendering system worked in practice, it was possible to ascertain the implications for industrial relations, and also to shed more light on the shifting power relationships.

In the construction/hook up group, all four companies, K, L, M and N, agreed that the length of time taken to prepare a bid can vary considerably, because each job is unique. Company K estimated the time as "about a month, though some are longer, some shorter". Likewise Company N suggested three weeks to one month. Company L did not specify a time, but stressed that "each bid (was) different, because all jobs are different". According to Company M, 10-14 days was a "quite common" time to spend on preparing a bid, but added that if it was a small tender, the company may have only one week's notice to prepare a response. At the opposite end of the spectrum, the same company revealed that a "lump sum" bid can take two to three months to prepare, that this preparation can cost "hundreds of thousands of pounds", and "therefore (we) can't afford to miss too many bids". The figure given by Company K for preparation of a major hook-up bid was £200-250,000. The same interviewee estimated "labour only" contracts as costing £50,000 to prepare. Company N

did not give a figure, as the manager thought "figures (are) not useful because they vary so much from job to job". Company L also stressed the variety, but revealed the last unsuccessful bid cost £66,000 to prepare.

Whatever the exact figures, their magnitude is such that unsuccessful bids can be a considerable drain on managerial and financial resources. Thus the companies were asked to give the proportion of bids which are successful; three of the four did so. Companies K and M appeared to be enjoying the highest degree of success, the former stating that "probably one in two bids is successful". Company M said that on hook-up contracts they were "very successful - virtually 50/50 with (K)". With regard to maintenance contracts, it was suggested by M that between themselves and K they held about two thirds of contracts. In addition, M had been successful with "lots of smaller jobs with which (K) are not involved". Company N was not enjoying the same success rate, estimating one in six bids as being successful.

Interviewees were also asked to assess the input or influence of the operating companies at this stage, for example whether they gave any indication of the price they were looking for, or the wages, terms and conditions they would expect contractors to give their employees. According to Company L, their "business system doesn't change, it is the perception of what the oil company wants, and therefore (L has) a 'skeleton' tender". Client visits are encouraged by this interviewee, who felt that the operators understood the pressures on contractors. In addition, he said that the "more 'regular' companies are more organised and forward looking with regard to IR". Company N stated simply that operator influence was mostly "hands off", though one or two operators did exert a "back door" influence. Companies K and M went into more depth on this subject. The former made the important point that "the bid system is the major influence" on industrial relations. More specifically, the interviewee explained that "the 'majors' normally specify terms and conditions to be paid on a hook-up project", ie Offshore Construction Agreement (or Southern Waters Agreement) rates, as outlined in chapters 2 and 5.

However, post-construction or maintenance tenders give no such guidance. This explanation was also given by Company K. Company L went on to explain that this lack of guidance "tends to be interpreted as 'cheap as you can'". This results in a free for all. It is especially difficult for the sitting contractor (as K often is) because their "rate becomes the 'benchmark' under which all others scrabble to get". The interviewee in Company M explained that "different clients work different ways. One company goes round the contractors and 'prequalifies' - looks at their financial affairs, and references from other clients. Another looks at terms and conditions - if they are too low, they won't get on the bid list. Price is now critical." These comments are indicative of the pressure put on contractors looking for work.

All four catering companies, P, Q, R and S, were of the view that the time taken to prepare a bid varies according to its nature. For example, Company P said that the tender sent by the potential client may be six questions on a sheet, whereas a bid relating to a large company could take two to three weeks to prepare, "probably five days non-stop activity - it requires a lot of information, and several people". For Company Q the time taken "depends on the time available and the nature of the tender. It might be highly specific, (asking about) past experience; history; menus; CVs. We have a pool of staff and can 'man up' in about two weeks. The bulk of the cost in preparing a bid is manpower." The interviewee from Company R estimated the usual time as about four weeks, but added that "it depends on whether it is a new contract or if (R) already hold it". This interviewee also gave a fairly detailed description of how the bid system works in practice.

The operator concerned "sends a tender document to catering companies, normally restricting the bid list [those invited to submit a bid] to three or four companies [out of 11]. Prior to this there may be a pre-tender enquiry which looks at the caterer's industrial relations record, safety, reputation and trade union involvement. The tender document, which is likely to be about 60

pages in length and quite detailed, goes to the legal department of (R's) parent company. If the tender refers to a new platform, then (R) will make a site visit (ie offshore) to review facilities. From the requirements outlined in the tender document, and a review of the facilities, R calculates a Man Day Rate [MDR - the cost of feeding a man for a day]. Every reply [to a tender document] is personalised and different, as they are marketing the Company. They are about 150 pages in length."

There was some contrast to be found between R's response and that of Company S; "with computerisation etc preparation of bids is really a cosmetic job, though the time taken depends on the nature of the bid". The interviewee quoted examples; firstly that of a tender relating to a semi-submersible drilling rig, immediate start, of three months duration, and containing standard questions. Such a bid, he said, could be ready in 24 hours. A bid for a platform, however, could take a week to prepare.

Only one company gave any estimate of the cost of preparing a bid, suggesting that since two people were employed solely for this purpose (bid preparation) the cost could be put at a minimum of £1000 per enquiry.

Company S was alone in thinking that the operating companies had no influence at the bid preparation stage. The remaining companies each stated that the operators gave no indication as to the price they were looking for. However, interviewee P said that "major operators will indicate the hourly rate and offshore allowance [to be paid], for example, the COTA rate. This will be spelt out. Sometimes other items will be included, eg travel payments. If an operator indicates they want it included, it appears in the bid. Otherwise it won't, and the employee won't get it". Company Q said that while some operators just want a price, others "give a tender document to be completed on the operator's notepaper. (Though they) give no indication of price, over the last year they have tended to look at the lowest. Some indicate the wages, terms and conditions they expect to see (Q) pay. These are

the most likely to have an escalator clause (1). This can lead to difficulties within COTA; those caterers whose business is 100% with such operators.....will not have to bear the cost of wage increases. For the others, the caterers will have to foot the bill."

The interviewee from Company R explained that the tender document contains "a screening questionnaire, (which) looks into company structure; company directors; labour force; recruitment policy; length of service of senior managers; and trade union agreements". He went on to say that though in theory there should be an advantage if (R) is the sitting contractor, "difficulties arise because the people we talk to may not be the decision makers - they may not even have been on the platform." Some operators do ask about wages, terms and conditions, others do not. Some will indicate the level of manning required, others leave it to the discretion of the caterer.

The catering companies, like the construction group, were enjoying mixed success. Interviewee P thought it "difficult to say" what proportion of bids were accepted, but admitted that the last 12 bids had been unsuccessful. In the previous 12 months Company Q had won two contracts, retained six, lost four, and had submitted six unsuccessful bids.

#### Summary

The above gives an indication of the financial, managerial and time resources which are committed to preparing tenders. Unsuccessful bids incur significant costs which must be recouped from future contracts. Furthermore, it can be seen that the oil companies exercise a major influence in contractor industrial relations, in particular over terms and conditions. This is done by stipulating when collective agreements should be applied, suggesting that such agreements are viewed as a means of achieving stability in potentially volatile circumstances.

### Contract Length

Contract length was an appropriate topic to investigate as the length of contracts held by a company has a direct impact on the level of security it enjoys, and hence on stability. For example, there is more immediate uncertainty in a company holding five contracts for one year each, than in a company with one contract lasting five years.

Hook-up contracts held by the construction/hook up companies, because they relate to 'one-off' projects, are on a 'job and finish' basis, and can vary considerably in length. As Company K explained, they can be six to eight weeks, 15 months or longer. It was clear from the responses that post-construction (ie maintenance) contracts vary in length and, more important, that there have been changes in practice as the industry has matured. Company N considered the norm for contract length to be one year minimum; some are of two years' duration. The interviewee added that he had heard of three year contracts, but this was not the norm. No other interviewee mentioned three year contracts. The three remaining companies specifically mentioned one year contracts with a 12 month option (ie at the end of the year the contract can 'roll on' for another 12 months if the operator so wishes), and two years with a 12 month option. K and M agreed that in maintenance the tendency now is to go for two year contracts, plus option. Both commented that at one stage it was normal practice to put contracts up for renewal every year. Company M explained that not only was this practice costly, it was also "inefficient, because of the learning curve" (ie it would take new contractors some time to familiarise themselves with the platform's layout, processes and procedures). This interviewee also commented that "US companies like to bid fairly often".

Company M did not know if the recession in the industry (1986) caused the change in contract length, but said that it had happened at the same time. Interviewee K thought this change in practice came about in mid 1986 and was "definitely related to the recession. As rates were falling, those companies which were commercially aware grabbed the lower rates - and can maintain them as long as possible."

With regard to termination arrangements, Company L explained that a client can terminate an individual worker's employment contract or a complete commercial contract without notice and without reason. The termination of a commercial contract was unknown (this was also stated by M) but "clients do halt an individual without reason". This is the so-called NRB syndrome (Not Required Back). The interviewee went on, "this leaves (L) open to an Industrial Tribunal, because we can't make the individual redundant. (We) need either to prove a breach of contract and fire him, or keep him on". Company M said that termination of contract was "threatened now and again", but was not aware of it ever happening. However the interviewee was aware of instances where the operator refused to take up the 12 month option on the contract.

The companies were also asked whether they held any short term contracts (ie three months or less) and if so what proportion of their business this represented. For Company K, short term contracts were "an insignificant proportion in turnover terms". For L, "short term work accounts for about 20% and seems to be increasing". Company M has very little short term work offshore, but about 95% of work in its onshore fabrication shop is short term. Company N estimated its proportion of short term work as 15%.

Similarly there was a variety of responses in the catering sector. "In the main", said Company P, "contracts are for two years with a one year option.....this has been the norm in recent history". Company Q indicated contracts could also be of only one year duration with a 12 month option, or perhaps two such options. Company R thought that "in the seventies, contracts were slightly longer. Usually (they are) of two years' duration, but there may be a year option. Some contracts allow for inflation [ie contain escalator clauses] others are 'fixed cost' - if the contractor makes a mistake in the costing, they must bear the penalty." This interviewee was also of the opinion that "the regularity of tendering is increasing". Company S cited contracts of one or two years with a one year option as the norm in both past and present.

No changes had taken place in the termination arrangements, though a variety of views were expressed. Company P said that close reading of the contract showed that an "operator can remove a caterer at 24 hours notice, without reason". Such an occurrence was unknown. With regard to the expiry of a contract, interviewee Q said that the "caterer automatically assumes the termination date. Operators don't really give notice, the caterer will know two to three months before expiry whether the option is to be taken up". On the other hand interviewee R said termination was at 30 days notice, and "very few were terminated". This is contrary to the response given by Company P.

Two of the companies, P and S, thought the proportion of short term work had increased. Company P explained that "because of the restriction in the market, work is becoming seasonal - for example a lot of flotels (2) when the weather is better....(short term contracts) probably account for about 20% of business. The proportion has increased throughout the industry, especially in the drilling sector". Company S agreed that the "number of short term contracts has increased in the immediate past", and claimed, "this is a direct result of changes in practice in the oil industry". Company Q has no short term contracts, and this has not been a large part of their business in the past. Similarly Company R has occasionally done short term work, but it has represented a very small proportion. The interviewee did comment, however, that the "industry tends to be cyclical and the pecking order changes. You can only count on the contracts you have". In other words, the ranking of the catering companies in the market changes over time as each gains and loses contracts.

#### Summary

Though a variety of views were given, it appears that the optimum length for contracts in both sectors is two years, possibly with a twelve month option. The evidence suggests that the two year period is favoured because it allows the operators to maintain productivity which would be lost during the learning curve of an incoming contractor, while at the same time putting the contract out to tender fairly frequently.



On the whole there has not been an increase in the proportion of short term contracts, though the drilling sector, facing extreme hardships, has shown some tendency towards short term contracts. The fact that clients can terminate either the entire contract or particular individuals' participation in it, illustrates the influence of the operators in the affairs of the contractor, in particular, over the contractor's workforce.

#### Monitoring by Operators

The means by which the clients maintain control is central to the thesis, and was investigated during the research from both the client and contractor perspectives. In the experience of two construction companies, K and N, the operating companies only take a close interest in industrial relations if there is a problem affecting the overall operation. At the other extreme, Company L stated that industrial relations were "very closely monitored by the operators" who "require a report on any incident." Company M thought that it varies; with some clients the interviewee was not even aware who the individual responsible for industrial relations was, whereas with other operators there was very close contact, on a day to day basis. For example, the client may go into M and check survival course certificates (a prerequisite for offshore work), medicals, and sit in on induction courses.

In addition to these comments by the participating companies it should be noted that the operators are free to audit the payroll of the contractors at any time to ensure, for instance, that the elements the operator has agreed to pay with regard to wages, travel payments, survival certificates and so on, have been passed on to the workers concerned. Three of the four companies, L, M and N, stated that operators inquire about labour turnover, Company M adding that it is very difficult for them to say what this is. Company K said that clients did not ask about labour turnover.

According to Company N, there was no interference in industrial relations by the operators. Companies L and M, however, said that some operators do interfere. Company K said that while the operators do not exactly interfere, "they do put a fair amount of pressure on to get things resolved, but they don't direct (the contractor) towards a solution".

All companies agreed that working within parameters set by the operators posed difficulties. The biggest problem for Company N is that there is no direct supervision by N present on the platform. To counter this, N insists on having an individual from the company at the heliport for the departure and arrival of employees. This serves an administrative function (such as the collection of timesheets) but also represents a point of contact for the workforce. There were similarities in the view expressed by the interviewee in Company L, who illustrated the potential difficulties with the following example. At the time of interview Company L had safety officers working on a hook-up project. They wore client safety hats; wrote reports on client paper which the interviewee was not allowed to see; took instructions from the client; but the interviewee was left to handle any problems. Within maintenance, said Company K, there are difficulties. Labour turnover is fairly high, "and made worse because clients ask, for example, for a man for one trip, or a welder for two to three days". Company M said that "again it varies from client to client (but) there are always difficulties working in other people's facilities, on or offshore". Some clients, for example, "give crew change times at the last minute - and (M) have to rely on the operators for (helicopter) seats and beds". Furthermore, the clients "reserve the right to say they don't want an individual on the platform". Indeed the OIM (Offshore Installation Manager) does have considerable powers, equivalent to those of a ship's captain.

It would appear at first sight that with regard to industrial relations at least in the catering companies, the operators keep their distance. According to Company P, the operators "don't want to know unless there is a problem, then they will become involved".

This was reiterated by Company R: "hygiene and food are monitored weekly if not daily, but not industrial relations. (The operators) only become involved if there is a problem.....(R) is expected to keep the operator informed of developments within COTA etc.....There is no interference but operators reserve the right to reject anyone [NRB]." Company S thought that "the operators monitor but don't interfere - they would expect to be kept informed." The interviewee from Company Q said that "the operators keep a close liaison with their own personnel offshore, especially the OIM. (Q has) a close working relationship with its own employees, (the interviewee) sees them personally at least once a month.....the only time there was industrial relations contact from the operators was when it was rumoured that travel warrants were to be stopped", (these rumours had led to rumblings of unrest).

However, Company P thought that "the operators control everything", and likened the annual negotiations between COTA and the unions (3) to "a puppet show". The interviewee explained: "in terms of rates of pay and standardisation the operators are in complete control. In the operating company it seems the Employee Relations manager gets a signal from Finance of what percentage increase in budget will be tolerated.....Also internal operator affairs, and lines of authority mean the catering company spokesman is in fact isolated from the decision maker." This latter point is one which was made earlier by Company R. Furthermore, interviewee P gave an example to illustrate his point. In the early 1980s, when the interviewee was leading the employers' side at the annual wage talks, he was interrupted by a telephone call while in the process of presenting an offer. This call was "from the operators giving instructions on what the actual offer was to be". The interviewee added: "However.....the operators have made a conscious decision to maintain a lower profile in the last few years because they felt exposed and in danger of being directly approached by the trade union movement.....The difficulties faced by trade unions in organising are an 'ace' for the employers".

Only one company, R, said that the operators ask about labour turnover, and then only at the pre-tender stage, not during the run of the contract. The three remaining companies stipulated that the operators were "not interested in" (P) or "never asked about" (Q and S) labour turnover. This contrasts with the responses of the construction companies, and is perhaps surprising given that the high labour turnover was one of the reasons for establishing COTA.

Two companies, Q and S, felt that working within parameters set by the operators did not give rise to any difficulties for those responsible for industrial relations. Interviewee P thought there were difficulties, "but this is all part and parcel of working in a competitive arena". Company R explained that the "whole company is geared to contract type work, therefore the offshore industry is not unusual.....Different companies ask for different things - (you) need to know the contract and how the operators work."

#### Summary

It would appear from the above that operator influence is less direct than initially anticipated. In the main the operators keep themselves informed through their own personnel, and maintain an open door to contractors by a system of ad hoc auditing. Furthermore, it seems that the operators maintain an informal line of communication with those in the contractors responsible for industrial relations.

#### Employment Contracts and Remuneration

By this stage in the research, the existence of core and peripheral groups was well established (see chapter 3). However, more information was required on what this meant for industrial relations in general, and for the security of those on the periphery.

The recession has undoubtedly had an impact on the levels of remuneration enjoyed by workers in the construction/hook up companies. Company N stated simply that "some have dropped.....The marketplace has changed - any company makes it its business to find

out what its competitors pay". According to Company L, some rates have been more affected than others. For example, while there have been definite reductions for welders, pipefitters etc, and slight reductions for some technicians, there has been a slight increase in some areas such as commissioning. It rests on supply and demand which is "very dependent on the operators". This interviewee went on to say that although some operators go for the cheapest bid, he "manages to convince (others) that this will lead to problems attracting and retaining skilled workers, and thereby (manages) to hold rates".

Company K explained that those rates covered by national agreements (ie the OCA during hook-up and SJIB Electrical Post Construction Agreement during production) have "remained constant, although the rate of increase has been behind the rate of inflation". However, maintenance and post production rates have fallen as individuals move from one contract to another. The interviewee admitted that there "have been occasions when the company has gone to a crew as the sitting contractor, and explained that the company needs to cut rates to get work". The workforce is now resigned to the situation, and there is an air of reality (which the interviewee said was more likely desperation). The comment was also made that the men work more overtime on maintenance than hook-up, and this boosts their earnings.

Company M's response was a little confusing. The interviewee said that M has had to cut rates, especially when workers moved from hook-up to maintenance. This is standard practice throughout the industry as has been discussed earlier (see Chapter 2) and is not a result of the recession. The interviewee went on to say that if it is a lengthy maintenance contract, "the guys usually accept the reduction". On one platform the contract in question was to be only three months; the "guys didn't want it - (it was) their option to be made redundant". "Wage rates", he continued, "have remained static and have therefore been reduced in real terms." In 1986 they lost one contract on which they were about to cut rates. Furthermore,

maintenance "rates are being cut in that new bids are being based on a lower rate". Thus although an individual would not have the monetary terms of his existing contract changed, new contracts could contain a lower rate than previously enjoyed.

In all the contracting companies, the issue of types of employment contracts provoked some interesting and illuminating responses. In the construction sector, outside the application of the OCA, contracts are on an individual basis between employer (contractor) and employee, with the exception of the electricians' SJIB agreement. Moreover, an individual worker's employment contract is project specific, ie it applies to work on a given project. As individuals move from one project to another, or if the sitting contractor successfully rebids for a contract, then the workers will be issued with new contracts. The implications for continuity of service were discussed, and all companies stated service was deemed to be continuous, depending on the break between jobs. Thus on the face of it, continuity of employment is protected and workers can accumulate the necessary two years service to qualify for redundancy payments, unfair dismissal rights and so on. However, as interviewee K explained, the "workforce does tend to move from one contractor to another and therefore there is a break in service.....Generally speaking - there are lots of caveats - if a sitting contractor loses the contract, the successful company would keep the workforce on. This happens in the majority of cases. This is what the clients prefer because they like to maintain the same crew".

With regard to the type of employment contract, it had been suspected that perhaps the contractors would use fixed term employment contracts or some other device, such as agency contracts, because the work is regularly put out to tender and therefore cannot be considered to be truly long term. This was not the case. In all four construction companies open-ended contracts were issued, though Company L pointed out that they have a different set of terms and conditions for the "one trip man", known as "job and finish".

As far as possible the companies appeared to strive to achieve commonality in the elements of the remuneration package across the company but in reality individual contracts reflect the terms of the contract between client and contractor. None of the companies has a pension scheme, and by and large paid holidays do not exist (4) though Company L pointed out that it does "have some contracts where paid holidays are awarded. Again it is down to what will attract the client". Grievance and disciplinary procedures are the same in all contracts within a company. Hence, though rates of pay may vary, "basic terms and conditions are the same" (Companies L and N). Apart from wage rates, it is in the 'fringe' areas that contracts differ most. For example, some contracts will allow for payment between Aberdeen and the individual's home on a radius basis (fixed sum according to distance), for the issue of a travel warrant, or may not pay transport at all.

