

# **AGREEMENT BETWEEN ROYAL MAIL AND CWU COVERING EFFICIENCY, APPROACH TO PAY 2006 and IMPROVED INDUSTRIAL RELATIONS**

## **1. Introduction**

In recognition of the full introduction of competition, Royal Mail and CWU are embarking on a set of intensive national negotiations to agree how we can ensure a successful future for the company and permanently raise the value and status of postal workers' jobs.

Against this background, both parties acknowledge that the current industrial relations environment is a cause for serious concern. Therefore the purpose of this agreement is to resolve existing disagreements, adopt a sensible approach to improving efficiency and to create a better environment for negotiations on our future.

## **2. Current disagreements**

The terms of this agreement unlock all current efficiency disagreements. All notified or planned managerial executive action and all formal notices of industrial action, concerning efficiency savings, are withdrawn as are all such ballots. Where executive action has already been implemented since 1 January 2006, the executive action will be withdrawn and the initiative will form part of the efficiency review and the solution will be sought in accordance with the terms of this agreement. This moratorium on executive action and industrial action ballots relating to efficiency savings will be reviewed on 30<sup>th</sup> April.

Royal Mail and the national union will ensure that all managers and CWU representatives will carry out the approach outlined in this agreement.

## **3. Efficiency review to 31 May 2006**

Royal Mail and CWU agreed, as part of last year's pay deal, a productivity scheme to last until April 2006. Both parties recognise that given the pressures we are all under the terms of the scheme now need to be reviewed. The following outlines the changes:

- 3.1 There will be a mandatory efficiency review jointly undertaken in all offices to identify and secure savings that can be achieved as soon as possible with no pre-determined targets for those savings. These will be identified, planned, agreed and implemented in accordance with the industrial relations framework. The emphasis should be on achieving savings quickly rather than waiting for major revision activity or office-wide changes to attendance times unless agreed locally.
- 3.2 As part of this each operational unit will consider how to provide a better alignment of resource to workload, maintain quality of service, maximise efficiency, and generate additional earnings for employees with enhanced basic pay. The emphasis should be on sustainable operational savings that can be achieved quickly, and only these sustainable permanent savings will be included in the basic pay calculation below.
- 3.3 Both parties accept that there are no in principle objections to any proposal, and active consideration will be given to all areas for savings. No proposal put forward should be rejected out of hand but, in all cases where they are not acceptable, a reasoned response should be made.

- 3.4 It is confirmed that there is no Royal Mail wide policy to fill all full-time vacancies with part-time employees, and during the efficiency review there will be no permanent conversion of full-time templated jobs to part-time unless agreed locally. When jobs become vacant each office will jointly identify the resourcing approach (both full time or part time) most compatible with current workload and changes planned under this initiative whilst retaining our commitments to maximise full-time employment. Within this no current permanent full-time employee will be required to move to a part-time contract
- 3.5 In order to provide reassurance where changes in attendance time are being considered Royal Mail confirms that the full value of MTSF-protected allowances will be included in the forthcoming review of the pay package.
- 3.6 Any people issues arising from implementation of this agreement will be dealt with jointly in accordance with the MTSF agreement.
- 3.7 Area General Managers and CWU divisional representatives will jointly oversee all aspects of the efficiency review and ensure that the terms of this agreement are carried out in each office. The CWU will ensure that where there is no local representative, an appropriate official will be identified to progress the review.

#### **4. Employee benefits and approach to pay**

Royal Mail and the CWU recognise that in both 'Have your Say' and our recent joint consultative exercise, our employees have clearly prioritised increases in basic guaranteed pay over other employee benefits.

Royal Mail and CWU acknowledge that the only way we can shape a successful future is by taking the workforce with us. This can be reinforced by establishing a clear link between greater efficiency, new investment, and greater reward for employees through permanent enhancements to their basic pay and conditions.

Postal employees will be rewarded for efficiency savings in the Letters business (including Network) in the following ways:

- As at present, savings between October 2005 and the end of March 2006 under the existing agreement will count towards the current bonus scheme and the lump sum payment due in April
- For the first time ever through agreed productivity arrangements, postal employees will have the unique opportunity to increase their basic pay by securing permanent and sustainable efficiency improvements. This will be in addition to the pay review, which will be agreed at national level in April.

All efficiency savings agreed and implemented between 1 January and 31 May 2006 will qualify for a permanent enhancement to guaranteed/basic pay. The formula utilised for this further incentive will be:

- The full twelve months' value of the share of permanent savings achieved and sustained in each unit will be pooled nationally and consolidated into basic pensionable pay
- based on specific changes identified at local level that result in a permanent and sustained reduction in operational staff costs introduced on or after 1 January 2006 (by permanent reduction of duties, and scheduled attendances or standard scheduled overtime duties) through improved efficiency. There will be no traffic formula as part of this, but obviously changes due to loss or cessation of specific commitments (such as cancellation of a vehicle run due to loss of a customer contract) may not be included. Any such exceptions will be subject to national agreement

- Savings implemented between 1 January and 31 March 2006 will result in 40% of the staff savings being used to improve postal basic pay, from 3 April 2006. 40% of staff savings made subsequently, up to 31 May 2006, will be used to improve postal basic pay from 5 June.
- As an additional local incentive, if any unit achieves a reduction in staff costs of more than 5%, a 45% share of the extra savings above this level will be kept locally for the first year and shared among employees as a lump sum payment, and then 40% of the extra savings will be used nationally to fund further increases in pay from April 2007.
- It is recognised that employees working in Network are not covered by the current Mail Centre and delivery office productivity scheme. To ensure that these employees respond positively to the competitive and changing nature of the Network operation and the plans currently in discussion, and share equally in the basic pensionable pay increases from this new incentive, it is confirmed that savings made in Network will be included within the new arrangement, on the same basis as above.
- HWDC is included in the efficiency review and will qualify for the associated benefits

All information on savings will be shared on a regular basis with the CWU and jointly audited.

## **5. Future negotiations**

Royal Mail confirms that its proposed letters strategy has not been finalised. Furthermore they remain willing to engage in constructive talks and continue to provide the union with opportunity to input its own ideas and policies to address the challenges facing the business and so help shape its future direction. A key part of these negotiations will be to deliver on our commitment within the 'Looking Forward' section of the April 2005 pay deal to develop better ways of working and improve the overall benefits package for postal employees.

There will also be a requirement to agree separate strands for more detailed discussion on Royal Mail's future operational structure. These discussions will commence with agreed terms of reference by Monday 6 March.