

Date: 29 June 2022

Item: Attraction and Retention of Our Employees

This paper will be considered in public

1 Summary

- 1.1 Our continued ability to attract and retain critical skills is a key pillar of our emerging colleague strategy and essential to delivery of the current and emerging priorities of the organisation.
- 1.2 This paper describes our approach to the attraction and retention of our employees, the current challenges we are experiencing and the causes of these. The paper then sets out the range of initiatives and programmes currently in place to support and enhance our ability to attract and retain employees, and critical skills, in the organisation.

2 Recommendation

- 2.1 The Panel is asked to note the paper.

3 Background and Current Context

- 3.1 In common with many organisations, we have experienced a recent increase in voluntary leavers. The number of employees who chose to leave employment increased 86 per cent during the last financial year. However, this represents a return to average rates of exit, after we experienced an unusually low level of leavers during the pandemic.



Figure 1 TfL Exit Numbers (all reasons) 2017- 2022

3.1 The diverse nature of the organisation means our overall turnover will include areas with very low levels of employee exit (e.g. some operational areas) as well as areas where turnover is higher. The following areas of the organisation are currently experiencing employee exit higher than the headline rate.

- (a) Finance;
- (b) Tech and Data;
- (c) TfL Engineering;
- (d) Safety, Health and Environment; and
- (e) Human Resources.

3.3 The areas of the business where we are experiencing higher turnover contain a number of roles with critical and/or scarce skill sets, therefore the impact on delivery as a result of employee attrition can be significant. We are continuing to develop more detailed reporting analysis to tell us rate of turnover for our identified critical roles.

Why are our people choosing to leave us?

3.4 When employees make the decision to leave employment, they are given an opportunity to complete an exit survey. Approximately half of leavers choose to complete the survey. Additionally, we also offer face to face interviews with all leavers in Payband 5 roles and above.

3.5 There are a variety of reasons cited for leaving employment. The most common reason is 'lifestyle changes' (which commonly indicates retirement). Lack of training and development and pay and benefits are the next most common reasons. As referenced in section 4 of this paper, we anticipate that pay may increasingly become a primary factor in decisions to leave over the next 12 months. Where employees choose to share salary information with us, a significant majority of voluntary leavers are moving for roles with a higher remuneration package.

Table 2 – Reasons given for employees leaving during 2021



- 3.6 We are currently facing several challenges to our ability to recruit into the organisation. The number of applications we receive has fallen during the previous 12 months.
- 3.7 Salary level is increasingly cited as a reason why prospective employees decline to accept an offer of employment we have made to them. A consequence of several years of pay constraint has seen our levels of pay fall behind market median. We are becoming increasingly uncompetitive in the salaries we can offer for key skills, including IT Development and Engineering, making it harder to secure preferred candidates.
- 3.8 Since 2015, TfL has operated with annual pay budgets that have been significantly below market. This has greatly impacted how competitive we are in the employment market with Bands 3 to 5 pay now significantly lower than the external market medians. Any future pay freezes or low budgets will only increase the gap further.
- 3.9 The below table demonstrates our median base pay levels are now significantly behind market for senior manager roles. In 2017, our internal median pay level for Payband 5 roles was £100,000 which was slightly ahead of the external market median at that time. Since then, our levels of pay have remained static while the external market for pay has accelerated. Consequently, TfL median base pay is now 12 per cent below market for Payband 5 roles. A continuing need to operate within financial constraint and deliver efficiencies may result in pressures on pay budgets and continuing recruitment controls.

Table 3 – Comparison of TfL median base pay (2021) against the external market

TfL Grade	TfL Base Pay Median	External Market Median	Market Gap
Payband 5	£100,000	£113,854	-12.2%
Payband 4	£75,000	£85,427	-12.2%
Payband 3	£56,000	£61,102	-8.3%
Payband 2	£38,071	£36,976	+3.0%

4 Factors Causing our Attraction and Retention Challenge

- 4.1 Employee turnover occurs in every organisation and employees will always seek career opportunities outside their current roles. Changing trends in the nature of employment mean fewer employees now expect or seek 'a job for life' in a single organisation and are increasingly preferencing the acquisition of skills and experience within shorter role tenures. While we are focused on retaining key individuals in the business wherever we can, part of how we effectively manage our retention is the ability to retain key skills and knowledge in the organisation, even where individual employees may choose to move on.

