

**SECTORAL ACTIVITIES PROGRAMME**

Working Paper

**Good industrial relations in the oil industry  
in the United Kingdom**

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## Preface

Oil and gas are essential components of modern, industrialized civilization, and as societies and economies grow, so does their oil and gas industry. The oil and gas industry has revolutionized human lives, improving our standard of living. The industry's products constitute building blocks at every level of production and consumption in such key sectors of economic life as petrochemicals, chemicals, agriculture, construction, manufacturing, and service industries. At present, a stable supply of oil and gas is needed to sustain continued development of our economies.

The oil and gas industry is a highly capitalized industry. Much of the manual work has been replaced by automation. However, important parts of the operation still rely on human input. Stable employer-employee relations are, therefore, critical to stable production and supply of oil and gas.

The aim of this paper is to explore in-depth some good practices in industrial relations and social dialogue in the oil production sector. The paper will outline essential elements for good industrial relations in the industry, including how social dialogue can contribute to healthy employer-employee relations. Among its subjects, the paper addresses positive contributions social dialogue can make towards promoting mutual respect, trust and confidence among social partners and governments in the oil industry. In its analysis, this paper focuses on how ILO standards can contribute to better industrial relations, using a good practices approach.

This paper was prepared by a project team established by the Work and Employment Relations Division, Leeds University Business School, Leeds, United Kingdom. The team comprised Dr. Chris Forde, Dr. Robert MacKenzie, Dr Mark Stuart, and Dr Rob Perrett (now at Bradford University). The paper is brought out under the supervision of the ILO specialist in the oil and gas sector, Mr. Yasuhiko Kamakura.

The project team is to be congratulated for its work and contributions to the improvement of industrial relations in the oil and gas industry through this very timely paper. The ILO hopes that this paper will provide an opportunity to consider how industrial relations in the industry can be improved in the interests of both decent work and greater productivity.

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## Executive summary

The main findings of the paper are as follows:

- According to Labour Force Survey figures, employment in the oil industry has increased slightly over the last five years, although there have been severe job losses in the oil extraction sector. Women remain under-represented in the oil industry, and are concentrated in secretarial and administrative occupations. Levels of unionization in all sectors of the oil industry are below the UK average.
- Average working hours in the industry are long, particularly in the offshore sector, and large proportions of employees in the sector work over 48 hours per week. As a result, it is likely that proposals to extend the provisions of the EU Working Time Directive to offshore oil would lead to a substantial improvement in the working conditions in the sector.
- The paper finds that historically, unions have secured a limited foothold in the oil extraction sector. Whilst recent “partnership” agreements may have increased the recognition of unions and the coverage of collective bargaining in this sector, employers’ motives for adopting such agreements appear to have been driven by a desire to “pre-empt” worker-led recognition claims following the implementation of the statutory recognition provisions within the Employment Relations Act, which came into force on 6 June 2000. Traditionally high levels of unionization in the oil refinery sector have been reduced in recent years through sustained employer strategies of de-recognition.
- A number of ILO standards are significant to areas of industrial relations in the oil sector. There is some research to suggest that current practice in the oil industry is incompatible with the ILO Convention on Freedom of Association and Protection of the Right to Organise, 1947 (No. 87) as pre-emptive recognition agreements signed since the implementation of the Employment Relations Act limit workers’ choices over the unions that can represent them. The right of workers to strike may also have been limited by clauses included in partnership agreements.
- Corporate restructuring, particularly mergers between oil companies, have had a detrimental effect on employment in the sector. Large-scale job losses have been concentrated in particular localities, with potentially deleterious effects for local economies. The nature of employment in the oil industry has also been affected by restructuring, with many companies moving away from offering long-term employment, resulting in widespread job insecurity in the sector.
- Health and safety in the oil sector has been influenced by changes to the safety regime over the last fifteen years. However, trade unions remain marginalized from safety management, as there is no statutory role for union appointed safety representatives in the offshore sector. The industry’s intensive use of contract labour may lead to poorer safety outcomes.
- Overall, the paper finds limited examples of good industrial relations in the industry, a legacy of many years of employer hostility towards trade unions, particularly offshore. The paper points to research which suggests that partnership agreements concluded in the offshore sector are unlikely to deliver genuine benefits to workers. The paper calls for the UK to enforce the right to strike and freedom of association in the oil sector. A compulsory role for trade unions in the management of health and safety in the sector is called. The paper argues that employers should also be compelled to consult with unions over restructuring. The imminent

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implementation of the EU Information and Consultation Directive in the UK may have some impact upon consultation, although substantial numbers of employees will remain unprotected by the legislation. The paper also argues that workers in the oil sector should also be covered by all the provisions of the EU Working Time Directive, and be entitled to paid leave in addition to the periods of “field breaks” between shifts.

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## Introduction

This study examines industrial relations in the oil industry in the UK. Its point of departure is the ILO Tripartite Meeting on the Promotion of Good Industrial Relations in Oil and Gas Production and Oil Refining, Geneva, 2002. This meeting adopted a set of conclusions which stated that “in cooperation with the social partners concerned, the ILO should collect and disseminate examples of good industrial relations practices and outcomes, particularly in relation to corporate restructuring, and information on good health and safety practices” (ILO, 2002).

The paper is based on a review of existing literature, along with analysis of data from the UK Labour Force Survey. The paper begins with an examination of recent trends in employment in the sector (Chapter 1), and conditions of employment (Chapter 2). The paper moves on to identify both good and bad practices in industrial relations in the industry, reported in Chapter 3. In Chapter 4, the paper examines ILO standards as they relate to the oil industry, and assesses the extent to which employer polices adhere to these ILO instruments. Chapter 5 looks at the impact of corporate restructuring in the oil industry, whilst Chapter 6 examines occupational health and safety issues in the offshore sector. Some conclusions are drawn in Chapter 7.



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# 1. Overall situation in the oil industry in the UK

## 1.1. Introduction

This chapter examines recent trends in employment in the UK oil industry, and places these trends in longer-term historical perspective. This shows employment levels in the industry to be below the peak levels of the early 1990s. Whilst modest rises in total UK oil industry employment can be observed over the last five years, recent job losses in the extraction sector have been particularly severe. The chapter also examines the occupational and gender distribution of employment, and levels of unionization in the industry. Employment in the oil industry is concentrated in technical, professional and managerial occupations, although women remain heavily under-represented in some of these occupational groups. Union density in all sectors of the industry is relatively low.

## 1.2. General situation

The oil industry in the UK comprises the oil exploration and production sector (incorporating all direct and indirect activities associated with obtaining oil from underground and supplying it to refineries, often referred to as upstream activity) and the oil refining and processing industry (often referred to as downstream activity). Since the discovery of North Sea Oil in the 1960s, oil production and refining has contributed a significant amount to GDP and employment in the UK economy. Oil production began in the UK in the late 1960s, and production grew steadily from 1974 onwards. By 1980, oil production stood at around 1.8 million barrels of oil equivalent per day (boepd). Oil production peaked in 1999, when an average of 2.8 million boepd was produced. Over the last five years, production has fallen by approximately 20 per cent from this peak. The most recent figures from 2003 show UK oil production standing at 2.3 million boepd (United Kingdom Offshore Operators Association (UKOOA) 2004: 3). The UK continued to be a large producer of oil in worldwide terms. The UK was the 11th largest oil producer in the world in 2003 (UKOOA, 2004: 3). The value of UK oil and gas production at this time was estimated to be £23 billion, equivalent to 2.5 per cent of Gross Value Added of the economy (UKOOA, 2004: 4). Exports in the industry were worth £5.4 billion per year in 2003, and North Sea oil and gas accounted for 17 per cent to total UK industrial investment (UKOOA, 2004: 6).

According to figures from the UK Department of Trade and Industry (DTI) around 265,000 jobs were supported by the oil and gas industry in 2002. This counts employment in oil production, oil refining and some incidental activities (the latter including activities such as pipe maintenance, sealing of oil wells). Employment in these core oil industries are analysed in more detail in section 1.3 below. This “all-encompassing” figure from the DTI estimate also includes indirect employment in allied industries (for example transportation of oil) and incorporates further jobs that are dependent upon the spending of income of those employed either directly or indirectly in oil production and refining. The largest proportion of core oil industry jobs are to be found in Scotland, where it is reported around 6 per cent of the total workforce are dependent upon the oil and gas industry (DTI, 2002: 1). However, considerable amounts of oil related jobs are also to be found in other areas of the UK, particularly the South East (DTI, 2002: 1).

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## 1.3. Employment in the oil industry in the UK

### 1.3.1. Measuring employment in the UK oil industry

Some aggregated estimates of the composition of employment in the oil industry can be found from secondary sources. Figures for employment in the oil and gas extraction sector and in offshore jobs have been published annually since 1967 by the Office for National Statistics (ONS). The figures for offshore employment are widely used by the Inland Revenue for tax collection and by the Health and Safety Executive as a base for calculating “per worker” safety statistics (see DTI, 2002). Annual surveys conducted by the UK Offshore Operators Association (UKOOA) also give some indication of direct and indirect employment in oil and gas, as do occasional reports from the Scottish Parliament (see e.g. Scottish Parliament, 2002) and from global annual industry statistical reviews (e.g. BP Statistical Review of World Energy 2004).

More detailed figures on the occupational and gender distribution of employment, and levels of union membership in the industry can be obtained via analysis of the UK Labour Force Survey (LFS), a governmental survey conducted quarterly, gathering information on the economic activity of around 160,000 individuals.<sup>1</sup> The results from this survey are nationally representative, and can be used to provide measures of total employment and economic activity across the UK. The survey allows for the identification of the following three industrial groupings, which together constitute the oil industry in the UK:

- (a) “Extraction of crude petroleum and natural gas” (SIC 11.10). This includes activities related to crude oil and natural gas extraction, the operation of oil platforms and oil stabilization activities.
- (b) “Service activities incidental to oil and gas extraction” (SIC 11.20). This incorporates activities including derrick erection, directional drilling services, mud logging, drilling contracting and oil and gas well cementing.
- (c) “Mineral oil refining” (SIC 23.20). This includes all activities related to the refining of oil and petroleum, and would thus include employment within oil refineries

### 1.3.2. Employment trends

Before analysing the LFS data, it is worth describing the longer-term historical trends in employment in the oil industry. Published data from the DTI show a dramatic rise in employment in oil and gas extraction jobs from around 1,000 in 1970 to almost 30,000 in 1980. Employment reached a peak of 41,000 in 1991, since when employment has fallen. The most dramatic decline came from 1991 to 1995 with a 30 per cent fall in employment, to a figure of 28,000 in 1995 (DTI 2002:1). Employment in oil refining has also fallen in the long-term, from 26,000 in 1980, to 18,000 in 1999 (DTI 2000a: 163), although some sources point to short-term rises in employment over the early and mid-1990s (United Nations Industrial Development Organization, 2001).

<sup>1</sup> We acknowledge the Office for National Statistics as originators of the Labour Force Survey and the UK Data Archive at the University of Essex as distributors of the data.

What has happened to employment in oil and gas extraction and oil refining over the last five years? Table 1 presents figures from the authors' own analysis of the UK Labour Force Survey, from 1999-2003.<sup>2</sup>

**Table 1. Employment in the oil Industry in the UK, 1999-2003**

	1999	2000	2001	2002	2003
Oil and gas extraction	20 553	21 198	26 781	25 975	14 433
Related activities	30 668	36 124	30 974	44 553	36 472
Refining	31 282	32 808	41 429	41 419	41 651
Total	82 503	90 130	99 184	111 947	92 556

Source: UK Labour Force Survey, autumn quarter each year, weighted data.

Overall, the data show a rise in employment in the oil industry over the last five years, but this masks a sharp fall over 2002-03. Whilst employment in the extraction sector rose between 1999 and 2001, the figures reveal a stark fall in employment, around 40 per cent, between 2002 and 2003. Some of this fall is attributable to corporate restructuring and the announcement by a number of oil companies of large-scale redundancy programmes during this year (examined in more detail in Chapter 5). This included 3,350 job losses announced by Shell UK in March 2003 amongst its own staff and contract workers engaged in North Sea Oil activities. Employment in oil related activities, however, has risen over the last five years, as has total employment in oil refining. Yet, despite the overall rise in employment in the industry over the past five years, total employment figures remain below peak levels of the early 1990s. Employment losses in the extraction sector over the last five years, during a period of intense corporate restructuring in the sector have been particularly severe.

To examine the nature of employment contracts in the industry, we use the Autumn 2003 LFS, the most recent figures available. Four categories of worker can be identified from the survey: "permanent employees"; "temporary employees" – including fixed-term contract workers, agency employees and seasonal/casual workers; "self-employed workers"; and those on government schemes. Table 2 shows the proportion of workers in each contract category, for the three oil sectors, and compares this to the distribution of manufacturing and all employment in the UK. Overall, the figures show the relatively high proportion of permanent employment in the industry, but also reveal the widespread use of temporary contracts in particular sectors. The proportion of temporary employment in the oil extraction and oil refining sectors is high relative to all employment in the UK. Further analysis (not reported in table 2) shows that in the extraction sector, this temporary employment consists largely of employees on fixed-term contracts, whilst in the oil refining sector, both fixed-term contract working and the use of temporary employees from agencies are commonplace. In other oil related activities, some self-employment is observed. This may reflect the inclusion of some construction activities in this sector, where self-employment is relatively widespread (Forde and MacKenzie, 2004). The LFS does not allow for an examination of subcontract relationships, being an employee-centred survey. It is generally recognized that the use of subcontract arrangements by employers is widespread in the industry (see for example Whyte, 1998; Wright and Spaven 1999) and this feature of the industry will be examined in more depth in Chapters 5 and 6.

<sup>2</sup> It should be noted that these figures are not directly comparable with the series cited above, since the series are compiled from different sources.

**Table 2. Contract forms in the UK oil industry, 2003**

	Permanent (%)	Temporary (%)	Self-employed (%)	Government scheme (%)	Total (%)	No. of workers
Workers in oil extraction	86.7	13.3	-	-	100	14,433
Workers in related activities	83.8	6.7	8.3	1.2	100	36,472
Workers in refining	84.4	14.3	1.3	-	100	41,161
Workers in manufacturing sector	89.8	3.8	6.2	-	100	3,920,919
All workers in the UK	81.2	5.5	13.0	2.3	100	27,859,257

Source: UK Labour Force Survey, autumn quarter, weighted data.

The occupational distribution of employment in the oil industry is outlined in table 3. Employment in oil extraction is concentrated within the top three occupational groups. Professional and associate professional jobs account for over half of all employment in the oil extraction industry. These include employment in engineering and technical occupations. The oil-related sector is dominated by associate professional and skilled trade jobs. In oil refining one-quarter of all jobs are in managerial occupations, whilst the proportion of employment in plant and process occupations is double the proportion found in the employed population as a whole. Overall, there is a relatively high proportion of skilled employment in the oil industry, although it is important to recognize the differences amongst different subsectors.

**Table 3. The occupational distribution of employment in the UK oil industry, 2003**

	Oil extraction (%)	Related activities (%)	Refining (%)	Manufacturing sector (%)	All UK employment (%)
Managerial	21.9	13.2	24.5	16.9	14.5
Professional	18.4	15.6	15.5	7.6	12.1
Associate professional	35.4	20.0	13.2	11.2	13.8
Admin/secretarial	6.3	14.6	13.4	9.0	12.8
Skilled trades	5.7	21.8	14.5	21.7	11.8
Personal services	-	-	-	-	7.6
Sales	-	1.5	2.5	2.0	8.0
Process and plant operatives	6.1	12.0	14.2	22.7	7.8
Elementary	6.2	1.3	2.1	8.8	11.7
Total	100	100	100	100	100
N*	14,433	36,472	41,631	3,927,978	27,946,888

Source: UK Labour Force Survey, autumn quarter, weighted data.  
\* Numbers vary from totals in table 1, as occupational information is only available for permanent and temporary employees.  
“-” indicates small or empty cell.

