

MANAGEMENT BOARD

Savings Programme – HR Mechanisms

A paper by the Director of HR Services and the Business Change Manager

Purpose

1. At its November 2010 meeting the Management Board considered the impact of recruitment restrictions introduced in July 2010, and agreed some amendments to address their concerns that some departments had been carrying vacancies for several months and were under-resourced.
2. In seeking to introduce recruitment restrictions it was recognised that these are, in the main, a relatively blunt instrument, and would have some negative implications on business stability and staff morale, which increase with time, particularly in generating larger numbers of staff on temporary promotion (TPs) and fixed term contracts (FTCs).
3. This paper considers the current position regarding staff on T/P and FTCs and explores what, if any, actions should be taken.

Action for the Board

4. The Management Board is invited to agree that:
 - a. recruitment restrictions should continue to operate at the present time;
 - b. a limited number of existing temporary promotions and fixed term appointment be made permanent at this stage;
 - c. Departments should be responsible for reviewing appointments within their department and make recommendations to be ratified corporately, following the model similar to that used successfully for the VE scheme;
 - d. a set of guiding principles should be developed for departments to apply when considering which TPs and FTCs should be made permanent, balancing the short term business need for stability with longer-term flexibility;
 - e. the current recruitment restrictions should remain in place, including the ability to appoint on a permanent basis when required;
 - f. the understanding of business need used to justify permanent appointments under the current recruitment restrictions should also refer to the guiding principles as suggested in this paper.

Background

5. Restrictions on recruitment were put in place following a Management Board decision in July 2010 with the following objectives:
 - providing savings in the current financial year;
 - reducing the visibility of recruitment advertising in the context of the Civil Service recruitment restrictions, and
 - keeping posts available for internal staff who may become surplus as a result of the Savings Programme (SN/16/2010).
6. The restrictions were reviewed and amended in November 2010. The need to 'gap' posts for future redeployment was affirmed: '[w]here posts are filled departments should continue to do this by temporary measures (temporary promotions or fixed term appointments) in all but exceptional cases.'
7. The Management Board reiterated that the recruitment restrictions allowed for vacancies to be filled on a permanent basis where there was a business need to do so, but noted the requirement for a corporate perspective and consistently applied criteria in doing so.

Effectiveness of Recruitment Restrictions

8. The overall number of staff in the House (excluding PICT) from April 2010 to March 2011 is shown in Annex B. This represents an overall reduction of just over 2% for all staff figures, and of 2.6% for permanent staffing only.
9. Once the reductions attributed to the transfer of staff to IPSA and the Voluntary Exit Scheme are taken into account it suggests that the recruitment restrictions have not had a significant impact on staffing numbers¹, although it may mean that the recruitment restrictions at least arrested any continuing trend to increase staff numbers.
10. It should also be taken into account that the House of Commons has in effect been operating recruitment restrictions since October 2009. These allowed surplus DR staff, released when IPSA was set up, to be redeployed, mostly successfully, across the House, although this process was more difficult for staff in more senior pay bands. The number of T/P and FTC staff in DR reduced by 20% from March 2010 to March 2011 (see Figure One). In doing so they represented a valuable tool.
11. There is as yet no clear indication about when action as a result of the seven strands will result in post reductions, the number of post reductions

¹ FTE reduced by 64.6 between March 2010 and March 2011 with 29.7 of this reduction being attributable to IPSA and 24.3 to VES. This does not take into account the recruitment expected in 2011/12 to fill a number of vacancies left by voluntary exits (32 out of 47 exits).

that will be required, or at what pay band, and therefore what type of redeployment opportunities might be required. However post reductions are still likely to be needed to meet the targets for the Savings Programme.

12. Some of the Savings strands may have a significant impact on staffing – for instance the review of the SCS. It would therefore be prudent to maintain some organisational flexibility to deal with these.
13. We are in the final stages of negotiating with TUS an agreed redeployment policy for dealing with surplus staff. This will depend on the House continuing to fill some posts on a temporary basis to build up reserves of posts so that surplus staff can be redeployed into them when required. However the new policy also recognises that if a suitable post cannot be found for individuals after a set period of time the House may need to consider other options with the individual.²
14. The larger scale reductions planned in Catering were put on hold as a result of the Administration Committee's consideration of catering and retail services in the House. [s.36(2)(b) and s.36(2)(c)]

It is recognised that recruitment restrictions will, in themselves, not offer a sole mechanism for dealing with surplus staff in the House of Commons. However, notwithstanding the actions recommended in the remainder of this paper, Management Board are asked to confirm that recruitment restrictions should continue to operate at the present time.

Numbers of temporary appointments

15. When recruitment restrictions were introduced it was recognised that these are, in the main, a relatively blunt instrument, and would have some negative implications on business stability and staff morale, which would increase with time. As such recruitment restrictions are most effective when in place for a limited period only.
16. Last summer it was thought that the “interim savings” may result in reductions of a considerable number of posts, and that corporate measures would be needed to cope with this. In fact, immediate post savings were largely managed at a local level or through the Voluntary Exit Scheme.
17. This means that the “supply” of surplus staff to be redeployed has not yet come on line, and increasing numbers of staff have now been on temporary promotion (TPs) or fixed term contracts (FTCs) for some time.
18. Overall, in March 2011 there were 215 members of staff working in temporary appointments (11.5% of the workforce) compared to 180 in

² There are currently a small number of staff who have been supernumerary for some time.

