

Date: 10 November 2021

Item: Approach to Strategic Workforce Planning

This paper will be considered in public

1 Summary

- 1.1 This paper describes our proposed methodology for strategic workforce planning, short and medium-term risks to our ability to recruit and retain key skills and the mitigating actions we are putting in place to ensure we can effectively plan resourcing strategy.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Organisational Context

- 3.1 We are facing several challenges in our ability to attract and retain the skills and expertise we need to deliver our business priorities. This has been heightened in the last 18 months.
- 3.2 While the immediate challenges described in this paper have necessitated immediate solutions, we are also facing a significant risk to our ability to resource in the medium-term. This has required us to focus on putting in place infrastructure to provide us with the data we need for a longer-term strategic workforce plan, such as identifying our critical roles and implementing a new methodology for succession management across our business.
- 3.3 As a business we have been exploring what strategic workforce planning means to us in practice. Given our financial constraints we are having to evaluate how we operate as a business and explore how this needs to change in the future. This work is at an early stage but to achieve £730m savings in operating expenditure, wide ranging change activity will be required up to April 2023. This activity will support the building of a cost-efficient organisation, which may include changes to our operating model, and will define our medium and long-term internal skills requirements.
- 3.4 Key business priorities and Mayoral commitments, such as Vision Zero and achieving carbon neutrality, are likely to require diversification of the skills and expertise currently held within our workforce. We have a key role to play in delivering the green skills agenda which is a Governmental and Mayoral priority.

- 3.5 We are a multi-generational employer however we have a disproportionately mature workforce. Given our employee profile many of our employees will reach 60 years old during the next 15 years. One in five employees might potentially retire during the next decade. There is a need to ensure we plan effectively to replace or mitigate the potential loss of key skills and institutional knowledge over this period.
- 3.6 The Committee has previously highlighted the use of non-permanent labour (agency and consultancy resource) in critical skill areas such as Information Technology. This is becoming more acute against the backdrop of increased hybrid and home working as more organisations are seeking to utilise technology to support a post pandemic working environment in addition to the drive for greater digitalisation. We continue to be committed to better management of the use of non-permanent labour throughout the organisation. In the medium-term, increased focus on learning, skills, career development, workforce and succession planning will be the most effective interventions to reduce reliance on non-permanent labour for critical skill sets.
- 3.7 A further critical consideration for us in the context of attracting and retaining people is ensuring future talent pipelines are diverse at all levels across the business. This is key to making our organisation more representative of the city we serve and also our ability to close gender and ethnicity pay gaps over time.
- 3.8 The market for skills is becoming increasingly competitive in the rail and construction industries, particularly for critical skill sets such as engineering and capital programmes. It is anticipated that major infrastructure projects such as HS2 and the Great British Railway will increase activity as the economy recovers, which will intensify direct competition for these skills. We are already experiencing heightened competition across our Capital Delivery, Project Management Office, Engineering and Track Renewals functions, resulting in a number of vacancy and recruitment issues in those areas. The buoyant construction market and other big construction projects and their ability to pay higher salaries for similar work is presenting both attraction and retention risks. We are also experiencing significant difficulties in the area of Professional Services in attracting to core delivery areas where skillsets may not be as niche, but we are unable to keep pace on salaries with other public and private sector employers.
- 3.9 As a customer facing business, we are reliant on our people to deliver our services and keep London moving. However, we recognise that developments in technology, changing expectations of employees and customers mean how we utilise our people to deliver services will need to change over the next decade.
- 3.10 As we recover from the coronavirus pandemic, we can expect many of the changes to 'when', 'where' and 'how' work is delivered to embed into a new normal. Technological change, shifting social norms and attitudes towards working practices, and the impact of Carbon Net Zero policies are likely to mean we can expect the nature of work and the workforce to look very different by the end of the decade. For example, the transition to a green economy will necessitate new and diverse skills, particularly in project delivery, with clear understanding of resource efficiency and modelling and interpreting environmental change.

3.11 The next decade will see artificial intelligence and automation have a significant impact on how and where work is performed. Technology has the potential to eliminate routine jobs and tasks, but also to create new jobs and improve the quality of existing jobs. Digitalisation of the workplace will influence the size and skill base of our workforce in the future as technology will change how tasks and services are delivered and consequently, the skills profile of employees needed to perform these.

4 Our approach to Strategic Workforce Planning

4.1 The workforce risks described above will be mitigated by a combination of interventions that will enable us to identify, plan and resource the skills the organisation will need now and in the future.

4.2 In TfL, strategic workforce planning is defined as longer-term workforce planning, usually over a period of three to five years. It is a strategic tool for managing transition in what and how work is delivered. It is a distinct and different activity from operational workforce planning which works across a shorter horizon, typically three to 12 months. The focus of operational planning is on identifying numbers of people required to satisfy immediate needs and deliverables and is more applicable to managing business as usual.

4.3 Strategic workforce planning will help us to map out our requirements by aligning our resourcing strategy with our business strategy. We will analyse, through engagement with our senior leaders, what will be required from the workforce perspective to deliver objectives and identify the critical gaps we will need to fill to meet longer-term aspirations such as decarbonisation, extending our network or increased automation. It enables us to choose where to invest in our people and identify actions required to acquire, retain, develop, and deploy our workforce.

