

Date: 4 September 2024

Item: Enterprise Risk Update - Attraction, Retention, Wellbeing and Health of Our Employees (ER02)

This paper will be considered in public

1 Summary

- 1.1 This paper provides an overview of Enterprise Risk 2 – Attraction, retention, wellbeing and health of our employees (ER02). This risk recognises that if we do not continue to attract and retain colleagues with the skills and expertise we need, or prioritise wellbeing, we will not be able to deliver effectively for London in the future.
- 1.2 In line with the Enterprise Risk schedule, ER02 is reviewed by the Panel annually. The risk plan and status were endorsed by the Executive Committee on 7 March 2024.
- 1.3 A full risk update report, included in the Part 2 paper, provides further commentary on the actions we are taking to mitigate against the drivers of risk identified.
- 1.4 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business and financial affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Panel is asked to note the paper and the exempt supplementary information on Part 2 of the agenda.**

3 Background

- 3.1 We cannot deliver for London without attracting and retaining the talent we need to deliver our Business Plan and the Mayor's Transport Strategy.
- 3.2 Although the diverse nature of the organisation means our overall turnover will include areas with very low levels of employee exit, the areas of the business where we are experiencing higher turnover contain roles with critical and/or scarce skill sets, therefore the impact on delivery of employee turnover can be significant.
- 3.3 The most recent results of our employee engagement survey showed an increase in our 'total engagement' score. This included a six per cent increase in

colleagues who stated that they had confidence that there was a clear vision for the future of the organisation, and 66 per cent of colleagues stating that they had a strong commitment to TfL.

4 Key risk drivers

- 4.1 **Economic:** Rising living costs are starting to slow but remain high and continue to drive up salary expectations. Pay growth is at its highest level since 2001. Our levels of pay are continuing to be behind market for some key skill sets.
- 4.2 **A buoyant employment market:** The market for talent continues to be 'candidate led' although with definite signs of cooling. The Office for National Statistics reports that employment and job vacancies are down, while unemployment and redundancies are up.
- 4.3 **Perceptions of pay unfairness:** Perceived unfairness in historic pay differences between Operations and the rest of TfL may heighten dissatisfaction with pay and become a driver for employees to leave the organisation.
- 4.4 **Organisational uncertainty:** An ongoing requirement to deliver organisational or cultural change may impact employee wellbeing if not managed effectively. Any future changes to our pension scheme may be a trigger for some employees to end their employment earlier.
- 4.5 **The average age and length of service of our workforce:** We have a mature workforce and are likely to have an increase in retirees over the next few years.
- 4.6 **Changing skills requirements:** Future business priorities and Mayoral commitments may require our skills profile to change.

5 Potential consequences could include:

- 5.1 **Inability to deliver the Business Plan:** A disengaged and/or unhealthy workforce, or a workforce without the right skills and experience, is likely to be less productive and will be less likely to deliver against organisational objectives.
- 5.2 **Inability to attract key talent:** Inability to attract key talent in the future, through perceived comparatively lower rates of pay and reduced opportunities.
- 5.3 **Loss of talent:** Loss of key people, skills and knowledge, resulting in the inability to deliver the Business Plan, increasing the cost to delivery.
- 5.4 **Increased absence:** Organisational stress, which could be triggered by increased workloads or ineffective management of organisational change may affect employee wellbeing.
- 5.5 **Increased costs:** If we do not maintain the skills we need in our permanent workforce, we will be reliant on contractors and/or non-permanent labour to fill resourcing gaps.

6 Recent mitigations implemented

6.1 The Colleague strategy sets out our high-level ambitions and articulates how we will deliver our purpose through our people. In conjunction with the strategy, a refreshed Colleague Roadmap of activity has been developed outlining a programme of work prioritising how we will make working at TfL better for our colleagues, helping to further attract and retain talent.

6.2 Since the previous update to the Panel, we have implemented the below initiatives, which directly help to reduce our attraction, retention and wellbeing risk:

- (a) designed and delivered bespoke reward interventions in areas of critical skill requirements, including the Engineering Progression Development Pay Framework, and targeted interventions for Technology and Data, including launching a new market salary tool aligned to the headcount control process;
- (b) worked with the business to identify critical and hard to fill roles across TfL and delivered succession plans for these roles to ensure a development pipeline is in place;
- (c) revised our approach to gathering data from leavers (new leavers survey and piloting a proposed approach to exit interviews);
- (d) worked with the business to mitigate the key skill flight risk arising from changes to IR35 legislation – 88 per cent of our affected non-permanent labour workforce accepted the new contract ensuring we can be flexible with our people resource while also retaining their experience in critical areas;
- (e) established the strategic resourcing group to identify critical resourcing risks. Introduced a new streamlined process for headcount controls; and
- (f) updated our approach to flexible working.

7 Summary of key planned mitigations:

7.1 **Reward Strategy:** We are engaging on the first phase of our reward strategy, which focuses on introducing a job family framework for areas outside of London Underground. Results from our 2023 employee engagement survey revealed a further decrease in the number of employees reporting they feel their pay is fair considering the work they do.

7.2 **Strategic Workforce Plan:** We will launch our long-term workforce plan in Quarter 3 of 2024/25. Our plan will analyse the skills we will need to deliver our 2030 objectives and assist the business to develop 'build or buy' strategies to ensure we can meet our medium- and longer-term resourcing requirements.

7.3 **Wellbeing Plan:** We are launching our new approach to employee wellbeing early next year with supporting activity to be delivered from 2024/25 through to 2029/30.

- 7.4 **Employee Value Proposition:** We are currently developing a new employee value proposition. This work will create a narrative and brand articulating our employee offer, telling an authentic and aspirational story of the experience of working here. The first phase of this work, to be ready to launch in Quarter 2 of 2024/25, will be used to support external recruitment.
- 7.5 **Employee Engagement Survey:** We will launch a new employee engagement survey in autumn 2024. The opportunity to refresh our employee survey allows us to focus questions on areas that we know can heighten risk of voluntary exit if not well managed. Feedback from our employees allows us to better shape our future employee offer.

8 Risk Status

- 8.1 The overall risk assessment of ER02 has improved over the previous year from “Requires Improvement” to “Adequately Controlled” and is now low risk due to the mitigations and controls in place.
- 8.2 The initiatives described in the Part 2 paper will help mitigate and control the risk over the medium-term.

List of appendices to this report:

A paper containing exempt supplementary information is included on Part 2 of the agenda.

List of Background Papers:

None.

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