4.2 Our continuing ability to attract and retain is impacted by several internal and external factors, some of which are not fully in our control. The primary factors driving our current challenge are listed below.

(a) We are becoming less competitive in the external market

We are competing for talent in a buoyant employment market. As the economy now enters recovery, employers are beginning to grow and are looking for people to sustain that growth. This has coincided with what has been termed '*the great resignation*' a post-pandemic increase in employees making different career choices or seeking to rebalance their professional and home lives. Consequently, employees, whether in or out of work, have more options and this has created an unprecedented number of job vacancies, resulting in rising salary expectations and greater competition.

(b) Rising cost of living

Inflation, rising energy costs and the recent increase in national insurance contributions have a direct impact on take home pay and the disposable income of employees. This may lead to increased salary expectations that we are constrained in our ability to meet. Employees with in-demand skill and experience sets may choose to leave for higher packages elsewhere. The combination of cost of living pressures and a buoyant employment market may mean that salary level becomes a primary factor in decisions to not join or leave the organisation over the next 12 months.

(c) Perceptions of pay unfairness

Recent Viewpoint surveys have indicated our people increasingly feel they aren't being rewarded fairly for the contribution they make. Perceived unfairness in recent pay settlements between those covered by the London Underground pay deal and the rest of TfL may heighten dissatisfaction with pay and become a catalyst for employees to leave the organisation or encourage a competitive internal market for talent. It may also lead to an increase in equal pay claims.

(d) Pressure of workload

Pressure of workload has been reported as a driver for people choosing to leave in recent months. The last two years has delivered unprecedented challenges for our City, our organisation, and our people. The workload pressures associated with responding to the pandemic, supporting funding discussions and keeping London moving as the economy reopens can, if not managed effectively, lead to higher levels of workplace stress, increased levels of sickness absence and job dissatisfaction.

(e) Our skills profile becomes misaligned with our skills requirement

Future business priorities and Mayoral commitments, such as achieving carbon neutrality, are likely to require a different set of skills and expertise than currently held within our workforce. Digitalisation of the workplace will influence the size and skill base of our workforce. Greater agility and the ability to multi skill is likely to be a feature of the skills profile of the workforce

in the future. If the roles we are recruiting for do not provide a match to the skills held by external applicants, we may find it difficult to attract the 'brightest and best' to TfL.

(f) TfL is perceived as a less attractive employer

We have committed to being a great place to work for everyone to thrive. If our people do not see and experience that in practice, they may choose to leave. Uncertainty about the future of our pension offer is prompting some longer serving employees to opt to take retirement. We do not currently use a TfL-wide 'employee value proposition' that articulates what prospective employees can expect from a career here.

(g) Age Profile

We are a mature workforce. Most of our employees are 45 years old or older. One in five employees is likely to retire during the next decade. As this cohort of employees exit the business, there will be significant resource gaps, which could if left unmitigated, negatively impact our ability to deliver business objectives.

(h) Line manager relationships

The relationship between an employee and their line manager is a key driver of employee engagement. If this relationship is not effective it can be a contributory factor to voluntary exit. Successive Viewpoint surveys have told us that building levels of trust in managers and senior leadership needs to be a priority.

(i) Impact of Brexit / changes to immigration rules

In the event that recruiting specific skill sets from overseas becomes more costly and administratively complex, or the UK begins to be viewed as a less attractive place to live and work by workers currently based overseas, this may affect our ability to attract those employees in the future.

5 How our Colleague Roadmap supports our attraction and retention strategy

5.1 The emerging TfL Colleague strategy will set out our high-level ambitions and will articulate how we will deliver our purpose through our people. In conjunction, a refreshed colleague roadmap will be developed outlining a programme of work prioritising how we attract and retain staff and enhances the employee experience of working here.

(a) Reward Strategy

How we structure and set pay, manage ongoing pay progression and differences and disparities in pay across TfL are a key concern of our people. 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. We are beginning to

address this and employee perception of unfairness by delivering short-, medium- and longer-term changes to how we approach pay management. This includes revising our pay frameworks to better align to market rates for key skills, and to introduce in role salary progression – something we have not offered for many years. Our emerging Reward strategy, which will be delivered over the next 18 months, will support the attraction and retention of key skills, and consider how we can adopt a more segmented approach to reward, focusing on rewarding talent with skills critical to our future success and structuring our pay and reward offer accordingly.

