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To: Personnel Committee

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Subject: Employment Policy – Pay, Policy & terms and conditions update

SUMMARY This paper draws the Committee's attention to recent changes to employment policy, presents a recommendation for a change to probation policy and highlights areas for further potential change affecting terms and conditions.

1. Context

- 1.1 Ahead of significant change to KCC's workforce over the next 2-3 years and in view of the need to cut costs wherever possible, the Employment Strategy Group is reviewing all elements of employment policy, terms and conditions of employment to ensure they remain fit for purpose, competitive and sustainable. Whilst pay is the central to our employment offer, KCC employment contracts include many other elements that contribute to overall remuneration.
- 1.2 KCC's employment policies, practice and procedures are regularly reviewed so that they continue to reflect best practice and suit business needs. Our terms and conditions contain few elements that are unique to Local Government and some are close to the statutory minimum position. Reference to the recent LGE guidance, 'Reducing Workforce Costs', indicates that KCC is well considered in its approach to achieving balanced rationalisation of terms and conditions of employment. Through the Employment Strategy Group it is continuing to test the robustness of our employment offer in the current climate. The present review will examine our employment package in the round so that we continue to offer attractive employment whilst proposing costs reductions where possible and where the impact does not jeopardise our ability to retain valued staff.
- 1.3 Proposals aimed at reducing workforce costs through terms and conditions have to be considered in terms of their impact on employee relations, morale and our attractiveness as an employer. Also any KCC proposal needs to be taken into consideration the potential for differential impact on particular staff groups. This is particularly important in the light of a judicial review being sought of the Government's purported failure to consider the disproportionate impact of budget proposals on women.
- 1.4 KCC is committed to robust performance management, rewarding higher performers with increased pay progression and recognising contribution at all levels. However, the Authority needs to consider remuneration in the round and the relative value of each element insofar as it has the potential

to impact upon employee engagement, motivation and the retention of talent both during the transition period and beyond.

2. Workforce Composition

- 2.1 Our workforce has a high percentage of female employees, many working part-time in relatively low paid jobs. Our younger workers, whose numbers have increased in recent years, are also likely to be in lower graded jobs and have less service than the more established workforce. Both groups of staff have the potential to be more significantly affected by changes to terms and conditions that have a financial impact.
- 2.2 The numbers of workers on fixed term contracts has increased by 40% during the last financial year. Whilst our legal obligations to fixed term workers are not generally different to their full time counterparts, employers have the potential to treat those on fixed term contracts differently where there is good reason to do so.
- 2.3 Consideration of potential changes to terms and conditions needs, through impact assessment, the effects on the workforce to reduce the potential for less favourable treatment or discrimination.
- 2.4 Equally, many of our staff work locally and have the potential to find alternative work in other sectors if the overall effect on remuneration is such that they become disengaged with KCC.

3. Areas for Review

- 3.1 All areas of terms and conditions are being reviewed for their sustainability and potential for cost reduction. The value of each element to staff needs to be considered if KCC is to maintain some stability in the workforce and remain attractive as an employer. Areas for review include:
 - Travel, overtime and location allowances
 - Leave (holiday, family related, buying & selling)
 - Compensation and protection elements
 - Sick pay
 - Benefits
 - Income generation and support
- 3.2 Trade unions are being consulted about potential changes and impact assessment will be undertaken for each to identify the potential for differential impact.

4. What KCC staff value

- 4.1 From our recent reward survey we know that flexible working, leave and personal development are all rated as being very highly valued by KCC staff. This indicates that in an environment in which pay increases are likely to be restricted, the ability to balance domestic and work spheres remains important to people as does the potential to develop their employability.

- 4.2 In times of pay restraint, financial cuts, restructuring and potential redundancy, recognising and building on what is important to staff becomes key to maintaining their engagement and productivity. Our rewards package continues to offer value to staff at a time when prices increases are not being reflected in pay. (See appendix 1).
- 4.3 As the private sector continues to show signs of recovery, KCC needs to take a tactical, longer term view that ensures it remains able to retain a competitive position, particularly for key or hard to fill posts.