With regard to the impact of the recession in the industry on pay increases in the catering sector, three companies, P, Q, and R talked of a wage freeze, as indeed was the case. The last pay award for catering workers had been July 1985. A further increase in July 1986 would have been expected, but a freeze was agreed from then until January 1987. This issue remained unresolved at the time of interviewing (July to September 1987). Hence Company Q explained there had been "a wage freeze for 14 months". Company P admitted that "in real terms, (we) could have dropped 20% on the package over the last two to three years - travel; overtime [paid at straight time as opposed to time and a half]; medicals [making employees pay for their own]; and payment while safety training". It should be noted that Company P paid the same wage rate and offshore allowance as all other COTA companies; differences occur in the other terms and conditions which were listed by the interviewee. Undoubtedly interviewee R was correct in his statement that the catering companies had "suffered over the last two years", but it would be misleading to blame the extended pay freeze solely on the recession. As Company R explained, the catering "companies (were) under pressure because of (the Griffin affair)", which will be discussed in chapter 9.

Three of the four companies, again P, Q, and R, stipulated that everyone in their employ was employed on the same basis, ie open ended, 'permanent' contracts, as opposed to agency or fixed term contracts. Company Q, however, said that fixed term contracts had "been looked at". Company R made pertinent comment as to the impact of the competitive tendering system on the pattern of employment. For example, it was pointed out that catering "stewards may work five years on a platform and have three employers.....If (R) takes over a contract (it) will perhaps take on the incumbent stewards, but fill promoted posts with (R) personnel." Presumably this practice owes much to the fact that "the operators like continuity, they don't like the movement of people between platforms" (R).

This company also holds an employment agency licence, and has done for 12 years. The explanation given for this was that when the company started, it "provided labour, and needed the licence because this was outwith catering - (in other words) an individual was working for someone else, outwith the control of (Q)". In some instances, labour of this nature is tied into the catering contract - for example, under the job title 'handy man/steward' - whereas other operators require separate contracts to cover this.

Company P revealed that it had formerly had a uniform set of contracts, covering the four standard grades (steward, leading steward, baker and chef) but now have a variety of contracts, and therefore a variety of terms and conditions, "reflecting the contents of the tender package". Consequently, though hourly rates and offshore allowance are standardised, fringe benefits differ. The interviewee added that the company realised that in theory this may provide grounds for being taken to an industrial tribunal; he recognised that the package has been eroded, but said, "what do you do....it is the only way to stay viable....the workforce have a very good grasp of the situation."



### Summary

Though on the face of things employment in the contractors has a conventional basis in that open ended employment contracts are issued and employment is deemed to be continuous between commercial contracts, it is apparent that those on the periphery still experience considerable uncertainty. This manifests itself in two ways. Firstly, in practice employment is frequently not continuous since employers often move from platform to platform as commercial contracts are won and lost, leaving their employees behind, possibly to work on the same installation for a different contractor, and for different rates. Secondly, staying with the same employer may itself involve a reduction in terms and conditions as work begins on a new commercial contract. In addition, the fringe areas of the employment contract are subject to considerable variation, reflecting the contents of the tender package or, more bluntly, the elements for which the client is prepared to pay.

### Trade Union Recognition

It was known that both contracting sectors had an employers organisation which negotiated with trade unions. These were the Offshore Contractors Council in the construction/hook up sector, of which three of the sample group were members, and COTA in the catering sector. Again three of the sample were members. However, this did not offer any insight into the attitudes of the individual companies to trade unions, nor of the 'grass roots' involvement, if any, of unions in day to day industrial relations.

Outside the application of the OCA, there was no formal trade union recognition in the construction companies. In fact, Company M pointed out that though it is usual for "a hook-up to be done under the OCA, this is not 100%". Company N, the interviewee claimed, "was under no pressure from any operators to utilise a trade union agreement. In some contracts in the past, operators specified the OCA. That is illegal today". Presumably the last comment refers to the provisions of the 1982 Employment Act, which

"made discrimination against non-union firms in the making or awarding of contracts illegal"(5). Companies K, L and M, however, maintain an informal relationship with appropriate unions (mainly AEU, EETPU, and Boilermakers). Company N "occasionally talks to them". None of the companies had formal consultative arrangements, though Company K holds regular safety meetings. Company N stated "contracts are on an individual basis, and therefore discussions are on an individual basis". For other companies, who gave a distinctly less hawkish impression than N, the most favoured explanation for the lack of consultative arrangements is the difficulty and expense of setting such arrangements in place, given that the workforce is scattered between the platforms of the North Sea, and is essentially mobile. The interviewee in Company K added that "the company finds, even on a hook-up, that the workforce don't tend to appoint shop stewards, because [physical] conditions have vastly improved, and they know they won't get any more money out of an agreement. Discipline is fairly well structured and (K) have invested in supervision and training." Two of the four companies mentioned that they had 'check off' arrangements for payment of union dues; Company K on one contract only, and Company L, on "some contracts".

In chapter 4 it was reported that there is evidence of agreements being unilaterally terminated by at least one contractor as "the remuneration and conditions of service in (the) agreement (were) restricting the ability of the company to negotiate new contracts in the extremely competitive environment brought about by the current national recession"(6). However, none of the companies interviewed had cancelled agreements, and no indication was given as to company-level agreements having previously existed.

Comments made by companies K, L, and M were particularly revealing, expressing concisely the influence of the operating companies in this area. Company L said that as it was a member of the OCPA it was party to the OCA and OCSA, but added, "the operation of these agreements is down to the operator: if the operator says we will work to an agreement, we will work to it".

The interviewee from Company M stated quite simply, "there is no way (you) can enter a union agreement because other companies will simply undercut you". Client influence was described by Company K as "on a scale of one to ten - 11!". More specifically, the interviewee went on to say that "on an individual basis, no company can steer its own course. They are bound by the bid situation. Collectively, the OCPCA won't move without consulting the clients' association (UKOOA). We need a stronger bunch of contractors, and a stronger bunch of unions, to be mutually supportive. There are no cartels, but this is the major cry of the clients when the contractors talk about national agreements."

Only one of the catering companies, R, recognised and negotiated with the TGWU and NUS at the time of interviewing. Two companies, P and S, were party to agreements with the NUS relating to Diving Support Vessels (DSV's), because these are classed as boats, and one company, Q, had no official recognition agreements, but acknowledged it had union members amongst its workforce. This has not always been the situation; recognition arrangements have changed over the years as contracts have been won and lost. In the case of company P, it had negotiated with the TGWU from 1978 onwards, but now has no members (membership dropped in 1982 when P lost three platforms in one contract). Similarly the TGWU had recognition rights on two platforms held by Company Q, and negotiated on such matters as terms and conditions, and discipline. This arrangement lapsed in 1986 when the contract was lost. Company Q was one of the companies at the forefront of the original COTA talks in 1979, as were companies P and R. Company P is no longer directly represented at talks with the TGWU, but Companies P and Q were heavily involved in the talks discussed in the following chapter. It was emphasised by the interviewee at Company Q that "the companies can't negotiate as COTA because five or six companies do not have recognition agreements.....the companies negotiate individually....four elected companies go forward and the others agree [gentlemen's agreement] to fall in line".

Company R's agreements are not in writing, but rest on custom and practice. The company's relationship with the TGWU dates back to about 1978. As the interviewee put it, it is a case of "(sitting) down with the TGWU and shop stewards and (discussing) anything except wages, as these are covered in COTA". Though this is the most highly unionised company in the sample, if not the entire catering sector, membership levels vary between platforms, from 80% to 10%. Crew size (ie catering staff) varies from 10 to 40 on a platform which, doubled up to include the relief crew, gives figures of 20 to 80. Company S said the company was not really anti-union, it "just felt better off without trade union involvement". As stated above, work done on DSVs usually involves agreements with the NUS: "(S) must accept such agreements or forego the business. (But we) have handled them successfully". The interviewee added that the downturn of the two previous years had kept trade union activity to a minimum.

None of the three companies without agreements covering platforms (P, Q, and S) had formal consultative arrangements. Interviewee P thought that "at the end of the day it breeds a trade union. Also, it would be very costly because the workforce is scattered". Company S "simply (listens) and (tries) to solve problems in-house as soon as they occur". To this end the camp bosses (those in charge of the catering crew) "are de-briefed as they return from a trip".

Little comment was made with regard to operator influence in this area. Company P said simply that "discussions tend to be on an operator and individual caterer basis". Company R said that appropriate trade union officers "can raise matters with UKOOA [ie at the IUOOC-Liaison Panel meetings held quarterly] who will contact (R) and ask what is going on". It will be demonstrated in the following chapter, however, that operator influence is far more significant than suggested by the comments just given, and it will be shown that the statement "on paper, they refuse to say they will only accept COTA bids" (Company R) is far more important than it first appears.

### Summary

It can be seen that day to day relationships between contractors and unions are informal, where they exist at all. Furthermore, the comments of the interviewees, particularly in the construction/hook up sector, suggest that the contractors' prerogative in this area is curtailed by the operating companies. Chapters 9 and 10 discuss client influence over industrial relations in greater depth.

### The Commercial Environment and Impact of Recession

The circumstances in the commercial environment changed dramatically while the fieldwork for the thesis was underway. It was therefore important to investigate the impact of the oil price collapse, in order to ensure that the data gathered reflected the ongoing industrial relations system, and not to short term aberrations in the wake of the price fall.

The collapse in the oil price of 1986 was an obvious scapegoat' to which the oil companies attached blame for the problems facing contractors, and to some degree with good reason. There was, after all, some credence in the operators' lament of revenues reduced to a third as the oil price fell from \$30 to less than \$10 per barrel. In terms of industrial relations, however, it was suspected that the recession was at most a catalytic, as opposed to causal, factor in contractors' difficulties.

When asked if competition had increased during the recession two construction companies, M and N, said yes, K and L, no. Company N said simply competition was "more fierce", and Company M explained that "competition has got worse because larger companies are now bidding for work they previously would not have". The interviewee in Company L thought competition had always been fierce though "the recession seems to have forced companies to be more aware.....it has been stabilised by the operators - they look closely at (your) tender and question on it; [for example] 'how can you do this with x% mark up?'" Again the most revealing comment came from Company K;

"competition has always been cut throat. Up until two years ago it was because there were always new companies entering the market (by cutting the price) and thereafter, because of declining work and more companies. The recession has been the 'cherry on top', a focus for the media to jump on. Clients are quite glad of it in some ways - a chance to clear dead wood."

Company L thought that industrial relations had not been adversely affected, though there were difficulties because clients may instruct them to reduce manning levels. However it was felt that "people are more approachable and willing to listen". Similarly, interviewee M said the "recession has not manifested itself in strikes, but a more realistic attitude - (the workforce) realise it is better to accept £1 an hour less than be on the dole". Nevertheless the interviewee admitted that industrial relations was one aspect to worry about with regard to cutting rates, the other being the problem of retaining skilled personnel. This latter comment was reiterated by Company K; "it is probably too early to call it a significant trend, but certain clients have started to make noises with regard to diminishing returns from cost cutting provisions. It's the old 'pay peanuts get monkeys' syndrome". In Company N, the recession has "had an effect on the level of remuneration employees can expect, but not on relations with employees. (The workforce has) not received increases in recent years - (there have been) some decreases".

While operator intervention had not increased during the recession, all the construction companies made some comment on their conduct. In the case of Company L, the interviewee believed "the operators have probably distanced themselves as opposed to intervening more - 'it's your problem'". Companies M and N indicated that the "operators are taking more interest in costs" (M) and that "the price predominates....(it) has always been a significant factor, but has not always dominated" (N). Company K thought that "though clients are no more likely to go for the cheapest bid, this is still the norm. But we think we are detecting

a trend regarding the quality of the workforce.....The companies are very commercially aware - extremely strategic. The EPC is indicative that they keep an eye on industrial relations. As far as I am aware, no tender goes out without the clearance of the Employee Relations department, and it is involved in evaluating the bid returned, with regard to the adequacy of the wage rate." The third company to cite the problem of attracting and retaining sufficiently skilled personnel was N:

"Things started off with a bang; large numbers were wanted at short notice, and a lot of money was paid to attract them from the Clyde and the Tyne.....Their skills do not now command the levels of earnings they were getting, but they wouldn't get it elsewhere. There has been some levelling out. (Rates have) dropped to the level where they are insufficient to attract the necessary skills because of the temporary nature of the work."

Company L thought that in the immediate future industrial relations would continue to improve, as it has done during the recession. Interviewee M simply hoped "offshore will be quite stable, but you can't predict in industrial relations". It was suggested by Company K that there would probably be another year of the status quo. The biggest single factor would be the projected increase in land based construction activities, which would make offshore labour slightly scarcer. The workforce would be organised on onshore projects, it was explained, and will draw comparisons between the organisation onshore, and the free-for-all offshore. "Once they have earned some money, they may have more stomach for the fight.....therefore (we) need to be prepared for a slight upturn in trade unionism, assuming a stable oil price. If the price rockets, there will be more (oil field) developments, and pressure to use the OCA."

The catering companies were divided on the question of whether competition had increased during the recession, Companies Q and S thinking it had not. Company P thought "things have become even more competitive", and company R that the environment "has become much fiercer.....reputation, ability and experience used to be as important as cost - this is not so now.....Formerly the operators very rarely, if ever, accepted the lowest (bid). Now it is a much colder decision. In the past, the platform concerned perhaps had the biggest say." In addition, this interviewee indicated that MDRs (Man Day Rates) had been reduced considerably as competition had increased.

Companies Q and S thought the recession had had no affect on industrial relations, though the interviewee from the former added that "business has ....shrunk with the recession....as the operators reduced POB, so the catering crew was reduced". Company P was of the opposite view - that "industrial relations have been affected.....the recession has added an air of uncertainty which was previously absent.....(resulting in) insecurity, which leads to unhappiness.....and less militancy". Company R thought, like Q and S, that "industrial relations have not really been affected by the recession". The interviewee put this down to the fact that R "has picked up contracts". He also thought that R would have "the most vociferous shop stewards... because: (a) they are sheltered, because of the relative success of (R), and (b) most (R) shop stewards have long service, and their employment is comparatively secure. (R) people are more demanding. They have tried to push up other terms and conditions when no increase was forthcoming."

With regard to industrial relations, all four companies were in agreement that operator intervention had not increased. Company P, however, explained that "the operators slowly came to understand that their profile was too high, as they were being approached directly by the trade unions". Though operator intervention in industrial relations had not increased, Company R thought intervention in operations had. "The operators", he added, "were probably less concerned [with industrial relations] because they were aware of the employment and competition situation."



Only one company, Q, thought there would not be much change in industrial relations in the future, but added, "the time is right to start talking about an increase.....I can see a change or movement in pay next year" (ie 1988). Company S thought that, "everyone will be more tolerant and live in peace more because they realise that the good days are over". More specifically, Company P thought that in the future, "there may be an increased tendency to contract labour.....but I'm not sure, or I don't think, the operators would allow it because it might appear that the caterers are not in full control of the workforce". Given that at the time of interviewing the issue of a pay increase for catering workers remained unresolved, it is understandable that Company R, being at the forefront of negotiations, should address its comments to the immediate future, and this issue in particular: "the next 6 months may be difficult....I don't think COTA will agree an increase until July 1988 and therefore (the union officer) will have problems. The (R) shop stewards will be barking in his ear. If they take action, it will be in the company where the union has most strength, ie (R). (The officer) knows that an increase could result in a lost contract, because we could not compete; also the industrial relations waves might work against (R), which (would lead to) lost members. A few smaller operators would not go [ie place work] with (R) because of a dispute.....All operators ask about the strike record, onshore as well....The construction industry is worse, they go into much more records."

#### Summary

There is little evidence on which to conclude that the oil price collapse of 1986 has brought about significant changes in the industrial relations system, but it has served to highlight or exaggerate certain features of it, for example, the importance of price in winning tenders. However, there was some indication in the construction sector that this emphasis, and the pressure it exerts on remuneration levels, was resulting in problems in retaining skilled personnel.

### Concluding Summary

Bid preparation absorbs considerable managerial and financial resources; anything up to three months and £250,000 in the construction sector. Though operators differ, in general it can be said that during hook-up work they dictate terms and conditions by stipulating the OCA will apply, thereby removing the terms and conditions of the contractors' employees from the competitive arena, but give no such guidance in contracts relating to work outwith the hook-up phase.

In the catering sector the operators give no guidance as to the contract price they are seeking. However, major operators do, as a rule, indicate the hourly rate and offshore allowance to be paid, ie the tender document stipulates that COTA rates will apply. Some contracts will contain escalator clauses, others will not, and this can cause problems within COTA.

The length of hook-up contracts varies greatly, as each is unique. With regard to maintenance work, the norm for contract length is two years with a 12 month option, a comparatively recent innovation identifiable since 1986. At first sight this might suggest a link with the recession in the oil industry, but given that only one company of the four linked the two events, this is not a viable conclusion. No change has occurred in termination arrangements. Short term contracts appear to form a significant proportion of work in only one company, L.

The norm with regard to catering contract length is two years with a 12 month option, though one year contracts with a similar option are fairly common. Two of the companies felt the proportion of short term work had increased.

From the responses given a number of features of the client/contractor relationship in the area of industrial relations are evident. Though two of the companies stopped short of calling the operators' conduct interference, it is nevertheless clear that considerable influence is at work on the contractors: by the nature

of the competitive tendering system; by operator stipulation as to when collective agreements will apply; operator audits; the client's ability to terminate the contract without notice or reason; and by reserving the right to refuse to have certain individuals on the platform. The competitive tendering method of allocating work allows the clients to exercise over-riding influence in industrial relations before a contract has even been allocated. Thereafter close and systematic monitoring by the operators has a relatively low profile, unless problems occur.

Monitoring of industrial relations by the operators appears to have become more distant over the years, with operators relying to a large extent on their own personnel to keep them informed. However if a problem occurs the operator will become involved. In addition, the operators expect to be - and are - kept informed of the progress of wage talks and other COTA and OCC matters. Despite this apparent distance, one interviewee considered the operators to "control everything".

Three of the four catering companies stated that all employees had open-ended, 'permanent' employment contracts. However, one company had looked at issuing fixed term contracts, and another admitted that the fringe areas of employment contracts differed, reflecting the contents of the tender. The latter interviewee also thought that one possible industrial relations development might be an increased tendency to contract labour. These comments suggest that the conventional employment pattern is under threat, certainly in those companies which have declined in business in the last few years. This change did not occur in 1986 as a result of the oil price collapse, but is a direct result of the environment created by the competitive tendering system. This system results in considerable fluctuations in workload, and therefore workforce size. In these circumstances companies operating under this system have sought to develop patterns of employment which will facilitate their ability to compete.

The pattern of union recognition is constantly changing in the catering sector as contracts are gained and lost by the individual companies. Catering workers on DSVs tend to be covered by NUS agreements, as such vessels are classed as ships. At the time of interviewing, only one company negotiated with a trade union (TGWU) with respect to employees engaged on platforms. Two other companies had done so in the past. No formal consultative arrangements existed within the catering sector.

It appears that the recession has not wrought monumental changes in industrial relations. Indications are that at most the recession has sharpened price competition in allocating contracts. The cutting of rates has not been confined to the post price fall period: the price collapse simply exaggerated the outcome of features which were already present, in particular the competitive tendering system, and the fierce rivalry it creates.

These findings have a significant bearing on the institutional aspect of industrial relations since, though technically free to negotiate and enter into agreements at either company or national level, the confines of the bid system effectively curtail this freedom. The operators, who are not party to existing agreements, decide whether or not they shall apply, and if so, when they cease to apply, as discussed in chapter 4. By refusing to accept bids based on an agreement, the operators can render that agreement useless, as has been the case with the OCSA, a national agreement signed in 1986 but never used, an agreement drawn up without the sanction of UKOOA.

The evidence indicates that the structure of commercial and employment contracts, and the pattern of collective agreements, has evolved to such a degree of flexibility that they can withstand the shocks and traumas of recession without requiring the operating companies to rethink or reorganise their industrial relations policies and means of control. This flexibility allows the operators to maintain an industrial relations stance of maximum pragmatism.

## References

- (1) Escalator clause: a clause in a contract whereby the client agrees to changes in the contract price to incorporate wage increases awarded (or some other specified increase in the contractor's costs) during the existence of the contract.
- (2) The word 'flotel' is derived from 'floating hotel', and refers to either a converted semi-submersible or a purpose built vessel which is moored alongside drilling and/or production facilities to provide extra accommodation and associated facilities.
- (3) The wage talks are discussed in more detail in the next chapter but it is important to note here that the term 'COTA negotiations' is misleading, as it suggests COTA negotiates as a body, like the OCC. This is not the case, as will be explained.
- (4) Holidays are considered to be included in the 2 weeks onshore leave. However, while offshore, the workforce works 12 hour shifts, 7 days a week, as standard, and many do overtime.
- (5) Michael Jackson, "Industrial Relations", 3rd Edition, p.249.
- (6) Formal letter of termination to trade union official, dated February 1982.

CHAPTER NINE  
A CASE STUDY IN CLIENT INFLUENCE

Nowhere is the relationship between operator and contractor more clearly demonstrated than in the example of the Catering Offshore Trade Association (COTA). In this chapter a brief background to the establishment of COTA will be given, followed by an account of a very real threat to COTA's continued existence, which occurred during the fieldwork. This event, and its repercussions, illustrate the subtleties of the constantly changing power relationship between client and contractor companies.

