

GMB Union Opinion on Allied Universal Offer for G4S



Introduction

GMB is the union for security workers in the UK. GMB is the largest recognised union in G4S's UK operations.

Our priority is securing the future of our members' jobs and improving their quality of employment. We believe that G4S's current UK operations can emerge from the pandemic in a position of strength.

On 5th January 2021 Allied Universal made an offer for G4S. If successful, the offer contains a number of conditions which will affect the long-term future of the company, the G4S workforce and therefore our members and their priorities as stated above.

GMB has not been approached by Allied Universal but would welcome an opportunity to meet with the company and G4S management regarding what is noted in our Opinion below and on their vision for G4S's long-term future.

Securing employment

G4S is a leading employer which accounts for around a quarter of private security jobs in the UK. Yet the future of secure employment at G4S is a deeply concerning one.

Despite G4S being the market leader in UK cash handling, 1036 redundancies took place in the Cash Solutions business at the end of October 2020. Whilst we acknowledge those individuals were during the mitigation process informed of job opportunities within the G4S group, redeployment was largely unsuccessful.

We note again with concern at the announcement made on 05th January this year that a further 106 G4S employees have now been put at risk of redundancy, again without assurances of redeployment.

We note that G4S recorded a profit before tax and dividends in each of the last five years and that the company recorded an underlying profit of £187 million in the first six months of the year before exceptional items (despite adverse trading conditions). In October, G4S reported that underlying earnings have remained ahead of those recorded for the prior year during the first nine months of 2020.

GMB does not believe that redundancies are inevitable, nor that the loss of skilled and experienced workers is the right strategic direction.

Allied Universal's offer for G4S states that the company "*recognises the role that G4S plays as a major United Kingdom employer and expects existing G4S Group personnel to play an important role in driving the future success of the combined business going forwards*". However Allied Universal also does not explicitly rule out the possibility of employee headcount reductions taking place in the UK as the offer states that "*there may be headcount reductions outside of North America*".

We therefore call on G4S Management and Allied Universal to make a guarantee to protect existing UK jobs and set out a clear plan for growing the company and securing employment in G4S across its areas of operations going forward.

The GMB believes that all workers should receive a real, living wage. The benefits of this to employers are well rehearsed; making it easier to attract new staff, raising morale, motivation, reducing absenteeism and sickness rates and improving employment relations.

The security industry has suffered from a 'race to the bottom', a strategy that does nothing to protect the longevity of a business with a loyal and committed workforce. We call for a commitment from Allied Universal and G4S Management to ensure G4S becomes a living wage employer.

G4S runs a number of key strategic contracts within the public sector and yet the workforce on those contracts receive pay and conditions far below those enjoyed by the equivalent, directly employed workforce. GMB calls for a commitment from both parties to end two-tier discrimination and for a commitment to working with the public sector contracting bodies to deliver equal terms for all privately employed staff.

A sustainable financial future for G4S

G4S has recorded successive profits which have continued into 2020. However, if the offer is successful, G4S will be integrating into another company with its own financial health and objectives. The implications of this integration should be fully disclosed by Allied Universal for accountability, especially during current global uncertainty.

We are concerned about reports of Allied Universal's high leverage which has been built up from a history of debt-financed merger and acquisition activities and what this will mean for the financial future of G4S under the Enlarged Group. Allied Universal's offer states that the cost of the G4S acquisition and expenses in connection with it will be financed through billions in interim loans as well as a \$700 million investment from Allied Universal's private equity investors. It must be recognised that this funding formula risks putting G4S's financial future less in the hands of its own operations and more on Allied Universal's ability to pay off its debts and on the financial fortunes of its private equity owners.

With this in mind we are also concerned about the accountability of G4S's financial future given Allied Universal's intention to list G4S as a private company and the impact this may have on the company's accountability to its employees, shareholders and the UK public.

It is therefore important for G4S's financial future that Allied Universal makes clear its plans for the long-term future of G4S within the Enlarged Group. This should include details on if and how it will seek to ensure good financial health and accountability of the Group and regularly report on this to G4S employees to bring them job security and reassurance.