4.4 The steps below describe our methodology for applying strategic workforce planning in our business.

- (a) **Understanding Organisational Context** – Analysis of the internal and external factors impacting our organisation and the key risks to delivery. Some of these are highlighted earlier in this paper, but a more detailed exercise, involving our senior leaders utilising PESTLE (Political, Economic, Sociological, Technological, Legal and Environmental) analysis will be undertaken to provide that insight.
- (b) **What skills and capabilities are needed to deliver our business strategy?** – Strategic workforce planning will be developed concurrently with the emergence of a refreshed business strategy and an understanding of our future priorities (e.g. the de-carbonisation agenda, digitalisation, and automation). We will map how our business priorities translate to delivery and what skill and capabilities the organisation will need.
- (c) **What internal capability do we have?** – Analysis of our current workforce capability, using workforce segmentation to identify the knowledge, skills, and abilities we currently hold for current and future priorities. We will also

look at the age and demographic profile of our current workforce. We will use outputs from performance and career conversations to map future capability.

- (d) **What does the external labour market look like?** – What is the availability of the skills and capabilities we need in the external labour market? What are the characteristics of our likely pool of talent – demographics, skills profile, preference for permanent or agency employment. Analysis of who our main competitors for talent are and how our employment offer compares.
- (e) **What is the gap and how do we fill or mitigate the gap?** – The above analysis allows us to map our workforce gap and will support informed decisions on ‘build’ or ‘buy’ strategies to meet future resourcing need. The data will help us determine what is required in terms of our people and organisation to deliver our business strategy. It will enable us to choose where to invest in our people and identify actions required to acquire, retain, develop, and deploy the workforce.

4.5 Given the current uncertainty surrounding our long-term funding position, we are limited to a degree in the extent of workforce planning activity that can be taken forward now. However, planning for our longer-term horizon will become clearer following the agreement of any new settlement with the Government after December 2021, therefore it is a priority for us put in the workforce planning infrastructure now that will enable us to support the development of the business strategy. We expect to be able to introduce an approach to longer-term workforce planning over the next 12 months.

5 Interventions we are taking now to mitigate workforce risk

Succession Planning and Identification of Critical Roles

- 5.1 Our immediate response to mitigation of key skills is underpinned by the identification of critical roles and succession management. Getting the right people in the right place at the right time requires robust succession plans that are future focused, diverse, inclusive and transparent.
- 5.2 We define critical as those roles that are essential to us being able to provide a service, are safety critical/legally required, or have a role in setting business strategy. Following identification of these roles we will build succession plans beyond the current role holders to mitigate loss of knowledge and skills.
- 5.3 Ahead of a wider roll out of this scheme across the business, we have partnered with the leadership team in the Technology & Data (T&D) Directorate to establish a pilot scheme. T&D was chosen for the pilot as this area has a high number of vacancies and has recently experienced challenges in recruiting permanent staff for specialised skill sets. The Committee has previously highlighted the high rates and usage of non-permanent labour in this area.

- 5.4 A full summary of the pilot is included in Appendix 1 of this paper. The pilot has demonstrated the efficacy of our methodology for identifying critical roles. Work has begun with the roles identified in T&D to identify successors for the next two-three years based on outputs from career aspirations, readiness and development conversations. We will extend the use of critical role identification and succession planning across the business over the next 12 months, prioritising areas experiencing skill shortages or challenges in being able to recruit from the external market.

Graduate and Apprentice Pipeline

- 5.5 Our graduate and apprentice schemes are an important part of how we meet future resourcing requirements. Our schemes are well-established programmes that provide a diverse pipeline of people across TfL and carry a strong brand in the industry, as well as being highly regarded internally.
- 5.6 In areas with immediate skills shortages and critical skills, graduates and apprentices enable diverse talent pipelines to help fill these gaps as well as delivering skills needed for the future, two to six years out.
- 5.7 We welcomed 46 Graduates and 64 Level 4-6 Apprentices in September 2021. We are actively recruiting our next cohort of apprentices to start in January 2022 across London Underground, Engineering, T&D, Major Projects Directorate, City Planning, Surface and Rail for London Infrastructure.
- 5.8 Our senior leaders recognise the value of these schemes to their future resource plans. We have recently completed a demand planning exercise and saw a rise in demand for graduate resource from the business, partly in response to the challenges described in this paper, skills shortages, workforce demographics and an increased focus on succession planning.
- 5.9 We are actively establishing new apprentice schemes to meet future skills needs. We have recently introduced a new scheme in T&D, and we will align outputs from critical role identification and longer-term workforce planning to inform this approach. We are also looking at ways we can use the apprenticeship levy to develop current employees and diversify our skill base.

Managing Talent

- 5.10 In support of our new approach to managing talent, we have introduced a new readiness model which will be central to how we assess and develop our people. The readiness model assesses whether an employee is ready to stretch and grow their responsibilities in their current role, if they have more to do to strengthen their capability, or if they are ready to move into a different role. These conversations enable us to understand and support an individual's own development and progression, while at the same time, ensuring we have the right skills and capability to deliver our priorities.