In the boom period of the mid to late seventies, the catering companies were engaged in fierce competition with each other in order to obtain (and retain) offshore contracts and this had a downward influence on wage levels of workers employed in the catering industry. Being labour intensive organizations, the catering companies cut wage rates as a means to undercutting their rivals' bids. As a result, levels of turnover amongst these workers were extremely high - Buchan's research revealed turnover figures of 150 and 300% per annum (1) - which had an adverse affect on the quality of service provided by the catering companies; for example the calibre of catering staff was often unacceptable. It was said by interviewees that the catering companies were virtually recruiting people from the streets to fulfil their commitments.

Had this been the case onshore it would have been, at most, an inconvenient irritation for the operators. Offshore, however, the importance of catering standards assumes unprecedented proportions. For workers who are isolated from family and friends for two weeks at a time, and for whom leisure activities are limited, mealtimes are the highlight of the day, not to mention a major cause of grievance if they do not come up to expectations. In addition, the catering companies are responsible for the housekeeping functions offshore, such as cleaning, laundry and bedding. Thus problems which occurred with the catering workforce had direct repercussions on the operators' personnel, with the result those problems came quickly to the attention of the operators involved.

In an effort to impose stability, the operators put pressure on the catering companies to devise a collective means to resolve the situation, and in 1978 COTA was established. For their part the operating companies, through their organisation UKOOA, agreed not to accept any bids from non-COTA companies. It is important to note that there was no agreement of any kind in writing; the relationship existed in honour only.

One of the first tasks undertaken following the formation of COTA in 1978 was the rationalisation of the grading structure, resulting in four grades common to all catering companies: steward; leading steward; baker; and chef. Trade union involvement was sanctioned, if not encouraged, by the operators and it was agreed that a minimum rate for each grade would be established. The rates were initially set by the operators, though this has not been made public. COTA did not (and does not now) negotiate with the TGWU as a body (NUS involvement has diminished over the years) since only some of the caterers had agreements with the union, and if the others sat down at a negotiating table with the unions this could be construed, it was believed, as recognition. Consequently, talks with the unions were conducted by those companies (initially four in number) with the majority of union membership, and this is still the case, though the make-up of the COTA delegation has varied over time as a result of peaks and troughs in the catering companies' businesses. For example, if a company has an agreement with the TGWU pertaining to a contract which the company fails to renew, then the agreement lapses. The wage rate agreed at these talks is known as the 'COTA rate' but it should be stressed that it is strictly informal, and at no time has it been set down in writing. The whole arrangement is based on a "gentlemen's agreement", whereby those companies not present at the negotiations agree to abide by the bargain struck at the table. They nevertheless have a significant influence on negotiations as COTA meet prior to the talks to establish the limit to which the 'delegate' companies may commit them. The 'COTA rate' is, in effect, a safety net for catering employees, a minimum wage removing their earnings from the competitive environment and on which individual companies may improve (at least in theory).

The unions (TGWU and NUS) were relatively well organised in the major caterers of the era, because of the problems cited above, and by 1979 they were sufficiently organised to undertake industrial action. The unions sent a massive wage claim to all catering companies, regardless of whether there was an existing agreement or not. While pointing out he could not be sure of the exact figure, one manager suggested it was in the order of 300%. It should be noted that catering employees were very much the 'poor relations' in the North Sea at the time, not only in terms of wages, but also in status. COTA responded with what has since been described as "a very substantial offer" by a trade union officer, estimated to be of the order of 22%. This was rejected by the workforce and a strike ensued. Though the strike was patchy in its affect on platforms and drilling rigs, due to the uneven distribution of union membership between the catering companies, those worst affected were the largest caterers in the North Sea at the time. Consequently, the majority of operating companies were hit by the stoppage, which crumbled after about 20 days.

The manager interviewed in Company P, heavily involved at the time, made the following pertinent comments. First, the mood of the workforce was such that they were determined to have a strike and nothing would have averted it: they were confident they could actually stop oil production and viewed this as an opportunity to recoup their losses (in wages and status) of previous years. Secondly, the operators were heavily involved, partly because COTA was formed at their request, but also because there was perceived to be a comparative lack of industrial relations expertise amongst COTA members. As mentioned earlier, the majority of union members were organised in four catering companies, and between them these companies covered all the major operators. Those companies affected sought guidance from the operating fraternity via the Liaison Panel of the EPC. They were in a dilemma: "if they negotiated with the unions and conceded a large increase it would make them uncompetitive in the market place, unless it was sanctioned by the operators and thereby passed on to all caterers."(2)



The strike eventually fell apart, the union spokesmen returned to the negotiating table, and a settlement was reached applicable to all COTA members. Thus COTA had passed through the first real test of its unity, no doubt spurred on by the interests of the operators in keeping COTA together.

Until June 1986 the arrangements went as planned, with the desired results. Then it was announced that an operator had accepted a bid from Griffin Catering for a two year housekeeping contract on their platforms which was based on wage rates which were in essence £2000 per annum below the COTA rate. For some time it appeared that the first casualty of the slump in the oil industry was going to be the COTA agreement, or even COTA itself. The TGWU could not stand by and see wage rates cut, and the official concerned began a campaign to publicise the workers' case. He claimed in the local press (3) that Griffin had cut the wages of workers by at least £2000 a year and that the company had broken an agreement with fellow members of COTA. In the same article the chairman of COTA said that complaints about Griffin had been received from members and they were looking into the contract.

In defence of Griffin the managing director rejected the accusations, saying that there was no agreed rate, and they had certainly not cut the wages of their workers. There was an element of truth in this in that since Griffin did not have any other employees working on platforms in the northern North Sea, those on the new contract would effectively be new employees and therefore would not have been employed by Griffin on the COTA rate (which he claimed did not exist) or any other rate. Thus, in reality, it was the 'rate for the job' which was cut, as opposed to any actual salary. However, it is common in the North Sea for a company which has gained a new contract at the expense of another to recruit at least some of the staff laid off by the former contractor as a result of its losing the contract. Therefore it was likely that certain catering workers could find their income substantially reduced.

The attraction of the lower bid to the operator concerned as the oil price slump was beginning to bite deeper was understandable, but their decision to accept the bid in the light of past experience of instability in the catering sector was nonetheless surprising, not least to the rest of the industry.

COTA, fearing that this small shelter from the storms of competition was about to be lost, willingly entered into discussions with the TGWU, and it seemed that the objective of the two organisations was the same. A complicating factor, however, was the timing of the dispute, which occurred in the run up to the annual wage talks between COTA and the TGWU, due in July 1986. As a condition of co-operation, the shop stewards committee demanded the immediate expulsion of Griffin from COTA. Since this required the unanimous vote of the remaining nine COTA companies, there was a very real danger that one or two of the more hawkish catering companies would view the situation as an opportunity to break ranks and follow Griffin's lead. However, Griffin was expelled from COTA, and the organisation remained intact.

Despite having cleared this hurdle, COTA was still at risk because several catering contracts were up for bid in the near future. Should the operating companies concerned have followed the lead set by the operator in question and accepted a bid from Griffin based on rates substantially below the COTA rate - or such a bid from any catering company - then there is little doubt that existing arrangements would inevitably have collapsed in the harsh economic environment. Thus all depended on the decisions of the operating companies with contracts out to tender.

In the meantime, the shop stewards negotiating committee offered COTA a goodwill gesture whereby the anniversary date would be moved from July (1986) to January (1987), in effect a voluntary wage freeze for six months. The TGWU officer concerned then contacted the Employment Practices Committee of UKOOA, and asked them to issue a statement to the effect that in future UKOOA companies would not accept catering bids unless they were based on the COTA rate. Such a statement was not forthcoming.

The very existence of the COTA rate was in dispute, Griffin still claiming that such an agreement had never existed. To thwart any such claims in the future, COTA had drawn up a written agreement with the TGWU which left no doubt as to the existence of such a rate. At the eleventh hour, the COTA members refused to sign it. The most likely explanation is that in the absence of an assurance from UKOOA that the operating companies would accept only bids which were based on the COTA rate, COTA members feared that they would be placing themselves at a disadvantage to non-COTA catering companies when competing for contracts.

While awaiting the outcome of pending contracts, the TGWU had made clear to the operators, via the Liaison Panel of the EPC of UKOOA, that should an operator accept a non-COTA bid, then the union would have no alternative but to ballot its members for strike action. The officer concerned pointed out that he was well aware that this would not be an easy thing to organise, and that it was not a step which he really wished to take. However, he felt - and the shop stewards committee agreed - that should other operators follow the lead which had been set, industrial action would be the only possible way to prevent a return to the 'free for all' of pre-COTA days.

The next three contracts which were issued were based on COTA rates, and a fourth company allowed their catering contract to "roll over" for a second year. Thus, at least in the short term, stability was maintained. The immediate danger passed, attention was focussed once again on the annual negotiations which had taken something of a back seat during the crisis. The union officer felt initially that a three per cent increase was a possibility, but had canvassed the operating companies in preparation for the negotiations, due to take place in about three months time. Of those operators contacted, only one was not downright hostile to the idea. Furthermore, indications from COTA spokesmen were that some companies would walk out of COTA rather than accept an increase.

The catering workers faced a dilemma: having survived the wage cuts threatened by the Griffin crisis, did they gamble the future of COTA for an increase, the maximum of which was likely to be three per cent?

The shop stewards committee meeting called to discuss their position revealed a wide spectrum of opinion. Predictably, some shop stewards indicated that their constituents were unwilling to accept an extension of the wage freeze, accepted as a gesture of good faith in the original negotiations, finding it hard to accept that asking for a cost of living rise would break up COTA. Others were more cautious, arguing that three per cent was not worth taking that risk. Furthermore, if the decision to press for an increase was to be taken, then the committee had to discuss its response to a rejection from the employers. Several stewards claimed that the members on their platform were quite prepared to strike in defence of a claim but it was pointed out by others that everyone can put their hand up - a secret ballot is a different thing. Conversely, a new shop steward said that his members would not have anything to do with a strike. Most, however, acknowledged that the union was not sufficiently strong amongst the caterers and should a strike be called it would certainly be unsuccessful.

The committee's final decision was to press for a three per cent increase. When this was rejected by the employers, the committee tried, unsuccessfully, to persuade them to go to arbitration. Their case suffered a further setback when it was learned that another major operator had allowed Griffin onto their bid list. As it happens, the bid was not to be successful.

By August 1987 the wage claim was still unresolved. At a meeting between representatives of COTA, and the offshore shop stewards negotiating committee, the COTA spokesman reported the outcome of two meetings he had attended since the last meeting of the stewards. The first of these was between COTA representatives and the UKOOA Subcontractors Liaison Committee, held the previous month, and was described as confusing, rather than helpful.

The Liaison Subcommittee felt that it was not the right time to pay an increase; that the situation was changing constantly and was under permanent review. The Subcommittee had added "that they were only there to listen, it was not their role to tell COTA what to do"(4). Though individual oil companies claimed they were not averse to an increase being awarded, the spokesman for COTA said that their collective stance was very different.

The second meeting was of the caterers' Association itself, which was said to be "in disarray". Though some individual members felt there should be an increase, they were in the minority, the remainder being of the opinion that COTA should not be talking about an increase until July 1988. As a result, the spokesman explained, they were not in a position to "put any money on the table" at this meeting with the negotiating committee. The only "positive" move they could make was a negative response to the claim made by the workforce for a six per cent rise from the 1st September 1987.

The full time officer spoke for the negotiating committee, explaining that they "were at the end of their tether....they could go no further.....members were threatening resignation" (from the union) due to the perceived failure on the part of the union to achieve any improvement in terms and conditions. The trade union offshore was threatened to the extent of its survival, he said. Thus, unless an increase was forthcoming, and pending the outcome of the shop stewards meeting (due to take place that afternoon) the membership would be balloted on industrial action. It was added that if agreement was reached with individual companies, they would be unaffected by action taken.

In reply, a COTA member said that the union would then have to take selective action every year, because "there would be no COTA left". The COTA spokesman explained that the smaller companies felt the manpower budget was the only area they could control in order to compete successfully with other companies, mainly because their business was largely in drilling companies which, in turn, were "under unbelievable pressure from the oil companies". He pointed

out that wages comprise more than 50% of the contract price, and "if an increase was incorporated into the price of a rebid, the company would probably lose the contract, to be succeeded by a company with a low level of trade union membership and 'safe' industrial relations", not least because the nature of contracts had changed over the previous two years in favour of 'fixed price' contracts. The belief was expressed that there were further avenues open for exploration, but it was certain that there would be nothing on the table before New Year. It was eventually decided that COTA should be told that if no offer and date of implementation were forthcoming by 4th September 1987, a ballot would be put in motion.

On 4th September, the COTA spokesman updated the shop stewards negotiating committee. He told them that there had been a change in COTA's stance, but there were still problems. Some member companies still believed they should not be considering an increase until July 1988. Furthermore, though some oil companies were prepared to have the cost of a pay award passed on to them by way of an increase in contract price, it was revealed that two clients had already said that the catering company would have to bear the cost of an increase. A third COTA member then raised the matter of drilling companies who, it was explained, would not accept an increase in contract price. Nevertheless, COTA members realised that they needed to change their stance and had considered the 6% claim submitted by the workforce. COTA was prepared to consider an increase, but from 1st January 1988 for 12 months. Though they did not have a specific figure at hand, the spokesman could say that 6% was too high. However, COTA was prepared to sit down and discuss possibilities on the understanding that the ballot threat would be lifted. It was also emphasised that awarding an increase may lead to the withdrawal from COTA of some companies.

In reply the union officer expressed disappointment that no offer had been made, and went on to say that his members now faced a dilemma because they had taken a stance from which it would be difficult to withdraw, and he was not even certain they would want to. The COTA spokesman thought that a "ballot arouses emotions

....(and)...there (was) no point in having one at this stage." At this point, the union negotiators requested a recess.

During the recess, the officer reminded the negotiating committee that the commercial pressures on the contractors had resulted in cuts in earnings of workers in other sectors in the order of 25-30%. This was dismissed as "not relevant" by one of the shop stewards. The officer then pointed out that some progress had been made as the COTA team had said there would be an increase, and this had been minuted. It appeared possible that those companies contracted to drillers would not pay an increase (because it would not be accepted by the clients), and it was acknowledged that this would be difficult to explain to the members. Furthermore the officer highlighted the danger of moving away from a unified (ie COTA) rate to the establishment of two rates, one for oil majors, the other for drilling companies. The former would find this hard to accept. Once the ballot was under way there was no going back, and it was not certain that the members would undertake industrial action, despite the strength of feeling cited by some of the stewards. He reminded them that the last strike (1979) had crumbled within three weeks. It was decided to tell COTA that the workforce was prepared to delay implementing a ballot until the end of September; that they had the remainder of September to negotiate; and the negotiating committee would be entering the negotiations with a mandate from the members to seek a 6% increase, effective from the 1st September. A meeting of the two sides was arranged for later in the month.

This meeting was opened by the COTA spokesman who explained that there were still difficulties within the Association, and there were still some clients who, while stating they had no objection to COTA paying an increase, were warning that they would not fund it. However, he continued, COTA felt that the time was right to make an offer, which they envisaged as commencing on 1st January and lasting 12 months. Six per cent was out of the question, three to three and a half per cent being "more acceptable". The negotiating committee

was told that COTA members were "still being reminded that people are working for less offshore", for example security men were earning £2.50 per hour (£420 per trip). Taking these factors into consideration, COTA had prepared an offer of approximately three per cent, to be paid entirely on the offshore allowance, thereby avoiding the 'knock-on' effects of an increase on basic rates to overtime rates, sick pay and so on. Before the union replied, they were again reminded of the problems emanating from the drilling sector. The union officer said the committee was pleased COTA was able to make an offer, but was disappointed as it was lower than they had hoped, and not valid until January 1988. The COTA spokesman acknowledged that their first offer would not be their final one, as history had shown, but warned that there was not room for a great deal of movement. In addition the Association would be looking for something in return, namely the surrender of container payments (5) which were said to account for 0.6-0.8% of the wage bill. The negotiating committee withdrew at this stage to consider the offer.

The negotiating committee amended their claim in light of COTA's comments, deciding to pursue 4.5% on basic rates and leaving aside the issue of container payments. It was explained to the COTA representatives when negotiations resumed, with the additional concession that the committee would be prepared to accept the January date for implementation. The response of the COTA spokesman was that the claim caused a problem: "if your genuine aspirations are 4.5%, we don't have that kind of money". The union officer restated the importance of producing a settlement, given that the members had allowed the negotiating committee what he called "one last shot".

When negotiations resumed after lunch, the COTA spokesman outlined a second offer, which he described as "the limit of our remit agreed at the last COTA meeting....the orange is squeezed". This offer was an average 3.5% increase on the basic rate, offshore allowance, and holiday credits. The spokesman went on to say that



they could envisage paying 4% but only on the proviso that container payments were bought out. The union officer asked for a recess, and also whether it would be possible to have two offers outlined, one with container payments consolidated, the other without.

During the recess, the union negotiating committee considered what their recommendation to the full committee would be if two different offers were forthcoming, and also considered the merits of proposing a two year settlement. When they returned to the table, they were informed that the offshore allowance in the second offer had been increased to accommodate container payments, a method COTA preferred to consolidating the payment in the basic rate, as this was more complicated. The union team withdrew to consider.

There were considerable differences of opinion amongst the negotiating committee, some wishing to take a hard line and push for a higher increase, others more cautious. After lengthy discussion, agreement was reached amongst the negotiating committee, and the COTA team was informed that the committee would "give unanimous recommendation to an offer of 4% for grades 1 and 2, and 3.5% for grades 3 and 4, implemented on 1st January 1988. The concept of a two year deal was also raised, though it was acknowledged that the COTA representatives could not address that issue at the meeting taking place. The COTA spokesman replied that 4% was outwith their remit, and even if they went back to the individual companies, the chances of achieving it were remote. The union team were asked how they wanted to progress. The officer replied that they were reluctant to end the meeting without a settlement, and "did not want to go to 'brinkmanship'". The employers requested a recess.

After the recess, the negotiating committee was told that the COTA representatives were prepared to offer a slight increase on grades 1 and 2 (bringing them up to 3.7 and 3.8% respectively) and hoped that the committee would accept it. It was pointed out that the representatives themselves were not unanimous in the offer.

The offer was being made on the condition the committee would recommend acceptance; if not, it would be withdrawn, as "it would not be worth going through the hassle" (with COTA). The negotiating committee withdrew to consider the latest movement.

Again there were differences of opinion amongst the negotiating committee. The union officer reminded them that they had come within 0.3 and 0.2% of their settlement terms; that they had fended off wage cuts (with the exception of Griffin employees), had kept their members, and had had to threaten strike action to get an offer. Eventually a majority decision was reached and communicated to the COTA representatives. The offer would be recommended to the shop stewards committee, due to meet a fortnight hence.

At the shop stewards committee meeting, the negotiations and various offers were outlined by the union officer. The discussion which followed clearly demonstrated the divisions amongst the stewards. There were some who felt the employers had "got what they asked for 18 months ago - an 18 month freeze" (because the offer was not backdated). Others felt rejection of the offer would lead to its withdrawal, and ultimately the collapse of COTA. The members themselves had to be balloted on the offer. However the officer explained that it was the duty of the committee to recommend to the members that they vote either for or against the offer. It was also their duty to explain to them that a 'no' vote would require them to undertake industrial action. The committee was evenly divided, eight votes for, eight against. The chairman used his casting vote against, saying it was "up to the members to decide".

Further discussion ensued, the chairman saying he had heard that members on four platforms had already decided to reject the offer. Another steward told him "you'll get a different vote though when you tell them the alternative is to go on strike". Eventually the officer summarised the options: to have another vote, or put it to a ballot without recommendation. This induced an allegation that the officer was trying to change the stewards' minds. In response,

the officer said that it was the chairman's decision to take a second vote. He went on to pose the question of the chances of success if they were to undertake industrial action. The committee was reminded that 50% of catering workers were not in the union and, furthermore, the stewards themselves would have to be the organisers of the industrial action. One steward said at this point that the wives would send their husbands back to work, and another said only half the caterers on his platform would support a strike. More discussion followed, until eventually it was agreed that the union officer should contact the COTA chairman and ask his opinion as to whether the companies would be prepared to move further.

After lunch, the officer told the committee that the COTA chairman had been "surprised and angry". The officer had been reminded that some of the companies had wanted to withdraw from the negotiations at 3.5%. In short, there was nothing more on offer. In light of these further developments, it was decided to have a second vote. Eleven voted to recommend acceptance of the offer, four were against, with one abstention. The union members in the workforce were balloted (by post) and voted 178 to 70 in favour of the offer.

### Conclusions

Comments made by those interviewees heavily involved in the industry in the late 1970s (cited in the previous chapter) indicate that the operating companies were instrumental in the formation of COTA, to the point of laying down the initial rates of pay. This was done with the aim of ending the instability and uncertainty which resulted from constant high labour turnover, due largely to poor (and fluctuating) wage rates paid in a fiercely competitive environment. In return, the operators stipulated that they would not accept bids from catering companies which were not in COTA.

The crisis within the Association was sparked off by an operator accepting a bid known to be below the COTA rate. This was clearly a cost-cutting exercise carried out as the oil price plummeted, but took all observers by surprise nonetheless. Furthermore the operators, through UKOOA, prolonged and exacerbated the uncertainty by their refusal to issue a collective statement to the effect that in future only bids based on the COTA rate would be accepted. This clearly demonstrates the pragmatic approach of the operating companies towards the conduct of industrial relations in the North Sea, particularly given their objective,

"To encourage major contractors engaged in work for member companies to ensure a reasonable degree of uniformity in terms and conditions of employment",  
cited in the EPC's terms of reference (see chapter 5).