### 1.3.3. Female workers

Turning to the distribution of employment by gender, there has been long-standing concern over the limited scope of opportunities for women in the oil sector, and continuing gender divisions (see Miller, 2004; Moore and Wybrow, 1985). Research conducted for an Equal Opportunities Commission Report into female employment in the UK oil sector in

1985 found that less than 0.5 per cent of those working in the offshore industry were women. The authors of the report stated that only 25 women worked offshore on a normal shift basis at the time of the report (Moore and Wybrow, 1985: 20). Those women that were employed elsewhere in the oil sector were largely to be found occupying administrative, secretarial and information technology roles. Interviews with women who had applied for work in the sector revealed that a number of oil companies had stated explicitly that they did not employ women (Moore and Wybrow, 1985: 24). Some respondents stated that they had been discouraged from applying to work in the sector, either by careers advisors, or due to their own perception that there were few female opportunities in the sector. The report concluded that “there seems to be general discrimination against women as evidenced by the absence of women in the British Sector of North Sea Oil and Gas fields” (Moore and Wybrow, 1985: 1).

Figures for employment in the oil industry by gender (table 4) show that the number of women employed has increased since the early 1980s, although women remain under-represented in the sector as a whole, and in key occupations within the industry. Whilst women constituted 46.2 per cent of the employed UK workforce as a whole in 2003, they accounted for only 18.7 per cent of the oil extraction workforce, 14.1 per cent of the oil related activities workforce, and 21 per cent of the oil refining workforce. Together in these three sectors, there are 16,574 women in employment – constituting only 18 per cent of total employment.

Further analysis (not reported in table 4) demonstrates that women are concentrated in administrative and secretarial positions and under-represented in management areas. In the oil extraction area, around one-third of women are employed in administrative and secretarial roles – a much greater proportion than males in this area. In oil related jobs, 56 per cent of women are to be found in administrative and secretarial roles whilst a further 10 per cent are found in sales roles. In oil refining, whilst a quarter of all jobs are in managerial positions, only 6 per cent of female refining jobs are to be found in this occupational area. As in the other sectors, female employment in the refining industry is concentrated in clerical and administrative roles, with 53 per cent of female jobs in this sector to be found in these occupations.

The limited increases in female employment in the industry since the 1980s may reflect the increasing participation of women in the economy over this period, and may also be attributable to government strategies to attract women into scientific and technical occupations, for example through the Women Into Science and Engineering Campaign (WISE) (see WISE, 2003). The continued under-representation of women in the industry is a key concern of the newly established sector skills council for the oil and gas, chemicals manufacturing and petroleum industries, Cogent (see Cogent, 2004).<sup>3</sup>

**Table 4. Employment by gender in the UK oil industry, 2003**

	Oil extraction (%)	Related activities (%)	Oil refining (%)	Manufacturing sector (%)	All UK employment (%)
Male	81.3	85.9	79.0	74.3	53.8
Female	18.7	14.1	21.0	25.7	46.2
Total	100	100	100	100	100

Source: UK Labour Force Survey, autumn quarter, weighted data.

<sup>3</sup> Cogent is an employer-led organization and is one of 25 sector skills councils, which replaced National Training Organizations in 2001-02. The skills councils aim to identify skills needs and shortages in each sector, reduce skills gaps and shortages, and generate improvements to productivity through skills development.

### 1.3.4. Union density

Table 5 reports union density figures in the oil sector compared to density for all employees in the UK. Union density has traditionally been high in the oil refinery sector, and low in the offshore sector. Table 5 shows that current union density in each of the three oil sectors is lower than union density for all employment in the UK, and lower than that for the manufacturing sector as a whole. Less than one-in-five oil extraction workers are members of a union. Density in the oil related sector is even lower. Whilst the figures for male union density in the three sectors are higher, only in the oil refinery sector does this proportion rise above the UK average. Female union density levels are extremely low. None of the female respondents sampled for the LFS in the extraction and related activities sectors stated they were in a union. In the oil refinery sector, union density amongst women was also extremely low.

**Table 5. Union density in the UK oil industry, 2003**

	Oil extraction	Related activities	Refining	Manufacturing sector	All UK employment
Proportion of employees unionized	18.1	13.6	21.7	24.9	26.5
Proportion of male employees unionized	21.8	15.7	26.0	28.0	25.4
Proportion of female employees unionized	-	-	5.5	15.8	27.8

### 1.4. Employer and employee organizations in the UK oil industry

There are numerous employers' organizations in the oil sector. These include the UK Offshore Operators Association (UKOOA), the representative organization for companies licensed by the Government to explore for and produce oil and gas in UK waters. The Offshore Contractors' Association (OCA) was established in 1995 to represent contractors providing services to the oil and gas industry. The aims and objectives of the OCA include the improvement of competitiveness amongst contractors, and the promotion of training and health and safety initiatives (OCA 2004). In recent years many individual employers have ceded responsibility for pay bargaining with workers and unions to the OCA (see Chapter 4). The oil and gas industry is dominated by a small number of large, global oil companies, as a recent report by the AMICUS union shows (AMICUS, 2004a). In 2003, four major oil and gas companies (BP, Shell, ExxonMobil and Total) owned 50 per cent of the total oil reserves in the UK Continental Shelf. A further nine companies (including Conoco Phillips, Chevron Texaco and Marathon) shared another 35.5 per cent of reserves (AMICUS, 2004a).

A number of unions represent workers in the oil sector. A large number of unionized workers offshore are members of the Offshore Industry Liaison Committee (OILC). Established as an "ad hoc committee" (OILC, 2004: 1) in the aftermath of the Piper Alpha tragedy in 1988 to represent workers in the offshore-sector, and with a primary objective of improving safety it received certification as an independent trade union (non TUC affiliated) in 1992. It is estimated that the OILC has between 1,500 and 2,000 members, a significant proportion of the offshore workforce (OILC 2003a; OILC 2004; Woolfson and Beck 2004: 349). Around 60 percent of OILC members are in engineering occupations, whilst a further 25 per cent are in drilling activities (Woolfson and Beck, 2004: 349). Other unions with a significant offshore presence include the GMB union, the Amalgamated Engineering and Electrical Union (AEEU) and the Manufacturing Science and Finance (MSF) union (both these unions are now part of AMICUS). AMICUS also has a strong

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presence in oil-related activities industry, and in the oil refinery sector, as does the Transport and General Workers Union (TGWU). The GMB and the AEEU were signatories to partnership agreements with key offshore employers in 1999 and 2000, which has increased membership levels, and according to some estimates, around half the offshore workforce in 2000 were covered by the AEEU/GMB collective bargaining agreement (Cumbers, 2004: 12). The OILC and other unions have been involved in recent safety initiatives in the industry. These include the “Step Change in Safety” programme and the Offshore Industry Advisory Committee (OIAC), which provides expert health and safety advice on the industry to the Health and Safety Executive (HSE) (see Chapters 3 and 6 for more detail on these issues).

## **1.5. Conclusion**

The chapter has examined recent trends in employment in the oil industry. It has showed that current numbers in employment are below the peak levels of the early 1990s. Whilst there has been an overall increase in employment in the last five years, job losses in the extraction sector have been extensive. Temporary work is relatively high in the extraction and refinery sector, and the use of subcontract arrangements is commonplace throughout the industry. Female employment in the industry has increased since the 1980s, although from a low base, and women remain under-represented in managerial jobs and over-represented in administrative positions. Finally, levels of unionization in all parts of the industry are low, particularly amongst women.

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## 2. Conditions of work in the UK oil industry

### 2.1. Introduction

This chapter examines conditions of work in the oil industry, focusing on pay and working time. Studies have pointed to the relatively high levels of wages in the oil sector, compared to other sectors, and this is said to reflect the “special working conditions” in the industry (ILO, 2002: 31). Working hours in the oil sector have been the subject of much recent interest, particularly in the context of the implementation of the European Working Time Directive (‘Council Directive 93/104/EC of 23rd November 1993 Concerning Certain Aspects of the Organization of Working Time’) in the UK, legislating for maximum average working hours of 48 hours per week. Parts of the oil sector (offshore) were initially excluded from the provisions, although this was due to be amended in 2003. Following consultation, these amended provisions have yet to be passed. The consultation revealed the markedly different positions of union and employer representatives towards the definition of rest periods, paid annual leave, and the reference period over which “average” hours are calculated, all of which are central to the implementation of the Working Time Regulations. Further consultation over these issues was still taking place at the time of writing this paper (Cattini, 2004: 1).

Against this background, this chapter offers some data on pay and working time in the oil sector in 2003, drawing from analysis of the UK Labour Force Survey (LFS) to provide more detailed information on both wages and working hours. In the latter part of the chapter, the analysis draws on submissions from the main worker and employer organizations to the British Government in the recent consultation over the Working Time Directive to look at hours of work in the offshore sector in particular.

### 2.2. Wages

Table 6 reports average hourly wage levels for the oil industry as a whole and compares these figures to average wages for the manufacturing sector and for all UK industries. It also reports differences in wages by occupation. Questions on income are only asked to a sub-sample of the LFS, thus it is not possible to break down the figures further to look at the three individual oil sectors identified in Chapter 1, due to low numbers of observations in some of the sub-categories.

Overall, the figures show that jobs in the oil sector are relatively well paid, compared to the manufacturing sector and all industries. Looking at individual occupational groups, the majority of occupations in the oil industry have higher hourly wage levels than those for the manufacturing sector and all industries. It has been suggested that this may be attributable to any of a number of factors associated with employment in the oil sector, particularly offshore. Working time patterns in the oil sector often involve shift-working, and may include intensive “two-week on, two week off” patterns of work. Levels of overtime in the industry may also be relatively high (see section 2.3 below). Interestingly, in the occupational grouping where the largest proportion of oil workers are to be found – associate professional jobs – average pay levels are lower than for the whole UK workforce, although they are comparable with those in the manufacturing sector for this occupational group. Pay levels overall in the sector increased by 6.4 per cent between 2001 and 2003, slightly above inflation for this period, although this masks marked differences between occupations.

The largest gains in pay over this period were amongst those in managerial occupations in the oil industry, where average hourly pay increased by 12.5 per cent

between 2001 and 2003. Slight increases could also be observed over this period for those in professional occupations (this encompasses jobs such as engineering professionals, and information and communication technology professionals). In contrast, the average hourly pay for those in associate professional occupations, where the largest proportion of oil extraction workers are to be found, has fallen between 2001 and 2003, from £13.08 per hour to £11.40 per hour (comparable figures for 1999 and 2000 are unavailable, due to a major reclassification of occupations in 2000 in the LFS).<sup>1</sup> These falls in pay may reflect the effects of corporate restructuring, and some examples of pay cuts following restructuring are identified in Chapter 5.

**Table 6. Average hourly wages (£) in the UK oil industry, 2003**

	Oil industry	Manufacturing sector	All UK industries
All employees in this sector	16.07	10.03	9.9
Managerial	26.85	16.6	15.19
Professional	17.27	14.00	15.68
Associate professional	11.4	11.38	12.02
Admin/secretarial	9.24	8.39	8.25
Skilled trades	14.16	8.82	8.35
Personal services	-	8.82	6.48
Sales	15.21	7.96	5.81
Process and plant operatives	9.93	7.16	7.38
Elementary	10.14	6.53	5.76

Source: UK Labour Force Survey, autumn quarter, weighted data.

### 2.3. Working time

Table 7 examines working hours in the oil sector. The top half of the table considers basic usual weekly hours, and does not include overtime. These figures point to the relatively long basic working hours for those in the oil industry, which are greater than those for workers across the manufacturing sector, and across UK industry as a whole. Hours are particularly long in the oil extraction industry, where average usual hours are over 50 per week. The figures show that one-third of workers in this sector have basic working hours of over 48 hours per week. When overtime hours are added into these figures (the bottom half of table 7), the figures show that more than 50 per cent of those in the oil extraction sector, and more than one-third of those in oil related activities and oil refining work more than 48 hours per week. Average total usual hours in each of these three sectors far outweighs the UK average. This is likely to reflect the shift patterns worked in the offshore oil sector, where around 90 per cent of workers are employed on shift patterns of two or three weeks offshore, followed by an equivalent time onshore (see OILC, 2003b).

<sup>1</sup> Associate professional occupations include, for example, science and engineering technicians, draughtspersons and building inspectors.

**Table 7. Working time in the UK oil industry, 2003**

	Oil extraction (%)	Related activities (%)	Oil refining (%)	Manufacturing sector (%)	All UK employment (%)
Basic usual weekly hours (excluding overtime)					
0-<30	6.7	6	2.3	8.8	24.7
31-<40	37.7	44	46.2	54.4	42.4
40-48	22.0	30.4	40.9	31.2	24.3
More than 48	33.5	19.6	10.6	5.6	8.5
Average hours	50.86	45.05	42.04	37.9	34.56
Total usual weekly hours (including overtime)					
0-<30	7	4.9	2.3	8.5	23.5
31-<40	19.6	18.4	22.1	30.1	28.4
40-48	22.3	35.2	43.5	44.1	31.3
More than 48	51.1	41.5	32.1	17.3	16.7
Average hours	55.67	50.68	46.06	41.2	37.15
Number	14,433	35,163	41,651	3,861,912	27,482,395

Source: UK Labour Force Survey, autumn quarter, weighted data.

Turning to employee benefits, the LFS allows for the analysis of paid leave and bank holiday entitlements (table 8). These show that the average number of days paid leave per year for oil workers in each of the three sectors to be close to the UK average. However, a higher proportion of workers in the oil extraction and related activities sectors state that they had received no paid leave. A higher proportion of workers in these sectors also work on bank holidays than other employment sectors in the UK. This, again, is likely to reflect the patterns of work in the offshore sector in particular, which is organized on the basis of two or three weeks offshore, followed by an equivalent time onshore.

**Table 8. Paid leave entitlement and bank holiday working and payment in the UK oil industry, 2003**

	Oil extraction	Related activities	Oil refining	Manufacturing sector	All UK employment
Average number of days paid leave per year	33.5	34.2	32.2	29.9	33.5
Proportion of employees with 0 days paid leave	10.9	10.0	3.2	1.9	4.2
Whether worked on a bank holiday in 2003	63.3	57.1	34.3	23.6	29.0

Source: UK Labour Force Survey, autumn quarter, weighted data.

The provisions of the European Working Time Directive, transposed into UK in 1998, gave workers entitlement to a 48 hour maximum working week, 4 weeks annual paid holiday, rest breaks, and limits on night working. As noted above, some workers, including those working offshore in oil and gas, were excluded from the provisions. Thus, offshore workers currently have no statutory right to paid leave. The figures in table 7 highlight the concentration of long working hours in the oil extraction sector. In 2003, the British Government proposed a Horizontal Amendment to the Working Time Directive, which, when adopted, will lead to the inclusion of offshore workers in the provisions of the

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directive. The remainder of the chapter examines the working time patterns of the offshore oil workforce in more detail, reviewing some of the evidence submitted by employer and worker associations during a public consultation that accompanied the proposed amendment to the Working Time Directive.