5. POLICY REVIEWS

5.1 Salary Protection

- 5.1.1 Our approach to salary protection has been under specific criticism recently and needs particular attention. Currently KCC, in common with most local authorities, maintains the salary levels of people displaced by redundancy who are subsequently redeployed into lower graded jobs. The value of salary protection is that it removes the need for a redundancy payment as the individuals employment is maintained albeit at a lower level.
- 5.1.2 Current arrangements allow for protection to be provided for 3 years for redeployment into jobs up to 2 grades below the individual's substantive grade. Whilst this arrangement is clearly of benefit to the individual it carries an on going obligation to pay above the rate for the job during the period of protection. Presently salary protection is automatic on redeployment. No comparison of the cost of salary protection against, for example, the cost of redundancy is made and there are no distinctions in terms of who receives protection.
- 5.1.3 Salary protection has a value to the organisation in that it retains staff who would be expensive to replace and whose displacement would generate a redundancy payment. However, KCC's current system needs review if it is to retain its benefit to the organisation. Options include:
- Removing protection – resulting in a greater number of redundancy payments and the potential loss of valued staff
 - Reducing protection – identifying some iteration of protection that offsets the potential cost of redundancy against the value of protection offered
 - Changing the categories of staff to whom protection is offered – e.g., not offering protection to those whose contracts have less than 2 years service (i.e., who would not be entitled to a redundancy payment)
 - Maintaining the current position – protection in 09/10 cost around £410k under the current systems.
- 5.1.4 Given the forthcoming changes in the workforce, salary protection is likely to be used as a means to maintain the employment of significant numbers of displaced staff. For this reason it is important KCC achieves the right balance between offering time limited, financial protection and cost effectiveness. Trade unions are currently being consulted over potential changes to salary protection and a further paper will be brought to Committee with a firm proposal in October.

5.2 Probation

- 5.2.1 KCC currently requires only those entering local government for the first time to undergo 6 month probation. As was and remains common practice for many local government employers, those recruited from other authorities or related employers are not currently required to go through a probation period. Many people coming to work for KCC do so having chosen a career in local government which means that a large proportion of our new recruits are subject to no probationary period. Whilst this is a common practice in local government it is outmoded and some organisations have opted to introduce probation for all.
- 5.2.2 The value of a probationary period is that it allows a specific period of introduction for the individual during which his or her competency for the role can be tested. In most cases the individual is successful but when an individual fails to meet the standards expected it is possible to end the employment contract early, quickly during the probationary period. The alternative to using a probationary period is to use the capability procedure which can be protracted and require greater resources to achieve improvements in performance.
- 5.2.3 It is proposed that KCC's adopts a probation for all approach which will provide a consistent approach to the assessment of all new recruits. Trade unions are being consulted over this proposal.

5.3 Social Networking

- 5.3.1 KCC's policy and guidance on the use of the internet has been amended to reflect a change of policy with respect to social networking. Previously access to specific social network sites was significantly restricted. These restrictions have been lifted to reflect the growing need for KCC to engage and communicate through social and other online networking facilities. With the approval of ICT Board, the Electronic Communication User Policy and accompanying guidance now reflects the new position. (See Appendix 2).

6. Personnel Committee is asked :

- to note the review of terms and conditions
- to consider the changes to salary protection
- to agree the proposal to introduce probation for all staff
- to endorse the change to the Electronic Communication User Policy and accompanying guidance.

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Total Reward overview

The key measures of success are:

- Over 42% of employees in the initial launch group have used Reward Viewer to calculate the total value of their reward package. 66% said they find KCC's approach to reward valuable, 93 per cent find Reward Viewer easy to use and 13 per cent have taken direct action such as signing up to Kent Rewards; considering a healthcare package; and reviewing AVC contributions etc.
- Figures for the 6 months prior to and post introduction of Reward Viewer show that orders placed increased by 207% to an average of 3,376 per month and expenditure increased by 183% to an average of £295,500. Highest expenditure was in December 2009 with £543,705 resulting from 5,102 orders
- Over 20,000 registrations on Kent Rewards, spending over £5 million generating £330,000 cash-back. Savings through discounts and offers are on top of that figure along with savings through pre-loaded shopping cards and vouchers.
- Over 440 employees have enrolled on the Cycle2Work scheme
- Currently 645 individuals utilise Childcare Vouchers with an annual spend of £1.6m and increasing.
- 85% of attendees at pensions presentations said they have a better understanding and willingness to make adequate provision for their retirement.
- Employee engagement levels increased by 22 points to 82% in the last survey (December 2009). In addition 65 per cent stated that they are highly satisfied or very satisfied with their total benefits package and 73% regard KCC as a good employer in relation to the general terms and conditions of employment.
- Feedback from total reward statements reveals that work-life balance policies, ability to trade annual leave, 5 days learning and development and flexi-time are the most highly rated rewards.
- Around 2,500 people go on staff Club trips and events annually.