In turn this refusal led to the decision in COTA not to sign an agreement with the unions concerned, drawn up to put an end to the controversy regarding the existence - or non-existence - of a COTA rate. Since the arrangement has not been put in writing, and is still a "gentlemen's agreement", the Association will continue to face uncertainty. As revealed in the previous chapter, in the wake of the acceptance of the Griffin bid, COTA members asked the operating companies for guidance as to whether bids were to be based on the COTA rate but received no such help. Hence the existence, and application, of the COTA rate will continue to be a potential source of instability. Underpinning the whole arrangement is the practice of competitive tendering, by means of which the client companies can control operating costs and industrial relations.

Finally, the fact that the operating companies were consulted by both COTA (via the Contractors' Liaison Sub-Committee of UKOOA) and the TGWU (informally) throughout the drawn out negotiations is indicative of the central role played by the operators, and the importance of the influence they exert in shaping the industrial relations system.

### References

- (1) James Buchan, "Approaches and Attitudes of Managers to Collective Bargaining in North East Scotland", unpublished PhD thesis, RGIT Business School, 1984.
- (2) Interview with manager from a catering company.
- (3) "Caterers in wages row", The Press and Journal, 25.6.1986
- (4) COTA spokesman.
- (5) Container payments are payments made to those individuals who unload containers on a rig or platform. It is a fixed sum per container, divided between those who do the work.

CHAPTER TEN  
INDUSTRIAL RELATIONS AT INDUSTRY LEVEL

In chapter 5 the structure and the mechanics of the IUOOC were described, as was the structure of the Liaison Panel of the EPC of UKOOA. It is noticeable that industry level institutions and relationships have been established in an industry generally characterised by single employer arrangements, particularly at a time when industry level collective bargaining nationally is in decline. It raises the question whether any matters of substance are dealt with within and between these institutions, and also what role the trade unions might play in an industry in which so many obstacles face them. The most effective means of evaluating these issues was judged to be a close monitoring of the content and conduct of the meetings in question. Therefore the purpose of this chapter is to outline the modus operandi of IUOOC meetings and meetings between the IUOOC and the LP, and to try and capture the flavour of both.

In total eight meetings of the IUOOC and LP were attended by the author, one in 1985 and the remainder from September 1986 onwards on a quarterly basis. On all occasions the IUOOC held a 'pre-meeting' which was also attended. In addition, five more IUOOC meetings were attended, taking place between December 1986 and May 1987. It is not the norm for meetings to take place with this frequency; the Chinook disaster (1) of November 1986 gave rise to a number of 'special' meetings. Four IUOOC meetings, three of which were attended, dealt specifically with issues arising in the aftermath of the disaster; one meeting dealt with the Chinook issue and additional business, and the sixth, with business other than the tragedy. The Chinook incident, insofar as it relates to the industrial relations system, will be discussed separately later in the chapter. The two IUOOC 'ordinary' meetings will be considered first, then the pre-meetings, and finally the IUOOC - LP meetings.

### IUOOC MEETINGS

Observation of the IUOOC by attendance at its meetings demonstrated the degree of fragmentation in the union movement, and the fragile and expedient nature of inter-union alliances. Though unified in reaction to a crisis such as the Chinook tragedy, at other times it was clear that individual Committee members were pursuing their own union's interests, and inevitably so. As will be revealed later in this chapter, inter-union rivalry and the associated problem of maintaining solidarity have combined to impede the Committee's work.

Of the two IUOOC 'ordinary' meetings attended, one was attended by six officers, the other by seven (total eligible is 12). At first sight this may appear low but pressure of work and sheer distance from Aberdeen may explain this. Meetings were held in the ASTMS office, as were the 'Chinook' meetings, this also being the postal address for the Committee. Issues discussed during the ordinary meetings were: minutes of the previous meeting; recognition and recruitment; communication with the Civil Aviation Authority, Oil Industry Advisory Committee and the Helicopter Operators Liaison Group; a proposed visit to lobby the Shadow Energy Minister; access to offshore platforms; proposals for changes in oil industry taxation; implications of fiscal changes for North Sea employment; helicopter safety matters; suspected incidents of breached agreements; and the agenda for the forthcoming meeting with the Liaison Panel.

Business was conducted by the Chairman, or an officer nominated to the Chair in the event of his absence. Minutes were taken by the Secretary of the Committee. Furthermore, time constraints were reduced at these meetings in comparison with pre-meetings, though the officers concerned invariably had other commitments which they had to meet. With the exception of these formalities, the atmosphere in the meeting was generally quite

relaxed when discussing matters of common concern. However on one occasion, when discussing matters relating to recognition and recruitment offshore, the inter-union rivalry became clearly apparent.

The EETPU official expressed concern (and there were murmurs of agreement) regarding the high profile enjoyed by the ASTMS offshore which, he claimed, was adversely affecting the efforts of his union, and others, to recruit and retain members in the industry. His argument rested on the suspicion that some EETPU members offshore, employed by operators, were allowing their membership to lapse in order to join the ASTMS, which had a higher profile with their employer; the EETPU does not hold any recognition agreements with operators.

One of the criticisms levelled at the Secretary was that he arranged dates for offshore visits which were convenient to himself and hence he was more often than not one of the officers to go, such visits being undertaken in pairs (2). As a result, the EETPU officer continued, only the ASTMS showed any real likelihood of increasing its membership and gaining recognition offshore. In response the Secretary stated that any agreements relating to operators' personnel offshore are held by a union in the name of the Committee, and that the Bridlington rules applied. Furthermore he emphasised that the oil companies have repeatedly made it clear that they are prepared to deal with only one trade union official. A second ASTMS official present (from the Southern sector) spoke in support of his colleague, explaining that the priority of loyalties for operators' personnel was company, then platform, then shift, and therefore employees chose a union "which can accept them all and represent them well". Also, he added, a good number of offshore employees had left shore jobs seeking to escape demarcation and associated practices.



Predictably this fundamental issue remained unresolved at the end of the meeting. At the next meeting, held almost eight weeks later, the EETPU reported back to the Committee on two trips made to an offshore platform with the ASTMS official. The officers revealed they were confident of getting a majority in a recognition ballot and were therefore about to submit a joint application to the operator for recognition. This they did but were rejected outright by the company concerned on the grounds that they were not aware of any interest in union activity amongst the workforce.

Since then, however, the press has carried reports of a new drive on the part of the EETPU to recruit offshore workers (3). Whether this publicity was aimed at the oil companies or the other unions is unclear, though the latter were not informed that the articles were about to appear. It is certainly in line with the aggressive recruitment policies followed by the Electricians' union in onshore industries and, if pursued, is likely to sharpen inter-union competition in the offshore industry as it has elsewhere. It also suggests that the EETPU's concern regarding the IUOOC's methods of operation related more to the fact that the EETPU perceived itself to be 'losing out' to the ASTMS, as opposed to any inherent unfairness in the system.

More specifically, discussion of this issue revealed some apparent discrepancies in the perceptions of different parties as to the interpretation of access and recognition procedures (see Appendices C and H). The recognition procedure laid down between UKOOA and the IUOOC is, like any other, open to interpretation. Apparently it is not necessary for all, or a majority of workers in the Common Interest Group to be in the particular union requesting recognition through the IUOOC. The agreement (recognition only) between Star Oil and ASTMS states:

"The object of this Agreement is to award exclusive recognition to the Association so that it may represent its members (and those of other IUOOC affiliated unions), who are .....in the Common Interest Group.....on an individual basis....."(emphasis added).

Thus the ASTMS represents employees in the CIG in other IUOOC affiliated unions.

The reluctance of the oil companies to deal with more than one trade union official is one of the major reasons behind all requests for offshore visits and claims for recognition being channelled through the offices of the IUOOC. The Secretary of the Committee had held office for eight years and was re-elected at the time of writing; the IUOOC notepaper carries the ASTMS address. While this provides advantages in terms of continuity, the profile of the ASTMS is inevitably raised as its representative is the official channel of communication between the trade union movement and the operating companies.

The dissension evident in the IUOOC was further indication of the enduring obstacle posed by inter-union rivalry to the trade union movement in Britain. When faced with outright opposition to and rejection of multi-unionism by the operating companies, it was inevitable that several unions would seek to establish themselves in the most favourable position. Though able to present a united front to the oil industry and Government, internally the Committee is subject to the same strains and rivalry as other inter-union bodies. Hence it can be seen that the very structure of the IUOOC, which in turn is directly related to the structure of the wider British trade union movement, presents obstacles to progress.

The second 'ordinary' IUOOC meeting attended was very similar to the 'pre-meetings' of the IUOOC held immediately prior to meetings with the Liaison Panel. The first item discussed was the timing of the forthcoming meeting with the Panel, scheduled to take place the week before the General Election of 11 June 1987. It was agreed that a request be made to UKOOA to change the meeting because of the commitments on the part of the trade union officers in election campaigns. This is another indication of the heavy and diverse workload of the officers concerned.

The minutes from the previous meeting were approved and a few minor points arising were dealt with. The EETPU official then informed the Committee that as a result of the success of offshore visits to a platform belonging to a British operator he, and the Secretary of the Committee who had accompanied him, were confident that the IUOOC could get a majority in a recognition ballot amongst the employees of the operator on the platform concerned. A joint application for recognition was going to be submitted to the operator. As will be seen, this application became one of several to provide the IUOOC - Panel meetings with plenty to discuss.

The next item was an allegation by the EETPU officer that one of the major operators had successfully circumvented the application of the Southern Waters Agreement during a hook-up project. Two other officers then went on to cite problems being experienced in the contractor sector. In the first instance, an NUS officer had heard that the employees of two specific contractors had had to pay for their own survival training, medicals and working gear. This met with the disapproval of the Committee as it was understood from UKOOA that contractors were paid an increment in the contract price to cover these items. Since this meeting was very much like an Liaison Panel pre-meeting, it shall be included in the overall assessment and conclusions arising from the pre-meetings.

#### IUOOC Pre-Meetings

IUOOC pre-meetings take place immediately prior to meeting with the Panel; indeed the latter is almost a continuation of the former. As stated earlier eight such meetings were attended, one in 1985, the remainder every quarter since September 1986 (Panel - IUOOC meetings had continued in the interim period).

Members from both teams arrived from 9.30am onwards at the venue for the IUOOC - Panel meeting (a city centre hotel), sometimes having coffee and an informal chat together in the lobby while waiting for others to arrive. At 10am or shortly after the IUOOC and LP adjourned to separate rooms. The meeting with the Panel

could not begin until the IUOOC had completed its business, not least because the IUOOC discussed the items it wanted on the LP agenda at this pre-meeting. Hence the agenda of the meeting about to take place dominated discussions in the pre-meeting. To some extent items were selected by going through the minutes of the previous meeting. If there was outstanding business not dealt with since the last meeting it went on the list of items submitted to the Panel. The trade union officers were then asked, usually by the Committee Secretary, if there were any other items to be raised.

This tended to initiate a fairly lengthy discussion on a variety of topics during which, for example, the Committee was updated on the progress of claims for recognition made to individual operating companies (on one occasion a joint application by the EETPU and ASTMS, on others by the ASTMS). The overall tone of the meeting was fairly informal. IUOOC members tended to drift in throughout the meeting which generally lasted for about one and a half hours. This practice effectively prolonged the proceedings as incomers were related the 'story so far', and then put forward items of their own. When the list of items was complete (usually five or six headings) the IUOOC Secretary took it along to the Panel. The meeting of the two teams began approximately 15 minutes later.

Table 5 (overleaf) shows the issues raised at pre-meetings; the order in which they were raised on each occasion; and the number of times each was raised in total. There was no apparent significance in the order in which items were raised. From the table it can be seen that a number of issues were raised in half of these meetings or more: recognition procedures (four); progress of recognition claims (six); the Griffin incident and its repercussions (five); contractors' practices in general (four); helicopter safety (four); and survival certificates for IUOOC members (five). In total, recognition related issues were discussed ten times, an indication of their importance. This will be discussed in more detail below.

**TABLE 5 ISSUES RAISED IN IUOOC 'PRE-MEETINGS'**

ISSUE & ORDER IN WHICH RAISED	DATE								
	6/85	9/86	12/86	3/87	7/87	9/87	12/87	3/88	Total
Access		1				5			2
Recognition procedure			3		7	5	2		4
Safety matters	1								1
Nomination of IUOOC reps for OPITB	2						8		2
Dates for offshore visits	3								1
Progress of recognition claims	4	2	2			1	3	3	6
Griffin & repercussions		4	1	2	2	3			5
Contractors					4	4	5	5	4
Chinook aftermath			4	1					2
Offshore alternates				4					1
Helicopter safety				3		2	4	4	4
Fire cover					1				1
Minutes previous meetings					3		1	1	3
Search and rescue facilities							7	6	2
Proposed meeting with Shadow Energy Minister							9	7	2
NUS request to change date of meeting								8	1
Survival certs for IUOOC		3			8	6	6	2	5
Fiscal changes					6				1
Future developments					5				1

The implications and repercussions of the Griffin incident were discussed at some length in the previous chapter and therefore little is required to be said here, particularly as minimal discussion arose from the issue in the pre-meetings, rather it was a case of the officer concerned (TGWU) keeping the Committee informed. The frequency with which contractors' practices were raised belies the importance of the issue, as on every occasion a catalogue of allegations was made by various officers relating to the treatment of their members. Helicopter safety is an important but highly technical issue and, in the main, the issue as discussed at the pre-meeting bears little relation to this thesis other than on the one occasion when it was pointed out that the offshore workforce are not represented on any helicopter liaison groups, as paying customers are under civil arrangements. The question of IUOOC members (ie trade union officers) undergoing survival training and medicals was the only issue to be initiated by the Panel. It was raised several times largely because the IUOOC initially sought to employ delaying tactics.

Recognition applications, it should be stressed, are not recent phenomena. The procedure itself was drawn up in 1977 when the industrial and economic climates were very different in both the North Sea and Britain at large. An update on the progress of recognition claims, inevitably slower than the IUOOC would like, often widened into a discussion around the problems of gaining recognition, most of which appeared to stem from differences in interpretation of the Memorandum of Understanding entitled 'Recognition may be achieved' (see Appendix H). It was clear that this was a source of considerable frustration for the Committee, particularly those who had submitted claims. According to the Memorandum, only unions which are in membership of the IUOOC can apply for recognition and such application must be made by the Committee on their behalf (clauses 1 and 3). Thereafter the procedure becomes more vague. Clauses 4, 5 and 6 have proved to be particularly important.

Certain operating companies appear to have delayed progress for a considerable time by failing to agree on the CIG as per clause 4. However clause 3 states that an "application for recognition would be made by the IUOOC.....on the basis of applying to a Common Interest Group". As it stands, the procedure appears to say that the IUOOC must make an application in relation to a specific CIG, the said CIG then being agreed with the company concerned on receipt of the application. Furthermore some companies have refused to have a meeting with IUOOC representatives on the grounds that there has not been any evidence of a desire for trade union recognition expressed by the workforce through the normal channels. There have also been instances where this obstacle has been overcome but the company concerned, according to the IUOOC Secretary, refuses to stipulate the criteria for conceding recognition, particularly the level of membership which must be demonstrated. This problem was eventually surmounted in the case of Star Oil by using the good offices of ACAS.

Finally, the procedure refers to itself as "the recommendation of the Panel on behalf of UKOOA members with the understanding that any member company is free to modify or amend any of the steps in discussion between themselves and the IUOOC". It would seem some companies have done just that.

The conduct of certain contractors towards their employees was a continuous cause of concern for the IUOOC, and rightly so. However, a list of malpractices cited by the trade union officers would serve little purpose here and therefore discussion shall be restricted to some examples raised with the Panel.

### IUOOC - LIAISON PANEL Meetings

The Panel is composed of six members of the EPC, including the chairman, who will also chair the Panel (see chapter 5). Though it represents the EPC, the Panel cannot commit itself, the EPC, or UKOOA in any way. The primary function of the Panel is to maintain a continuous dialogue with the IUOOC. It is important to note that no negotiation takes place. Even to suggest that the process was 'consultation' would be misleading. Attendance of these meetings suggested that the IUOOC raises a number of issues, of which the Panel takes note; the Panel Chairman, or perhaps another member, will then say something along the lines of, "I can only speak for my individual company, of course, but I'm surprised (or disappointed) to hear that that is the case", or, "I totally sympathise with your members' predicament, but shouldn't this be taken up with their employer?". The Panel chairman is then likely to assure the IUOOC that the matter will be raised at the next meeting of the EPC.

In describing and assessing the nature of the relationship between the IUOOC and the Panel, it is useful to focus on four of the issues raised at meetings: recognition procedures and the progress of recognition claims; contractors' practices; Griffin and its repercussions; and the Chinook aftermath.

In IUOOC pre-meetings, problems with progressing specific recognition claims would usually widen out into a discussion on the general problems surrounding recognition and the recognition procedure. Conversely, in the IUOOC - Panel meetings, issues arising from the recognition procedure and its interpretation eventually developed into the progress of claims in individual companies in an effort by the IUOOC to illustrate the difficulties facing them. This proved self-defeating for the IUOOC, as the Panel reminded the officers that the joint body was not empowered to discuss specific companies. Should it happen that a manager from the 'offending' company was present, he would suggest that the officer concerned should discuss the matter outside the forum,



whereupon the said officer would exclaim "how can we? You refuse to meet with us!" Such was the case at the meeting in July 1987. On this occasion - as on others - the IUOOC Chairman and some of his colleagues handicapped themselves by citing specific operators as offenders. In September 1987 the Chairman challenged the companies, saying that they were delighted to shout 'flexibility agreements' from the rooftops when it suited them (eg in the case of the Carrington refinery) so why would they not work with trades unions offshore? There was no logic, he claimed, to which he was told that the circumstances reflected the reality of the situation. The Panel Chairman pointed out that the company needed to know what their people wanted via, for example, the staff committee. Why should a company start down the road of union recognition if they have no evidence that this is required? The Chairman then reminded the IUOOC that the meeting could not formally discuss individual companies as this was not within their remit. Uniformity amongst UKOOA members with regard to trade union recognition was impossible the unions were told.

The December 1987 meeting opened with the recognition issue. The IUOOC Secretary expressed his continued concern and wondered, "why, when (they had) the Memorandum of Understanding, (they were) still having such difficulty?" The response of the Panel was that over the previous two to three years the IUOOC had summarised their complaints; it was acknowledged as an ongoing problem, but one which UKOOA could not respond to collectively. This raised the question, said the IUOOC Secretary, of whether the Memorandum was worthless. He pointed out that it had been written 10 years before, when the IUOOC was "light years away from making claims for recognition". He warned the Panel that the Committee would be submitting claims for recognition and would be expecting a more positive response, which they hoped UKOOA would encourage. On this occasion the discussion was not a long one. The Panel Chairman thought that there was not much point repeating arguments that had been made elsewhere. The subject was closed when an IUOOC member told the Panel that they were seeking observance of the spirit of the Memorandum of Understanding.

The March 1988 discussion of this topic proved quite dramatic in content if not in effect. At the IUOOC pre-meeting the IUOOC Secretary explained he had written to three operators on the subject of recognition, a continuation of the effort to get agreements in these companies, as opposed to initial submissions. Only one company had replied, expressing surprise at the IUOOC's letter given the favourable response from two IUOOC officers following an offshore visit they made in November 1987. According to the response, the officers had been impressed with employee relations in the company, disappointed with the level of attendance at meetings they held, and had enrolled only two new members. The IUOOC Secretary had been in touch with the one of the officers concerned since receiving the letter from the company and had been told that the number of members enrolled exceeded 20. The other official to make the visit was in attendance at this meeting and viewed the description of the favourable comments he had made as "deliberate naivety" on the part of the company concerned. It was agreed that the issue was not the favourable impressions, but the continued refusal of the company to meet with the IUOOC and a statement to the Panel was prepared to this effect, as a manager from the company concerned was present.

During the Panel meeting, however, the matter was raised in a somewhat heavy-handed fashion, the IUOOC Chairman launching, as he did, straight into the grievance with the individual company thereby diverting attention from discussion of the central recognition issue. The IUOOC Secretary acknowledged that the Panel disliked references to individual companies, and that the instance in question was part of a wider issue. The Panel Chairman referred to the constitution and summarised the issue as one of the IUOOC seeking willingness on the part of individual operators to have a meeting on recognition if so requested. He went on to say that the Memorandum is written in a way which presupposes individual companies to interpret arrangements in their own way. At this point frustration erupted into an act of symbolism as the IUOOC Secretary slowly and deliberately tore up his copy of the Memorandum, with the

words, "If the Memorandum is torn up these meetings become worthless ....You and I both know we wish to achieve recognition....We don't submit frivolous claims." The IUOOC Chairman added to this outburst, "If UKOOA thinks these meetings are useless then they should come out and say so". In response the Panel Chairman again stated that UKOOA has no authority with regard to an individual company's management of human resources; its influence is restricted to making recommendations. It was apparent that the Secretary's action caused surprise and consternation amongst some of the officers present.

