

Issued: 24 July 2024

Item: Reward Strategy – Job Families and Pay Management

This paper will be considered in public

1 Summary

- 1.1 At the meeting of the Committee in February 2024, we updated the Committee that we were reviewing TfL's approach to 'pay management' and introduced the concept of a job families pay structure.
- 1.2 This is part of an ongoing review of Reward Strategy intended to align with the Priorities set out in our Colleague Strategy.
- 1.3 This paper provides a further update on the progress with this work.

2 Recommendation

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

3 Background

- 3.1 Our Reward Strategy focuses on improving 'pay management' across TfL, introducing job family pay ranges, aligning with the Colleague Strategy priority to: 'Provide a fair and attractive employee offer'.
- 3.2 A key theme of that priority is to 'Improve how we manage pay, balancing fairness with affordability to meet the competitive challenge of attracting and retaining talent'.
- 3.3 There are three core components of our pay management that we are proposing to introduce and/or change:
 - (a) introduce new pay ranges for 21 individual job families at each of the existing five payband levels that replace the current five broad band pay ranges in our non-Operations environment. Within the Operations environment 11 job families have been identified so far. The purpose of the overarching job family pay range will be to define the minimum and maximum level of pay that spot rates or individual job-based ranges must fall within;
 - (b) review the link between individual performance (rating) and pay progression at annual pay review currently established in the Pay for Performance framework for TfL paybands 1-3. The proposal we are consulting on is to reward individual performance solely using variable pay in the form of non-consolidated performance awards in future; and

- (c) as a direct impact of the changes proposed in (a) and (b) above, establish new principles for how the negotiated annual pay review budget is distributed in future for paybands 1-3 if the direct link with individual performance rating is removed.

3.4 There are several anticipated advantages that support the Colleague Strategy priority with the proposed changes outlined in paragraph 3.3 above including:

- (a) a segmented job families pay structure will ensure that we can build pay ranges that are more closely aligned to the external market for the job roles in a given family. This will support more accurate pay setting and better attraction and retention through pay that is more aligned in this way;
- (b) having a single pay range that applies to all jobs across the organisation that are mapped to a given family and payband level will ensure greater consistency in pay setting and pay progression and help reduce internal pay disparity over time. This will also ensure that pay is made fairer for colleagues;
- (c) delinking base pay increases from performance rating will ensure that individual pay can be managed better in alignment with internal relativities of peers and external market rates and thus reduce the dispersion in pay that occurs when performance-based increases are applied in a way that overrides internal/external relativity factors; and
- (d) this separation of reward for performance from base pay will provide greater clarity for colleagues concerning their base pay and variable compensation elements and will support fairer pay overall.

4 Scope

- 4.1 Earlier in the year a decision was taken to separate implementation between the TfL and London Underground business areas. Consequently, the first phase of delivery of the pay management and job families changes in 2024 will apply in TfL only across all Operations and non-Operations business areas. This will impact around 10,000 TfL colleagues.
- 4.2 The reason for the decision to separate implementation was twofold. Firstly, there are a significantly greater number of individuals in TfL who are paid below the market range for their role than there are in London Underground and hence we want to attend to this as our highest priority.
- 4.3 Secondly, there is far greater complexity concerning pay in the London Underground environment necessitating a longer time period and wider resources to be able to develop the job families concept into the right solution. Issues such as the sheer weight of different jobs and individual grades in London Underground (in excess of 900); how base pay and spot rates in London Underground include consolidated shift allowances which need to be separated out; and the greater challenge we have in obtaining relevant industry benchmarking data are all examples of this complexity.

- 4.4 Within TfL non-Operations all jobs below Director level will be mapped to a job family and discipline (i.e. covering paybands 1-5). Similarly, within TfL Operations all jobs below Director level will be mapped to one of the TfL Operations job families.

5 Design Work

- 5.1 High level design in the form of mapping of all jobs to their relevant job discipline (e.g. Compensation and Benefits), and via this mapping to a TfL job family (e.g. Human Resources), has been completed for TfL's non-Operations environment including the build of initial job family pay ranges.
- 5.2 Another example is mapping different project manager roles such as a Project Manager in Capital and a Change Project Manager under the one Project Management job family.
- 5.3 Modelling of financial impact has been undertaken to ensure affordability at implementation alongside pay gap analysis for gender and ethnicity as an indicator of a positive diversity impact.
- 5.4 High level design in TfL Operations areas (excluding those in London Underground) is anticipated to be fully completed by the end of July 2024.

6 Consultation and Engagement

- 6.1 Consultation with the TfL Company Council on the proposed pay management and job families changes commenced on 9 July 2024, and is being held in conjunction with the TfL pay talks for 2024.
- 6.2 TfL's intention is to keep colleagues updated throughout the consultation and implementation process using a mix of established communications channels to create awareness and reinforce messages.
- 6.3 People leaders (payband 4 and above) will be updated before teams at key milestones to equip them to keep their teams engaged and respond to questions arising.
- 6.4 A dedicated Reward Strategy SharePoint site will host all relevant information for our colleagues to access including detailed Q&As.

List of appendices to this report:

None

List of Background Papers:

None

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