## 2.4. Working time in the offshore sector

The Horizontal Amendment Directive (HAD) sought to extend the main provisions of the 1998 working time directive to offshore workers. Under the proposals, offshore workers would have become entitled, from August 1st 2003, to:

- a maximum average limit of 48 hours work per week (unless the worker voluntarily opts out of the regulations);
- four weeks statutory paid holidays;
- statutory rest periods and limits on the number of hours that could be worked by offshore workers during the night (see OILC, 2003b; DTI, 2003; Cattini, 2004).

In theory, this amendment would have brought offshore workers under the protection of the Working Time provisions. With a large proportion of workers in the sector working above 48 hours per week, and a number were not receiving any paid holiday, the amendment would clearly have a huge impact upon working conditions in the offshore sector. The views of employer and worker representative organizations towards this amendment varied considerably, although each has emphasized the unique nature of offshore employment and the working patterns in this sector. These have made straightforward implementation of the directive difficult, and have generated considerable debate over the meaning of working time and paid leave in the context of this particular industry.

A key point of debate in this area has been over the definition of working time, and the reference period over which maximum average weekly working hours should be calculated. The majority of workers in the offshore sector - (around 90 per cent according to one report (OILC, 2003b)) are employed via contractors, and work on a shift basis. Twenty-four hour cover is provided through two shifts, with each shift working for 12 hours on, 12 hours off. These employees work these shifts in blocks of two (or sometimes 3) weeks, with two weeks offshore and then two weeks onshore (OILC, 2003b: 4). This pattern of work equates to a minimum working year of 2,184 hours (against a UK average for all workers of 1,800 hours) (OILC, 2003b: 4). This equates to 49.5 hours per week basic hours (OILC, 2003b: 4), even before overtime is included. Unions representing workers offshore have argued that a 26-week reference period should be used to calculate average weekly hours, since solutions to any breaches of the convention would need to fit the existing patterns of the majority of employees in the sector, whose annual working hours are concentrated into the 26 weeks of the year that they are actually offshore. According to the Offshore Industry Liaison Committee (OILC):

One crucial point about time reference periods is that when the 48 hours limit is breached, the solution, in the form of reorganized work, should be found within the reference period. A rolling time reference period of 26 weeks is ideal, since, by means of a simple calculation, a work/leave cycle best suited to avoid a breach can be adopted early on. (OILC, 2003b: 1).

In contrast, offshore employers have argued for a longer 52-week period, on the basis of the “particular requirements of this industry and the seasonal nature of the work” (Caterers Offshore Trade Association et al., 2004). With a longer reference period, the hours of many more workers in the oil sector would “average out” under 48 hours per

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week, given that their hours are concentrated into a twenty-six week period during the year.

One of the other principal areas of disagreement is over paid leave. For employers, paid annual leave is said to be included in the twenty-six week period that workers are onshore during the year – indeed, employers associations have referred to the period offshore as “leave” (Caterers Offshore Trade Association et al., 2004). However, it would seem reasonable to suggest that these twenty-six weeks rest period are better characterized as “field breaks”, quite separate from annual leave, and that four weeks paid annual leave should be provided over and beyond these field breaks, a position endorsed by some unions in the sector (see OILC, 2003b; Cattini, 2004).

There has yet to be agreement over the Horizontal Amendment Directive and a second round of consultation has taken place to try and resolve the impasse over working time regulations in the sector.

## **2.5. Conclusion**

Average hourly pay levels in the oil sector are generally high compared to other industries, although not amongst associate professional workers, where a large proportion of oil industry workers are to be found. The relatively high wages amongst most occupational groups may reflect the conditions of work and shift arrangements that are typical in the sector. Average working hours per week are relatively long in oil extraction, related areas and refining. A high proportion of workers in the oil sector work more than 48 hours per week. A significant proportion of workers in the oil industry have no paid leave entitlement. The proposed amendment to the Working Time Directive would be likely to have a large impact upon practices in the offshore sector, although the chapter has highlighted the continuing debate in this area over definitions of average working hours and paid leave, which have led to a current impasse in the introduction of this amendment into UK law.

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## **3. Industrial relations in the UK oil industry**

### **3.1. Introduction**

This chapter examines employee-employer relations in the oil industry in the UK. It begins with an historical analysis of industrial relations in the sector, focusing in turn on the oil refining sector (section 3.2) and offshore production sector (section 3.3). Whilst union presence and collective bargaining coverage have traditionally been strong in the oil refining sector, recent years have seen many employers pursue strategies of derecognition. In offshore production, employers have historically been hostile towards unions, and union recognition agreements have been rare. Recent “partnership” agreements concluded between employers and unions offshore in the last five years have extended union presence in this sector. Section 3.4 examines these agreements, and assesses the extent to which they offer unions and workers genuine partnership in the offshore sector. Some conclusions are offered in section 3.5.

### **3.2. Industrial relations in the oil refinery sector**

Within the oil refinery sector, levels of unionization and collective bargaining coverage have historically been strong in the UK. Flanders’ (1964) classic study of industrial relations at Esso’s Fawley plant depicted union membership levels of around 85 per cent in the plant in 1960, whilst Gallie’s (1978) study of the BP Grangemouth and Kent plants in the early 1970s reported membership levels of 100 per cent at both. In general, craft unions maintained a closed shop in UK oil refineries in the 1960s and early 1970s (see Flanders 1964: 33; Gallie, 1978: 274). Membership amongst general labourers was also high, at around 80 per cent in Fawley in 1960, for example (see Flanders 1964: 34). Unions representing clerical and administrative staff, however, have historically not been recognized by management (Flanders, 1964: 36; Ahlstrand, 1990: 75). Whilst craft unionism in oil refineries was strong, “productivity bargaining” agreements, in which employees received pay rises in return for changes in working practices altered relations between management and unions. In particular, these agreements typically eroded traditional lines of demarcation between various crafts (see Flanders, 1964; Gallie, 1978; Ahlstrand, 1990).

According to some, the limited success of these productivity agreements led many oil refineries to attempt to move to a union-free environment from the 1970s (Young, 1992; see also Korczynski and Ritson, 2000). Ahlstrand argues that over the 1970s “productivity bargaining came to be used to minimize rather than to enhance the collective role of the union” (Ahlstrand, 1990: 161). One of the principal ways in which this was achieved was through a strategy of derecognising unions for internal craft workers, whereby such workers were transferred to “staff status”, in return for increased pay, and the linking of rewards to performance. Since unions were typically not recognized for workers on staff grades, the transfer of craft workers to staff status effectively excluded unions from these refineries (Korczynski and Ritson, 2000: 423; Ahlstrand, 1990). Ahlstrand’s study of Esso Fawley offers an insight into the derecognition process and reveals the deliberate, incremental nature of this strategy, “articulated within a long-term horizon, planning to target group after group rather than attempting the wholesale movement of all maintenance union groups to staff terms in one fell swoop” (Ahlstrand, 1990: 162). Thus, in 1974, thirty warehousemen were targeted for movement to staff-status, perceived by management to be “an excellent first target group as they were both small and relatively self-contained reducing the immediate problem of how to reconcile the side-by-side working of unionized with non-unionized men” (Ahlstrand, 1990: 162). Whilst the transfer was contested by the Transport and General Workers Union (TGWU), Ahlstrand (1990: 163) notes that a

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compromise was reached “whereby the warehousemen would give up collective bargaining rights but would still retain individual membership in the union”. This, along with increased pay levels, led to the acceptance by this group of the movement to staff status. This pattern was repeated with other groups of craft workers over the 1970s, with management successfully targeting instrument fitters, boilermakers, and welders for staff status between 1977 and 1983 (Ahlstrand, 1990: 163-167). Similar strategies were employed at other UK oil refineries, including those run by British Petroleum (Ahlstrand, 1990: 164). The strategy of derecognition at oil refineries intensified in the early 1990s, after a further wave of flexibility agreements, which management perceived to have been unsuccessful. The agreements in the 1980s had the objective of eradicating demarcations between craft groups over work roles, particularly those relating to the undertaking of maintenance work by craftsmen, but by the end of the 1980s, these demarcations were still clear, leading management to seek to intensify derecognition efforts (Young, 1992; Korczynski and Ritson 2000).

Korczynski and Ritson’s study, based on research in all but three of the UK’s oil refineries, documents the “new wave” (2000: 424) of union derecognition across UK oil refineries over the 1990s. They argue that the transfer of craft workers to staff status reduced the influence of unions so that “by the mid-1990s unions’ collective bargaining role had been all but swept away for internal craft workers” (Korczynski and Ritson, 2000: 425). These transfers to staff status were often concluded with little or no negotiation with unions. In seeking agreement for the movement to staff status, management often bypassed unions, approaching groups of workers individually (see Korczynski and Ritson, 2000: 424; Ahlstrand, 1990: 163). According to one account:

Once management had detailed the terms and conditions of staff status and presented these to each member of the group, management withdrew from any further active solicitation and left it to individual members to put pressure on the union hierarchy. (Ahlstrand, 1990: 163).

With workers being offered increased pay and improved benefits, this tactic was often successful. Whilst there was union resistance to each of the proposals for transfer at Fawley, for example, this in each case resulted in “eventual acquiescence to pressure from work groups” (Ahlstrand, 1990: 166). The presence of the Conservative Government in the UK has also been identified as an “important legitimator” of derecognition strategies, as has the rise of human resource management policies, which with their emphasis on individualism, provided employers with an ideological justification for the marginalization of unions (Korczynski and Ritson, 2000: 429). At the same time, however, bargaining arrangements for external contractors in the oil refinery sector were being centralized, with many workers covered by the National Agreement for the Engineering Construction Industry (Korczynski and Ritson, 2000: 425; see also Ritson, 1997). This centralization has been driven by a desire by employers to minimize unofficial strikes during plant shutdowns, the time when external maintenance contractors are used most extensively. The centralization of bargaining, in place of individual negotiations with each contractor group, served this purpose by reducing the number of “leapfrog bargaining” pay claims amongst contractors, which initiated many of the disputes (Korczynski and Ritson, 2000: 431).

### **3.3. Industrial relations in the offshore oil sector**

In the offshore oil sector, historically unions have had only a limited presence. Levels of unionization have been low compared to other industries in the UK, and collective bargaining agreements between unions and offshore employers have, until recently, been rare. Wybrow, in an analysis of the Scottish labour movement and the offshore oil industry at the beginning of the 1980s stated “to date there is only one collective bargaining

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agreement offshore, covering gas platform staff in the southern sector, and that was only secured after several years of resistance” (Wybrow, 1982: 274).

Employer hostility towards unions has been cited by many as the principal cause of the limited penetration of unions in the sector (see Woolfson, 2003; Wybrow, 1982). The large US companies that established themselves in the UK offshore oil sector in the 1970s “brought with them an individualistic anti trade union industrial relations culture” (Woolfson 2003: 5). They developed a range of strategies to resist unionization in the 1970s. These included the use of joint consultative committees, as “surrogate forms of employee representation” (Woolfson, 2003: 6). Management-dominated, they allowed management to bypass organized labour. Woolfson (2003) cites evidence from a study of such committees in the oil industry, in which an oil industry handbook noted that the joint consultative committee was not a “forum for negotiating terms and conditions” (Thom, 1989: 102, cited in Woolfson, 2003: 7). Alongside this mechanism for bypassing unions can be placed overtly intimidatory practices, such as obstructing union visits offshore (Woolfson 2003: 6), and threatening union activists with the sack if they were to be found distributing union leaflets (Wybrow, 1982: 262). Woolfson (2003: 5) cites an internal document from the Association of Scientific, Technical and Managerial Staffs (ASTMS) union which identified other strategies employed by companies including Esso, BP and Shell to resist union organization, notably:

An insistence on full ballots, not only for collective bargaining rights, but also for simple representational rights ... more favourable conditions of service to non-unionized areas and asking prospective employees their attitudes to trade unions. (ASTMS, 1976, cited in Woolfson, 2003: 5).

It has also been argued that unions themselves were partly to blame for their limited presence offshore. The multiple crafts involved in offshore production meant that workers were represented by a range of unions each pursuing their own agenda and aiming to become “the exclusive bargaining agent offshore” (Woolfson 2003: 6; Woolfson and Beck, 2004: 346). As noted in a union strategy document in the early 1990s, the presence of multiple unions with an interest in representing workers in the oil industry has often been used by employers to justify their hostility to unions:

It is argued that multi-unionism will produce industrial anarchy in an industry which because of its hazardous nature, cannot afford to have any challenge to managerial authority from trade unions. (OILC, 1991: 6).

Exceptions to the pattern of employer hostility towards unions can be observed, explained by the desire of employers to avoid disruption to production at key points in the oil exploration process through the securing of agreements with trade unions. Woolfson and Beck (2004: 346) describe “hook up” agreements between oil employers and unions representing contract engineering and construction workers (the AEEU, the EEPTU and the GMB) in the 1970s. These agreements – temporary in nature – protected production during the construction of oil rigs, in return for collective bargaining rights. However, the agreements *only* covered the construction phase of the rigs, and those contract workers involved in this process. Since the agreements did not extend to those involved in subsequent maintenance work, nor to core oil extraction workers, collective bargaining coverage ceased once construction of the rigs had been completed (Woolfson and Beck, 2004: 346).

Hostility towards unions continued throughout the 1970s and 1980s with employers resisting demands for union recognition and the industry remaining “largely union-free” until the late 1980s (Woolfson and Beck, 2003: 347). In the late 1980s, industrial relations issues and calls for wider recognition of unions became intimately bound up with questions of workplace health and safety, following the Piper Alpha disaster in 1988 (see Woolfson and Beck, 2004: 347; OILC, 2004: 1; Whyte, 1997). Unions demanded an extension of

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their role in the safety regime in the industry following the tragedy (see OILC, 2004: 1). Whilst the Conservative Government saw union recognition and safety as two separate issues, unions argued that recognition and strong union organization were central to improving workplace safety (see Foster and Woolfson, 1992: 8). Indeed, the role of unions offshore was highlighted explicitly in the official report into the Piper Alpha disaster ('The Cullen Report'), which found the company "guilty of a "string" of errors and lapses, amounting to a "superficial attitude to likely risks" and "gross negligence" (quoted in Tombs and Whyte, 1998: 76). The Cullen report stated that:

The representation of the workforce in regard to safety matters is important not merely for what it achieves on installations but also for the effect that it has on the morale of the workforce – in showing that their views are taken into account and that they are making a worthwhile contribution to their own safety. (Cm 1310, 1990: Vol. 2, Para 21: 74, cited in OILC, 2004).

It also explicitly stated that unions should play more of a role in safety management offshore, and highlighted the benefits of trade union appointed safety representatives (see Woolfson and Beck, 2004). The regulations implemented following the disaster – The Offshore Installations (Safety Representatives and Safety Committees) Regulations 1989 – did not, however, legislate for compulsory union appointed safety representatives where unions were recognized, in contrast to the onshore regulations (Wright and Spaven, 1999). Instead, the regulations legislated for the establishment of safety committees, containing management appointees and elected workforce representatives – who might or might not be union members (Wright and Spaven, 1999: 49).