Another Panel member, long-serving and a former Chairman, told the IUOOC in no uncertain terms that they had two options with regard to the Memorandum: they could continue to have it and accept that its effectiveness varies; or abandon it, as this is what would happen if the Panel went to the EPC and stipulated a uniform interpretation of the Memorandum. For a few moments it seemed that the whole arrangement was about to collapse, but the situation was defused by a trade union officer who suggested that the next time this subject came up the meeting should be video taped, and played back in future meetings, during which those present could adjourn to the bar. More seriously, he said that the Memorandum depended on the balance of power, which would change sooner or later. The IUOOC, he continued, were asking for respect for the document, not for a concession of recognition.

#### Contractors' Practices

The frequency with which contractors' practices were raised, and the obvious importance attached to them illustrates the complex inter-relationships at work in the industrial relations of the North Sea. The EPC has another subcommittee, the Contractor's Liaison Group, which meets with representatives from offshore contractors. Given the frequency with which items are raised at the Liaison Panel relating to contractors' employees it is tempting to ask why the three groups, the operators, contractors and IUOOC, do not sit down together. Strictly speaking the trades unions have no real right to

be represented at talks between the operators and contractors for several reasons. Firstly, the national agreements pertaining to the offshore industry apply only during hook-up, with the exception of the SJIB electrical post-construction agreement, and the OCSA, the latter never having been applied. Secondly, the clients can quite validly argue that issues raised with regard to these agreements are not their (ie operators) business because they are not party to them. Thirdly, and perhaps most important, the IUOOC and the Panel (and presumably the Contractors' Liaison Group) are not entitled to discuss individual operators. It is this last point which continuously thwarts the IUOOC, particularly with regard to recognition-related issues, as the IUOOC cannot legitimately ask the Panel to use their good offices in relation to the progress of a claim submitted to an individual operator. That is not to say that individual companies were not cited (not to mention slated) by certain IUOOC officers, with reference to access as well as recognition issues.

Regardless of whether or not a collective agreement applies at a given point in time, all parties concerned acknowledge a high level of trade union membership amongst the contractors' workforce. It follows from this that the employers, both client and contractor, acknowledge the concern of full time trade union officers relating to undesirable practices on the part of contractors towards their employees (though the response of some employers suggested such union attention was unwelcome to say the least).

Only one IUOOC - Liaison Panel meeting (June 1985) was attended before the dramatic oil price fall of 1986. However this proved to be sufficient to illustrate a difference in atmosphere between the two periods. During the former, an altogether more relaxed atmosphere prevailed, certainly amongst the operators. Following the price crash, the operators were understandably more cautious and uncertain with the result that they appeared to speak with less authority. From some of the discussions heard it would seem that this was the case within their own companies, as well as within the EPC. Given that these were personal impressions and not

open to support from empirical evidence, it would be wrong to overemphasise them, particularly as Table 6 (see overleaf) shows that the content of the 1985 meeting did not differ radically from others attended.

It is especially significant to note that contractor-related issues appeared high on the agenda at the 1985 meeting. The IUOOC on this occasion expressed concern over certain practices of the contractors, particularly with regard to downmanning. The UKOOA response was that it was a matter for the trade unions to take up with individual contractors. An AEU official was reluctant to quote specific instances because of possible repercussions for the contractors, and also due to the fear on the part of the latter that if the workforce was to take industrial action the client would go in and dictate a resolution. In addition, another officer stated reservations regarding the power some individuals enjoyed relating to dismissals, ie the NRB syndrome. The Liaison Panel Chairman, supported by other members, claimed to be ignorant of such incidents in their individual companies. He added that he felt that contractors quite often "hid behind" the operating companies, in response to which the AEU official suggested that if they were truly unaware of what was going on then information was being kept from them. The Panel Chairman then reiterated the view that these were matters between individual trade unions and contractors, to which the IUOOC replied that, being the client companies, they were in a position to exert influence. One IUOOC member suggested a simple scenario: "are you saying that when you want a well drilled you say you'll pay a drilling company £X to drill the hole and just leave them to get on with it?" To the incredulity of all others present the Panel answered in the affirmative. This discussion demonstrates that contractors' practices were giving cause for concern well before the price fall took effect.

**TABLE 6 ISSUES RAISED AT IUOOC - LP MEETINGS**

ISSUE & ORDER IN WHICH RAISED	DATE								
	6/85	9/86	12/86	3/87	7/87	9/87	12/87	3/88	Total
Access to offshore installations	3	3						2	3
Trade union recognition			3		7	4	1	1	5
Contractors practices	1				4	3	2	4	5
Catering (Griffin)		1	1	6	3				4
Helicopter safety/ offshore alternates		2	2	1&3	1	1		3	7
Alleged breaches of agt					5				1
Chinook aftermath			5	4&8					3
Tax changes					6	6			2
Reduction in standby vessels	6								1
Women offshore and the extension of the SD Act	5								1
Medicals/survival certs* for tu officials		4			8	7			3
Vetting of employees by contractor	2								1
Extension of HASAWA	4								1
Fire cover, Aberdeen Airport		5							1
Survival training standards		6	4						2
Future of oil industry						5	4		2
Miscellaneous		7		2, 5, 7					

The next meeting attended at which contractors' employees were discussed (other than with reference to the Griffin and Chinook incidents) took place in July 1987. The IUOOC claimed that some of their members were having to pay for their own survival training, medicals and uniforms. A statement was requested from the Panel on this matter, as the IUOOC was of the understanding that such items were accounted for in the contract price and would therefore be paid by the employer, recompensed by the client, the ASTMS officer having pointed out that if these items were included in the tender price, and employees were paying for their own, this was tantamount to fraud. It was agreed by the Panel that such items were included in the contract price and that specific examples would be useful. One way in which it was alleged that contractors were circumventing this was by restricting recruitment to workers who possessed a valid survival certificate (the survival course costs approximately £300 per person). The TGWU officer present blamed the spread of such practices amongst contractors on the fierce competition between them for work and urged the Panel to issue strong guidelines.

This subject appeared on the agenda of the next meeting (September 1987), when the IUOOC responded to the Panel's request for specific examples. The TGWU officer cited two catering companies which were recovering the cost of survival training from individuals leaving the company voluntarily during their notice period. In another instance, travel warrants (covering costs between the individual's home and the heliport in Aberdeen) were being withdrawn from employees by the caterer. The Panel informed the IUOOC that the issue had been discussed at the EPC, and reassured them that the cost of survival training was included in the terms of the contract. It was also revealed that the operators, as clients, can conduct audits in the contractor companies which should identify those contractors guilty of charging both the operator and its employees. More generally, the TGWU officer stated that there had been no such problem when contracts were issued on a 'cost plus' basis as the oil companies picked up the bill for survival training. Now the squeeze was on, he continued, 'price

pressure' was the result, and contractors were having to guess at prices when bidding for work. His basic argument was that safety and survival training costs should be outside the contract price and therefore outside the competitive arena.

At the December 1987 meeting the subject was raised yet again, when the EETPU official gave two specific examples to the IUOOC pre-meeting, and it was the first of these that the officer wished to be raised with the Panel. The meeting had opened with yet another recognition debate, and then moved onto the contractor issue. This would perhaps account for the almost belligerent manner in which the IUOOC Chairman addressed the matter. He began by saying that at the last meeting the issue of contractors' staff had been discussed on a "fairly broad basis". Since then, he continued, the IUOOC had received a "catalogue of crime....Every time we raise this you say.....(that RGIT certificates are) part of the contract". The EETPU official then outlined his grievance, after first praising "those companies which are more progressive" - ie those companies which include the SJIB PCA(Electrical) rates in their tender documents. The specific contractor causing concern was not only making its employees pay for their own survival course, but was paying 40p per hour below the agreed rate; did not pay its employees during field breaks; did not pay holiday pay; and did not give national insurance credits during leave periods. The workforce were told they could 'sign on' during the two weeks onshore, but if they collected their cards the company would be under no obligation to take them back as they would effectively have severed their employment contract. The EETPU official wanted the Panel to rectify the situation and "make an example" of them. The Panel Chairman pointed out that such practices on the part of contractors were condemned by UKOOA a few years ago.

It was the TGWU official who then took up the issue. Two of the three instances raised at the last meeting had been resolved, he said, but went on to say that "there (had) been no adjustment to the system which puts pressure on the contractors.....We asked you last time if it was possible to have at least some items outwith the area



of competition, for example safety and medicals". The reply from the Panel was that the matter had indeed been discussed at the EPC, the general opinion being that while no individual operator would wish such costs to fall on the employees, the operators did not believe that they should all conform to one (bid) system. If the IUOOC was getting specific complaints then the obvious recourse was to make a complaint to the operator involved (which is outwith the remit of the Panel meeting).

The TGWU officer again suggested that it would be quite effective if operators laid down a standard. It appeared, he said, that though those in the employee relations department paid lip service to the concerns of the IUOOC, those in the contracts department were more ruthless and turned a blind eye. As usual the Panel Chairman could only speak for his own company, but he nevertheless assured the IUOOC that though the employee relations department did not have the final say, it did pay more than lip service. At this the AEU officer spoke out, reminding the Panel that he did not "think there had been a rig built without getting a trade union agreement first. There were no terminals built on a free market basis. No one has tried to do pre-production work without an agreement. Yet the moment production begins, you throw away responsibility. You are the controlling body offshore.....As long as you get the contract trouble free and within budget, I don't see you taking steps to stabilise things. It is going to take something.....of some cost to you....If the men get the ball back at their feet.....they'll kick hell out of you. It will be too late then for reasonable action - they'll want retribution. God help us when we get to that situation.....(Company X) have stopped bidding for offshore work - they are fed up. If (Company Y) do this, where will you be?...[implying a shortage of skilled labour].....The only way to make up for the lower rates is to work more hours - men are working 18-20 hours a day, and are working during their leave period. Accidents will increase....the men you expect to be alert will not be." His concern was reiterated by two other officers. This officer was quoted at length because his contribution summarised the nature and the depth of the IUOOC's concern.

The next exchange was revealing. One of the Panel members expressed sympathy for the predicament of the employees concerned. He wondered why it was continuing to happen, going on to describe the role of his company as that of a policeman, but also as not perfect. His company did not have the resources to do extensive screening, but that did not mean they were not committed to it, he said. A list of specific examples from the IUOOC would be helpful, it was agreed. Furthermore, this manager added that his company was going to embark on more thorough screening of contractors. This seems significant given the concern of the AEU officer in a previous meeting that operating companies would dictate to contractors. It might appear from the above that this was what the same official was now looking for. It would be wrong to misconstrue this as a volte-face on the part of the union official. The central issue for the IUOOC is the pragmatism on the part of the operators: exercising considerable influence, if not control, via the competitive bid system, stipulating when trade union agreements can or cannot apply, yet they can avoid accepting responsibility for any misdemeanours or shortcomings which occur in the contract arena.

The AEU officer then asked the LP to look into the practice of requesting labour on an ad hoc basis, eg asking for six welders and then deciding only two are required. The remaining four welders would be laid off without pay. In response he was told that the operators are led to understand that contractors have a pool of manpower on whom to draw on a flexible basis. He was quickly informed that the contractors may have a pool of manpower, but do not have men sitting at home on pay. The Panel Chairman then acknowledged that while he was aware of a move towards a flexible workforce, he was not fully aware of how it works. This was a remarkable admission and, if widely applicable, would suggest that the development of such a workforce in the industry was an inevitable, unforeseen result of competitive tendering, as opposed to a strategic policy decision by the oil majors.

At the March 1988 meeting, the EETPU officer again referred to the contractor who had not been paying leave pay and so on. He was grateful, he said, that the contractor had given his workforce an increase of 40p per hour, bringing them up to the SJIB rate. However, he pointed out that though the operator concerned believed the contractor to be paying national insurance contributions during leave periods, the officer had payslips in his possession which clearly showed the contrary. Again the Panel took his comments on board. The fact that in the three months between meetings an important movement had been made (though the contractor had stressed there was no connection with the IUOOC - Panel discussion) is an illustration of the value to the IUOOC of continuous dialogue with UKOOA, even if for much of the time the meetings seem to be simply a ritual. Another such illustration was the way in which the Griffin incident was contained, to a large degree as a result of talks between the IUOOC and Panel.

#### The Griffin Incident

As described in the previous chapter, this incident took the industry by surprise and, by threatening the continued existence of COTA, threatened to bring back the uncertainty and instability to that sector which COTA's creation had sought to remove. In the wake of the event some dismissed the possibility of industrial action by trade union members and the break up of COTA as 'sabre rattling'. However at the time these were undoubtedly very real possibilities, causing considerable concern to many companies in the industry. Throughout the Griffin incident and the ensuing wage wrangle the value of the IUOOC - Panel dialogue to both parties became clear.

The Griffin bid was accepted by the operator concerned in June 1986. The matter was therefore top of the agenda for the IUOOC at the meeting with the Panel in September of that year. The appropriate officer (TGWU) outlined the severity of the situation. As a result of the reduced rates, and having to pay their own travel and uniforms, some catering workers were earning little more than they would on state benefits, he argued, and therefore they were

questioning the value of going offshore, particularly if they had a family. Furthermore, he continued, the 'two on - two off' rota was under threat (there had been persistent rumours of a move back to 'one on - three off', to cut costs). The officer informed the Panel that he had called a shop stewards meeting, and intended to ask them to canvass the members for strike action. He regretted that he could see no other option, but said he would gladly listen to suggestions.

The Panel Chairman, a manager who sat on the Panel throughout the fieldwork, revealed that the matter had been aired at the UKOOA Council, but the body felt unable to give an industry-wide commitment to COTA; this was a reflection of the various views within UKOOA. Obviously, he continued, they were concerned about maintaining orderly industrial relations offshore, but they could give no commitment. He asked about the remit of the forthcoming shop stewards' meeting. In reply he was told that it was to generate support for action, and put the wheels in motion to organise a ballot (which, he stressed, did not derive from legislation, he had always worked this way). The officer also made clear that he was aware of, and accepted, the difficulties in organising action.

Another officer interjected at this point, stressing that "everyone knows the operators control contractors' rates, despite public denials to the contrary." Perhaps significantly, there was no such denial on this occasion.

Another Panel member suggested "letting the situation ride", but this was rejected by the union officer. "Snowballs gain momentum", he said, and "if reduced rates become the norm, even the most responsible operators will find it difficult if not impossible to justify to their own people paying COTA rates and therefore markedly higher catering bills." At this, a third officer assured the Panel that his union would be "uncharacteristically sympathetic" to the TGWU, because of the potential threat to agreements held by his own union if the COTA agreement was successfully crushed.

A manager from the operating company which had accepted the Griffin bid was present and he addressed the meeting at this point. "As a result of this issue UKOOA, and other companies, are totally divided because the industry is in crisis. We have paid very high salaries in the past when times were good, and there is still a large differential between rates in oil and industry elsewhere in Grampian. The company's income has halved in the last 18 months....We wish we could find a solution.....strikes are not the answer and I don't think (the TGWU officer) thinks so either."

The officer who had initially intervened again spoke up, with the comment, "The crisis has developed in the last 12 months. Where were you in the last five years when we wanted protection in the form of agreements?" The TGWU officer explained that "the caterers are being asked to shoulder a burden which isn't theirs - it would be easier to swallow if the oil companies made some cuts in their own staff wages." The second officer queried the possibility of getting catering workers involved in the two hook-ups taking place. This was clearly aimed at emphasising the impact of the meeting when the Panel reported back to the EPC, as representatives from the two companies which would be hit were present. The TGWU officer replied that the union could not sustain action taking some members in and leaving others out unless action was undertaken in very limited circumstances, for example, if only one or two companies were accepting non-COTA bids. The discussion was concluded by the Panel Chairman who told the IUOOC that he would be reporting the discussion back to the Director General of UKOOA.

At the IUOOC pre-meeting in December 1986, the TGWU officer was able to inform the Committee that preparations had been made for a strike ballot, but three days before it was due to take place the Panel Chairman had contacted him to say that the next catering contract out to tender had gone according to COTA arrangements. The following month was due to see the negotiations between COTA and the TGWU which had been postponed from July 1986. A six month wage

freeze had been accepted due to the uncertainty prevalent in the industry because of both the price fall and Griffin. The Committee was informed that the workers were looking for a 3% increase - but the employers were seeking an 18 month wage freeze, as described in chapter 9.

Hence the Panel Chairman was able to open the meeting with the statement he was "pleased that sense had prevailed and that it (appeared) the heat had been taken out of the situation". The officer concerned replied that it was stable at the moment, though he was hoping for a change of heart on the part of the offending operator. He then went on to inform the Panel, as he had the Committee in its pre-meeting, that the catering workers intended to pursue a wage claim of 3% in January and that the catering companies had been advised of this. "In addition", he told the meeting, "we have managed to agree savings with the companies which are small but significant". Thus the December meeting was simply an update of the situation as far as the Griffin/COTA issue was concerned. By the March 1987 meeting, however, events had taken a new turn.

The officer told the Panel that the workers had failed to agree an increase with the catering companies but stressed that he was not implying that industrial action was imminent in pursuit of a 3% claim. The employers had been asked to agree to referral of the matter to arbitration, but this was problematic as the caterers had no guarantee that the clients would absorb any increase. Therefore the officer requested that the matter be raised at the EPC, in the interest of harmonious industrial relations. Arbitration would be binding, but if no consensus was forthcoming from the operators, then it was unlikely the caterers would agree to go to arbitration. In this event, the options open to the union would be narrow. He asked the Panel if there was anything it could do, and his request was acknowledged.

At the meeting in July 1987, the TGWU officer raised the matter again with the specific intent of encouraging some input from the Panel into a forthcoming meeting between UKOOA's Contractor's Liaison Group and COTA to be held in August. The IUOOC was informed that the catering workers were claiming a 6% increase, given that the last award had been made in July 1985. Such was the submission to the Panel, the officer asking the Panel outright to have an input to the Contractors Liaison Group - COTA meeting.

The July meeting was the last attended at which catering workers were discussed in this fashion. A tactical decision was taken at the September pre-meeting not to introduce the topic at the Panel meeting. It was thought that this would be more effective as it would keep the operators wondering as to the state of play.

#### The Chinook Tragedy

On the afternoon of Thursday November 6th 1986 a Chinook helicopter, carrying oil workers from the platform on which they worked, plunged into the sea killing 45 men two minutes before it was due to land. One oil worker and the pilot survived. The helicopter was under contract to Star Oil, the operator which has agreements with the ASTMS covering five platforms, including that from which the Chinook was returning. Only nine of those on board (47) were employed by Star, the remainder, by contractors. The aftermath of the tragedy clearly demonstrates the firm grip which this operator had over industrial relations.

The IUOOC held a special meeting on the 21st November to discuss the accident; this meeting was not attended as part of the fieldwork. Six union officers attended, as did a representative of Star Oil, though from the minute of the meeting circulated by the Secretary it appears he did not address the meeting. The BALPA representative (himself an employee of the company which owned the Chinook, and a Chinook pilot) gave a report on the cause of the accident, and an explanation of how it was believed the technical fault occurred. The general conclusion of the Committee was that

further investigation should and would be carried out before officials made any recommendation to their members as to whether or not they should fly in Chinooks if and when they returned to service. It was agreed the matter would be discussed further at a meeting scheduled to take place immediately after the Panel meeting of December 1986.

At this Panel meeting, the IUOOC asked whether UKOOA had made any decisions or talked to the CAA regarding helicopter safety in the wake of the disaster. The Panel Chairman was not aware of any such movement, but reminded the Committee that in the last year UKOOA had allocated £500,000 for helicopter research, a figure matched by the CAA. The IUOOC Chairman brought the discussion round to the Chinook incident, referring to the intense media interest and speculation. An ASTMS officer outlined the position the trade union officers found themselves in, saying they would have to adopt one of three lines to members if Chinooks were reintroduced: "fly in them; don't fly; or it's up to you but we will support your decision".

At the special IUOOC meeting held later, which it was possible to attend, the Committee heard evidence from two invited experts. However, the Committee still felt unable to reach a firm conclusion, requiring more evidence before deciding on a course of action. It transpired that virtually all of the officers had been contacted by members asking for advice as to whether or not they should agree to fly in Chinooks, or what support the unions could and would give them if they refused. This was particularly applicable to contractors' employees who formed the bulk of IUOOC membership, and who could be 'NRB'd' without reason and without notice. The usual end result of an NRB was dismissal or redundancy. Given that all this was taking place before Star's announcement that the Chinooks would be grounded pending analysis for three to six months (7/12/86), the officers showed a good deal of restraint and responsibility in a situation which they could have exploited.



The above gives an impression of the mechanics and atmosphere of the meetings, but the special meeting of the IUOOC in December 1986 and the IUOOC - Panel meeting of March 1987 were particularly revealing.

Star's decision to ground the three remaining Chinooks took the immediate pressure off the Committee, it was agreed at the special meeting (December 1986). The unions made use of the opportunity to assess their position. The Chairman acknowledged that the unions did not have much strength to do anything in support of a member who refused to fly in a Chinook. It was generally agreed that although there was a past history of complaints about the Chinook regarding cramped conditions, noise, number of exits etc, and in spite of continued feeling amongst offshore workers that they would prefer not to have to fly in Chinooks in future, most - if not all - of those working on Star platforms would fly in it, however reluctantly, if it was reintroduced. The Chairman summarised their position when he said that everyone would have to say they would not fly in a Chinook for a protest to be effective.