March 2010 (9.4%).³ (See Figure One). This represents a 20% increase in a year.

19. The different savings strands may reduce posts, and therefore release staff for redeployment, to different timeframes. This may mean it is easier to manage redeployment over the next few years than if a large number of staff were released at one time.
20. "Churn" within the House may also be an issue. We ran 64 internal campaigns in 2010/11, a 49% increase on the internal campaigns run in 2009/10. This represents a significant increase in recruitment (promotion) activity for the House, and a considerable amount of disruption to the business. A large part of this increase can be attributed to the "domino effect" of filling vacancies internally that subsequently create vacancies to backfill. There was an increase in temporary promotions between March 2010 to March 2011, from 87 to 114, with the greatest concentration of TPs in pay bands B2 and C (58%).

Figure One

Department	FTCs in 03/11	TPs in 03/11	TOTAL	% of headcount	Difference since 03/10
DCCS	22	41	63	11.5%	+ 23
DF	19	22	41	6.6%	+ 15
DIS	33	23	56	15.2%	+ 16
DR ⁴	27	28	55	30.1%	- 20
TOTAL	101	114	215		

21. Departments report increasing concern about the impact of higher numbers of temporary appointments on staff motivation and organisational stability. Some individual situations are also creating significant risks, for example, where departments rely on a fixed term member of staff who may be looking for jobs elsewhere. These risks may be magnified by the current pay freeze.
22. Although there is merit in considering whether some of these temporary arrangements could be made permanent (rebased) there is also need for caution if we wish to avoid compulsory redundancies in the future. The number and impact of temporary appointments differs across the House. For example, DR operated with a considerable number of temporary appointments and have seen a decrease in their number following the transfer of allowance work, while the high percentage in DIS of temporary arrangements is partly due to their resourcing requirements (for example

³ These figures do not include sandwich students or secondees. Levels of temporary appointments in 2010 were also increased prior to the IPSA redeployment exercise. In addition, there are some staff appointed on a fixed term basis on level transfer, from the level transfer list or following an 'expressions of interest' at the same pay band. Fixed term appointments made through level transfers are not easily identified in the available data, as a level transfer is only one of a number of reasons for a cost code change

⁴ These figures are to March 2011 and do not yet split figures into DHR&C and DFin

SPIRE). DF also maintain a degree of flexibility in their workforce by using “casual” contracts⁵

Temporary Promotions

23. There are currently 114 staff on T/P across the House (~7% of staff). Some of these T/P arrangements are justified as the gaps they cover are temporary (for instance to undertake temporary assignments, cover for maternity leave, or where the substantial post holder is temporarily assigned to other duties). However some are filling permanent vacancies. Converting some T/Ps to permanency in these positions may alleviate pressure on the business, and have some impact on staff morale. Conversely staff in posts they consider vulnerable may see action to make other staff permanent as demoralising.
24. Staff on temporary promotion do not increase the overall number of permanent employees; but they maintain “gaps” in the higher pay bands. This may represent some savings for the House, as the gap would be at the higher pay band if the T/P were revoked, but in some cases the saving may not be considered worth the level of disruption maintaining long term T/Ps can cause.
25. However the IPSA redeployment exercise showed that it was easier to redeploy staff in the lower pay bands than more senior staff (this could be for a number of reasons including increasing specialisation). It might therefore be important to continue to retain gaps at senior levels where they arise, particularly in view of the forthcoming review of SCS, but it is recognised that this would be at the expense of some disruption to business.

The Management Board are asked to consider what they believe to be a reasonable balance here. Some T/Ps could be made permanent to ease disruption to business. The cost of doing so is limited. However the effect on overall staff morale is not clear cut - this may be seen as a positive move by some staff but seen negatively by others. Is Management Board content in principle that for business reasons we should convert some T/Ps to permanency if decisions are made using agreed criteria?

Fixed Term Contracts

26. There are currently 101 staff on Fixed Term Contracts across the House (~6% of staff). Some of these arrangements are justified as the gaps they cover are temporary (for instance to undertake temporary assignments, cover for maternity leave, or where the substantial post holder is temporarily assigned to other duties). However some are filling permanent vacancies.

⁵ The term “casual” contracts may be a misnomer, as they are effectively permanent staff but on zero hours arrangements that can be utilised as required.

