Safety, Sustainability and Human Resource Panel

Date: **29 June 2022**

Item: **Enterprise Risk Update - Attraction, Retention, and Wellbeing of Our Employees (ER2)**

This paper will be considered in public

1 Summary

1.1 We are currently facing significant challenges to our ability to attract and retain critical skills. Failure to attract and retain a skilled and engaged workforce represents a strategic risk to delivery and our ability to meet the current and emerging priorities of the organisation.

1.2 In November 2021, the Executive Committee agreed to retitle and reposition Enterprise Risk ER2 to reflect the current focus on critical skills while retaining our existing focus on wellbeing. The new Enterprise Risk is titled "Inability to attract or retain the skills, knowledge and experience required to deliver our organisational priorities and maintain an engaged workforce where employee wellbeing is prioritised". For reporting purposes this is shortened to "Attraction, retention and wellbeing of our employees".

1.3 The repositioned risk was reviewed by the Executive Committee in May 2022 and endorsed the preventative and reactive controls and actions described in the paper. The Executive Committee agreed the status of this risk is "requires improvement".

2 Recommendation

2.1 **The Panel is asked to note the paper.**

3 Background and causes

3.1 Our continuing ability to attract and retain employees is impacted by several internal and external factors, some of which are not fully in our control. The varying and cyclical nature of some of these factors has meant there have always been periods where it becomes harder to recruit and retain staff, and periods where that pressure eases. Therefore, there is no single "event" that will cause the risk to materialise, nor is there a way of eliminating the risk entirely. Effective management of the risk is, and will continue to be, an ongoing focus for the organisation and is led by programmes of work by the Human Resources, SHE, and local management teams.

3.2 The number of voluntary leavers across all roles and grades rose by 86% during the last financial year. A level of turnover and voluntary exit is normal in every organisation and some of our employees will always seek opportunities outside of TfL. 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 risk is how we retain key skills and knowledge in the organisation, where individual employees may choose to move on.

3.3 The causes of this risk have been agreed by the HR Leadership team and colleagues in the Risk and Assurance Directorate and endorsed by the Executive Committee. They are also detailed in the accompanying risk template.

(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, businesses are beginning to grow once again and are looking for people to sustain that growth. Employees, whether in or out of work, have more options and this has created an unprecedented number of job vacancies. This has created a 'candidate's market', resulting in rising salary expectations and greater competition. Consequently, it has become more difficult to secure preferred candidates. Our financial challenges may result in pressures on our ability to meet pay expectations and the need to continue to operate recruitment controls.

(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.

(c)   Perceptions of pay unfairness

Recent Viewpoint surveys have indicated our people increasingly feel they aren't being rewarded appropriately 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 may become a driver for employees to leave the organisation or encourage a competitive internal market for talent.

(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 have delivered unprecedented challenges for our City, our organisation, and our people. The increased 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 TfL 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 offering 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. Without a plan to effectively replace or mitigate the loss of key skills and institutional knowledge as this cohort of employees exit the business, there will be significant resource gaps, negatively impacting 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)   Lack of management information

We do not currently have comprehensive, centrally held data on different types of leaver and the reason why they are choosing to leave employment.

(j)   Lead times to recruit

Current contractual notice periods (4 weeks or 12 weeks for senior staff) are not sufficient to complete the recruitment process prior to an individual leaving the organisation. This can lead to a risk to delivery and increased pressure on other employees.

(k)   Organisational change

Any future organisational change may prompt individuals to seek alternative employment and/or accept voluntary severance if available. This risk is exacerbated if not managed in a way where employees feel they have a stake in change, or if we don't take action to ensure our people are kept informed and reassured.

(l)   Impact of Brexit / changes to immigration rules

In the event that recruiting specific skill sets from overseas becomes necessary and is 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.

4   How we control this risk

4.1   We continue to drive strong alignment between management of this risk and our core delivery and support to the business in how we manage, support and develop our people. We deliver a range of 'business as usual' policies and processes, permanently in place, that help the organisation control our attraction and retention risk. These are described briefly below. From a risk management perspective, controls are viewed as distinct from the actions detailed in section 5 of this paper, which are strategic, targeted initiatives within our colleague roadmap that will mitigate the risk.

(a)   **Talent Management** – We have a suite of programmes and tools to support our employees develop and progress their career. These include readiness and conversation matters.

(b)   **Reward Management** – We continue to operate a robust and appropriate external salary benchmarking process which allows us to assess the extent our own pay levels are consistent with the external market. Where appropriate, we have begun to develop specific market led responses to reward in areas where we are experiencing acute attraction and retention challenges.

(c)   **Graduate and Apprentice Schemes** – 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 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.

(d)   **Recruitment and Induction** – Onboarding and induction programmes promote our employment offer to new joiners.

(e)   **Learning and Development Offer** – Learning and Development opportunities that support employees to grow their careers.

(f) **Annual employee survey and action planning** – Activities and initiatives arising from the findings and trends arising from the annual Viewpoint survey.

(g) **Wellbeing Interventions** – Occupational Health teams deliver a series of initiatives and programmes providing employees with access to mental and physical wellbeing support.

(h) **Band 5 Exit Interviews** – Exit interviews held with all Band 5 and above leavers.

(i) **Annual People Planning Activity** – Annual people planning is designed to prioritise activity that effectively mitigates, and controls people risk in local business areas.

5 Mitigation Plan

5.1 The emerging TfL Colleague strategy will set out our high-level ambitions and articulates 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 haven't 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 leaving. At a time when we may be constricted in being able to offer salaries at the top of the market, 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. Being able to offer career pathways as an outcome from readiness conversations 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 in regard to 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 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 workforce that is more representative of the city we serve will help us meet our skills requirements. Ensuring our workplaces are inclusive, safe environments is central to our employee offer.

(h)   Learning and Development 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 and 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   Summary and Conclusions

6.1   This risk is driven by multiple factors, internal and external to the organisation. The organisation has limited control over some external drivers of risk.

6.2   This requires a comprehensive mitigation plan that addresses multiple and varied drivers of risk. Our approach to managing this risk is to ensure strong alignment between risk mitigation and our programme of work. Our emerging Colleague strategy and roadmap is focused on activities that will help mitigate risk and support the delivery of business objectives.

6.3 Several of the deliverables within the mitigation plan have been recently launched and/or will be delivered over the next 12-18 months. Therefore, the status for this risk has been agreed as "requires improvement". The risk will be continued to be monitored internally within HR, and within the formal Enterprise Risk review schedule.

List of appendices to this report:

Appendix 1 – Presentation to TfL Executive Committee – May 2022

Appendix 2 –Risk Template (Exempt information)

A paper contains exempt supplemental information and is included on Part 2 of the agenda.

List of Background Papers:

None

Contact Officer: Tricia Wright, Chief People Officer

Email: TriciaWright@tfl.gov.uk