The question was asked what the unions could do to support an individual who refused to fly in a Chinook, and was thereafter disciplined by Star or his employer. The ASTMS officer, custodian of the recognition agreements with Star, replied that as Star refused to deal collectively, it would have 500 individual disciplinary cases to deal with which the officer would string out. He recognised that it was different for members who were employed by contractors. Though it was a high level, emotive, and public issue, to refuse to fly would be a technical breach of contract, and therefore he stressed the importance of solidarity amongst the workforce. This officer later referred to a public statement made by Star to the effect that the company would not discuss Chinook safety with the ASTMS or any other trade union, and restated his belief that it was an industrial relations matter. He was supported by another officer, who claimed that Star's moratorium on the Chinook was the result of an industrial relations situation which they could not handle.

The remainder of the meeting revolved around the decision to try and gain IUOOC representation on the Helicopter Operators' Liaison Group, a CAA committee on which UKOOA and BALPA were already represented. Again the Committee did not come to a firm conclusion, though the discussion showed perception and concern. A statement was released to the press:

"The recent decision taken by (Star Oil) to delay the reintroduction of the Chinook helicopters into the North Sea operations for a period of three to six months has allowed the IUOOC more time to further examine all aspects of the incident and what advice it may subsequently wish to give to trade union members working offshore."

It would be wrong to construe this as indecision or 'fence sitting' on the part of the IUOOC. Comments made during the discussion revealed considerable insight, a high degree of background work between meetings, and - perhaps most significant - a solid grasp of the realities of the situation. To act differently may have jeopardised the interests of their members, and destabilise further an already delicate industrial relations climate.

It so happened that the IUOOC - Panel meeting of March 1987 was the first to be chaired by the incoming Panel Chairman, an employee relations manager from Star Oil, London. The Chinook matter was the fourth item raised at this meeting, following on from a more general item on helicopter safety.

Star Oil (represented by the LP Chairman) declined outright to meet with the IUOOC and reminded the Committee that the meeting was not at liberty to discuss individual companies. The Committee Secretary argued that it was an issue which went above individual trade unions and it could go above individual companies if others consider using the Chinook. (It was known that a second operator had a contract about to take effect to use Chinook helicopters.) A second officer pointed out that this was "not a case of a recognised union being denied appropriate facilities. Quite properly it is the concern of the IUOOC which has been very careful and done its utmost

to be completely objective". The central question for the IUOOC, he explained, was whether the Chinook helicopter was significantly less safe than others, ie to a degree which would justify removing it or recommending that their members do not fly in it. Thus it would be of great help if the IUOOC could get information from the operators regarding their intentions, and what further safety checks were being carried out.

The Panel Chairman replied that when a decision had been made it would be communicated and explained by Star to all those affected through its domestic machinery. The electricians' representative reminded the Chairman that only nine people on the Chinook had been employed by Star; all others were contractors employees, whose dependents and colleagues would not be helped by the domestic consultation machinery stressed by Star.

At this point it was agreed to move on to the next item on the agenda and return to the Chinook matter later. It became apparent that the IUOOC took this to mean later in the same meeting, though it could be suggested (albeit not proven) that the Panel - and in particular its Chairman - thought it meant a later date. In the interim, the IUOOC requested copies of the operators' submission to the Parliamentary Subcommittee gathering evidence on the effect of the oil price fall; the TGWU officer brought the meeting up to date with developments in the catering sector, and then the Committee Secretary passed on a request from a researcher for access to accident records. This generated into a lengthy and inconclusive discussion around the wider issue of access to the oil companies by researchers. Finally attention was reverted back to the Chinook matter, to the irritation of the Star manager.

He pointed out that it was not a UKOOA matter and that the IUOOC had no rights. Furthermore he stressed that no individual union had a right to be involved as the ASTMS agreements specifically exclude rights on safety matters. The TGWU officer pointed out that he had relevant recognition agreements pertaining to contractors' employees: where was his access? He was told, "with

their employer". Another Committee member asked why Star could not just agree to an informal meeting? The meeting was told that over the past 30 months the unions had "done a deal" with Star at their gas terminal, and that in the previous six months they had been "wooded by Star - taken to every fancy hotel in Aberdeen". He addressed the Panel directly, asking, "are we persona non grata unless you want our help?" Another Panel member attempted to defuse the situation by acknowledging the wider question posed with regard to other operators using the Chinook, and it was clear that there was no wish on the part of the Panel to continue the discussion further.

The manner in which this issue was handled clearly demonstrates the relative strength and position of the parties around the table. Within the IUOOC, it was in the handling of this highly sensitive issue that the Committee was collectively most impressive. It acted responsibly, objectively and reasonably. Yet the operator concerned had no hesitation and no difficulty in keeping them out of the matter completely. Not even the recognised union, ASTMS, could gain access to the deliberations of the operator concerned, and the official was publicly reminded (if not rebuked) that he had signed a representation agreement specifically excluding safety matters. Whilst it would not be valid to generalise from the conduct of this one operator, it is reasonable to suggest that if the company with which the trade union movement has had most success can virtually ignore the individual union and the Committee as a whole, then the IUOOC has a very long road ahead to fulfil its aspirations of organising the core labour force in the North Sea.

### Summary and Assessment

Though it might appear that IUOOC - Panel meetings are largely a ritual, going through the motions of consultation, there were times when its true value became apparent. For instance, the Griffin incident and the period of uncertainty which followed it served to illustrate the real value of maintaining a dialogue between the IUOOC and UKOOA, as represented by the Panel. There is no doubt that communication between the two bodies at this time played a part in containing the crisis.

From the IUOOC meetings attended it could be seen that the collective performance of the Committee differed markedly according to the nature of the issue in question. There appeared to be a clear divide between the manner in which certain issues were handled. The difference rested on whether things could be described as 'fire fighting' or 'strategic'. The former type of issue, by definition, requires immediate attention and action; the latter is more long term. 'Fire fighting' involves reaction by the Committee, 'strategy' requires them to be proactive. The Griffin and Chinook incidents are 'fire fighting' issues, as are contractor-related items. Recognition and the recognition procedure are matters of strategy. It has to be said that the IUOOC handled 'fire fighting' issues far more competently than strategic ones, albeit to varied effect. Their conduct in the Chinook matter was particularly impressive, as previously stated. Perhaps this is not altogether surprising given that such issues form a large part of their normal workload.

Furthermore, the raising of certain contractor practices did, on occasion, result in the remedy of a situation detrimental to employees, as discussed above. On other occasions the IUOOC were dismissed and told to take the matter up with the contractor concerned. This sometimes caused frustration on the part of certain trade union officers, understandably. However the major problem for the Committee was gaining recognition. The similarity of agenda in the meetings attended points to the limited (some might say lack of)

progress made by the IUOOC over the last three years. In spite of the fact that the IUOOC, in particular the ASTMS, has claimed substantial growth in membership amongst employees of the operators, the UKOOA members (with the exception of Star) have successfully withheld recognition.

It was in the handling of this matter that the shortcomings of, and difficulties facing, the IUOOC were most apparent. Undoubtedly their task was difficult but this is all the more reason for the Committee to make the best use of avenues open to them. Whatever their limitations the Liaison Panel meetings are the only formal, direct line of communication to the oil companies collectively. By raising matters with the Panel the IUOOC can bring them to the attention of UKOOA as a whole. Hence it seemed strange, given the potential value of these meetings, that the Committee was so poorly prepared. To expect anything of great value to come from a meeting for which the agenda was submitted only minutes before is naive, not to say unprofessional. When approaching wage negotiations the individual union officers do not submit the claim on the morning that the negotiations open; instead this is done some time in advance to allow management to prepare a response. Prior submission of the agenda is particularly relevant in light of the fact that the Panel cannot speak for the oil companies either individually or collectively. Thus if the IUOOC want a response from the Panel it is necessary to submit the matter to the Panel prior to an EPC meeting held before the IUOOC and Panel are due to meet.

Secondly, holding an IUOOC meeting on the morning of the Panel meeting restricts unnecessarily the time available for the latter. Some managers on the Panel were London-based, and some of the officers themselves were based some distance from Aberdeen (eg Inverness, Norwich) and therefore had trains or planes to catch. The officers themselves have heavy workloads which may require them to attend a meeting or undertake a journey after the meeting. To be effective the Committee must make maximum use of the time available,

and this cannot be done by taking an hour and a half to two hours to decide what to talk about with the Panel. Some of the matters raised in pre-meetings had absolutely nothing to do with the Panel - for instance the question of arranging a visit to lobby the Shadow energy spokesman, and election of office bearers.

Thirdly, the lack of preparation reduces the effectiveness of the case the Committee is able to present, particularly with regard to recognition problems. The Committee is well aware that the Panel is not at liberty to discuss specific companies, yet they persistently attempt to do so. Not only is this a futile exercise, it makes the Committee look unprofessional and, more important, damages its credibility.

Furthermore it was sometimes the case that some of the union officers would go over and over the same ground without making any fresh points. Again this happened in connection with the recognition issue, but also with regard to contractors. This could perhaps be due to the fact that each officer is used to a considerable degree of autonomy, and to being his own spokesman. Whatever the reason, it wastes valuable time.

Because the IUOOC members had not properly prepared themselves for the meeting, the items on the agenda were not listed in order of priority, nor responses prepared. To some extent it seemed the Committee threw an idea across the table to see what happened, and was then disappointed with the result. The most glaring example of the failure to establish priorities occurred at the March 1987 Panel meeting when the best part of half an hour was spent discussing the access given by operating companies to academic researchers (this item did not refer to the author's presence). This was a waste of valuable time given that the meeting was due to return to the Chinook issue. It also suggests a lack of discipline in the Committee. Shop stewards are warned against getting bogged down in trivialities (such as the canteen) in their training on negotiating

practice as this diverts attention from more serious issues. This is exactly what happened at the March meeting. The Panel were probably quite happy to spend time on the research issue (initiated and sustained by the IUOOC) a 'tea and toilets' matter, albeit an intellectual one.

The intense frustration generated by the continued failure to overcome the opposition is understandable. The trade union officers are trying to do a difficult job (particularly in the present economic and legislative climate) in organising a workforce which already enjoys superb terms and conditions.

The Panel is made up of highly trained professional managers, well aware of the relative positions of the two parties. It was therefore unwise to suggest once, let alone several times, that the Panel meetings were futile and the Committee should therefore withdraw from them. Some hawkish companies may yet call their bluff and, whatever their inadequacies, these meetings are the only door open to the unions. If they slam it shut they could hold their progress up for years. The dramatic tearing up of the Memorandum of Understanding may prove to be an expensive gesture the Committee can ill afford. The Committee's limited progress cannot be credited solely to the intransigence of the operating companies: they must look at the effectiveness of the IUOOC and put their own house in order. The Panel is not simply holding the unions at bay, the Committee restricts its own effectiveness.

One consequence of the lack of IUOOC coordination between Panel meetings is that everything is prolonged: correspondence is slower going out; the Secretary, carrying a heavy workload, is forced to decide which matters should take priority, inevitably a subjective decision; and there is no doubt that certain things get put aside indefinitely. For example, at the Panel meeting of December 1986, the Secretary of the IUOOC said that problems had arisen over the years from the loose wording of the guidelines (Memorandum of Understanding) and therefore the Committee intended to review them. The subject was never mentioned again.



As it stands the Committee's problems are to some extent self perpetuating; some of the officers question the value of the meetings with the LP, if not the value of the Committee itself, given its limited progress, and this perhaps also contributes to the relatively low attendance. However, if the Committee was better organised and prepared, it could be more effective. But it won't become more effective until it becomes better organised.

The shortcomings of the IUOOC are only one of the factors identified as contributing to the difficulties of the union movement in organising the employees of the major oil companies. In the past the usual explanation given for this has been the physical and logistical difficulties of organising a scattered workforce. In the next chapter this factor, and others, will be discussed.

### References

- (1) A helicopter crash on 6th November 1986 which killed 45 workers, discussed later in the chapter.
- (2) Offshore visits by trade union officials are made in pairs, not least because of inter-union suspicion. The officers represent all IUOOC unions on such visits and therefore deal with issues raised by members of all IUOOC unions.
- (3) "Offshore workers may earn £24,600", Philip Bassett, Financial Times, 2/9/87; and "How to judge a good job", Bob Eadie (EETPU officer), The Press and Journal, 9/9/87.

CHAPTER ELEVEN  
OBSTACLES TO OFFSHORE TRADE UNION ORGANISATION

"The role of the unions will grow in importance, particularly with respect to their policies towards manning and demarcation. So far in the North Sea story the unions have been remarkably quiet; it is unrealistic to suppose that, once production rather than exploration and development has become the main North Sea activity, the unions will not assume a much more influential role than at present. So far the companies have been only too happy to see the unions kept at a distance, as indeed has been the government. This situation will not last much longer." (1)

The pattern of industrial relations described in this thesis suggests that it was in fact Arnold who was "unrealistic" in his forecasts of 1978, as the companies have indeed kept the unions at a distance, unless it suited their purposes to do otherwise. In this chapter a number of factors will be identified as contributing to the successful continuation of the operators' policy of pragmatism towards trade union involvement and recognition.

The usual explanation given is the geographical isolation of the offshore workforce, and the fact that the workforce is scattered when onshore. For example, the 1987 Oil and Gas Update, produced by Grampian Regional Council, estimated that in 1987 only 32% of offshore workers lived in the Grampian Region (2), in spite of the fact that the operating companies have tried to encourage their offshore employees to move to the Aberdeen area, and contractors seeking to reduce their travel costs have sought to recruit Aberdeen-based personnel, with the result that many obtained an Aberdeen address, at least for postal purposes. Undoubtedly the location of the workforce offshore, and its subsequent dispersment during leave periods creates difficulties for the trade unions in recruiting and retaining members. Trade union officers cannot stand at the factory gate, for instance.

Maintaining the lines of communication is difficult: branch meetings are impossible offshore, and almost impossible onshore, given the geographical spread of the membership and their apathy. Having spent a fortnight away from family and friends, attendance at union meetings usually ranks low on their list of priorities. In addition, these communication difficulties make it very difficult to organise and co-ordinate support from the membership in pursuit of a particular line of action. For example, Buchan wrote of the catering workers' strike of 1979:

"The reason for the ultimate failure of the trade union action stems directly from the problems connected with organising and representing an offshore workforce. The trade unions were hampered by problems of co-ordination of effort and communication of intent." (3)

Similarly, efforts by the EETPU and AEU to organise a strike in 1986 as part of a campaign to obtain a post construction agreement were abandoned, largely because by the time a strike ballot was organised (in compliance with legislation) the oil price had plummeted and there was great uncertainty in the industry.

However, the geographical isolation of the workforce is too simple an explanation. In similar circumstances the NUS manages to maintain contact with its (dwindling) membership without the facility of visiting vessels at sea by helicopter. With sufficient will and commitment on the part of union hierarchies, for example investment in a computerised register of members working offshore, something could perhaps have been done towards reducing the problem posed by a scattered workforce.

The 1980s have been a traumatic time for the trade union movement in Britain as a whole. Union density has fallen from a peak of 55% in 1979 to 43% in 1985 and continues to fall. Between 1979 and 1986 total union membership fell by almost three million (22.3%). There is no doubt that legislation passed by successive Conservative governments since 1979 has made it more difficult for unions to undertake, and mobilise support for, industrial action of any kind. Hence when the electricians and engineering unions

attempted to undertake a strike in 1986, their attempt to ballot the workforce, as required by legislation, was hindered by the refusal of contractors to supply names of those in their employment. This assistance was vital if everyone entitled to vote was to receive a ballot paper, since the loss and gain of contracts by firms results in constant movements by workers between employers, movements with which the District Officers were not kept up to date. Furthermore the legislation in respect of secondary action effectively prohibits mobilisation of workers not employed by the employer in the dispute (unless they are employed by a customer, supplier or associated employer of the employer concerned) as immunities in respect of claims for damages will be lost in these circumstances.

As well as drastic membership loss resulting from a rapid increase in unemployment, and the constraints imposed by legislation, the union movement has been affected by significant changes in the pattern of work. Firstly, the effects of the recession have not been spread evenly across all industrial sectors, and those industries which have been worst hit are in the main to be found in the traditional trade union heartland. On the other hand, the two areas considered to have most growth potential with regard to employment - the service and high technology sectors - have a much higher incidence of non-unionism.

Secondly, there have been significant demographic changes in the pattern of employment. Between 1980 and 1985 1.5 million male jobs were lost, compared with 300,000 female jobs. Since mid 1983, there has actually been an increase in female employment. However, this has been almost totally in part-time employment, and mainly in jobs which are difficult for trade unions to organise effectively and efficiently, eg in supermarkets, hotels, and in the 'hi-tech' sector where the incidence of non-unionism is high. In addition, the number of self-employed has risen considerably, almost 400,000 since mid 1983, all potential union members. (5)

Thirdly, it has been argued (6) that new companies, particularly in the 'hi-tech' industries, have sought a new labour force - often young, often women, and without trade union experience. The nature of the work in the expanding hi-tech sector referred to earlier also has implications for the trade union movement; people tend to work on their own, as opposed to on a production line, the latter being more likely to induce collectivism. These jobs also pay relatively well, provide high levels of job satisfaction, and the individual emphasis is often enhanced by pay systems which reward individual achievement.

There have been changes in the labour force itself. Home ownership is common and increasing among the membership of even the most militant unions, and for large sections of the labour force there is no longer an automatic identification with the traditional socialist ideals which some trade union leaders still espouse and pursue. This was borne out in the 1983 General Election, when even a quarter of the unemployed voted for the Conservatives.

Yet all of the above are problems of the 1980s. The feature which requires explanation is the failure of the unions to organise effectively the offshore industry prior to becoming beset with the crises of the eighties. Despite the relative buoyancy of the oil industry there is no doubt that the prospect of joining a lengthy dole queue induces compliance with management's wishes on the part of the workforce.

With regard to those employed by the operating companies, there are several contributory factors. The interviewees themselves cited a "team" or "family" spirit created amongst the workforce on an offshore installation which negated the need for any collective organisation. Furthermore, some interviewees said many of the workforce, certainly initially, had been recruited from the armed services as it was believed that they and their families would adjust more easily to the offshore work cycle. Having been in the armed forces, these individuals had no experience of, and little

propensity to join, trade unions. Others, interviewees claimed, applied for offshore work in a bid to escape restrictive practices at their place of work, and therefore had a negative attitude to trade unions.

There is little doubt that the remuneration package enjoyed by the employees of operators pre-empts trade union recruitment. A survey carried out by an officer from the EETPU (7) gave figures of between £20,200 and £23,000 (including offshore allowance) for an "hypothetical operator-technician". This being the case it is understandable that the unions have experienced some difficulty in recruiting members from the operators' employees, given that they could not hope to improve the terms and conditions. However the survey highlighted "issues affecting job security" as "the primary reason for joining and staying in a union for such workers" (8). This will be discussed further below.

The previous chapter outlined claims from the IUOOC that they had enjoyed some degree of success in recruiting a significant proportion of the workforce in several companies, and had submitted claims for recognition, which they had been pursuing at length. Under previous legislation "there existed statutory machinery whereby an independent union could seek to compel an employer to grant it recognition through an application to ACAS"(9). This provision in the Employment Protection Act 1975 was repealed in 1980, and therefore this avenue was closed to the trade union movement, though the ASTMS did make use of ACAS's good offices to obtain the recognition agreements with Star Oil in 1985. The fact that no such assistance was sought prior to 1980 suggests that the IUOOC and its constituent unions had not achieved a significant proportion of membership at that time.

Union recruitment plans have fared better amongst workers in the contract sectors. As discussed in chapter 4, the AEU, EETPU and GMB successfully pressed for an agreement covering hook-up work (the OCA) and the EETPU have a post construction agreement. However, application of the OCA is restricted to work carried out in the installation's final position, and ends at the stipulation of the operator, who is not a signatory to the agreement. Similarly the latter agreement only applies to companies in the contractors' associations. Despite persistent pressure the unions have been unsuccessful in their attempts to achieve an agreement covering non-electrical post-construction (ie maintenance) work.

A key element in the control of the the industrial relations system as enjoyed by the operating companies is the practice of competitive tendering. This has a number of implications for industrial relations. Firstly, many workers have insecure employment as they face being laid off if their employer loses a contract, or at best are then at the mercy of the incoming contractor. This is likely to reduce their propensity to challenge management. Hence it is against their interests to agitate or organise on behalf of a union. As one union officer put it, a few years ago he had 60 shop stewards offshore, at the time of interview (1985) he had four. This was partly due to a reduction in activity as the industry's expansion reached a plateau, but also stemmed from a fear on the part of the individuals concerned that they might be "Not Required Back" (NRBed) or even put on a blacklist. Although protected by law against dismissal for trade union activities, in reality an individual is extremely vulnerable as the operators retain the right to remove an individual from an installation, or refuse to have an individual on board.

Secondly, the competitive tendering system in labour intensive sectors discourages employers from entering into and retaining collective agreements as they are perceived as handicapping the firm's ability to compete. Hence unless all the firms in the market agree to abide by a set wage rate (eg COTA), and this action is



sanctioned by the operators, collective agreements are highly unlikely to be made, and even if made, are unlikely to be applied. The OCSA, for example, was not sanctioned and has never been used.

Thirdly, the operating companies 'vet' prospective contractors (though to varying degrees) and this process includes an examination of the industrial relations record of the contractor concerned.

