

CSR Terms and Conditions Review

STEERING GROUP REPORT

Objective

To review the effectiveness of existing pay and conditions of service across the public service with a view to ensuring that these give good value for money to the island of Jersey, are affordable, and are “fit for purpose” in terms of recruitment, retention and motivation of staff in the various pay groups.

Background

The States of Jersey employs around 6500 staff at a total cost of £340m (inclusive of salaries; social security and pensions payments). There are 21 pay groups each of whom has recognised employment negotiating rights with SoJ, and many variations of the common terms and conditions. For example maternity and paternity leave differs between groups and there are various arrangements for standby and callout payments.

Given that £340m in employment costs represents approx. half of the gross SoJ budget, and that savings need to be made to address the £50m deficit, it is appropriate that a contribution to this is made from a review of Terms and Conditions. Set in the wider context of the global economic situation, like public services in the UK, it is vital that the SoJ positions itself to deliver cost effective and high quality public services, delivered by an organisation fit to meet these demands. In these circumstances a 'do nothing' option would not be viable.

The independent review conducted by Tribal is critical of the set of arrangements in place in the light of the current financial climate. The time is right for this review to take account of current pressures and anticipated future needs to produce a more modern set of arrangements that are fit for the future.

Vision for the future

What is now required is a rationalisation of the many pay groups and associated variations of terms and conditions; closer alignment to both the local and UK markets from which SoJ staff are recruited, and a more modern flexible approach that overall will be :

Simpler

- Single pay spine for manuals and civil servants with fewer overall grades
- Fewer pay groups overall
- Shorter pay scales (fewer increments)
- Pay progression based on performance wherever possible
- Single framework contract covering common terms such as maternity, paternity, sick pay and other similar items
- Rationalisation of allowances e.g. standby and callout

- Where it makes sense (for example where the main source of recruitment is UK, such as Nurses and Doctors; or where structures are very similar such as Police, Prison and Fire Service) use the UK pay scales and pay an additional Jersey Allowance to take account of higher costs such as cost of living

Cost Effective

- Fewer groups to negotiate with
- Standard terms mean fewer variations and easier to manage with less risk of errors
- Fewer payroll corrections
- Computer systems can be less complex and cheaper to run
- Removal of outdated payments
- All staff paid by BACS system

Equitable

- More commonality of approach across different groups of staff
- Opportunity for higher performers to gain higher rewards
- Basic rates of pay better aligned to local, or other appropriate market rates

Tribal Review

The high level review carried out by Tribal has made the following recommendations (See Table 1 below). This table outlines *possible options* to achieve savings of £14m and includes estimated indicative savings which are subject to further financial and actuarial confirmation.

Table 1

Terms & Conditions Item	Recommendations	Estimated potential savings (3 years)	Impact Immediate/ Short/ Medium/ Longer/ Term				
Pay and Grading	<ul style="list-style-type: none"> • Honour the 2% pay award agreed for 2011 • Freeze the annual pay award for 2012 and 2013 	2011: £0m 2012: £6.9m 2013: £6.9m	Medium Term				
	<ul style="list-style-type: none"> • Honour existing staff increments 	2011: £0m	Short Term				
	<ul style="list-style-type: none"> • New staff – introduce market related pay structures for new staff, remove automatic increments for new staff, ensure pay cannot progress beyond market 	2011: £1.2m 2012: £2.3m 2013: £3.8m	<table border="1"> <tr> <td>Short Term</td> <td>Med Term</td> </tr> <tr> <td colspan="2" style="text-align: center;"> </td> </tr> </table>	Short Term	Med Term		
Short Term	Med Term						