27. FTCs cannot be extended indefinitely without penalty; redundancy payments may be applicable if contracts last over two years, and employees may have a claim to become permanent after four⁶.
28. The recruitment restrictions already allow us to recruit permanently to key posts and business critical roles. However there may be staff who were recruited on FTCs which, in hindsight, Departments feel there is value in converting to permanency. This may be because the role has subsequently expanded, programme deadlines have moved, or recruitment restrictions were interpreted more stringently at the time they were recruited.
29. If we decide to make some staff on fixed term contracts permanent this will decrease our flexibility to shed staff. The question remains whether, in business terms, the staff on FTC are the ones we would ideally want to shed. Some of the staff on FTCs are covering key posts, and have valuable skills sets.
30. Staff recruited through fair and open competition, in line with our normal recruitment procedures could be converted to permanency⁷ if the House decided. However this may increase the risk of finding ourselves in a redundancy situation at a later date.
31. [s.36(2)(b) and s.36(2)(c)]
32. The experience of the previous year appears to illustrate that recruitment restrictions had little direct impact on staffing levels, however this does not take into account the numbers of staff on FTC released by DR in that time. Overall there was a small increase in the percentage of FTC staff over permanent staff but if we decide to convert some FTC staff to permanency this would disappear.
33. [s.36(2)(b) and s.36(2)(c)]
34. [s.36(2)(b) and s.36(2)(c)]
35. [s.36(2)(b) and s.36(2)(c)]

Proposed approach

36. Given the current uncertainty about savings required in the future, if the Management Board decide in principle that they do want to review the current T/P and FTCs with a view to converting some of them to permanency, the number of appointments proposed should be the

⁶ This is not an automatic right unless the contract is renewed after four years, but the burden of proof falls to the employer to show a good reason why individuals should remain on a fixed term contract and not become permanent..

⁷ This can be done whether or not the original advertisement included provision for extension or permanency. Headline rate was 9.48%

minimum number possible to deliver stability to the business or to lower other identified business risks to an acceptable level.

37. A limited number of current T/Ps and FTCs could be made permanent now. A fixed proportion by department or pay band would not be appropriate. The lack of information about future surplus staff and the variations underlying temporary appointments in different areas of the House make a 'one size fits all' approach neither possible nor 'fair'.
38. The different levels and business reasons for temporary appointments across the House suggest that departments may be best placed to consider which appointments should be made permanent. It is therefore suggested that each department analyses its current temporary appointments and identifies a selection that could be made permanent. This selection should reflect the guiding principles to be developed (outlined below), enabling the House to explain clearly how decisions have been made about which posts could be appointed permanently, and providing a consistency across the House of criteria used.
39. Once departments have assessed their temporary appointments, departmental recommendations could be reviewed corporately by a panel from a corporate perspective (the Resource Management Group could act in this capacity). Their role is to highlight any obvious inconsistencies in approach between departments and ensure that proposals reflect the guiding principles and can be explained to others in those terms. The members of RMG may also find it useful to have a prior discussion to ensure they have a shared understanding of the guiding principles, which can also be used to inform discussions within their department.

The Management Board are invited to commission HR to develop a process for implementation.

Future restrictions on recruitment and promotion

40. The House must continue to prepare for future changes. It is therefore suggested that the review of current T/P and FTC is viewed as a one off exercise and that the current recruitment restrictions remain in force. This will involve continuing to make temporary appointments or promotions wherever possible, partly to increase potential future redeployment opportunities, although, if justified, a similar "rebasement" of T/P and FTC arrangements can be considered in the future. Some temporary arrangements will always be appropriate, such as providing backfill for career breaks or for staffing project teams.
41. The need to retain as much future flexibility as possible should also take into account the likelihood that future natural wastage will be needed to deliver post reductions.

42. It is also recognised that in reality we may have to also use other mechanisms to reduce staffing to required levels, but retaining recruitment restrictions will mitigate against this.
43. Departments can still make use of the full discretion around permanent appointments and external recruitment campaigns already contained within the restrictions, to make permanent appointments where there is a business justification to do so. In assessing business cases for permanency reference can be made to the guiding principles developed to recommend which current temporary appointments should be made permanent. This will help to promote a consistent and transparent approach that can be easily understood by staff.

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Annex A: Outline guiding principles for permanent appointments

44. The following guiding principles are proposed:

- to minimise the impact of permanent appointments on the House's permanent headcount and overall pay bill, Departments should consider staff in the following order:
 - i. level transfers
 - ii. temporary promotions
 - iii. fixed term contracts
- consideration should be given to where:
 - i. the continuation of the temporary appointment would lead to a specified business risk which cannot be managed in another way (risks may be related to the individual or the team)
 - ii. there is a reasonable expectation that the role/vacancy will continue on an ongoing basis
 - iii. posts offer less opportunity for redeployment of existing staff from elsewhere, for example, where more specialist skills are needed.
- the T/P or FTC should have been made in line with the House's standard recruitment policies, for example, the requirement to have passed a recruitment board to be promoted to a higher pay band
- where it is necessary to make choices between individuals who are equal in other respects, priority should be given to those who have been on temporary promotion or on a fixed term contract for longer.

	FTE Actuals (House of Commons excluding PICT)												12m Average
	201001	201002	201003	201004	201005	201006	201007	201008	201009	201010	201011	201012	
FTE - All Staff	1637.07	1634.91	1639.05	1609.37	1596.7	1596.6	1591.4	1596.6	1591	1588.6	1588.3	1564	1602.8
FTE - Permanent Staff	1529.2	1530.6	1531.3	1503.0	1490.8	1488.9	1478.5	1477.8	1476.1	1469.5	1463.1	1433.4	1489.3