### **3.4. Developments in industrial relations over the past five years**

#### **3.4.1. "Partnership" arrangements between unions and employers**

"Partnership" agreements between employers and unions in the oil industry have extended recognition in the sector over recent years, and led to a considerable increase in the proportion of workers covered by collective bargaining arrangements. The impetus for many agreements – both in the oil industry and elsewhere – has been the Employment Relations Act, which gained Royal Assent on 27 July 1999. The main provisions in the Employment Relations Act relating to statutory union recognition came into force on 6 June 2000 (see Perrett, 2003). Schedule 1 of these provisions states that "a trade union seeking recognition to be entitled to conduct collective bargaining on behalf of a group or group of workers may make a request in accordance with this part of the schedule" (Statutory Instrument 2000 No. 1338 (C39) Schedule 1).

Where claims for recognition cannot be resolved between union and employer, the Employment Relations Act allows for applications for statutory recognition to be made to a Central Arbitration Committee (CAC). The Central Arbitration Committee has been established under the provisions of the Employment Relations Act to adjudicate on statutory recognition claims. For each case the CAC convenes a three-person panel, consisting of a Chairperson, an member with experience as an employers representative and a member with experience as a workers representative (DTI, 2000b: 2).

In determining claims for recognition, the following provisions are particularly noteworthy. First, if the CAC is satisfied that a majority of workers constituting the bargaining unit are members of the union, then it "must issue a declaration that the union is (or unions are) recognized as entitled to conduct collective bargaining on behalf of the workers constituting the bargaining unit" (Statutory Instrument 2000 No 1338 (C39)

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Schedule 1: Para 22). Second, the CAC may decide that a ballot of the bargaining unit is necessary to decide recognition claims, in which case, “it will award recognition if it is supported by (a) a majority of those voting; and (b) at least 40 per cent of the workers entitled to vote” (DTI, 2000b: 2).

Since 1999, a number of partnership agreements have been concluded between employers in the oil industry and unions, some of which have been driven by the provisions contained in the Employment Relations Act. Some employers in the oil industry have agreed “pre-emptive” partnership deals with unions before workers pursue statutory recognition. These deals have allowed employers to exert control over the unions that are recognized in the workplace (Woolfson and Beck, 2004) and in some cases, have had the stated aim of preventing the independent OILC union from increasing their influence in the oil industry (Martin et al., 2003). The partnership agreements, and their pre-emptive nature in some cases, are examined in more detail below.

One of the first partnership agreements can be seen in July 1999 when the Manufacturing Science and Finance (MSF) union signed an agreement with Total Oil Marine over collective bargaining arrangements for workers on the Alwyn and Dunbar platforms (BBC 1999a). This was followed in August 1999 by a “memorandum of understanding” between the United Kingdom Offshore Operators Association (UKOOA) and the inter trade union body, the Inter Union Offshore Oil Committee (IUOOC). As Cumbers (2004: 12) notes, this was not a legally binding recognition agreement. Rather, it constituted a commitment by the two parties to meet at least four times per year, to discuss and develop policies around training and health and safety. The agreement was designed to lead to improvements in several areas, including visits of union representatives to oil rigs, improved consultation between oil companies and contractors and more cooperation on training (see BBC, 1999b). A specific goal of the memorandum of understanding was to develop best-practice guidelines in the area of employee relations through consultation between UKOOA and TUC affiliated unions (UKOOA, 1999: 1).

John Monks, General Secretary of the Trades Union Congress (TUC) said at the time “more and more unions are realising the advantages that come from pooling ideas and sharing problems ... unions and employers in the oil and gas industry have turned their backs on the macho management and the union militancy of the past ... we are now willing to put our heads together and share common problems.” (BBC, 1999b: 2). A spokesperson for the employers stated that “the arrangement will open doors for a closer relationship between the oil and gas companies and the unions”(BBC, 1999b: 2).

In May 2000, the Amalgamated Engineering and Electrical Union (AEEU) and the GMB union signed a voluntary recognition agreement with the Offshore Contractors Association (OCA), an association comprising many of the offshore oil companies. In addition to making the AEEU and the GMB the sole agents for bargaining over pay and conditions, the agreement included arrangements for consultation procedures and regular meetings. With the agreement encompassing the majority of non-oil company personnel working on platforms, Cumbers (2004: 12) estimates that around half of the offshore workforce were covered by this partnership deal. The workers not covered by the deal include contract catering staff, and workers directly employed by oil companies (e.g. management, office workers). According to the AEEU, this has given the union power to negotiate collectively over pay and led to improved information exchange (see Cumbers, 2004: 12). However, Cumbers (2004: 13) suggests that the partnership has made “little progress” in improving industrial relations or conditions of work, citing examples of employers breaking key parts of the agreement, particularly those relating to the working hours of oil employees.

The implementation of the Employment Relations Act was a stimulus to the signing of a voluntary recognition agreement between the AEEU and the UK Drilling Contractors

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Association (UKDCA) in June 2000, billed by the AEEU as a “breakthrough into virgin territory” (*Financial Times*, 2000: 1) This granted the union collective bargaining rights over wages, hours and holidays, and gave the union facilities offshore to aid recruitment activities. According to a spokesman for the UKDCA, in light of the imminent passing of the Employment Relations Act, the association had “sought a positive approach to the legislation ... and chose the AEEU as the “best fit for our workforce” (*Financial Times*, 2000: 2). More insight into employers’ motives for adopting a partnership in this case can be gained from the study by Martin et al. (2003) The authors conducted a piece of “action research” at the time of the agreement between the AEEU and UKDCA in 2000. The action research involved the authors “facilitating managers...to achieve a recognition agreement” which was seen as “the first step to a partnership model for the industry” (Martin et al. 2003: 599). The researchers examined the drilling employers’ response to the impending implementation of the UK Employment Relations Act, and describe how the employers “immediately perceived themselves to be at risk to predatory unions” (Martin et al. 2003: 601). In particular, the independent union, the Offshore Industry Liaison Committee (OILC), was seen to be a threat by employers, due to their “hardline stance on industrial relations” (Martin et al., 2003: 601). The authors conclude that it was the “coercive aspect of the legislation and the threat of a non-cooperative stance by OILC that provided the major impetus to change in the employers’ strategy on industrial relations in the industry” (Martin et al., 2003: 601).

The seemingly “pre-emptive” nature of this partnership agreement highlights some of the shortcomings of the Employment Relations Act. For Cumbers (2004: 13), a crucial limitation of the Employment Relations Act is the fact that recognition agreements between employers and unions are legally binding, and workers thus have no recourse to *alternative* representation through other unions if they are dissatisfied with the present agreement. Woolfson and Beck (2004: 352), argue that these pre-emptive agreements may be “imposing specific trade unions” on employees, and cite evidence of ballots held immediately prior to the AEEU/GMB agreement with the OCA which revealed an overwhelming majority of workers in the Brent Field platform voting for recognition by the OILC (see Chapter 4 for an analysis of the subsequent appeal by the OILC to the CAC for recognition).

The strategic and “pre-emptive” nature of many of the agreements also casts doubt on notions that partnerships necessarily signal an extension of the role of unions in the oil industry. Partnership agreements may limit a resurgence of organized labour, and may not offer genuine “partnership” between management and unions in practice (see for example, Martinez Lucio and Stuart, 2004). According to Martinez Lucio and Stuart (2004: 415), the timing of many partnerships in the UK – during periods of company susceptibility or labour market change – suggests that employers are taking up the agreements for reasons “other than being enamoured of union involvement”. Further, through engagement in partnership, unions may legitimize the implementation of new management practices and management change programmes, and in the process undermine workplace unionism (Martinez Lucio and Stuart, 2004; Taylor and Ramsay, 1998).

Yet, advocates of partnership argue that such voluntary agreements can help to improve organizational performance and competitiveness through improved cooperation between employers and unions (see Involvement and Participation Association, 1997). The “business case” for partnership is supported by a range of large-scale survey and case-study evidence reporting a link between consultation, involvement and performance (see e.g. Heller et al., 1998; Involvement and Participation Association, 1997). The Involvement and Participation Association (IPA) has identified a number of key features seen to form the basis of meaningful partnership. These include a commitment from both employers and unions to:

- the success of the enterprise;

- 
- building trust; and
  - recognizing the legitimate role of partners (IPA, 1997).

The Institute also identifies four key “building blocks” on which partnership is built, namely:

- a commitment on the side of employers to employment security and a recognition of the need for flexibility on the part of workers;
- sharing success through rewards;
- informing and consulting staff; and
- representation of the interests of employees (IPA, 1997).

A similar set of principles has been devised by the British Trade Union Congress (see TUC Partnership Institute, 2004). Such principles act as useful benchmarks for assessing the extent to which partnership arrangements developed at the workplace level take into account the interests of all relevant stakeholders and constitute the basis for good industrial relations (Stuart and Martinez Lucio 2005).

To what extent do the partnership agreements in the oil industry meet accepted notions of “good partnership”? None of the employers in the oil industry are included in the IPA’s current list of organizations whose policies and practices conform to their definition of genuine partnership. A closer examination of the 2003-04 version of the agreement between the AEEU and GMB unions with the OCA (OCA, 2003) offers an insight into the nature of the partnership between the parties (the key part of this agreement is included in the Appendix at the end of this paper). The agreement aims to promote good industrial relations between unions and employers, with consultation arrangements designed to “enable an effective exchange of views, promote a better understanding of the challenges facing the offshore industry; diffuse potential areas of conflict and collaborate in finding solutions” (OCA, 2003: 6). The agreement states that the parties will meet at least four times a year. These meetings will include consultation over “safety, employee issues and working arrangements”, and “consideration” of training issues and employment practices (OCA, 2003: 6). Collective bargaining, hours and holiday entitlement “will only be dealt with at an annual national meeting of the partners” (OCA, 2003: 6). The agreement sets out minimum rates of pay for workers on hourly employment contracts (OCA, 2003: 228-29). The partners also agree to work towards improvements to productivity, through the use of teams, multi-skilling, and continuous improvement (OCA, 2003: 9). The agreement goes on to specify arrangements for leave and termination of contracts.

The agreement falls short of meeting recognized definitions of genuine partnership, such as those put forward by the IPA (see above), since it contains no explicit commitment to job security, aside from an agreement to improve performance through a focus on “terms and conditions of employment, which recognize loyalty, skills and experience within the overall industry’s economic position” (OCA, 2002: 17). Whilst a commitment to job security might be found through other company policies, the absence of one of the key “building blocks” of genuine partnership in this agreement undermines arguments that the partnership can form the basis of good industrial relations. Furthermore, the agreement states a commitment of the parties to a “total non disruption factor”. Under the agreement, disputes between unions and employers are to be resolved through a compulsory arbitration process (Cumbers, 2004: 13). Some have argued that this effectively constitutes a no-strike clause (Woolfson and Beck, 2004). This is discussed in more detail in Chapter 4. For Cumbers (2004: 13), partnership agreements with employers represent a “Pyrrhic

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victory” for unions, having delivered few meaningful improvements to oil employees’ working conditions. The Employment Relations Act, by offering no recourse to *alternative* representation through other unions if workers are dissatisfied with current recognition arrangements, effectively limits the rights of workers (Cumbers, 2004: 13).

In contrast, others have identified specific positive outcomes from recent partnerships in the oil industry. Martin et al., (2003), in an analysis of the partnership agreement between the AEEU and the UKDCA, finds that the agreement has gone some way to “enhancing trust relations”, with both parties working jointly to provide shop-steward training and lifelong learning initiatives (Martin et al., 2003: 607). However, the union has found that recruiting new members has been difficult, the authors suggesting a lack of resources and a “fear factor” amongst employees in the offshore sector being important reasons for this (Martin et al., 2003: 607). Whilst the partnership does not itself provide an obstacle to workers joining the union, this recent agreement must be placed in the context of thirty years of employer hostility towards unions in the offshore. Furthermore, the recent withdrawal of one of the main employers – Texas Drilling – from the Employers Association has led some to question the stability of the partnership agreement (Martin et al., 2003: 608), since soon after their withdrawal, they merged with another company, Alamis Oil, also a member of the association (Martin et al., 2003: 608). This has led some to speculate over whether further withdrawals would occur.

A range of other initiatives have developed over the last five years, which promote dialogue between social partners in the oil industry. PILOT is a joint government/industry initiative, and was created by the Oil and Gas Industry Task Force in 2000 to “create a climate for the UK Continental Shelf to retain its position as a pre-eminent active centre of oil and gas exploration and development and production and to keep the UK contracting and supplies industry at the leading edge in terms of overall competitiveness” (PILOT, 2004: 1). The key constituents in PILOT are Government (e.g. the Department of Trade and Industry, the Treasury, the Health and Safety Executive), oil operators (e.g. the UKOOA), oil contractors (e.g. the OCA) and unions (AMICUS/AEEU). PILOT has set goals for the industry for the end of the present decade, the main targets being in the areas of production, investment, employment, safety, environmental issues and partnership (PILOT 2003: 2; PILOT 2004a). One of the key initiatives overseen by PILOT is the “Step Change to Safety” programme, which aims to improve safety in the industry. Since 2002, this initiative reports to PILOT. Other recent PILOT-led initiatives have focused on sectoral sustainability programmes, increased collaboration between the UK and Norway oil fields, and a campaign to increase graduate recruitment into the oil sector (see PILOT 2004b).

Joint government, industry and union initiatives to promote training in the oil industry have also emerged over the past five years. The Offshore Contractors Association, through its “Employment Practices Committee” works with the UK Offshore Operators Association (UKOOA), the Engineering Construction Industry Training Board, and the Offshore Petroleum Industry Training Organization (OPITO) to train technicians for the oil industry, in response to recognized skills-shortages in this area in the industry (see OCA, 2004). As noted in Chapter 1, the new employer-led sector skills council for chemicals, nuclear oil and gas, petroleum and polymers was also established in 2002 (Cogent), replacing OPITO. The overall aims of Cogent are to improve productivity and business performance through skills development; to reduce skills gaps and shortages; to increase opportunities to boost skills and productivity; and to influence skills supply across the spectrum (Cogent, 2004). Cogent is dominated by employer interests, although two seats on the board of Cogent are occupied by trade union representatives, from the Transport and General Workers Union (TGWU) and AMICUS. The recent activities of Cogent include recruitment programmes for technicians in the oil industry and a range of safety initiatives. These include the “Offshore Passport and Personnel Tracking System” which tracks offshore trip durations and assesses workers’ competency and training. Cogent is also

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involved in addressing key concerns identified by the “Step Change for Safety” initiative. This includes training in Emergency Response Standards, to ensure all personnel offshore have the necessary skills and knowledge required in times of an emergency (Cogent, 2004). For workers, it is anticipated that Cogent will facilitate the development of workers’ transferable skills by offering a wide range of qualifications and learning frameworks to support the development of individual competence.

### **3.5. Conclusion**

This chapter has examined industrial relations in the oil industry. It has pointed to the traditionally strong levels of unionization in the oil refinery sector, and the hostility of employers towards unions in the offshore sector. Widespread derecognition of unions in the oil refinery sector occurred during the 1990s. Offshore, recent recognition and partnership agreements have given unions a foothold offshore. However, this has been driven by the implementation of the Employment Relations Act in 2000, and some of these partnerships have been undertaken by employers with the aim of excluding other unions from the offshore sector, and include “non-disruption” agreements and offer little commitment to employment security. It is extremely doubtful whether such agreements allow the full benefits of genuine partnership to be enjoyed by unions and workers.