Terms & Conditions Item	Recommendations	Estimated potential savings (3 years)	Impact Immediate/ Short/ Medium/ Longer/ Term				
	<ul style="list-style-type: none"> Design new template for framework contract and implement for all new staff 	Admin costs only	Short Term				
	<ul style="list-style-type: none"> Consider freezing current staff on existing salaries. Introduce new pay structures based on market comparisons. If existing staff are paid above market they stay frozen until pay and the market are aligned i.e. through 'catch up' process. Staff below market progress in relation to performance. 	More detailed work required to estimate savings due to the complexity of the changes.	<table border="1"> <tr> <td>Short Term</td> <td>Med Term</td> </tr> <tr> <td colspan="2" style="text-align: center;">↔</td> </tr> </table>	Short Term	Med Term	↔	
Short Term	Med Term						
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	<ul style="list-style-type: none"> New single harmonised pay spine for Manuals and Civils Migrate to UK pay scales for jobs which have direct UK counterparts e.g. Teaching, Fire and Police New approach to grading jobs Progression based on performance 	More detailed costing to be carried out	Longer Term				
	<ul style="list-style-type: none"> Stop cash payments – move to BACS 	£16k (TBC)	Short Term				
Overtime	<ul style="list-style-type: none"> Change premium to 1.33x salary for weekdays and Saturdays and 1.5x salary for Sundays Reduce overtime worked and therefore paid by 10% per annum for 3 years plus reduce the overtime premium as paid above 	<p>£1m per year</p> <p>£2.4m over 3 years based on 10% reduction each year.</p>	<table border="1"> <tr> <td>Short Term</td> <td>Med Term</td> </tr> <tr> <td colspan="2" style="text-align: center;">↔</td> </tr> </table>	Short Term	Med Term	↔	
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Terms & Conditions Item	Recommendations	Estimated potential savings (3 years)	Impact Immediate/ Short/ Medium/ Longer/ Term	
Allowances	<ul style="list-style-type: none"> Remove allowances that are out of date and consolidate relevant allowances into the appropriate jobs. Continue to pay essential allowances only Develop allowances/rates for overtime, call out and standby which apply to all pay groups 	£0.75m	Short Term	Med Term
			↔	
	<ul style="list-style-type: none"> Continue with essential allowances, remove the out of date allowances as above. Review all other allowances with a view to consolidating some into new grade and salaries, reducing others and doing away with more. 	Target of a minimum of 10% of allowances paid. £1.9m per year	Short Term	Med Term
			↔	
Sick Pay	<ul style="list-style-type: none"> Reduce sickness pay scheme for non-manual employees -introduce new sickness pay scheme of 3 months full pay 3 months half pay Improve management of absence (in particular set targets for reduction of short term absences) 	£0.8m per year	Med Term	
		Up to £1m per year		
	<ul style="list-style-type: none"> Introduce new sickness pay scheme of 4months full pay and 4 months half pay for all staff. This will reduce non-manual staff from 6months full pay and 6months half pay and increase manual staff from 3 months full pay and 3 months half pay. 	£0.5m per year	Short term	

Terms & Conditions Item	Recommendations	Estimated potential savings (3 years)	Impact Immediate/ Short/ Medium/ Longer/ Term
Pensions	<ul style="list-style-type: none"> Change automatic entry scheme to voluntary through opt in/opt out 	£2.8m per year	Longer Term
	<ul style="list-style-type: none"> Increase employee contribution by 1% from 5 to 6% and reduce employer contribution by 1% to 12.6% 	£1m per year	
	<ul style="list-style-type: none"> Close final pension scheme to new entrants and open a defined contribution scheme for staff with a 6% employer contribution 	£6.4m per year	
	<ul style="list-style-type: none"> Keep provision under review Review retirement arrangements 	Professional actuarial advice required.	

Key: Immediate/Short Term impact = up to 12 months
Medium Term impact = in place by end of 2013
Longer Term impact = to be implemented beyond 2013

Change Management Considerations

A review of this nature aimed at reducing costs and increasing efficiency is liable to be viewed with suspicion by employees and their representatives. Such a negative response can lead to difficult employment relations and in a wider context there is a balance to be drawn between organisational efficiency and potential loss of services given the complexity of the SoJ.

In making changes they will need to be seen as cost effective yet still deliver high quality public services. From this review, staff and Unions will be anticipating with some trepidation:

- Change generally
- Redundancies/ job losses
- Potentially detrimental changes to previously favourable, hard fought terms and conditions
- Working harder and longer to fill gaps in the organisation
- Pay freezes or cuts
- Erosion of pension rights
- Cuts in overtime and allowances.

In the review this is countered by the opportunity for change which, in the longer term will improve and modernise the way the SoJ works 'taking pain to make gains'. For every apparent downside there is an upside for example,

'more work' can provide an opportunity to develop new skills or take on new responsibilities. The recommendations from Tribal offer a means to work towards a coherent package of change delivering savings and also making a real impact on modernising the way the organisation conducts its business - all based on cohesive transformational employment strategy.

Drivers for change will be against the back drop of best practice such as that driven by employment legislation in the UK. Opportunities for shared working typically across corporate functions may also introduce opportunities for longer term savings by streamlining areas such as back office services.

The review also identifies ways to harmonise employment practices which have grown from organisational complexity and diversity of the pay groups. Whilst common core terms such as maternity, paternity etc may be easily harmonised others will require careful consideration and tactical negotiation as they present major change in culture to the workforce. This includes further work to identify areas of working hours and patterns which can be modernised, improving workforce planning to deliver other savings.

Risks

One option would be to leave things as they are but the risk of this approach is unacceptable as the continuing contribution to the SoJ deficit would be indefensible. The recommendations as stated above carry a risk that they will be received negatively by Staff and Unions, though this can be mitigated by the development of a sound business case, a well planned communications plan, and considered employment relations strategy. Linked to this there is a need to ensure regular consultation and briefings are given to employees and departments to avoid lack of engagement and overall acceptance of the proposals.

Political intervention through staff lobbying States members with negative impact can be countered with comprehensive briefings and good PR. Similarly resource demands on HR and senior managers to deliver change can be supported by sound programme and project management and seconded resources to lead change elements (already in place through the CSR team). It will be critical to ensure HR has sufficient capability to implement change. There may be one off costs to implement and implant change and it is important that this is managed and off set against savings.