

## **Royal Mail Efficiency Talks**

### **Broader Efficiency Discussions**

The Agenda for Growth Agreement set out how RM and CWU will deal with efficiency issues going forward. For ease of reference we have attached to this LTB a copy of the relevant section of the agreement. In essence this recognises the importance of efficiency to the Growth Agenda and committed both parties to a fresh approach on how to improve efficiency in a realistic and sustainable way. This was based on building a greater understanding of efficiency issues, jointly developing operational strategies, supported by culture change and the introduction of new incentive arrangements.

What this means is that whereas in the past CWU would traditionally focus on the incentive side of efficiency debates, there is now a need for the union to develop a broader view of efficiency in its overall business context and in its relationship with regulation and the pressures that Ofcom can bring to bear on the company.

The Agenda for Growth Agreement provides us with the vehicle and meeting structures to address all these matters.

### **Meetings with Royal Mail to date**

Initial efficiency meetings with the company focused on the need to set the scene in the field and ensure that whilst the business cannot stand still, there was a pragmatic approach whilst national discussions continued. This led to the National Efficiency Joint Statement being agreed, which was circulated to Branches in LTB 149/14 on 6<sup>th</sup> March 2014. This Statement also dealt with the position of tracking and recording ongoing efficiency savings on a without prejudice basis to the shape of any future incentive arrangements.

The second strand of efficiency meetings has been based on a series of workshops designed to highlight the subject matter in its wider business context and create a better understanding of business targetry and the regulatory relationship. To date, two workshops have taken place and these have looked at external reports from the Regulator on Royal Mail's overall efficiency and how this compares to other postal administrations across Europe.

The Efficiency Workshops will continue and will work through the agenda set out in the National Agreement. As part of this the union

has been given the opportunity to shape these meetings and include any items or ideas we want to bring forward.

The third strand of talks have been on the incentive arrangements themselves and the rest of this LTB will concentrate on this element.

### **New Incentive Arrangements**

There have been five meetings with Royal Mail on the new incentive arrangements. At this stage it has not been possible to secure an agreement. The current position is that following our last meeting we are awaiting a fresh proposal from the company and this was due to arrive before Annual Conference.

As with all previous national discussions on incentive arrangements it is proving difficult to construct a scheme that meets the objectives of both parties.

For CWU Branches to fully understand the dynamics surrounding these talks, we need to spend some time explaining the latest business context that is driving the company's thinking and the CWU response to this.

The company, under pressure from the Regulator, are constantly seeking to reduce costs to offset volume decline in the letters market. How Royal Mail respond to this challenge is being regularly monitored by Ofcom and in turn this also shapes Ofcom's view on whether or not they need to intervene on End to End competition. If Ofcom considers that Royal Mail is not doing enough on efficiency it has the power to introduce binding targetry. The problem this poses for the union when discussing incentive arrangements is that Royal Mail says offsetting volume loss through cost reduction is necessary just to standstill – not necessarily to fund additional incentive arrangements. This situation is now being compounded in certain areas by the impact of direct delivery from TNT and Amazon.

The company are also saying that given agreed pay rises are funded from overall revenue, they are under pressure from the Regulator to justify the extent of these pay rises. Not surprisingly, Royal Mail also claim that the £100 guaranteed bonus and free shares are funded from the same pot and are in themselves an incentive for the workforce. We do not agree with this view.

Notwithstanding the above mentioned, the company did make an initial proposal based on a share of profit over and above business

plan targets, aligned to a local element that would determine the amount a local unit received. This was not a fully worked up scheme and CWU felt the targets were too far removed from the local environment and that there were unrealistic local hurdles to overcome.

In response the union has continued to engage in a constructive manner, whilst maintaining that Royal Mail must incentivise CWU members over and above pay rises and do so in a way that addresses some of the difficult local issues that we face.

### **The Latest Position**

The subject of efficiency has been discussed with the Postal Executive and both Royal Mail and CWU remain fully aware of the commitment made to conclude new incentive arrangements by April 2014. However, both parties acknowledge that a further difficulty in meeting this timescale is the relationship between any new incentive arrangements and what will ultimately be expected of CWU members following the outcome of the ongoing operational programme of work.

Having carefully considered all these issues the union has indicated to Royal Mail that we would be prepared to negotiate an interim scheme based on straight forward profit share principles over a defined period. This is providing we can revisit the incentive arrangements as talks progress on the programme of work. The advantage of this approach is that we could have a scheme in place very soon and on information received from the company we would be confident that this would produce additional money for CWU members to reward their ongoing efforts, whilst we continue to look at incentive arrangements alongside the programme of work.

At the time of writing this report we are awaiting a response from Royal Mail.

### **Summary**

The content of this LTB is designed to give a comprehensive report on all aspects of our efficiency debates with the company and enable informed discussion during the time set aside at Annual Conference for Q&A's on overall progress with deployment of the Agenda for Growth Agreement.

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## EXTRACT FROM THE AGENDA FOR GROWTH AGREEMENT

### **New Approaches to Improved Efficiency**

In recent years employees have significantly increased their efficiency and through cooperation with major change programmes we have seen the prospects of the company improve.

The pressures on Royal Mail in a competitive and regulated environment mean that the need to maintain and improve efficiency is a constant feature in the day to day running of the business.

Efficiency is a prerequisite for growth and our ability to win new customers and contracts. Being efficient means the company can offer greater job security and will continue to be able to set the benchmark for pay and conditions across the UK Postal Sector.

In seeking further improvements to efficiency the RMG and CWU recognise that we need new approaches and greater understanding from managers and employees of the day to day pressures that each other face.

Under the terms of this agreement the route to greater efficiency will be supported by delivering cultural change in local workplaces. This is about building a climate of sustainable trust with a can do culture based on the involvement of employees in decision making and approaches to consensual change in the workplace.

The new approach to improving efficiency will cover the following:

- Royal Mail Group and CWU will work together to develop operational strategies and take responsibility together for delivering these at pace in the workplace.
- The introduction of new employee incentive arrangements by April 2014.
- A review of business wide efficiency measures to increase understanding amongst managers and representatives and ensure that workload measurement is increasingly accurate. (See ongoing Programme of Work)
- A review of how efficiency targets are set to increase understanding amongst managers and representatives and ensure these are realistic, achievable and sustainable in the workplace.

- A review of the operational work plan in accordance with the principles agreed in Business Transformation 2010 to be completed by June 2014.
- Building a greater understanding that efficiency is also about introducing more effective ways of working such as method changes as well as employee productivity.