- 5.11 The readiness model is providing a direct link between the outcomes of performance and development conversations with future resource plans. These conversations are now underway, using better technology for recording and analysis and are fostering an improved development culture. Over time, we will be able to use the outputs of these conversations to inform succession planning for critical roles and meeting future skill and resource needs.
- 5.12 The readiness model is currently used in development conversations and we expect to review outcomes at the end of the performance year in March 2022.

Reward

- 5.13 Our emerging Reward strategy will support other initiatives to identify and retain key skills.
- 5.14 We have long standing structural issues in our existing Reward model that we must overcome. Our current one-size-fits-all broadband pay structure can no longer keep up with the external market movement for key skills including IT Development and Engineering. This represents a risk to our ability to continue to attract and retain talent in these areas.
- 5.15 Since 2015, TfL has operated with annual pay budgets that have been significantly below market. This has greatly impacted how competitive TfL is in the employment market. Pay for roles at Bands 3 to 5 is now significantly lower than the external market medians. At a time when we need to be at our most competitive, we have fallen behind the market and can no longer rely on our benefits to cover shortfall in cash compensation. Should current restrictions on pay continue it will greatly limit our ability to respond effectively.
- 5.16 We have already begun to develop market led responses to Reward in areas where we are experiencing acute attraction and retention challenges. These include:
- (a) the introduction of a market allowance scheme for critical roles within T&D; and
 - (b) an enhanced performance award scheme for roles within Commercial Development and our Procurement functions.
- 5.17 As we continue to evolve our Reward strategy, we will consider how we can adopt a more segmented approach to Reward. Diversification in the skills we employ especially around digitisation and increasing competition and scarcity of talent in key functions is driving pay differentials in the market. We need to focus on rewarding talent with skills critical to our future success and structure our pay and Reward offer accordingly, moving away from our existing model. The work on this is underway and how we address both attraction and retention challenges.

List of appendices to this report:

Appendix 1: Critical Roles and Succession Planning - Pilot in our Technology & Data Directorate

List of Background Papers:

None

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Critical Roles and Succession Planning - Pilot in our Technology & Data Directorate

We identified an opportunity to conduct a pilot in our Technology & Data (T&D) Directorate to:

- (a) test out the preferred methodology to identify critical roles and start to populate this using a newly developed app; and
- (b) test out communication and support for senior managers ahead of sharing the methodology with the rest of the business.

Overview

T&D was selected as the optimal Directorate to run the pilot, given the current acute retention issues and use of non-permanent labour. The pilot was used to test out the preferred methodology to identify critical roles using a newly developed app ahead of sharing the methodology with the rest of the business.

The Director of Strategy and Chief Technology Officer identified three critical roles from his direct reports initially and we are now in a second T&D wide roll out phase to test the succession planning approach and embedded in the myJourney app, our technology solution for capturing performance and career development. The approach has worked in identifying successors for the next two to three years based on outputs from career aspirations, readiness, and development conversations, ensuring these are diverse and inclusive.

Other valuable learning from the pilot is to ensure discussion is had on five-year business strategy/ Financial Sustainability Plan/ Future Delivery Plans for the business area before identifying critical roles, to ensure managers are thinking about both roles that are critical now, and roles that will be critical in the future too. Alignment between critical role identification and Reward has been an important learning point.

We will use this learning to improve guidance and support and are ready to launch critical roles and succession planning business wide from January 2022.

Methodology for identifying critical roles

Roles will be identified as critical if TfL and/or our network would not be able to operate without it, or it would cause reputational damage to the business if the role was not filled.

We asked T&D to score each role via a critical role tool using the below identifiers, keeping current and future business needs in mind.

Critical Role Identifiers

	Critical Role Identifier	Indicator
1	Is it directly delivering our business strategy?	The role is explicitly delivering elements of the five TfL priorities.
2	Does it set or lead on strategy?	This position requires a high degree of specialised and / or corporate knowledge transfer to ensure business continuity .
3	Is it a unique and / or niche skillset to TfL?	This skillset is specific to TfL, cannot be bought in, and requires 1+ years to train up.
4	Does it take a long time and a high cost to develop skills?	Unique qualifications and / or subject matter expert experience is required. It takes 5 + years to train (e.g. a professional qualification is needed).
5	Does it have a legal and / or regulatory requirement?*	If this position was vacant, we would not meet legislative, statutory / mandatory or regulatory requirements .
6	Does it fill a safety critical requirement?*	If this position was vacant, it would be detrimental to the health, safety or security of staff and the public.
7	Is it essential to service delivery?	If this position was vacant, we would not be able to operate the transport network.
8	Is there increased external competition	There are competing external projects or staff are moving to competitors, i.e.. HS2, and there is likely to see increases in salaries for this position.
9	Is it hard to hire?	The position is difficult to fill as it is not readily available in the external market and it requires specialised expertise and experience.
10	Does it fill a future skill requirement?	There will be a significant increase of demand for this role in the future.

Once identified, critical roles will be communicated within the team and discussed as part of individual's development and career conversations.