(b) Defining our Employee Value Proposition

Work to establish a TfL employee value proposition is currently being scoped. This work will articulate ‘Why should I come and work here (and stay), rather than somewhere else?’, building our employer brand and articulating the offer we can make to people to build their career with us. This will be an important tool for recruitment and for articulating what people can get out of a career with us if they are considering [joining or] leaving. At a time when we may be constricted in being able to offer market competitive salaries having a clear employee offer is vital to being able to continue to attract and retain people with the skills and talent we need. Initial analysis indicates that elements of our current offer are becoming less attractive as what prospective employees are seeking from an employer continues to evolve post-pandemic. Reviewing and refreshing our employee offer will be a priority activity over the next 12 months.

(c) Embedding the Readiness Model for talent

Last year we successfully launched the readiness model for talent. End of year performance conversations now include an employee led assessment of whether someone, needs to strengthen further in their current role, is ready to stretch, or is now ready for the next move in their career. Over the next 12 months, we will begin to use the outcomes of readiness reviews and career conversations to align with our resourcing strategy. Matching the aspirations of our people with the skills and capability we will need in the future is how we provide career paths and retain key talent. In the parts of the organisation using readiness conversations, Being able to offer career pathways as an outcome can help employees commit to their future career with us and feel we are making a commitment back to them in return.

(d) Strategic Workforce Planning

Strategic workforce planning activity will help us to map out what is required in terms of our people by aligning our resourcing strategy with our business strategy. Activity will include working with the business to identify future skills requirements. This a key activity to mitigate our risk – particularly regarding our future skills requirement and the age profile of our workforce. The development of workforce plans will help the business identify future skills requirements and put in place resourcing strategies to meet them.

(e) Critical role identification and succession planning

The identification of critical roles and establishing robust succession plans that are future focused, diverse, inclusive, and transparent, is an important mitigation to our ability to respond to the loss of key individuals and the risks heightened by an aging workforce. 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 a successful pilot in the Technology & Data (T&D) Directorate we are now ready to work with other areas of the business to identify critical roles and build succession plans beyond the current role holders to mitigate loss of knowledge and skills. 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.

(f) Aligning our Graduate and Apprentice schemes to future resource need

Our graduate and apprentice schemes are an important part of how we meet future resourcing requirements. Our schemes carry a strong brand in the industry, as well as being highly regarded internally. 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. 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.

(g) Action on Inclusion

Action on Inclusion will be published later this year and will set out our approach for delivering our equality objectives and achieving our vision for a more inclusive, diverse, equal organisation for our employees. A more inclusive organisation will create a workforce that is more representative of London, which will contribute toward meeting our skills requirements. Ensuring our workplaces are inclusive, safe environments is central to our employee offer.

(h) Learning and Development (L&D) Strategy

Our emerging L&D Strategy will seek to ensure our learning offer to employees integrates with our talent strategy and helps develop skills and knowledge. We have an opportunity to link the objectives our L&D strategy to our future skills requirements and to support outcomes of readiness conversations.

(i) Wellbeing Strategy

Wellbeing is part of how we measure engagement and if we do not provide an environment where people can feel well, secure, and able to do their best work they may leave. We have introduced a new definition of employee wellbeing; “creating an environment that allows employees to flourish and

achieve their full potential for the benefit of themselves and our organisation” and will be using this definition to drive health and wellbeing as an important part of our wider work on employee engagement.

(j) Knowledge transfer

By the end of 2022, we will incept a project to facilitate knowledge transfer from employees with key skills and knowledge / those preparing to retire. This will help mitigate loss of corporate memory/scare skills and expertise.

6 How We Will Measure Progress

- 6.1 The attraction and retention of our employees is listed as strategic enterprise risk for the organisation and is subject to risk review and monitoring by our Executive Committee.
- 6.2 We will continue to monitor overall employee turnover rates in critical skill and resource areas to measure the effectiveness of the interventions listed in this paper.
- 6.3 We have set an ambitious target to increase total employee engagement, measured on the TfL Scorecard to 68 per cent by 2025/26. Total engagement is a key measure of how committed and satisfied our people feel at work. An increased level of engagement enhances our ability to retain employees in the organisation.

List of appendices to this report:

None

List of Background Papers:

None

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