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## 4. ILO standards in the UK oil industry

### 4.1. Introduction

A number of ILO standards are significant to areas of industrial relations in the oil industry. The main relevant instruments are the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) and the ILO Declaration on Fundamental Principles and Rights at Work (see ILO, 2002a). Convention No. 87 stipulates that workers should have the right to affiliate themselves with organizations and unions of their own choosing (ILO, 2002: 16). Convention No. 98 stipulates that workers should enjoy adequate protection against acts of anti-union discrimination and that workers and employers' organizations should enjoy adequate protection against acts of interference by each other (ILO, 2002: 20). The Resolution Concerning Tripartism and Social dialogue (adopted by the 90th Session of the International Labour Conference in 2002) seeks to ensure that effective social dialogue by promoting sound industrial relations, the principles of freedom of association and improvements to social protection. These and other ILO instruments will all help to promote social dialogue, and are discussed below in the context of the UK oil industry. The chapter examines the extent to which employer policies adhere to these conventions and recommendations, and whether the current regulatory framework in the UK supports the ILO instruments. These issues are discussed under four sub-headings: freedom of association; industrial action; collective bargaining; and consultation and communication.

### 4.2. Freedom of association

Novitz (2000: 384) argues that the return of the Labour Government in 1997 has signalled a change in stance towards compliance with ILO Conventions, with the Government now taking a renewed interest in ratifying these Conventions. As noted in Chapter 3, the implementation of the Employment Relations Act in the UK in 2000 included a procedure for the statutory recognition of unions where a majority of the workforce in the bargaining unit are in favour of such recognition. Novitz believes that the ILO Committee of Experts on Freedom of Association provided "provisional approval" to the Employment Relations Act as a mechanism "by which the most representative trade union is given the opportunity to bargain on behalf of workers" (Novitz, 2000: 388) in 1998, when examining allegations of anti-union discrimination by a UK employer (outside the oil sector).

The Trades Union Congress (TUC) had alleged that British law and practice was incompatible with the obligations arising from the ratification of Convention No. 98, particularly in respect of the lack of protection against discrimination at the time of recruitment and against anti-union discrimination in employment short of dismissal. In particular, the case pointed to allegations of intimidation of union members at a steel plant, designed to bring about derecognition of TUC-affiliated unions. In responses from the Government of the UK, it was noted that UK law provided protection of workers from discrimination on the grounds of union membership, and that the Fairness at Work White Paper (which set out the provisions which resulted in the Employment Relations Act) would aim to ensure decent standards of Work. The Committee expressed the hope that "any resulting legislation will have as an effect the encouragement of employer recognition of representative workers' organizations and requests the Government to keep it informed of the progress made in this regard" (ILO Committee of Experts on Freedom of Association, 1998).

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However, according to some, the introduction of the Employment Relations Act has, inadvertently, limited the rights of individual workers, and may have led to contraventions of the ILO principle of freedom of choice. According to Woolfson and Beck (2004: 352) “a by product of the introduction of the ERA, not unique to the offshore oil industry, has been the creation of hastily contrived pre-emptive recognition agreements, often imposing specific trade-unions on non-consulted employees ... this is nowhere more obvious than offshore”. The pre-emptive agreements have allowed employers to exert control over the unions that are recognized in the workplace, before statutory recognition claims are pursued by the workforce. Since the agreements between unions and employers become legally binding under the Employment Relations, it has been suggested that they “raise serious questions about conformity with ILO principle of freedom of choice” (Woolfson and Beck, 2004: 352). This is because workers cannot seek *alternative* representation through other unions as a substitute for current recognition arrangements, if they are dissatisfied (Cumbers, 2004: 13). Article 2 of the ILO Convention No. 87 stipulates that “workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization.”

Woolfson and Beck (2004: 350-352) examine the partnership agreed between the AEEU and GMB unions with the Offshore Contractors Association (OCA) in May 2000 (see Chapter 3). This agreement was concluded two weeks before the introduction of the Employment Relations Act. However, Beck and Woolfson cite evidence of an unofficial ballot of Wood Group employees – one of the key members of the OCA – conducted around the same time that the partnership agreement was concluded. This revealed that 76 per cent of Wood Group employees had voted for recognition by an alternative union, the OILC, whilst only five per cent had voted for the AEEU and GMB (Woolfson and Beck, 2004: 352). The partnership was agreed before the implementation of the Employment Relations Act, thus ruling out any future formal ballot by the Central Arbitration Committee under the statutory recognition procedure as part of a subsequent appeal. The unofficial ballot (organized by the OILC) was to be “the only test of workforce union preferences” (Woolfson and Beck, 2004: 352). The subsequent appeal by the OILC to the Central Arbitration Committee for recognition is examined in section 4.4.

Alongside these observations about the effects of the Employment Relations Act in the oil industry can be placed the effects of the coverage of the Act outside this sector (see Smith and Morton, 2001; Novitz, 2000). Beyond the rhetoric of the Labour Government to comply with ILO Conventions, the reality is that the legislation passed only allows for partial compliance with many of the Conventions. Recognition procedures under the Employment Relations Act only apply to firms with 21 or more workers, yet such thresholds do not comply with the ILO principle of freedom of choice (Novitz, 2000: 388). Furthermore, protection of workers against dismissal for taking part in industrial action is only given for eight weeks, a threshold which forms no part of ILO Convention No. 87 (Novitz, 2000: 387). Novitz (2000) argues that “whereas ILO standards have long been regarded in the UK as ambitious and unobtainable goals, international consensus has determined that they constitute a basic minimum” (Novitz, 2000: 393). The resultant UK legislation passed since 1997, with gaps in coverage represents a “complicated detour from the path of full compliance with ILO standards” (Novitz, 2000: 379).

Returning to the oil industry, ILO Convention No. 87 also prohibits discrimination on the basis of trade union membership. As noted in Chapter 3, employer hostility towards unions in the offshore oil sector has included the victimization of union members. Wright and Spaven report that trade union activism can, to this day, lead to an “NRB” (Not Required Back) form being placed within contractors pay packets (Wright and Spaven, 1999; see also Whyte, 1998). Wright and Spaven also confirm the continued existence of management “blacklists” of undesirable employees, and outline the intimidatory management practices adopted by some oil employers towards unions and union activists

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(Wright and Spaven, 1999: 52; see also AMICUS 2004b: 1). In 2002, an open meeting of the Offshore Industry Advisory Committee (a Committee made up of representatives of the main employers' associations and trade unions active in the North Sea, to advise the Health and Safety Executive on issues of safety) evidence was heard of a catering worker receiving an NRB for raising a question with their employer relating to safety. A union representative from AMICUS/MSF argued that this was clear evidence of discrimination against workers who raised health and safety issues, and that this also undermined attempts to foster a safety culture in the sector (see Health and Safety Commission, 2002).

### **4.3. Industrial action and the “right to strike” in the oil industry**

#### **4.3.1. *The right to strike in the oil sector***

The right of workers to strike may have been undermined by recent partnership agreements. The agreement between the Offshore Contractors Association (OCA) and the AEEU and GMB unions specifies a “total non-disruption factor” (see OCA, 2002). It is widely held that such agreements are effectively “no-strike” deals (see Woolfson and Beck 2004; Cumbers, 2004) since any disputes which do arise are “subject to binding arbitration” (Cumbers, 2004: 13). The “total non-disruption factor” specified in the agreement would seem to run counter to the provisions in ILO Convention No. 87. With the inclusion of these clauses in partnership agreements why have unions signed up to such deals? In the context of the oil industry, as noted by Cumbers (2004: 15), unions have been unable to secure a strong presence in the sector, and thus remain in a weak position in terms of bargaining for improvements. In this context, partnership deals may be presented to union negotiators on a “take it or leave it” basis, and unions may feel that they have little choice but to engage with the deals being offered (Martinez Lucio and Stuart, 2004).

#### **4.3.2. *Labour disputes***

Table 9 below reports labour disputes in the oil sector and in other industries. This table reports the aggregate number of working days lost, workers involved and number of stoppages in the following industrial sectors:

- mining, energy and water (this sector includes offshore oil working);
- manufacture of coke, refined petroleum products and nuclear fuel (including oil refining);
- all manufacturing sectors; and
- all industries and services.

**Table 9. Industrial action in the UK, 2001-03**

	Working days lost (000's)			Workers involved (000's)			Number of stoppages		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
Mining, energy and water	25.3	0.2	0.4	2.5	0.3	0.4	3	2	1
Manufacture of coke and refined petroleum	0.5	-	2.0	0.3	-	1.4	2	-	2
All manufacturing	42.8	20.9	63.3	16.8	10.1	18.1	32	33	43
All industries and services	525.1	1323.3	4991	179.9	942.9	1506	194	146	133

Source: Labour Market Trends, reported in Davies (2002), Monger (2003) and Monger (2004).

Overall, the figures reveal the relatively small number of disputes in mining, energy and water and in oil refining. The large number of working days lost in 2001 in mining, energy and water was not within the oil industry. The main example of industrial action in the sector over the last five years occurred in 1999, when shore-based engineers and designers organized a one-day walkout after a 10 per cent pay cut was imposed on some engineers as a result of falling oil prices. A further 8 per cent pay cut was threatened (BBC, 1999c: 1). The action highlighted the precarious position faced by contract workers in the industry, not employed directly by the company, and who are often not covered by collective agreements. The pay cuts were imposed upon self-employed engineers employed by the Wood Group and AMEC companies. Many of these self-employed workers were non-unionized, but the Offshore Industry Liaison Committee (OILC) and the Manufacturing, Science and Finance union (MSF) agreed to represent the workers after they approached them for help. A spokesman for the OILC said that they had become involved because the workers were a “vulnerable group with no access to traditional trades union protection” (BBC, 1999c: 2). The unions helped the workers form their own association, the Aberdeen Professional Contractors Association. The Offshore Contractors Association, representing the two companies reported that “market conditions had forced it to take the action” (BBC, 1999c: 2).

#### 4.4. Collective bargaining in the oil sector

Collective bargaining coverage in the offshore sector has increased over recent years, through recognition and partnership agreements between unions and offshore employers. At the time of the recognition agreement between the MSF and Total Oil Marine in 1999, the General Secretary of the MSF predicted that the entire offshore sector would be covered by recognition agreements within two years (BBC 1999a: 2). Whilst coverage of collective bargaining agreements has increased, significant numbers of offshore workers remain outside such agreements, and vulnerable to strategies such as wage cutting (see section 4.3 above).

In contrast to bargaining trends in other sectors, many employers in the oil industry have also sought to centralize their bargaining arrangements offshore, perhaps driven by their desire to show “strength in numbers” in dealing with trade unions, in the context of the implementation of the Employment Relations Act (Martin et al., 2003: 602). In some cases, powers to negotiate over wages and terms and conditions have been moved from individual companies to groups of employers. Thus, in the drilling sector, the UK Drilling Contractors Association (UKDCA) now negotiates on behalf of the major drilling employers, whilst the Offshore Contractors Association (OCA) negotiates with unions over pay and conditions for some of the major oil field employers. These new, larger, groups serve the purpose of enlarging “bargaining units”. The definition of bargaining units has become important in determining the outcome of claims for statutory recognition of unions

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by workers under the provisions of the Employment Relations Act. The Central Arbitration Committee has been established under the provisions of the Employment Relations Act, to adjudicate on statutory recognition claims across all sectors (see Chapter 3 for details). If the CAC is satisfied that a majority of workers constituting the bargaining unit are members of the union, then it “must issue a declaration that the union is (or unions are) recognized as entitled to conduct collective bargaining on behalf of the workers constituting the bargaining unit” (Statutory Instrument 2000 No 1338 (C39) Schedule 1: Para. 22). Alternatively, the CAC may decide that a ballot of the bargaining unit is necessary to decide recognition claims (see DTI, 2000b; Woolfson and Beck, 2004: 352).

The nature of bargaining arrangements in the offshore sector has been highlighted in a recent appeal by the OILC for statutory recognition on some offshore installations. Following the partnership agreement between the AEEU/GMB and the OCA in 1999, the OILC made a subsequent application to the Central Arbitration Committee (CAC) to be recognized for collective bargaining by Wood Group Engineering (part of the Offshore Contractors Association) (see CAC, 2003:1). However, under the provisions of the Employment Relations Act, applications by a union to the CAC are inadmissible if the CAC believes a collective agreement is already in place with another union (CAC, 2003: 2).

The union argued that the existing partnership agreement between the AEEU/GMB and the OCA was not a collective agreement, in that the agreement only specified minimum rates of pay, and that these rates, specified hourly, did not apply to a large proportion of the (salaried) workers on the Brent Field platform (CAC, 2003: 2). The union argued that “there was no mechanism by which the fruits of the partnership agreement could be enjoyed by core workers employed by the company...the company may impose any package of remuneration upon its workers so long as the package was not less in value the rates ... in the partnership agreement” (CAC, 2003 2-3). Additionally, the union argued that other terms and conditions of Wood Group core employees, such as hours and holidays, were not determined by the collective agreement in place between the AEEU/GMB and the OCA.

In contrast, the company argued that the partnership agreement did qualify as a genuine collective agreement, that the pay of the majority of their workers was directly linked to the minimum rates, and that these rates were negotiated with the unions (CAC, 2003: 6). Further, the partnership agreement was said to offer “a vibrant and effective means of collective bargaining” (CAC, 2003: 7). The CAC judged that there was a collective agreement in place, and that the union’s application was inadmissible. The CAC based its decision on three points. First, it had to decide whether the partnership agreement constituted an agreement to conduct collective bargaining. Under the UK Trade Unions and Labour Relations Act 1992 (TULRA), collective bargaining was defined as “negotiations relating to or connected with a range of issues including terms and conditions of employment, matters of discipline, facilities of officials of trade unions and machinery for consultation and negotiation” (CAC, 2003: 8). The CAC felt the partnership agreement between the AEEU/GMB and the OCA did meet this definition. The second question to decide was whether this agreement was actually in operation, in other words, did the parties adhere to the contents of the agreement. The CAC decided that the negotiations conducted on an annual basis between the AEEU and GMB and the OCA rendered the agreement as being in force. Finally, the CAC had to determine whether core Wood Group employees were covered by the collective agreement.

It decided that they were, since rates of pay for all offshore workers were linked to the minimum rates agreed through collective bargaining, and that improvements in terms and conditions set out in the partnership had been delivered to core workers.

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## 4.5. Consultation and communication

Alternative consultation mechanisms have a long history in the oil industry. Joint Consultative Committees (JCC's) were established in many offshore oil sites in the 1970s and 1980s. Woolfson (2003: 6) argues that the development of JCC's in the oil sector was a "union avoidance" strategy employed by the oil companies "to address employee concerns without the necessity of union involvement". In the oil industry, these committees were initiated and dominated by management, allowing oil employers to define which issues were open for discussion, and they typically did not allow for any negotiation over terms and conditions (Woolfson, 2003: 7).

However, research into the effectiveness of these committees across all sectors has found mixed results (see Heller et al., 1998), depending upon the reasons for their adoption and the perceived influence of such committees amongst the workforce. This is not to suggest that non-union forms of representation are necessarily ineffective in representing the needs of workers. A study of non-union representation in the oil industry, looking specifically at the roles of safety representatives in unionized and non-unionized environments, found that non-union representation could be equally as effective as that provided by unions, but only where extensive support mechanisms were in place, and where workers were able to bring actions against employers (through industrial tribunals) in the event of non-compliance (Kidger, 1992, cited in Terry, 1999: 26). Reporting this research, Terry notes that to ensure that workers would feel able to take such action, "non-union representatives would need protection against victimization, access to training and other support, and that all this should be overseen and regulated by an independent agency such the Health and Safety Executive" (Terry, 1999: 26). In the oil industry, the evidence of victimization reported above, and the efforts by employers to hamper union influence in the area of health and safety (see Chapter 6), suggest that current support mechanisms are not adequate.