The above factors are formidable obstacles for the union movement to overcome, but the fact remains that there are additional difficulties stemming from the union movement itself. One of the most significant was the multi union aspect, which gave rise to inter-union rivalry. As a result, the unions concerned expended time and energy fighting amongst themselves in the competition to recruit operators' employees. This has been sharpened by the stipulation in the Memorandum of Understanding (Recognition may be Achieved) that "application for recognition would be made by the IUOOC on behalf of one or more member unions on the basis of applying to a Common Interest Group" (clause 3).

Observation of the IUOOC both internally and in its dealings with the Liaison Panel of UKOOA's EPC revealed a relative lack of strategic thinking on the IUOOC's part. For instance, though the Committee agreed that at least some of the problems they were experiencing in gaining recognition stemmed from loose wording of the Memorandum, and that it should be redrafted, nothing was done about it. Similarly, instead of making co-ordinated plans to step up recruitment to achieve recognition, it appeared that the Committee tended to go over the same issues again and again in meetings, particularly with the Panel. Conversely, the Committee proved to be most effective in a crisis as discussed in the previous chapter. This is partly due to the reactive as opposed to proactive nature of the union movement, but also to the heavy and diverse workload borne by the individual officers. Offshore visits, for example, take two working days from an officer's week, and it is in any case difficult for officers to maintain a presence offshore as

visits are arranged at the operators discretion. Furthermore, none of the officers' posts are confined to the oil industry; all are required to service a membership which is scattered over a large geographical area, and which is industrially diverse.

The problem of inter-union rivalry is not confined to the IUOOC. It is one which has been cited as adversely effecting British industrial relations, and has been one of the factors behind the legislative reform of the industrial relations system by the Conservative administrations since 1980. It inhibits the effectiveness of the trade union movement at a micro and macro level. For example the TUC has been absorbed for some time now in a review of trade union strategy and structure which in theory is commendable but in practice has centred around division in the movement relating to the conduct of the EETPU, ostensibly with regard to their collection of 'new style' or 'strike free' agreements. In addition inter-union rivalry damages the movement's public image quite badly, as was seen in the Ford Dundee venture. The situation is exacerbated nationally by the retention of autonomy by individual unions and the limited authority of the TUC, and locally, by the lack of authority of the IUOOC over its constituents.

Rivalry is fostered by the structure of the IUOOC, as touched on in the previous chapter. The fact that the Secretary had held office for about eight years inevitably put his union at an advantage, but the Committee benefits from the continuity. With the benefit of hindsight, it would seem sensible to suggest that the movement's interests would have been better served if either a new union had been established for the offshore workforce or, more realistically, funding provided by the TUC or IUOOC constituent unions to employ a Secretary from outside and set up premises, preferably near the heliport. Furthermore, a paid, full time officer of the Committee could organise and run the business of the IUOOC more efficiently and therefore more effectively, simply because that would be his or her only area of responsibility. Hence projects such as the redrafting of the "Memorandum of Understanding, Recognition may be Achieved", could be followed through.

The loose wording of the Memorandum has been a handicap to the Committee since it is wide open to a variety of interpretations. The Secretary of the Committee expressed surprise that the Committee (which included himself) had accepted the Memorandum as it stands. Perhaps the Committee at the time (1977) had been complacent, to some extent understandably. The government of the day was not hostile to trade union aspirations. The union movement was undergoing a period of sustained growth, and enjoyed considerable influence in Whitehall. In 1976, the IUOOC submitted a Ten Point Charter (10) to the Energy Minister, Tony Benn (see overleaf). As a result, the IUOOC were invited to send representatives, as were the TUC, UKOOA and senior management from several operators, to meet with the Minister. However, the eventual outcome was far less radical than the Charter; it was in fact the Memorandum on Access. According to Campbell (11) the Charter was not even discussed with the Secretary of State. This would appear to be a quite remarkable oversight on the part of the union movement, not to mention a loss of opportunity. It would be misleading, however, to overstate the commonality of interest between the unions and the government. Arnold wrote,

"curiously, a Labour Government which is often ready enough to press union matters in other respects has kept remarkably quiet about union participation in anything to do with oil. The government needed the oil to flow too urgently to contemplate any union complications and to the end of 1977 had had very few of them.....(12)

The unions .....tend to blame the government for not exerting greater pressure upon the oil companies. The government, whatever the Labour Party's ties with the trade union movement may be, has been more interested in getting the oil flowing fast and so has not wanted to promote more clashes with the companies than necessary."(13)

## TEN POINT CHARTER

1. That all companies engaged in the offshore oil industry in exploration, extraction and production recognise the right of the IUOOC to recruit, represent and to negotiate terms and conditions of employment for all employees falling within their sphere of influence.
2. The right of access for Trade Union officials to visit installations for discussions with their members and elected representatives.
3. The application of a single Code of Health and Safety which will cover all aspects of the offshore operations i.e. the incorporation of the Health and Safety at Work Act 1974.
4. The setting up of a National Board (Offshore Development) which would deal with wages and conditions and regulations of all personnel working offshore. The Board will be representative of the workers and the management of the various enterprises.
5. Inherent to the establishment of the Board would be that all personnel would become members of the appropriate trade union.
6. The Board will work in close relationship with all relevant Government departments to ensure that the industry was answerable to Parliament.
7. The establishment of an agreed conciliation procedure which would speedily resolve issues of dispute.
8. The acceptance by all employers of the check-off system of dealing with trade union subscriptions.
9. That all future licences be issued conditional on the rights of employees being represented by the IUOOC.
10. That it should be a further condition of licence that standby vessels, supply ships, survey ships and barges irrespective of flag should conform to British manning and safety standards.

As the rate of expansion slowed dramatically in the early to mid eighties and contractors' personnel - particularly those in hook-up work - were facing a relative shortage of work and pressure on their level of earnings, certainly in comparison with those of five years previously, one might have expected the unions to have had more success. The harsh reality of the situation is that the operators will not sanction a post construction agreement and individual contractors will not enter a collective agreement as they believe it inhibits their ability to successfully compete with their peers. The letter shown in Appendix E demonstrates this. The date is particularly significant (1982); it demonstrates that the problems experienced by contractors (and their employees) existed at least three and a half years before the price collapse of 1986. This lends further weight to the argument that the price fall had at most a catalytic or exaggerating impact, as opposed to a causal effect, on the industrial relations system.

#### Prospects for Change

There are a number of factors to take into consideration when assessing the prospects for change in trade union fortunes. As things stand at the moment, it would seem imperative that a government of a considerably different hue would need to be elected for trade union organisation to progress offshore, as legislative support, particularly along the lines of the statutory recognition procedure, appears essential for the unions to make headway. Similarly reform of the legislation relating to secondary industrial action would allow the IUOOC unions to mobilise the better organised sectors in the industry more easily, eg the dockers, construction workers and supply boat crews. It is virtually certain this will not be attained in the next four years and, in the light of present circumstances in the opposition parties, is perhaps unlikely for some time after that.

At the grass roots level, fears of job security, redundancy or, in the wake of the Piper Alpha and Ocean Odyssey disasters, safety may stimulate the growth of interest in union membership amongst operators' personnel as fields are seen to approach the end of their economic life. There is no doubt that the price crash of 1986 and the pessimistic forecasts which followed sent shock waves through the offshore staff, bringing with them the realisation that perhaps they did not have a job for life. Indeed one trade union official believes unionisation to be inevitable, but realistically points out that this will be when the fields are running dry, and the union will have little bargaining strength. As he put it, the unions "will be left to pick up the pieces".

The above are long term speculations, but there is something more immediate which may have repercussions in the oil industry, and many others. That is the expulsion of the EETPU from the TUC. Since the IUOOC is technically a TUC sub-committee, the electricians found themselves expelled from that too, until the TUC Secretary General intervened. Indeed, the EETPU was not permitted to attend the special meetings of the IUOOC called to discuss the Piper disaster. Nationally the EETPU have been seen to be eagerly pursuing an aggressive recruitment policy, and the local officer's articles in the press (14), which took oil companies and other unions by surprise, suggest - indeed the Financial Times states,

"inter-union competition may be set to sharpen soon with a new recruitment push among.....employees by the EETPU...".

Given that the Bridlington rules only apply between TUC affiliates, harsher competition seems certain.

This scenario suggests several possibilities. These events may stir the IUOOC into a more cohesive and more effective group, though in light of the other obstacles facing the Committee, individually and collectively, this is perhaps difficult to envisage. Admittedly there has been one IUOOC meeting which was not a Panel pre-meeting since the fieldwork ended and another was scheduled at the time of writing, though this timetable was superseded following the Piper disaster. Ironically these were initiated by the EETPU.

Secondly - and this is speculation - there is the possibility that some operators, with an eye to the future and apprehensive as to what the rundown of fields might result in for industrial relations, might grasp the opportunity to concede recognition to what they perceive as a "tame" union, perhaps opting for the single union, no strike deals which have ultimately led to the EETPU's expulsion from the TUC. Certainly this course of action would avoid piecemeal unionisation, and multi unionisation at that. This way the employers could select the union of their choice (probably without a beauty contest). The EETPU absorbed the Professional Divers' Association in 1988, and any eventual merger with the AEU will make a single union solution more feasible.

A third factor to bear in mind is that the refusal on the part of the other IUOOC unions to work with the EETPU may have been perceived by some hawkish management as confirming their view of British trade unions as disruptive and embroiled in squabbles amongst themselves of which an employer has no wish to be part. If this was the case, the appeal of the EETPU's package will perhaps grow.

Much more certain is that the Piper tragedy of 6th July 1988 will have repercussions in the industrial relations of the industry. It is probable that concern amongst the workforce regarding safety in the industry will grow, and there seems to be a strong possibility that the unions' role in this area could become increasingly significant. Admittedly the operator concerned in the Chinook disaster successfully evaded involving the ASTMS (which it recognised) but given the magnitude of the Piper tragedy, it is unlikely that would be repeated. Furthermore, it is unlikely that the operator involved, which has longstanding relationships with several unions, would seek to follow such a path. The disaster has demonstrated horrifically the potential danger of offshore work, and workers and their families may seek a form of insurance in trade union activity. The fact that within nine days of the tragedy two helicopters were put down on the sea, and the drilling rig Ocean Odyssey exploded only a few weeks later, will exacerbate fears.

It must be said, however, that the exclusion of the EETPU from IUOOC discussions on the Piper matter generated bad publicity, as the officer concerned was able to play to the gallery of reporters waiting outside.

One element which may precipitate union organisation, and particularly a post construction agreement, is the shortage of certain skills, mainly construction related, which has been forecast in the next few years. It is anticipated that a significant upsurge in construction work onshore will attract people away from offshore work, by offering longer term prospects, stable wage rates, and a more orthodox industrial relations environment, not to mention a working environment which is perceived to be considerably less hazardous. Indeed, at least one operator has already expressed concern regarding the difficulty in attracting and retaining people with appropriate skills (via contractors). The operators may find, as they have done in the past, that they will have to consider collective agreements to bring order and stability. It should be borne in mind that large numbers of skilled personnel will be required during the decommissioning and removal of offshore installations.

All in all there seems little doubt that trade union interest and membership amongst operators' employees is growing. However in these companies a policy of resistance is being successfully pursued and it is likely that this will continue to be the case for the foreseeable future. The most fruitful period for offshore unions otherwise is likely to be when fields are nearing the end of their economic life and workers feel threatened by redundancy. By then, however, the workforce, unionised or not, will be bargaining from a position of weakness; a case of too little too late.



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## CHAPTER TWELVE

### CONCLUSIONS

The main purpose of the thesis was to discover how industrial relations are managed in a turbulent and fragmented industry. It was hoped that a study of the management of labour in these extreme circumstances might contribute to the broader understanding of industrial relations policy making. Therefore the study was extended beyond the conventional confines of the relationship between employer and employee, to include an examination of the relationship between clients (operators) and contractors.

In a relatively short period of time an industrial relations system of some complexity has developed. At both industry and company level a number of factors have been identified which exert influence on this. With regard to the operating companies, collective bargaining has developed at industry level in the form of regular, formal meetings between the Liaison Panel of the Employment Practices Committee (EPC) of the UK Offshore Operators Association (UKOOA), and the Inter Union Offshore Oil Committee (IUOOC), which is complemented by the representation of both parties on the Offshore Petroleum Industry Training Board (OPITB). However UKOOA cannot bind its constituents, and each company retains autonomy in and responsibility for industrial relations.

At the level of the individual company, peers exercise influence and control over each other by means of their commercial alliances, which are formed to spread the enormous financial risks involved in the exploration for and production of oil and gas. The operating companies are paternal and sophisticated in their attitude to their own employees in the sense that emphasis is placed on "looking after" employees; remuneration schemes are generous, merit based, and include benefits such as non-contributory pension schemes, share options, and free (or highly subsidised) canteen facilities. In addition, consultative machinery is well established and developed. In 1984, one of the parent companies even went as far as making the cover of the company report a "tribute" to its employees.

The recruitment and remuneration policies of the operators reduce the propensity of operators' employees to become organised collectively, though this is not the sole reason behind them. Ex-service personnel, the preferred recruits for the operators, at least initially, have no experience of trade unions. This, together with the generous remuneration and benefits package, left the unions with a difficult task.

As regards contractors and trade unions, however, the attitude of the operators can be described as pragmatic, if not ambivalent. The operators speak collectively (but without commitment) through the Contractors Liaison Subcommittee of UKOOA, while simultaneously pursuing individual relationships with relevant contractors. The case study of the catering sector, developed in chapter 9, together with the data in chapters 7 and 8, demonstrate that the operating companies are indeed active in monitoring and influencing contractors' industrial relations, albeit to varying degrees. The ability of the operators to stipulate when trade union agreements will or will not apply demonstrates that the operators effectively shape the system. The system itself can be viewed as a subtle web of inter-relationships and influences, which is constantly dynamic in that its appearance, and the principal actors, change according to the stage of development in a field.

A central feature of this dynamic system is the spreading or delegation of responsibility for industrial relations which parallels the spread of financial risk. This is achieved by maintaining a high level of use of contractors, and periodic encouragement, when expedient, of contractors' associations, trade union involvement and collective agreements. These features are complemented by the overall development of a two tier workforce in the industry (operator and contractor) described in more depth in chapter 3. This surrender of responsibility is not accompanied by surrender of control however, as was demonstrated by the contractor interviewees' responses and attendance at meetings between the IUOOC and the EPC's Liaison Panel.

The experiences of the contractors examined differed markedly from those of the operators. The confines of the client-contractor relationship pose specific problems for service companies concerned. Firstly, the act of bidding requires considerable managerial and financial resources, particularly in the construction and hook up sector. Money lost in preparation of an unsuccessful tender must be recouped from future work, thereby incurring additional costs. Secondly the allocation of work by regular competitive tendering has resulted in a harsh commercial environment, as the pace of North Sea development has slowed in the 1980s. This has led to a number of significant effects in industrial relations, including cuts in real wage levels, and removal of concessions such as travel payments, and survival training for contractors' employees (though still a requirement for offshore work, recruitment advertisements state it is essential for applicants to hold them).

Thirdly, conventional employment patterns cannot accommodate the requirement on contractors for numerical flexibility as they "man-up" or "de-man" on winning or losing contracts. Hence the widespread use of employment agency licences and recruitment campaigns in the press, in addition to the employees enjoying differing contracts of employment, and differing pay rates and benefits.

Fourthly, though nominally responsible for their own industrial relations, and therefore their relationship with trade unions, in reality the contractors are considerably constrained. Though technically free to enter collective agreements, this freedom is curtailed by the knowledge that unless the application of an agreement is sanctioned by the client or operating companies, the contractor will not win work. The most significant agreement in the North Sea, the Offshore Construction Agreement (OCA), ceases to apply when the operator so stipulates; the operator is not a signatory. The OCA's 'sister' agreement, the Offshore Construction Services Agreement (OCSA), was not sanctioned by the operating companies, and has never been used; this is testimony to the

dominance of the client companies and their wishes in the industrial relations system. Industrial relations in contracting companies are constantly monitored by the operators, albeit to varying degrees, and the clients can conduct audits when they so wish.

In the boom period of the 1970s, the vagaries of the system were less apparent as there was more than enough work to go round, and wage rates were sustained. However, as the pace of development slowed at the turn of the decade, and the number of companies bidding for work grew, the commercial climate changed dramatically. As previously stated (chapter 4) for contractors, fortunes had changed some considerable time before the price collapse of 1986.

Yet despite the apparent success of this line of policy, there have been signs that overall strategic thinking has not been as imaginative or all-embracing as circumstances suggest. For example, the downturn in the industry's fortunes in 1986 illustrated that at least one company was unprepared for redundancies and, more widely, that the EPC had no contingency plans for such an event. As a result, UKOOA's line can be viewed as inconsistent; pursuing an interventionist policy one minute (eg in establishing the Catering Offshore Trade Association, COTA) and sitting on the fence the next (eg refusing to say to COTA that only COTA bids would be accepted). Furthermore, the potentially damaging implications of the two tier workforce, and extensive use of contract labour have only been addressed as they have made themselves apparent. In particular this concern relates to problems experienced in recruiting and retaining a contractor workforce with the skills and levels of competence required and, in the longer term, to a reduction in training, resulting in an ageing workforce.

The operators' approach is short term and pragmatic. When expedient trade union involvement and collective bargaining is sanctioned, indeed encouraged, to impose stability in potentially volatile and disruptive circumstances, though it must be borne in mind that the operating companies themselves on the whole actively resist a trade union presence in their own companies, and are not party to any offshore negotiating agreements in the Northern sector.

The operators' stance on unionisation is perhaps better understood by looking at British industrial relations in a wider context. The boom period of the oil industry in the North Sea coincided with the period when British trade unionism was at its zenith in terms of both numbers and influence; the movement was believed by many to have been instrumental in bringing down Heath's government in 1974; Britain had experienced power cuts and a three day week; and some believed that Jack Jones, leader of the TGWU, was more powerful than the Prime Minister. Dominance of the industry by American companies is another important factor; and their experience of trade unionism is very different, and in some ways far less political, than that of the UK. Indeed, one interviewee cited the risk of being used as a political weapon by the unions as a reason for resisting unionisation. Another explained that in the USA, trade unions had been tarnished by the links between the Teamsters Union and organised crime.

The problems encountered by the trade unions in organising the oil industry workforce were discussed at length in the previous chapter. Geographical isolation of the workforce is the usual explanation given, but there are others equally pertinent. To begin with, the workforce is fragmented, the most obvious division being between operators and service companies. However, the workforce is also very heterogeneous, and this accentuates the fragmentation observed amongst the trade unions themselves. Inter-union rivalry, a prominent feature in the British trade union movement, diverts energies and attention from the task in hand. This was observed during attendance at IUOOC meetings. Furthermore, the IUOOC is hampered by its apparent lack of effective coordination prior to and between its meetings with the Liaison Panel. This in turn is linked to internal, organisational problems, some of which extend beyond the confines of the oil industry. For example, falling membership amongst trade unions in the 1980's has placed greater emphasis on the recruitment role of full time officers. The failure of the individual unions, and the TUC, to allocate sufficient resources to IUOOC activities has also hampered their work. Setting up a new

union to recruit oil industry workers or pooling resources to employ a full time Secretary to the Committee would have decreased the rivalry difficulties, as well as maximising the effectiveness of trade union efforts.

The trade unions' achievements should be acknowledged. The difficulties caused by falling membership have been mentioned. Legislation perceived as hostile to trade unions has necessarily made them more defensive, as well as limiting their ability to undertake industrial action. The key factors regarding the oil industry however, are the competitive bid system and the recruitment and remuneration policies of the operating companies. The competitive bid system effectively shapes the industrial relations system, certainly as far as contractors and their employees are concerned. The client companies encourage or ignore trade union involvement and collective agreements according to their interests. Hence, to achieve stability the operators accepted, indeed encouraged, the formation of COTA, but when the downturn came, UKOOA would not make the commitment to accept bids from COTA members only, thereby inducing instability and uncertainty, though the catering sector appears to be in equilibrium once more. This instance further highlights the role of management in the operating companies in giving recognition. However, in a time of crisis (eg the Chinook incident) the IUOOC demonstrated its ability to make a concerted approach, and to act quickly and effectively.

In short, the research revealed the existence of collective bargaining in the industry, on an informal basis, functioning less through collective agreements than through constant lobbying.

The industry has been described in terms of core and periphery, but closer examination has led to the conclusion that the naive core-periphery model is not sufficiently sophisticated to describe and explain adequately the pattern of employment relationships and influences found. The model does not acknowledge or accommodate the 'waterfall' effect of the core-periphery pattern,

by which is meant the development by the contractors of a similar pattern, which is itself directly attributable to the allocation of work by means of competitive tendering. In effect, contractors' employees may simultaneously be part of the client's and the contractor's periphery.

Pollert's contribution to the core-periphery debate raises a valid point by suggesting that the core-periphery pattern owes more to employers' desire for control, rather than flexibility (1). Ahlstrand's work (a study of the influential Fawley productivity agreements 20 years on) links together two industrial relations strategies of Fawley management; the increased use of contractor labour (which can be thought of as movement towards a core-periphery pattern) and the long term withdrawal of union organisation from the site. There is a further similarity between this research and Ahlstrand's work. He writes:

"Fawley management's control of contractor industrial relations actually includes the 'joint' devising of wage negotiation strategies. The extent to which control is exerted by Fawley management is evidenced by the fact that it will actually intervene in the hiring and firing of the industrial relations personnel of the contracting companies. In more than one instance Esso was instrumental in terminating the employment of a contractor industrial relations manager."(2)

Hence it would appear that an increased use of contractor labour, and intervention in the industrial relations of contractors are not confined to the exploration and production industry; they are key components in a strategy pursued by MNC's directed at maximising control and devolving responsibility, while simultaneously retaining the conventional benefits in terms of efficiency and economy of engaging outside contractors.