Maintaining integrity of G4S's operations

G4S has a strong employment profile across its Secure Solutions, cash handling, consulting, and technological segments. We believe that these segments are complimentary. The company and its workforce derive benefit from the worked experience of the diverse range of the UK's security industry. We are seeking a reassurance that, following the conclusion of the bidding process, the integrity of the G4S's operations will be maintained.

In particular, we note that while Allied Universal's offer states that it "*intends to honour all of the G4S group's existing contracts with the Government of the United Kingdom,*" it also intends to "*evaluate the possibility of divesting all or a significant part of Care & Justice Service business*". We ask Allied Universal to explain how this decision would affect the five UK Government contracts G4S holds for providing custodial care and rehabilitation facilities in HM Prisons, including the 10-year contract at the new HMP Five Wells recently won by G4S which is stated to be worth £300 million and create around 700 new jobs when operational.

Allied Universal's offer references their intention for G4S under its ownership to focus on electronic and technology-based services but does not make explicit commitments to G4S's other segments of operations. While Allied Universal does not operate its own cash handling business, G4S is a market leader in UK cash handling. We are therefore seeking a long-term commitment from Allied Universal to UK Cash and G4S's cash handling business along with other segments of G4S's UK operations that makes up the company's strong employment profile.

A sustainable future for the pension scheme

The deficit in the G4S defined benefit pension scheme grew to £331 million in 2019 (an increase of 10 per cent on 2018), although we note that this figure has more than halved between the 2012 and 2018 valuations.

The 26,000 members of the scheme deserve certainty over their security in retirement. This issue must be a priority for both G4S and Allied Universal management and we note that a number of deficit repair payments have been made.

The offer states that Allied Universal have entered into a Memorandum of Understanding with the G4S UK Pension Trustee whereby "*in addition to certain support measures, Allied Universal will pay cash contributions to the G4S UK pension scheme based on a funding shortfall of approximately £535 million, reflecting the higher funding target agreed with the G4S UK Pension Trustee.*"

GMB requests a copy of this “Memorandum of Understanding” with Allied Universal from the G4S UK Pension Trustee and seeks further information from both Allied Universal and GardaWorld regarding the detail of their respective plans for the G4S UK pension scheme. This should include a breakdown of what the respective support measures guaranteed by the companies are, so that any difference in the guarantees made by the companies to the pension scheme in their respective offers are made clear. This should also include assurances from both companies that the employer covenant for the pension scheme will not be weakened if their bid succeeds.

Maintaining and extending good industrial relations

In 2008, a ground-breaking global [Ethical Employment Partnership agreement](#) was signed between G4S, GMB, and UNI Global Union. The agreement sets out G4S’s commitment to upholding good industrial relations and employment standards, and to abide by the ILO conventions. GMB holds a number of recognition agreements across G4S’s UK business.

We ask Allied Universal to make guarantees that it will uphold existing trade union agreements in G4S including the Ethical Employment Partnership between G4S, GMB and Uni Global.

We also note that if the bid is successful Allied Universal intends to carry out an evaluation of the G4S Group and its strategy, operations and organisational structure with G4S Management. This is referred to as the “*Post-Completion Review*”.

The offer goes on to state that “*the finalisation and implementation of any workforce reductions arising from the Post-Completion Review would be subject to appropriate engagement with relevant stakeholders, including affected employees and any appropriate employee representative bodies in accordance with the legal obligations of the Enlarged Group.*”

While it is important that minimum statutory obligations regarding consultation with trade unions in the case of workforce reductions are upheld, we are clear that – if the takeover were to proceed – G4S Management and Allied Universal should go further and establish a proper engagement and consultation process with GMB regarding the proposals of the Post-Completion Review where they relate to the G4S’s UK business on matters including and beyond potential workforce reductions.

Whatever the outcome of the current processes, good industrial relations at G4S could be deepened and codified through a national recognition agreement that builds on the principles of the Ethical Employment Partnership. We would welcome a commitment from both companies that they will work in good faith with the GMB to achieve this.

Conclusion

Our members are seeking certainty during this process. GMB stands ready to play a constructive role as G4S, Allied Universal, and shareholders consider their position.

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