Some of the industry-wide organizations and initiatives discussed in Chapter 3, may also facilitate consultation and cooperation within the oil industry. Attention here focuses on how the structures of these initiatives and organizations may promote dialogue and communication.

The PILOT initiative, for example, is led by 25 representatives and individuals from industry, government and unions. Dialogue is promoted through regular meetings, held on a quarterly basis. One of the key initiatives which reports annually to PILOT is the Step Change in Safety Programme (discussed in more detail in Chapter 6). This has led to the development of a series of networks which have been designed to attempt to ensure effective communication and consultation over safety issues. These networks include the *step change leadership team network*, the *supervisors network* and the *safety professionals and advisors network*.

A cross-industry task-force provides "good practice" guidance on behalf of the industry and training materials. A Safety Alert Database and Information Exchange (SADIE) allows members to share information on safety incidents and responses, and case studies of good safety practice are disseminated amongst members. Since 2002, each member of the Step Change scheme (there are 120, including employer, union and government representatives) nominates a Step Change Focal Point. This individual acts as a key link and communicator between the Step Change initiative and the member organization (Step Change, 2004).

However, some unions view PILOT as a "leadership body" providing strategic guidance in areas such as health and safety, with genuine tripartite communication seen to come through other initiatives, such as the Offshore Industry Advisory Committee (OIAC) (see response of Roger Jeary of AMICUS/MSF in Health and Safety Commission, 2002).

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This Committee is made up of representatives of the main employers' associations and trades unions active in the North Sea, and advises the Health and Safety Executive on issues of safety. As part of its activities it holds open meetings annually as part of the "Step change in Safety" initiative. These allow individuals to pose questions to members of the OIAC on any aspect of health and safety.

#### **4.6. Conclusion**

This chapter has looked at the ILO standards, and their application in the oil industry. It has pointed to research questioning the compatibility of current practice in parts of the oil industry with the Freedom of Association and Protection of the Right to Organise Convention, 1947 (No. 87). It has also pointed to limitations on workers' right to strike, which appear to be central to recent "partnerships" between unions and employers. Finally, through the examination of a recent appeal to the CAC, it has highlighted how workers' recourse to alternative representation appears to be limited by the Employment Relations Act, which does not allow for the substitution of one union for another, where a union is already recognized for collective bargaining purposes (see Cumbers, 2004: 14). The Employment Relations Act has certainly led to many voluntary recognition agreements, but the limitations of the Act in terms of allowing full compliance with a number of ILO standards in the area of industrial relations should be recognized.

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## **5. Corporate structural change and its impact upon employment and conditions of work**

### **5.1. Introduction**

This chapter examines recent corporate structural change in the UK oil sector. The most visible trend has been a number of large-scale mergers and acquisitions between global oil companies. These, alongside changing product-market conditions have impacted upon employment in the industry. This chapter explores these developments in more detail. It begins by highlighting some major job losses in some areas of the oil sector over the last five years. It then moves on to examine: the balance between work done “in-house” and that contracted out; the extent of consultation over corporate restructuring and the strategies in place to deal with redundancies; the impact of corporate change on safety in the industry; and the effect of recent restructuring on worker loyalty.

### **5.2. Mergers, acquisitions and restructuring in the oil industry**

Cumbers and Atterton (2000) highlight the flurry of merger activity in recent years in the oil industry, and describe the “mega-mergers” between some of the largest companies in the oil industry, including Exxon and Mobil, Total and Petrofina, and BP and Amoco. This latter merger, in 1999 was one of the largest in the world over the period 1987-99 (Global Policy Forum, 2000). These mergers have been driven by the shrinking oil price in the late 1990s, with firms merging to reduce costs through the achievement of economies of scale, or increased market share (BBC, 1999d). This is seen to be part of a longer-term restructuring in the industry over the past 15-20 years, although, again, this is driven by a long-term fall in the price of oil (Cumbers and Atterton, 2000: 1536). The result is a return to high levels of concentration of activity amongst the largest oil firms in the UK – BP, for example, is now responsible for 20 per cent of output in UK oil and gas fields. In addition, these mergers have brought with them an increase in the amount of services “contracted out” to external suppliers, as firms re-examine their core and peripheral activities (Cumbers and Atterton, 2000: 1536).

One of the main effects of corporate restructuring in the sector has been periodic announcement of large-scale job losses over the last five years (see Chapter 1 for figures on employment in the oil sector over the last five years). In 1999, Barmac announced the losses of jobs for 3,300 of its 3,700 workers in oil rig building plants in Scotland, blaming falling oil prices, and low demand for the platforms built by the firm (BBC, 1999e: 1). In 2001, following the merger of the two companies, BP-Amoco announced plans to shed 1,000 jobs (around 40 per cent of the plant workforce) at its Grangemouth oil refinery. The company blamed “a depressed chemicals market and a series of operational problems” and suggested it had “no choice” but to lay off the workers (BBC, 2001: 1). Further losses were announced by BP in 2002, when a total of 1,300 jobs were cut in two announcements in March and May in 2002. The job losses in March 2002 were split between the Aberdeen headquarters (200) and both offshore and onshore operations (300) (BBC, 2002: 1). The 800 jobs lost in May in 2002 were largely amongst the contractor workforce. The job losses were seen by some to be a result of tax rises on oil announced in the 2002, but also reflected the “mature phase of development” of the North Sea Oil sector (BBC, 2002: 2). In March 2003, Shell UK announced the losses of 3,350 jobs in its North Sea operations, amongst both its own staff and its contract workers. According to the company, the cuts

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“followed a six-month review of operations aimed at cutting costs and streamlining Shell’s offshore business” and would “prolong the life of our platforms” (BBC, 2003: 1).

### 5.3. The impact of restructuring

These examples point to the consequences of restructuring for employment in the industry, highlighting the large-scale nature of these redundancies and their concentration within particular localities. In this section, a number of broader points regarding the impact of this corporate restructuring are drawn out.

First, job losses are affecting all occupational groups and are occurring across a range of activities in the oil industry. The BP job losses announced in 2002 included a high proportion of office and managerial casualties. Unions have highlighted the “domino effect” of job losses which are particularly important in the oil industry, where a range of different crafts and occupations work together in the extraction, production or refining of oil. According to one spokesman “once there was a reduction in one part of the organization it has an effect through every part of the business, from engineering and drilling to the catering divisions” (BBC, 2002: 3).

Second, corporate change over recent years has impacted upon the amount and range of work contracted out to external suppliers (Cumbers and Atterton, 2000: 1536). They report that many of the employees laid off when job cuts occur are subsequently re-employed on a contract basis, but under inferior conditions of employment. The more intensive use of contractors can be seen in the composition of employment in one of the major UK oil companies, BP. In the 1980s, as a state company, employment in BP was often “on a par with civil service terms and conditions” (Cumbers and Atterton, 2000: 1538), and conditions were in line with many of the principles of internal labour markets. By 2002, BP employed around 3,300 people in the UK directly in upstream oil and gas exploration and production, whilst a further 3,300 were employed on a contract or agency working basis (BBC, 2002:2). This movement, away from internal labour markets and towards the use of contracts has been observed amongst privatized companies in other sectors (see MacKenzie, 2002).

Third, with many companies explaining recent job losses through reference to the maturing market for oil, there have been concerns raised over the need for consultation procedures to be put in place, and for the longer-term regional strategies and policies to be developed to facilitate the movement of workers into jobs beyond the oil industry. During the job losses in BP in 2001, unions criticized the company for a lack of consultation over the proposed redundancies, and also over the limited time that they were given to put forward alternatives (BBC, 2001: 1). With the implementation of the European Union’s Information and Consultation Directive in the UK due to take place between 2005 and 2007, employees will gain some statutory entitlement to consultation over proposed restructuring plans. However, these will only apply in the first instances to workplaces with over 150 employees. From 2007, they will apply to businesses with over 100 employees, and from 2008, they will apply to businesses with 50 or more employees (DTI, 2005: 1). The regulations will not apply to businesses with less than 50 employees, meaning that 25 per cent of employees will be excluded from the regulations (DTI, 2005: 1). The extensive use of subcontract labour in the oil sector means that it is likely that a considerably higher proportion of oil workers will remain unprotected by the regulations.

The regional consequences of restructuring have led some to call for a “future generations fund”, which would channel some of the economic benefits from North Sea Oil into regional investment and which could be used to fund public expenditure for future generations. Such a system is in place in the oil industry in Norway, where oil money is invested into a fund and used to benefit the nation (Skule, Stuart and Nyen, 2002; BBC,

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2002: 2). Others have suggested a need for contingency funds to help workers in the immediate aftermath of large scale job losses, whilst some have pointed to the need for localized regeneration programmes to combat the effects of job losses within particular communities.

Fourth, it has been argued that the initiatives to improve competitiveness and cut costs in the oil industry have broader implications for the development of working practices in the industry, particularly those around health and safety. Whyte's (1997) analysis of the Cost Reduction Initiative for a New Era (CRINE), implemented by oil companies in the early 1990s as a means of improving competitiveness is argued to have posed "a number of serious threats to safety" (Whyte, 1997: 1153). These threats stemmed from the pressures felt by the workforce as a result of multi-skilling initiatives, the cutting of maintenance budgets, changes in shift patterns and a reduction in safety training (Whyte, 1997: 1151-53). Fears over the impact of job cuts on safety were raised again in 2003, when Shell cut 350 North Sea Oil jobs. With some of the job losses occurring on maintenance activities, unions claimed that the number of maintenance checks performed would be reduced. Health and safety Executive leaders met with Shell to seek assurances that the staffing reductions did not impact upon safety (BBC 2003: 2).

Fifth, these changes have impacted upon worker loyalty and the nature of the employment relationship in the oil industry. It has been suggested that the "strong sense of identity" between oil workers and companies in the 1980s, promoted by internal labour markets, and large core workforces has been eroded by recent restructuring in the industry (Cumbers and Atterton, 2000: 1539). Up until the 1980s, a core workforce of technical and managerial workers were employed on a permanent basis, receiving job security, high levels of wages, internal promotion opportunities and good benefits (Cumbers and Atterton, 2000: 1537). The decline of the job-for-life and the contracting out of activities that has occurred since the 1980s has shrunk the size of the core workforce, and resulted in higher levels of insecurity faced by those in the oil industry. These have reduced workers' willingness to operate "beyond contract" and have eroded trust between workers and companies (Cumbers and Atterton, 2000: 1540). According to one IT professional interviewed, "there's a much more realistic assessment of what the relationship is between the employer and the employee, because ultimately they are just a commodity...people are more inclined to go home and less inclined to work through" (quoted in Cumbers and Atterton, 2000: 1538). A manager interviewed for the same study argued "the ten year and below person has fallen into the rank of "well I'm not going to sell myself to the company because I'm not necessarily going to get any loyalty back" (quoted in Cumbers and Atterton, 2000: 1538).

## **5.4. Conclusion**

Over the past five years, corporate restructuring has been dominated by large-scale mergers between global oil companies. Long-term falls in oil prices, and a maturing market for oil are said to be driving these restructuring activities. Chapter 1 highlighted a slight increase in oil industry employment. However, job losses where they have occurred have been large-scale, and concentrated in particular localities. Job losses in oil production have been particularly severe. This chapter has identified a number of broader consequences of this restructuring, relating to ongoing concerns over safety in the industry, increases in contract employment, and worker loyalty towards employers in the oil sector.

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## **6. Occupational safety and health in the UK oil industry**

### **6.1. Introduction**

This chapter considers health and safety issues in the oil sector. The focus is on the offshore sector, where a number of major reviews of safety have occurred over the past 15 years. First, the chapter considers changes to the safety regime in the offshore sector following the 1988 Piper Alpha tragedy. The regulations implemented in 1989 and 1993 gave no statutory role for union appointed safety representatives. It looks at the implications of these regulations for the management of safety in the sector. It considers the relationship between the use of contract labour and health and safety in the sector. The chapter then explores recent safety initiatives, including the Step Change to Safety programme, and concludes with an examination of recent official safety statistics in the sector.

### **6.2. The role of trade unions in health and safety in the offshore oil sector**

A major review of safety in the offshore oil sector was prompted by the Piper Alpha tragedy in 1988. The issues of safety were central to the Cullen report on the disaster, published in 1990. The report pointed to deficiencies in the safety regime in place at the time of the disaster, and also concluded that the Health and Safety Executive should be responsible for future safety in the industry, rather than the Department of Energy (Tombs and Whyte, 1998: 76).

The Offshore Installations (Safety Representatives and Safety Committees) Regulations were implemented in September 1989 (for the full text of these regulations see Statutory Instrument 1989, No. 971). These regulations legislated for the establishment of a safety committee, which comprised management representatives and also workforce representatives. Cullen stated that workforce involvement should be central to the development of an effective safety culture, but did not specify a formal role for trade unions in safety committees. Thus, in contrast to the onshore safety regulations and to safety regimes in other offshore sectors elsewhere, particularly Norway (see Hart, 2002), there was no compulsory role for trade union representatives in this system.

In 1992, the Offshore Installations (Safety Case) Regulations were implemented (for the full text of these regulations, see Statutory Instrument 1992, No. 2885). These required all offshore installation owners to submit "Safety Cases" to the Health and Safety Executive. For each Safety Case installation operators had to outline procedures for managing safety, and these were assessed by the Health and Safety Executive. The system was designed to promote the "self-regulation of safety ... as a means of integrating normative standards of safety procedures into companies own management systems so that these standards would no longer seem to be an external imposition" (Wright and Spaven 1999: 46).

The Safety Case regulations have been updated several times since 1992. In 1996 an amendment was included to require an independent check that "safety critical" parts of installations remained in good working order (see Health and Safety Commission, 2004: 4). The Safety Case regulations are currently under review by the Health and Safety Executive, and a public consultation to amend the regulations has just been completed in

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September 2004 (Health and Safety Commission, 2004). The proposed amendments to the regulations, and the rationale for change are discussed later in this chapter.

Some have questioned the lack of compulsory involvement of unions in the safety regime offshore. Wright and Spaven (1999) in a study of the post-Piper Alpha safety system found that very few offshore safety representatives had taken Trade Union Congress (TUC) sponsored training provided by unions – despite research pointing to the value and quality of union-provided training (e.g. Fairbrother, 1996, cited in Wright and Spaven, 1999: 50). They describe examples of employers “actively obstructing” representatives who wanted to receive union-provided training and conclude that this is due to “a widespread suspicion among management that unions would use the courses to encourage safety representatives to become surrogate union organizers (Wright and Spaven, 1999: 51). More than one-third of the safety representatives they interviewed had been denied approval to attend the safety course of their own choice (Wright and Spaven, 1999: 53). In addition, many of the safety representatives that they interviewed felt that unions had little role to play in safety management. The authors concluded that the form of safety representation in place – offering workers direct representation but with no compulsory role for unions – “may further erode union influence” in the sector (Wright and Spaven, 1999: 60). Health and safety is often seen by management as a relatively uncontentious area for union involvement, and the problems faced by unions in the oil industry highlight the difficulties of developing good industrial relations in this sector, following a legacy of many years of hostility towards unions. In the absence of union representation, through which members can express their views on health and safety, workers may feel that their views are not heard and that the expertise that they have to offer is not utilized in the development of safety cases (Whyte, 2000).