In conclusion, the research has confirmed the view of many authors that the employer plays a predominant role in shaping the industrial relations system. However the system revealed in this study was not based on a straightforward employer and employee relationship. Instead, the research dealt with an industry where internal organisation is dominated by external markets, in a highly interconnected network of dependency between firms, placing labour in a weak position. Yet despite this, and contrary to popular belief, labour is organised perhaps surprisingly well, albeit that organisation is concentrated in particular sectors. More significant is the revelation that much of the union organisation - certainly in the contractor sectors - has resulted largely from the need of the operating companies to accept collective bargaining to bring stability to the industry. The clients therefore maintain an ongoing, institutionalised relationship with trade unions and respond to their lobbying. Thus the management of labour in this turbulent, high risk industry is achieved by spreading risk and responsibility, while simultaneously exerting influence over the environment within which contractors must operate.

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APPENDIX A  
INTERVIEW SCHEDULE FOR THE OPERATING COMPANIES

A series of structured interviews was held in the participating operating companies, covering questions under the following headings:

- 1) Company Structure
- 2) Industrial Relations Policies
- 3) Union Recognition
- 4) Industrial Relations and Subcontractors
- 5) Consultative Arrangements and Grievance Procedures
- 6) Remuneration
- 7) Structure of the Labour Force
- 8) Fringe Benefits - BUPA, pensions, school fees etc.
- 9) Training Policy
- 10) Job Flexibility and Job Evaluation Schemes
- 11) The Relative Importance of North Sea Operations to the Group as a whole.

## APPENDIX B

### INTERVIEW SCHEDULE FOR CONTRACTOR COMPANIES

Structured interviews in the sample group of contractor companies covered questions under the following headings:

- 1) Preparation of a bid
- 2) Length of contracts
- 3) Monitoring of industrial relations by operators
- 4) Workforce profile
- 5) Trade Union Recognition
- 6) Commercial Environment

APPENDIX C

MEMORANDUM OF UNDERSTANDING ON TRADE UNION ACCESS TO OFFSHORE INSTALLATIONS

"The Government is extending employment legislation to offshore areas in order to contribute to secure industrial relations between employers and workers. This legislation includes the recognition provisions of the Employment Protection Act 1975.

Access of union officials for union recruitment purposes to workers offshore does, however, present particular difficulties. It is the agreed intention of the Government, the operators, and the trade unions, that all reasonable action should be taken to facilitate access. The operators (the members of the UKOOA) have, therefore, individually agreed that they and the sub-contractors working for them will take appropriate action to ensure that trade union officials, on request, are granted reasonable access for recruitment purposes to all their offshore installations.

It is not possible to lay down exact details of conditions of access. These must depend on operational circumstances and the number of requests made by unions. However, the Advisory, Conciliation and Arbitration Service will be available to assist employers and unions faced with any particular difficulties."

APPENDIX D

16 May 1988

Mr

ABERDEEN

Dear Mr

I refer to your recent application and subsequent interview for the post of Heat Treatment Technician within this Company and write to confirm the appointment commencing on 11 May 1988.

The appointment is made on a temporary basis. The contract may be renewed or extended for a further period by mutual agreement. Any employment with a previous employer including does not count as part of your period of continuous employment with this Company.

You should refer all matters relating to your welfare or appointment to 'Heat Treatment Co-ordinator.

Your rate of pay for the work will be £3.50 per hour for all hours worked, signed, agreed and paid for by our Client. A 40 hour week Monday to Friday of 8 hours per day is presently in operation. Any hours worked over and above 40 hours per week will be paid at times one and one third basic rate irrespective of the day or time of day the overtime hours are worked.

Whilst working offshore you will be paid at the rate of £5.00 per hour for all hours worked, signed, agreed and paid for by the Client from check in on outward journey to check in on returning to heliport.

No payment will be made for leave or for travelling.

Salaries are payable monthly in arrears to a bank account nominated by yourself but payment is dependent on the prompt submission to your Departmental Co-ordinator of timesheets supported by signed worksheets. In practice this means that hours worked eg in March will be paid at the end of April. Only hours signed for by the client will be paid and it is important that you obtain the necessary signatures before leaving the site.

Whilst the Company will endeavour to give as much notice of termination of employment as possible, this contract does not provide for periods of notice and your acceptance of same is conditional upon you waiving your rights to notice in accordance with the Employment Protection (Consolidation) Act 1978.

..2..

The Company will supply you with bed and breakfast accommodation only if required.

Expenses where appropriate should be submitted on an official Company expense claim form together with appropriate receipts and forwarded to your Departmental Co-ordinator for authorisation prior to payment. Expense Claims will not be accepted unless supported by receipts.

Annual and public holidays are not provided for under this agreement. Additionally the Company provides no pension rights.

If you are unavoidably absent due to sickness, you must notify your Departmental Co-ordinator as soon as possible but not later than mid-day on the first day of absence. Sickness causing an absence from work of not more than 7 days should be evidenced by a Company Self Certification Form which is available from your Departmental Co-ordinator or the Personnel Department. Absences of eight or more days require a Doctors Medical Statement in addition to the Self Certification Form. No payment other than Statutory Sick Pay, if appropriate, will be made by the Company during periods of sickness.

Any extension of the Contract for a period in excess of 52 weeks is conditional upon you waiving your rights to notice and to claim unfair dismissal at the end of the term in accordance with the Employment Protection Consolidation Act 1978 as amended by the Employment Act 1980.

Similarly in the event of the Contract continuing for over 104 weeks it is understood that your right to claim redundancy payment on expiry will also be waived.

It is a condition of employment that employees causing damage or loss to Company vehicles or equipment through negligence may be held liable for the first £100 of repair or replacement costs.

It is a condition of employment that whilst you are working for any Company within the or thereafter you shall not make use of or disclose to any third party any information or knowledge gained during the course of your employment relating to the Company's records, methods of operation, proprietary equipment, research projects and plant or equipment under development.

The foregoing also applies in respect of such information or knowledge gained from other Companies or individuals with whom has business or commercial associations.

Failure to comply with the above provisions will be regarded as gross misconduct and may render employees liable to instant dismissal and or legal action.

The Company has prepared Grievance/Disciplinary Procedures and copies are available for inspection from your Departmental Co-ordinator or Personnel Department. Your Departmental Co-ordinator or his acting deputy has the authority to take disciplinary action against you, if appropriate.

..3..

You are required to conform to all safety regulations in force within your work location and must wear appropriate protective clothing as and when required. The Company will provide suitable protective clothing if requested but its cost will be to your own account and will subsequently be deducted from your salary.

In accordance with the Health & Safety at Work etc. Act 1974, I enclose herewith for your perusal a copy of the Company's Statement of Safety Policy.

In order that various administrative matters may be concluded as quickly as possible it would be appreciated if you would complete and or forward the following documents to the Personnel Department on taking up your appointment.

- i) Acceptance of Employment (Enclosed)
- ii) New Employee Information Form (Enclosed)
- iii) Passport Details Form (Enclosed)
- iv) Income Tax Form P45
- v) All certificates, diplomas or approvals
- vi) Driving Licence (if appropriate)
- vii) Transfer Record (Radiation Workers only)
- viii) Current Medical Certificate (Offshore Workers only)

Original documents such as certificates, driving licences etc will be copied and returned to you.

Please acknowledge receipt of this letter signifying your acceptance of the foregoing appointment on the terms stated and confirming that you commenced duties on 11 May 1988.

Finally, may I take this opportunity of welcoming you to the Company. I hope you will find the post both interesting and rewarding.

Yours sincerely

Administration Manager



APPENDIX E

8th February, 1982

Full-time Official

Dear Mr.

MAINTENANCE AGREEMENT (MA).

I am writing to formally advise you that, after due discussion within the Company, it has been decided that the Company does not wish to re-negotiate terms and conditions of employment under the above agreement. With effect from 1st May, 1982 the Company will cease to operate the MA conditions of employment.

It is considered that the remuneration and conditions of service in this agreement are restricting the ability of the Company to negotiate new contracts in the extremely competitive environment brought about by the current national recession.

However, the Company are prepared to submit to you, for information, terms and conditions of employment for maintenance type work offshore, which it wishes to apply with effect from 1st May, 1982 and I would be pleased to discuss with you a suitable date and time in the near future, when we may get together to discuss the implications of this decision.

Yours sincerely,

## APPENDIX F

OCA/84/17

### THE CONSTITUTION FOR THE OFFSHORE CONTRACTORS' COUNCIL

#### AND ITS SUBSIDIARY COMMITTEES

#### 1. NAME

The Council shall be known as the Offshore Contractors' Council and is established by the 3 Constituent Associations namely the Electrical Contractors of Scotland, the Electrical Contractors and the Oil and Chemical Plant Constructors Associations.

#### 2. MEMBERSHIP

i) The Council shall comprise:

- a) Three members nominated by the Electrical Contractors' Association of whom one shall be the Director of the Association.
- b) Three members nominated by the Electrical Contractors' Association of Scotland of whom one shall be the Director of the Association.
- c) Six members nominated by the Oil and Chemical Plant Constructors' Association of whom one shall be the Director of the Association.
- d) Two members nominated by the three above Associations jointly.

ii) Members of the Council, other than the Directors of the three nominating Associations, shall be directors of their companies or similar senior executives with authority to make policy decisions and to commit the industry in the field of offshore work.

iii) Members shall be normally nominated or re-nominated annually in July.

#### 3. SCOPE OF THE COUNCIL

The term Offshore Contracting covers all forms of Offshore and Inshore Engineering Construction work hereafter referred to as Offshore Contracting.

#### 4. PURPOSES OF THE COUNCIL

The purposes of the Council shall be:-

- i) To promote the concept of an offshore contracting industry.
- ii) To maintain a liaison with the industry's clients, UKCOA, and any other relevant bodies, e.g. OSO, and to bring to their attention any matters of concern to the offshore contractors.
- iii) To approve policies for the negotiations of agreements with the trade unions or amendments thereto.
- iv) To oversee the activities of the management and other committees.
- v) To consider any other matter concerning offshore contracting.
- vi) The members of the Council will be expected to keep their respective Associations informed on developments and to ensure that the council does not support policies which are contrary to the policies of the constituent associations.

#### 5. CONDUCT OF COUNCIL BUSINESS

- i) The Council shall elect annually from amongst its membership a Chairman and a Vice-Chairman at the first meeting following the annual nomination or re-nomination in accordance with clause 2 (iii), but excluding the Directors of the Constituent Associations.
- ii) The Chairman, or in his absence, the Vice-Chairman, shall preside at meetings and shall have a casting vote in the event of a tie.
- iii) The Council shall have responsibility in the field of offshore contracting, save only that it may not commit the respective nominating Associations to financial expenditure without their prior approval.
- iv) No substitutes will be allowed; in the event, however, of the unavoidable absence of a nominated representative the relevant constituent association may appoint an alternative member in accordance with Section 2 (ii).
- v) The Council shall conduct its own business as it sees fit and may appoint sub-committees or working parties if required.
- vi) At least three meetings of the Council shall be held annually of which two shall be in London and one in Edinburgh. Additional meetings or alternate venues may, however, be agreed.
- vii) A quorum shall be 3 of whom at least 4 shall represent the Electrical Associations and 4, the O.C.P.C.A.

6. THE OFFSHORE MANAGEMENT COMMITTEE

- i) The Offshore Management Committee shall comprise:-
- a) Four members appointed by the Offshore Contractors' Council, who need not necessarily be members of the Council.
  - b) Five members elected by postal ballot from among the offshore contractors on the Offshore Contractors' General Committee of whom one shall be the Chairman of that Committee.
  - c) Three officials, being one from each constituent nominating Association.
  - d) There shall be at least 4 Electrical and 4 Mechanical Contractor representatives on the Management Committee at all times.

Members shall be nominated or re-nominated annually in July.

- ii) The purposes of the Management Committee shall be:-
- a) To negotiate and administer any collective agreements there may be with the trade unions.
  - b) To maintain liaison with the Employer Practices Committee of UKCOA and with individual client companies.
  - c) To consider any other matters relevant to the offshore contracting industry and if appropriate to make recommendations to the Offshore Contractors' Council.
- iii) The Management Committee shall conduct its business in the same manner as the Offshore Contractors' Council as set out in paragraphs 5 (i), 5 (ii) and 5 (v) of this Constitution.
- iv) The Management Committee shall appoint a Negotiating Panel to negotiate with the trade unions.
- v) The Management Committee shall have the power to co-opt additional representatives as required.
- vi) Meetings of the Management Committee shall be held as and when required.
- vii) A quorum shall be 6 of whom at least 3 shall represent the Electrical Associations and 3, the O.C.P.C.A.

7. OFFSHORE CONTRACTORS' GENERAL COMMITTEE

- i) Member companies in accordance with the rules of their appropriate constituent associations shall be eligible to be included on the list of designated offshore contractors. This list will be revised annually on the 30th June in each year. Additional contractors may join the list if they so wish during the course of the year, but will only have voting rights in accordance with paragraphs 6(i)(b) if they are on the list on the 30th June.
- ii) All contractors on the designated list may, if they so wish, opt to join the Offshore Contractors' General Committee, or one of its area sub-committees. This Committee will meet generally on a monthly basis and may appoint sub-committees or working parties to consider special problems or to cover specified regional areas.
- iii) The purposes of the General Committee shall be:-
  - a) To monitor development in offshore contracting as they occur in conjunction with the Management Committee.
  - b) To maintain a liaison with individuals within the client companies especially in the Aberdeen area or in any other location for which an area sub-committee is established.
  - c) To consider proposals for the negotiation of agreements with the trade unions or amendments thereto and to submit these through the Management Committee to the Council.
  - d) To consider any other matters relevant to offshore contracting and if appropriate to make recommendations through the Management Committee to the Council.
  - e) The Offshore Contractors' General Committee shall conduct its business in the same manner as the Offshore Contractors Council as set out in paragraphs 5 (i), 5 (ii) and 5 (v) of this constitution.

8. FINANCIAL ARRANGEMENTS

- i) The cost of establishing and running the above arrangements shall be borne as follows:-
  - a) The cost of providing a secretary to service the Council, the Management Committee and the General Committee shall be borne by the three constituent Associations collectively, who will agree among themselves how this expenditure is to be funded. These costs will cover salary, salary on-costs, transport and hotel accommodation out of London and other ancillary costs. They will not cover rent and associated costs of the respective premises of the Associations.

- b) The constituent Associations shall provide a sum of money, which shall be agreed between them to cover the costs associated with meetings with the trade unions.
  - c) The costs of meetings of the General Committee and any of the sub-committees shall, as far as these are above the normal expenditure of the constituent Associations, be funded by the listed designated offshore contractors.
  - d) The costs of any additional staff, consultants, social gathering or other special expenditure will be funded by the appropriate association as required.
- ii) Company representatives attending meetings will bear their own costs as far as transport and any overnight accommodation are concerned. Such costs in respect of the Directors of the constituent Associations shall be borne by the Association concerned.
  - iii) A separate bank account shall be maintained to cover income and expenditure involved in these arrangements.
  - iv) The accounts in respect of these arrangements shall be maintained by the Oil and Chemical Plant Constructors' Association and shall, after audit, be submitted annually to the Councils of the three constituent Associations and to the Offshore Council for approval.

#### 9. ALTERATIONS TO THE CONSTITUTION

- i) Any alteration to this constitution shall be approved by the Offshore Council and the Councils of the three constituent Associations before implementation.
- ii) Any constituent Association which wishes to withdraw from these arrangements shall give six months' notice in writing to the other constituent Associations.

#### 10. LEGAL PROVISIONS

- i) The members of the Council and any servants of the constituent Associations shall at all times be indemnified out of the funds of the Associations against all loss, costs and charges, which they may incur or be put to by reason or in consequence of any act, matter or thing done or permitted by them in or about the bona fide execution of the duties of their office; and each of them shall be chargeable only with as much money as he may actually receive and shall not be answerable or accountable for loss unless such loss shall be sustained through his wilful fault or neglect.

- ii) No member of the Council shall be liable for any other member of the Council, or for joining in any receipt or other act for conformity; or for any loss or expense happening to the Associations through the insufficiency or deficiency of any security in or upon which any of the funds of the Associations shall be invested, or for any loss or damage arising from the bankruptcy or insolvency or wrongful act of any person with whom all moneys, securities or effects, shall be deposited, or for any loss, damage or misfortune whatsoever which shall happen in the execution of the duties of his office or in relation thereto, unless the same shall happen through his own fraud, neglect or wilful default.
- iii) Any act done or performed by the Council or any committee thereof, or by any person acting as a member of the Council or such committee, or by any servant, officer or trustee of the constituent Associations acting on the authority of the Council shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such person or member of the Council or committee thereof so acting, or that any of them were disqualified, be as valid as if any such person had been duly appointed and was duly qualified.

#### 11. PUBLICATION OF CONFIDENTIAL INFORMATION

No member of the Council or of any of the committees shall publish to a third party any confidential information provided in the course of discussions and every member shall indemnify and keep harmless the Offshore Council, its committees, the constituent Associations and any of their officers, servants or agents, and all other members against any action or proceedings arising from unauthorised disclosure.

#### 12. DISSOLUTION

These arrangements may be dissolved by resolution approved by the respective Councils of the three constituent Associations, provided that not less than six clear months' notice shall be given of any such intention.

APPROVED BY the Council of the Electrical Contractors' Association,

ESCA House, 34 Palace Court, London W2 4HY on the Eleventh

day of July 1984.

AND BY the Central Board of the Electrical Contractors' Association of

Scotland, 23 Heriot Row, Edinburgh EH 6EW on the Eleventh day of

September 1984.

AND BY the Council of the Oil and Chemical Plant Constructors'

Association, Suites 41/48 Kent House, 87 Regent Street, London W1R on

the Twentieth day of July 1984.

APPENDIX G

CONSTITUTION OF THE INTER-UNION OFFSHORE OIL COMMITTEE AS AMENDED

1. Aims and Objectives

To co-ordinate the recruitment and organisation of employees engaged in the offshore oil and gas industry and thereafter to seek recognition. Following upon the establishment of recognition rights the unions with membership amongst employees of the oil companies concerned will assume all responsibility for collective bargaining.

2. Unions in Full Membership

ASTMS	AUEW	AUEW (TASS)
EEPTU	MNAOA	Boilermakers Society
NUS	REOU	TGWU

Associate Membership

BALPA	AUEW (CEU)
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3. Voting in Committee will be on the basis of one vote per union.
4. A Chairman and Secretary will be elected from the full membership for a term of two years and will be eligible for re-election. The Chairman and Secretary will have one vote in accordance with their membership position.
5. Meetings of the IUOOC will be held quarterly. Venue to be determined. Further meetings may be convened at the discretion of the Chairman and Secretary following upon a request from any member union.
6. Quorum
- Quorum to be any four full members at normal quarterly meetings.
- Sub-committees (as may be necessary) to be Chairman and Secretary and such other Committee members as is considered necessary.
7. Summary of business and decisions taken to be circulated prior to normal quarterly meetings.
8. IUOOC costs to be shared equally by the constituent member unions.



APPENDIX H  
MEMORANDUM OF UNDERSTANDING BETWEEN THE UKOOA AND THE IUOOC

Recognition May Be Achieved

1. Unions seeking recognition must be in membership of the IUOOC at the time of application. It is expected that the IUOOC will inform the Liaison Panel, and any individual Company affected, of a current union in membership of the IUOOC that subsequently leaves the IUOOC.
2. Union(s) seeking recognition should do so by advising the IUOOC of their intention and request the IUOOC to make such application for recognition on their behalf.
3. An application for recognition would be made by the IUOOC on behalf of one or more member unions on the basis of applying to a Common Interest Group.
4. On receipt of such an application, the Company concerned would then write to the IUOOC to discuss and mutually agree the Common Interest Group under consideration.
5. After a Common Interest Group is determined, significant membership should be demonstrated through the agency of a mutually acceptable third party.
6. Thereafter, the development of discussions, including consultation with employees which could lead to representational agreement between member unions of the IUOOC and Employers should proceed along lines that reflect the situation that prevails at that particular point in time and take into account the needs and wishes of all the parties involved.
7. It being accepted that a balloting of employees would constitute part of the procedure before a negotiating agreement would be entered into.

NOTE

If, during the course of the above discussion, the IUOOC wish to make an offshore visit, the procedure outlined in the minutes dated 18th January would be followed.

"It was agreed that prior to any visit there should be a discussion between IUOOC and the Company concerned to work out and agree together what arrangement should be made and what facilities could be offered."

It is understood that the above is the recommendation of the Panel on behalf of UKOOA members with the understanding that any member company is free to modify or amend any of the steps in discussion between themselves and the IUOOC.

The following definition was proposed and accepted:

"Representational agreement confers to the IUOOC the right to represent its members within the terms of the agreement. This would normally cover disciplinary procedures and grievances which would form part of such an agreement."

13th June, 1977

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