Tombs and Whyte (1998) argue that the shift away from compliance with a minimum set of safety standards towards a “goal-setting” safety regime offers much more flexibility of interpretation over safety standards, something which has been manipulated by employers. Rather than introduce a more protective, prescribed set of safety standards after Piper Alpha, Tombs and Whyte (1998: 92) suggest that the flexible goal-setting approach implemented was in keeping with the philosophy of the new initiative launched by the major oil companies in the early 1990s – the Cost Reduction Initiative for a New Era (CRINE). Whilst this initiative sought to promote new working relationships in the industry and a “shift from an adversarial culture to one based upon partnership” (Tombs and Whyte, 1998: 84), the changes implemented have served to benefit the oil companies – in terms of offering a flexible interpretation of the safety rules – and appear to have further limited the role for organized labour. They conclude that “if such a system is to be at all progressive or protective then the strength of labour in general, and the formal roles for workers representatives in particular are crucial. When workers’ organizations are weakened or non-existent ... then any progressive elements of self-regulation will disintegrate, and there will emerge de facto deregulation” (Tombs and Whyte, 1998: 94-5). Furthermore, according to Beck et al. (1998: 37), with unions playing only a limited role in the safety regime offshore, the functions of safety representatives “will inevitably be circumscribed by a managerial agenda”. This may result in workers being afraid to speak out over safety for fear of losing their job, or due to a belief that their views will not be taken into account (Whyte, 1998). Whyte (2000) argues that recent redundancies in the oil industry, accompanying the CRINE initiative, have made people unwilling to speak out on health and safety issues, to avoid being seen as trouble-makers. The pressures for cost-cutting and work intensification which have come with CRINE have, according to this account created safety conditions similar or equivalent to those in place pre-Piper Alpha.

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### **6.3. Contract labour and health and safety offshore**

A large body of academic research across a range of industries has identified a relationship between the use of contingent employment (particularly the use of subcontract labour) and poorer health and safety outcomes (for a review, see Underhill, 2002). A study by Mayhew and Quinlan (1997) offers a number of reasons for this relationship. First, the widespread externalization of hazardous tasks means that contractors are often involved in undertaking fundamentally dangerous work. Second, complex subcontract relations and the resultant lack of control over contractors' work may undermine safety arrangements. Third, regulatory control of subcontractors may be less than that for regular workers. Finally, low levels of unionization may contribute to poorer health and safety outcomes, given an association between non-unionized firms and higher levels of fatalities (Mayhew and Quinlan, 1997: 195-197).

The use of contract labour in the oil industry is particularly extensive. In the UK, Wright's (1994) study of the "Permit to Work" safety system in place at the time of the Piper Alpha disaster found that contractors were ignorant of the "tacit" knowledge of the rig's safety routine. Management expected contractors to inform them about key safety concerns relating to the tasks they were undertaking, but in reality, this did not always happen. Platform managers "distanced" themselves from responsibilities associated with implementing the permit-to-work system when contractors were being used (Wright, 1994). According to some, changes to safety arrangements since Piper Alpha have exacerbated problems caused by the use of contract labour. Whyte (1998), reports that post-Piper Alpha, safety is now seen as a key indicator of performance for contract companies, with a measure of the number of "Lost Time Accidents" often included in many agreements between oil companies and contractors (Whyte, 1998: 35). These are defined as accidents which lead to a lost working day at any later time, but excluding the day of the injury. By including the number of Lost Time Accidents as an explicit target for contractors, the focus of safety routines may be towards the achievement of this particular target rather than on improving safety overall. Some believe it is unrealistic to expect the oil sector to achieve a meaningful, industry-wide safety culture. For McDonald (1997: 2) the fragmented employment regime resulting from the extensive use of contractors makes it impossible to generate a coherent safety culture across the offshore sector in particular.

Whilst these studies highlight the problems associated with the use of contract labour, others have pointed to the ways in which contractors have been integrated into the safety regime in the oil sector. Under the Offshore Installations (Safety Case) Regulations implemented in 1992 for example, it is stated that the safety management system in place must extend to the use of contractors. The regulations apply to operators of rigs, owners, and to "any other employer of persons and a self-employed person carrying out an activity on the ... installation or in connection with it" (Statutory Instrument, 1992 No. 2885). The development of long-term contracts between oil companies and preferred contractors may facilitate an effective safety culture, by integrating previously heterogeneous systems from different contractors (Wright and Spaven, 1999). They document the good practice followed by some companies who have developed safety systems to formalize this integration, through, for example, the attendance of contractors at company safety meetings (Wright and Spaven, 1999: 59).

### **6.4. Recent safety initiatives in the offshore oil industry**

A number of major safety initiatives have been launched in the industry in recent years. The "Step Change in Safety" campaign was launched in 1997 by industry leaders from the three main employer associations, the UK Offshore Operators Association, the International Association of Drilling Contractors and the Offshore Contractors

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Association. The campaign seeks to improve health and safety performance, awareness and behaviours throughout the UK oil and gas industry, through active involvement of employees, service companies, operators, trade unions, regulators and representative bodies (Step Change, 2004). The initiative is also supported by trade unions, government and Cogent (the sector skills agency for the oil industry). Together, over 120 organizations are now involved in the Step Change Programme, which, since 2002, reports to PILOT. Improved safety in the industry is promoted through a range of mechanisms, including: elected safety representative networks, cross-industry task groups, and through a leadership team which includes companies, employer associations, the Health and Safety Executive and trade unions, and which meets monthly (Step Change, 2004). Some of the key achievements of this programme have been to set up networks for elected safety representatives, offshore installation managers and safety professionals. Step Change also publishes guidance on safety issues. Current initiatives include: plans to establish a common emergency number to be used across the industry; and mechanisms to promote personal responsibility for safety (PILOT, 2004b).

Whilst many have welcomed the Step Change initiative – and the involvement of trade unions in this initiative – critics have pointed to the limitations of the programme. There have been criticisms that the fragmentation of employment in the industry and the extensive use of contractors have meant that a large proportion of the workforce is excluded from the policy-making mechanisms of this programme (see e.g. Stephenson, 1998). The “top-down” nature of the programme has also led to the disenfranchisement of many safety representatives (Stephenson, 1998: 2). Finally, some have questioned the likely success of the initiative, given its voluntary, rather than compulsory nature (Beck et al., 1998).

Improvements in safety are also the concern of the Offshore Industry Advisory Committee (OIAC), which provides expert advice to the Health and Safety Commission on health and safety issues affecting the UK’s offshore oil and gas industry. The Committee is made up of representatives of the main employers’ associations and trades unions active in the North Sea. As part of its activities it holds open meetings annually as part of the “Step Change in Safety” initiative. Its main activities involve: monitoring progress towards health and safety improvement standards; encouraging the joint participation of representative organizations in actions to improve the industry’s health and safety performance; and advising the HSE (OILC, 2004).

Many oil companies have also implemented their own Employee Assistance programmes. The unique nature of working in the offshore sector – particularly the long periods away from home, the nature of the work undertaken and the hazards involved in working in this sector – are said to make the sector a highly stressful one to work in (Gammie, 1997). Employee Assistance Programs typically provide workplace counselling and other services for certain work and non-work related problems (Gammie, 1997: 2). Five of the 12 companies researched by Gammie had introduced Employee Assistance Programmes as part of their health programmes. Various reasons were given by companies for introducing these programmes, including: to reduce absenteeism; to provide support as a result of impending organizational restructuring and to further commitment to the well-being of employees (Gammie, 1997: 3). The author concluded that there were no industry specific reasons for the implementation of such programmes, but found that in the context of an industry where stress and injuries were high, the programmes provided an important “safety net” for employees, and may in the long-term reduce absenteeism and turnover for employers.

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## 6.5. Safety statistics in the offshore sector

Some improvements in safety have undoubtedly occurred since the Piper Alpha disaster. All 106 of Lord Cullen's recommendations with regards to safety have been implemented (Health and Safety Commission, 2004). Many of these recommendations were based on the concept of the Safety Case, and the need for a "goal setting" rather than prescriptive approach to safety (Oil Works Online, 2004). However, there has been widespread debate over the use of official safety statistics for identifying improvements in safety. Beck et al. (1998: 37-41) claim that one of the key industry measures of safety post Piper Alpha, the number of "Lost Time Accidents" – injuries which result in time off work beyond the day of the accident - has been minimized. This has been achieved through a range of strategies, from offering injured workers "light duty work" in offices to avoid being categorized as a lost-time injury, to the systematic under-reporting of injuries (Beck et al., 1998). Further confusion over official offshore safety figures stems from the varied interpretation of "offshore workers" – which seems to exclude any accidents or fatalities which occur in indirect (but clearly oil related) activities, such as seismic exploration undertaken for oil companies (Beck et al., 1998: 42).

Official statistics on injuries and accidents offshore, released annually by the Health and Safety Executive do show some improvements over the last decade. These are summarized in table 10. The number of combined fatalities and major injuries has fallen from the levels of the mid-1990s. There has also been a marked decline in the number of over-three-day injuries over the last decade, from 412 in 1993-94, to 102 in 2003-04. Overall, the total number of injuries in the offshore sector fell from 465 in 1993-94, to 163 in 2003-04. The most common major injuries in 2003-04 were fractures, which accounted for 53 per cent of fatal and major injuries. 49 per cent of fatal and major injuries were to the upper limb. Handling, lifting and carrying was the main cause of fatal and major injuries, accounting for 35 per cent of the total (Health and Safety Executive, 2004). This was also the main cause of over-three-day injuries, accounting for 42 per cent of these injuries in 2003-04. The main type of over-three-day injury was "sprains and strains" (53 per cent of total) (Health and Safety Executive, 2004).

The number of "dangerous occurrences" in the sector has fallen considerably in the last two years, but over the decade as a whole reductions have been less than those for injuries and fatalities. These dangerous occurrences include, amongst other things, instances of failure of equipment, and releases of dangerous chemicals and collisions (Health and Safety Executive, 2004). The most common dangerous occurrences in 2002-03 were: the release of petroleum hydrocarbon on or from an offshore installation (198 of the dangerous occurrences); failure of equipment required to maintain a floating installation or damage to an installation (168); incidents relating to oil wells (69) and failure of lifting equipment (61).

**Table 10. Injuries and dangerous occurrences in offshore oil sector, 1992-2004**

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04*
Fatalities	1	1	5	2	3	1	2	3	3	0	3
Major injuries	52	41	42	44	74	74	53	53	47	64	48
Combined fatalities and major injuries	53	42	47	46	77	75	55	56	50	64	51
Over-three-day injuries	412	270	375	302	291	245	193	177	187	120	102
Total injuries	465	312	422	348	368	320	248	233	237	182	153
Dangerous occurrences	633	594	528	569	649	693	647	764	661	635	543

\*Provisional figures for 2003-04.

Sources: Health and Safety Executive (2003); Health and Safety Executive (2004).

The publication of the most recent set of official safety statistics by the Health and Safety Executive in 2004 has renewed debate on the validity of these figures. The head of the HSE's offshore division has said that the HSE must consider if these improvements reflected low levels of accident reporting (Safety and Health Practitioner, 2004). This viewpoint was echoed by unions, with the AMICUS regional officer attributing low rates of reporting to workers' fear of losing their job. AMICUS also called for an increase in the number of HSE inspectors (Safety and Health Practitioner, 2004: 1). In contrast, industry representatives have claimed that improvements seen in injury rates over recent years were an accurate picture of health and safety in the industry and reflected the engagement of individuals with the Step Change Programme (see e.g. PILOT, 2003). Aside from the official statistics, other data suggest there is continuing cause for concern about health and safety standards in the sector, particularly as infrastructure continues to age. Most recently, a confidential Health and Safety Executive report, whose findings were published in The Guardian newspaper, pointed to poor health and safety conditions, painting a "frightening picture of broken safety equipment, ill-trained workers and badly maintained systems in the North Sea" (Macalister, 2004: 2). This follows an investigation by the HSE into a series of gas leaks and two fatalities on Shell-owned platforms. According to The Guardian, the confidential report found examples of "severely corroded plant and equipment" and discovered that some fire safety equipment was not functioning (Macalister, 2004: 1).

## 6.5. Proposed changes to the Safety Case Regulations

The Health and Safety Commission has recently put forward proposals to amend the Offshore Installations (Safety Case) Regulations (Health and Safety Commission 2004). The consultation document notes that much of the benefit from the Offshore Installations (Safety Case) Regulations (1992), discussed above, were derived in the early years of implementation (Health and Safety Commission, 2004: 5). With duty holders having to resubmit safety cases every three years, the consultation seeks to identify whether resources taken up preparing safety cases could be better employed on other safety objectives. The document states that the original case for the 1992 regulations, controlling the potential for a major accident, remains.

Under the new regulations, the Health and Safety Commission proposes continuing to accept a first Safety Case for new installations, and would require acceptance for any change to approved Safety Cases. A single person will remain in charge of submitting a

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safety case, normally the operator of the installation with supervisory functions. However, the amended proposals recognize that this may be problematic where licensees of installations rely on contractors to perform work. Under the amended proposals, licensees would become responsible for ensuring that those appointed to undertake the safety case are able to do so effectively (Health and Safety Commission, 2004: 7). Greater flexibility for the HSE to assess safety cases is also expected through the revised regulations, with the key criterion for assessment being “whether a safety case contains enough information to enable the HSE to make a decision on acceptance” (Health and Safety Commission, 2004: 9). The regulations are also amended so that duty holders have to demonstrate that all risks are identified and evaluated, and that the relevant statutory provisions are complied with, rather than having to demonstrate that risks are “as low as reasonably possible” (ALARP) (Health and Safety Commission: 9). This provision aims to “move the debate on” from the question of the extent to which a document such as a Safety Case can demonstrate that risks are ALARP (for an analysis of the concept of ALARP, see Whyte, 1997).

## **6.7. Conclusion**

Major changes to health and safety in the offshore sector have occurred over the last 15 years. The regulations passed following the Piper Alpha tragedy give no compulsory role for union appointed safety representatives in safety regime, and according to some, this has been to the detriment of safety management in the sector. The use of contract labour in the industry also has consequences for safety in the industry. Some have argued that the high use of contract labour may not help improve overall safety in the industry. However others have pointed to the improved integration of contractors into the safety regime under the Safety Case regulations. Initiatives such as the Step Change in Safety programme involving all the social partners in the offshore sector aim to improve safety further in the industry, although some have questioned the “top down” nature of this programme. The Offshore Industry Liaison Committee is seen by many to offer a genuine forum for tripartite consultation over health and safety, with unions having a central role in this committee. Further changes to the safety regime appear likely, with the changes to the Safety Case regulations proposed in 2004.

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## 7. Conclusion

This paper has examined the nature of industrial relations in the oil industry in the UK. There are only limited examples of good industrial relations in the industry, a legacy of many years of employer hostility towards unions, particularly in the offshore sector. The last five years has seen major changes in industrial relations in the sector. Of particular importance are the “partnership” agreements concluded between employers and unions have increased union density levels and collective bargaining coverage, particularly in the offshore sector where union presence has traditionally been weak. However, the report has pointed to research suggesting that employers’ motives for the take up of these agreements are to “pre-empt” employee-led statutory claims for recognition, following the implementation of the Employment Relations Act. Furthermore, the content of some partnership agreements fall short of recognized definitions of genuine partnership and appear to restrict employees’ right to strike in the offshore sector. These must be a cause for concern in light of the existing ILO Conventions relating to freedom of association and the right to strike. In the oil refinery sector, employer strategies of union recognition have reduced the influence of unions in an area where the union density and the coverage of collective bargaining has traditionally been strong.

The paper has also examined broader employment trends and conditions of work in the oil sector. Whilst there has been a slight overall increase in employment in the UK oil sector over the past five years, severe job losses have occurred in the extraction sector. Employment in the industry remains on a long-term downward trend from the peak levels of the early 1990s. The long-term fall in oil prices since the early 1990s has led many companies to restructure their activities. This restructuring has led to large-scale job losses in some areas of the oil industry over the last five years, and these have been concentrated in particular localities. Hours of work are relatively long in the oil sector and the proportion of workers who do not receive any paid leave is higher than in other sectors, particularly offshore. In this respect, it is likely that the inclusion of offshore workers in the provisions of the EU Working Time Directive would have a significant effect on their conditions of employment. Women remain under-represented in core areas of oil employment.

The paper has also examined the nature of the safety regime in the offshore sector. In terms of social dialogue between the partners, the report has highlighted that there remains no compulsory role for trade union appointed safety representatives in the offshore sector, despite a wide range of research pointing to the benefits of such representation. The paper has also highlighted how the high use of contract labour in the industry may have detrimental consequences for health and safety. A number of industry wide initiatives have the aim of improving the safety record in the industry, including Step Change and the Offshore Industry Advisory Committee.

The following recommendations are offered:

- The ILO should seek to ensure that workers’ rights to strike and their entitlement to freedom of association are being maintained in the oil industry, particularly in the context of the signing of recent partnership agreements which may run counter to such rights.
- The paper has pointed to research which casts doubt on the notion that recent recognition agreements represent genuine partnership between oil employers and unions in the industry, since they miss some of the key elements which form the basis of the TUC and IPA principles of partnership, such as a commitment to employment security (see Chapter 3). Such principles act as useful benchmarks for assessing the extent to which partnership arrangements developed at the workplace level take into

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account the interests of all relevant stakeholders and constitute the basis for good industrial relations.

- Restructuring in the oil industry is ongoing, and the report has highlighted areas in which consultation between companies and workers over restructuring has been minimal, or non-existent. The implementation of the European Union's Information and Consultation Directive in the UK due to take place between 2005 and 2007, will give workers some statutory entitlement to consultation over proposed restructuring plans, but it will not apply to businesses with less than 50 employees. In the oil sector, with the reliance on subcontract arrangements, the proportion of workers who will not be covered by the regulations are likely to be high. The paper calls for statutory consultation to cover businesses of all sizes is needed so that the alternatives to restructuring can be considered.
- There should be a statutory role for trade union appointed safety representatives in the oil industry. The Cullen report recognized the essential role of workplace representatives in the development of an effective safety culture in the industry. A wide range of research has pointed to the benefits of such representatives.
- An extension of the provisions of the working time regulations to the offshore sector would have an impact upon the working conditions of oil employees, given the long average weekly working hours, and the relatively high proportion of oil extraction workers who receive no paid leave. This paid leave should be in addition to the "field breaks" which are part of the regular shift patterns of many offshore workers.

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## Appendix

### Example of partnership agreement

#### ***Main text of the 2003-04 partnership agreement between the Offshore Contractors Association, the GMB and AMICUS***

The Offshore Contractors Association (OCA), AMICUS and GMB and their predecessors have a long history of working together within the offshore industry beginning in the 1970s. Due to this long-standing alliance AMICUS and GMB were the obvious partners for the OCA to develop a partnership agreement, which is aimed at ensuring the industry's continued development well into the new millennium. The partnership agreement was signed on the 5 November 1998 and is detailed below.

#### A1.1. Parties

Partnership Agreement between the Offshore Contractors' Association (OCA), the Amalgamated Engineering and Electrical Union (AEEU),<sup>1</sup> and the GMB.

#### A1.2. Fundamentals of agreement

This agreement supports a partnership between the signatories to facilitate the continued development of the UK Oil and Gas Industry through open constructive dialogue recognising the key role the industry plays in the UK economy and the employment and the need to support the drive for increased competitiveness in the global marketplace. All parties recognize that significant improvements will only be realized where effective dialogue exists through cooperation, consultation and negotiation and commit to working with all appropriate statutory and non-statutory industry bodies to deliver such improvements.

Specifically, the parties, through this agreement, will focus on three tenets, which directly influence the industry's performance:

#### A1.3. Safety

- Active involvement of all parties in established forums.
- Annual conference attended by senior managers of the organizations to discuss safety performance and develop action plans for improvement.
- Risk assessment of all proposals for new working practices.

#### A1.4. Productivity/performance

- Total non-disruption factor.
- Commitment to fully explore new ways of working at industry and national level in conjunction with industry National Training Organizations (NTOs), government bodies, and other relevant institutions.
- Assessment of best practices from other industries/economies.
- Adoption of new technology and innovation.
- Active support for flexible skilling as a key contributor to productivity gains.

<sup>1</sup> Now part of AMICUS.

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## A1.5. Future industry development

- The development of a well-trained workforce with transferable skills.
- Commitment to continuous skills and technical training to support cost effective use of working time.
- Development of procedures, which support the provision of a stable work environment.
- Constructive dialogue on concerns, issues and initiatives aimed at securing maximum benefit from the application of individual and joint influence at all levels.
- Terms and conditions of employment, which recognize loyalty, skills and experience within the industry's overall economic position.
- A cooperative approach to the provision and acceptance of skill enhancement and cross skills training.

The signatory parties agree to recognize each other as the principal and sole participants in such collective bargaining processes as may be developed to underpin the conduct of industrial relations within the offshore oil and gas industries.

The signing of this memorandum by the OCA and the AEEU/GMB is the first crucial step in the process of jointly improving the position of the offshore industry, together with the efforts required in the areas of improving competitiveness to ensure strong growth of the industry both domestically and in the arena of international challenges.

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## Sectoral working papers <sup>1</sup>

	<i>Year</i>	<i>Reference</i>
The Warp and the Web Organized production and unorganized producers in the informal food-processing industry: Case studies of bakeries, savouries' establishments and fish processing in the city of Mumbai (Bombay) (Ritu Dewan)	2000	WP.156
Employment and poverty in Sri Lanka: Long-term perspectives (Vali Jamal)	2000	WP.157
Recruitment of educational personnel (Wouter Brandt and Rita Rymenans)	2000	WP.158
L'industrie du textile-habillement au Maroc: Les besoins des chefs d'entreprise et les conditions de travail des femmes dans les PME (Riad Meddeb)	2000	WP.159
L'évolution de la condition des personnels enseignants de l'enseignement supérieur (Thierry Chevaillier)	2000	WP.160
The changing conditions of higher education teaching personnel (Thierry Chevaillier)	2000	WP.161
Working time arrangements in the Australian mining industry: Trends and implications with particular reference to occupational health and safety (Kathryn Heiler, Richard Pickersgill, Chris Briggs)	2000	WP.162
Public participation in forestry in Europe and North America: Report of the Team of Specialists on Participation in Forestry	2000	WP.163
Decentralization and privatization in municipal services: The case of health services (Stephen Bach)	2000	WP.164
Social dialogue in postal services in Asia and the Pacific: Final report of the ILO-UPU Joint Regional Seminar, Bangkok, 23-26 May 2000 (Edited by John Myers)	2000	WP.165
Democratic regulation: A guide to the control of privatized public services through social dialogue (G. Palast, J. Oppenheim, T. McGregor)	2000	WP.166
Worker safety in the shipbreaking industries: An issues paper (Sectoral Activities Department and InFocus Programme on Safety and Health at Work and the Environment)	2001	WP.167
Safety and health in small-scale surface mines – A handbook (Manfred Walle and Norman Jennings)	2001	WP.168

<sup>1</sup> Working Papers Nos. 1-155 are not included on this list for reasons of space, but may be requested from the Sectoral Activities Department.

	<i>Year</i>	<i>Reference</i>
Le rôle des initiatives volontaires concertées dans la promotion et la dynamique du dialogue social dans les industries textiles, habillement, chaussure (Stéphanie Faure)	2001	WP.169
The role of joint voluntary initiatives in the promotion and momentum of social dialogue in the textile, clothing and footwear industries (Stéphanie Faure)	2001	WP.170
La situation sociale des artistes-interprètes de la musique en Asie, en Afrique et en Amérique latine (Jean Vincent)	2001	WP.171
The social situation of musical performers in Asia, Africa and Latin America (Jean Vincent)	2001	WP.172
Guide sur la sécurité et hygiène dans les petites mines à ciel ouvert (Manfred Walle and Norman Jennings)	2001	WP.173
Seguridad y salud en minas de superficie de pequeña escala: Manual (Manfred Walle and Norman Jennings)	2001	WP.174
Privatization of municipal services: Potential, limitations and challenges for the social partners (Brendan Martin)	2001	WP.175
Decentralization and privatization of municipal services: The perspective of consumers and their organizations (Robin Simpson)	2001	WP.176
Social and labour consequences of the decentralization and privatization of municipal services: The cases of Australia and New Zealand (Michael Paddon)	2001	WP.177
1st European Forest Entrepreneurs' Day, September 16, 2000 (European Network of Forest Entrepreneurs ENFE)	2001	WP.178
The world tobacco industry: trends and prospects (Gijsbert van Lient)	2002	WP.179
The construction industry in China: Its image, employment prospects and skill requirements (Lu You-Jie and Paul W. Fox)	2001	WP.180
The impact of 11 September on the aviation industry (Peter Spence Morrell and Fariba Alamdari)	2002	WP.181
The impact of 11 September on the civil aviation industry: Social and labour effects (Prof. Peter Turnbull and Geraint Harvey)	2002	WP.182
Employment trends in the tobacco sector in the United States: A study of five states (Maureen Kennedy)	2002	WP.183
Tobacco: An economic lifeline? The case of tobacco farming in the Kasungu Agricultural Development Division, Malawi (Michael Mwasikakata)	2002	WP.184
A study of the tobacco sector in selected provinces of Cambodia and China (Yongqing He, Yuko Maeda, Yunling Zhang)	2002	WP.185

	<i>Year</i>	<i>Reference</i>
Child performers working in the entertainment industry: An analysis of the problems faced (Katherine Sand)	2003	WP.186
Informal labour in the construction industry in Nepal (Kishore K. Jha)	2002	WP.187
The construction labour force in South Africa: A study of informal labour in the Western Cape (Jane English and Georg Mbuthia)	2002	WP.188
Social dialogue in health services – Case studies in Brazil, Canada, Chile, United Kingdom (Jane Lethbridge)	2002	WP.189
Teachers and new ICT in teaching and learning modes of introduction and implementation impact implications for teachers (Chris Duke)	2002	WP.190
Best practice in social dialogue in public service reform: A case study of the Norwegian Agency for Development Co-operation (NORAD) (Torunn Olsen)	2002	WP.191
Best practice in social dialogue in public service emergency services in South Africa (Bobby Mgiijima)	2003	WP.192
Case studies in social dialogue in the public emergency services – Argentina (Laura El Halli Obeid and Liliana Beatriz Weisenberg)	2003	WP.193
Employment trends in the tobacco sector: Selected provinces of Bulgaria and Turkey (Roska Ivanovna Petkova and Nurettin Yildirak)	2003	WP.194
How to prevent accidents on small construction sites (Illustrated by Rita Walle)	2003	WP.195
Sectoral trends: A survey (Katherine A. Hagen)	2003	WP.196
The impact of the restructuring of civil aviation on employment and social practices (Bert Essenberg)	2003	WP.197
Raising awareness of forests and forestry. Report of the FAO/ECE/ILO Team of Specialists on Participation in Forestry and the FAO/ECE Forest Communicators Network	2003	WP.198
Teaching and the use of ICT in Hungary (Eva Tót)	2003	WP.199
Violence and stress at work in the postal sector (Sabir I. Giga, Helge Hoel and Cary L. Cooper)	2003	WP.200
Violence and stress at work in the performing arts and in journalism (Sabir I. Giga, Helge Hoel and Cary L. Cooper)	2003	WP.201
Making ends meet: Bidi workers in India today. A study of four states	2003	WP.202
Civil aviation: The worst crisis ever? (Bert Essenberg)	2003	WP.203

	<i>Year</i>	<i>Reference</i>
Informal labour in the construction industry in Kenya: A case study of Nairobi (Winnie V. Mitullah and Isabella Njeri Wachira)	2003	WP.204
Violence and stress at work in the transport sector (Bert Essenberg)	2003	WP.205
The impact of Severe Acute Respiratory Syndrome (SARS) on health personnel (Christiane Wiskow)	2003	WP.206
How we work and live. Forest workers talk about themselves (Bernt Strehlke)	2003	WP.207
Workplace violence in service industries with implications for the education sector: Issues, solutions and resources (Richard Verdugo and Anamaria Vere)	2003	WP.208
International migration of health workers: Labour and social issues (Stephen Bach)	2003	WP.209
Violence and stress at work in financial services (Sabir I. Giga, Helge Hoel and Cary L. Cooper)	2003	WP.210
Violence and stress in hotels, catering and tourism sector (Helge Hoel and Ståle Einarsen)	2003	WP.211
Employment and human resources in the tourist industry in Asia and the Pacific (Travel Research International, London)	2003	WP.212
Democracy and public-private partnerships (Jerrold Oppenheim and Theo MacGregor)	2003	WP.213
Social dialogue in the public emergency services in a changing environment (Bulgaria) (Pavlina Popova)	2003	WP.214
Training of machine operators for mechanized wood harvesting. A study carried out under the EU-funded ERGOWOOD project (Bernt Strehlke and Kristin Warngren)	2004	WP.215
Social dialogue in the public emergency services in a changing environment (Bulgaria) – pdf, 150k (Pavlina Popova)	2004	WP.216
Public emergency services: Social dialogue in a changing environment: A study on Japan (Minawa Ebisui)	2004	WP.217
Academic tenure and its functional equivalent in post secondary education (Donald C. Savage)	2004	WP.218
Study of the Kerala Construction Labour Welfare Fund (R.P. Nair)	2004	WP.219
The Joint FAO/ECE/ILO Committee: Fifty years of international cooperation in forestry (T.J. Peck and E.G. Richards)	2004	WP.220
La permanence et son équivalent fonctionnel dans l'enseignement postsecondaire (Donald C. Savage)	2004	WP.221
Academic employment structures in higher education: The Argentine case and the academic profession in Latin America (Garcia de Fanelli)	2004	WP.222

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	<i>Year</i>	<i>Reference</i>
An introduction to labour statistics in tourism (Dirk Belau)	2004	WP.223
Labour implications of the textiles and clothing quota phase-out (Hildegunn Kyvik Nordas)	2005	WP.224
Baseline study of labour practices on large construction sites in Tanzania (coordinated by the National Construction Council, Dar es Salaam)	2005	WP.225
Informal construction workers in Dar es Salaam, Tanzania (Arthur Jason)	2005	WP.226
Prospects for micro, small and medium enterprises in the food and drink industries in Guyana (Abdul Rahim Forde)	2005	WP.227
Alimentation et boisson au Burkina Faso: au delà de la survie (Dié Martin Sow)	2005	WP.228
Social dialogue in education in Latin America: A regional survey (Marcela Gajardo and Francisca Gómez)	2005	WP.229
Good industrial relations in the oil industry in the United Kingdom (Dr. Chris Forde, Dr. Rob MacKenzie, Dr. Mark Stuart, Dr. Rob Perrett)	2005	WP.230