

AGREEMENT BETWEEN PARCELFORCE WORLDWIDE AND THE CWU ON THE 2008 PAY AWARD

Background

These negotiations have been conducted against the backdrop of a joint criterion of recognising continuing business success and responding to the current operating climate.

The operating climate between the actual of last year and the predictions for the coming year could not be more contrasting.

Last year was the best ever for Parcelforce Worldwide, operating profits were up to 17.7 million, quality and customer service were strengthened and profitable volume growth along with effective cost control were improved. In regard to reward the basic pay for CWU grades increased by 6%, at a cost of £6 million and £6.8 million was paid out in bonus and colleague share.

However, the predictions for the coming year in regard to the 'credit crunch' are already being felt and economic forecasts appear to be signalling that Britain is on the brink of recession.

Against that backdrop this agreement has been formed around the confidence inspired by the CWU's ongoing involvement and commitment to the development and deployment of new products such as PF48 Large and PM Delivery, and in continuing to evolve the benefit of the flexibility and procedures in the 'Blue Print' agreement, as the business faces the challenges of the coming year.

The Negotiations

The successful return to profit and operating credibility of Parcelforce Worldwide (*Triangle survey results now show Parcelforce Worldwide as the number one carrier for overall service*) has placed increased responsibilities on both parties to apply a measured and responsive approach going forward.

Upon entering these discussions both parties were committed to further improvements in the terms and conditions package, developing productivity reward relating to customer service and to define a consensus on the long term strategic direction.

The Agreement

This agreement continues the theme of the past few years in regard to our ability to face reality and create opportunity at the same time.

It is consistent with previous agreements and commitments for Parcelforce to continue to invest in its employees with equal status to its success. It is also

designed to demonstrate that employee terms & conditions and management/union relationships have grown with the organisation and that a shared mutual purpose acknowledging the joint responsibility for success has evolved.

Terms & Conditions

The offer this year focuses on three main areas, pay, package and productivity.

Pay: 3.8% increase on basic pay flowing through to all allowances, O/T, S/A and London Weighting, from the 1st July 2008. The next pay review date will be the 1st April 2009.

Package: The introduction of free eye tests for all employees and free prescription glasses with standard frames as necessary. The programme will be repeated every two years. This builds on the introduction of a health care benefit in 2007 with the launch of free Benenden Healthcare membership for all. It is in addition to the normal provision of tests and glasses under health and safety legislation.

Productivity: The continuation of and enhanced bonus earning opportunities linked to First Time Delivery.

Productivity Arrangements

The 2007/08 pay award agreement carried the following joint commitment;

'In regard to productivity reward both parties are committed to developing a measure of performance that relates to customer service but does not undermine the current excellent productivity levels. Both parties equally agree that any new scheme must be meaningful, achievable and offer genuine opportunities and incentive to enhance reward for sustained and improved performance'.

It is considered that increased focus on excellent customer service will be a crucial component in affording Parcelforce Worldwide the competitive edge required going forward. Competition is fierce in the parcel industry and whilst price is always a factor it is becoming evident that quality and customer service is becoming a determining factor in customer choice.

Against that backdrop the following arrangements have been agreed:

First Time Delivery Scheme

In order to respond to competitive research and commercial intelligence the arrangements detailed below are driven by the aspiration to reinforce the relationship between existing and new Parcelforce Worldwide customers, and to retain and grow their confidence. The focus that these arrangements will bring will enable the business to continue to market Parcelforce Worldwide as the premium carrier.

Both parties are committed to the need to continue to improve the delivery experience that we provide to our customers and equally to the need to incentivise this commitment from everyone in a depot, not just delivery drivers.

This new bonus scheme seeks to recognise the importance to the customer and the business of delivering parcels in the right way, whether personally to the addressee, a neighbour, or the local Post Office, and only bringing back to the depot those parcels which the posting customer stipulates shouldn't be left.

The First Time Delivery Scheme measure will look at the number of items available for due delivery on the day in question and assesses how many of these were actually delivered. It excludes items that are not available – for example because they arrive too late.

The target performance over a full twelve month period is to achieve 95% right first time. This will vary between 93% and 96% depending on the month because of variations in the mix of parcel business.

Performance at the target percentage will earn employees the £4 a week above the £11 core, inline with the conditions below. The £4 above core payment was introduced in January 2008 as part of the Stage 2 of the 2007/08 pay award pending the development of a revised bonus scheme.

Performance above target will be rewarded as follows: between 1% and 1.9% better than target will earn an extra £2.00 a week and performance 2.0% and above an extra £5 a week. Together with the £11 a week core bonus, this makes overall bonus earnings potentially £20 a week.

There is a shared commitment to support all depots in identifying and eliminating operational obstacles restricting the achievement of the desired targets. This scheme is designed to reassure employees that it is supportive rather than punitive in its application. Consistent with the adult to adult collective approach, measures will be jointly identified and implemented to bring all depots up to the target level and to enable each depot to provide the necessary levels of customer service, maintain a cost efficient operation and safeguard ongoing payment of the bonus.

Against that backdrop if any depots are below the target level for a given monthly bonus period, a joint review involving the local manager and CWU Representative will be conducted within the unit to identify the reasons for any shortfall and any new communication or other activity required in order to bring performance up to the targeted level. Payment of the £4 above the £11 core bonus will continue to be made on a protected basis on the presumption that offices are at, or are working towards, the required level in the agreed way.

If in the following monthly period the target is still not being reached and it becomes clear that the agreed local approach to raising performance is not having the desired result, then joint Regional level activity will be instigated, if the depot is still failing to respond for another month or solutions can not be

agreed then the issue will be the subject of National Level intervention and tested for one more month.

If after all interventions the depot is failing to respond then due notice will be given and the protection of the £4 above core will be removed. Notwithstanding this provision, both parties see no value in not achieving targets or maintaining reward, and to this end they are confident that the joint activity proposed should result in all depots having the capability to attain and indeed exceed the target level on a regular basis.

The focus on not bringing parcels back to the depot unless absolutely necessary should not undermine our professionalism and the necessity to complete the delivery to specification by obtaining a customer signature, meeting allocated time targets or compromise the correct undertaking of collections.

In the event of suspected abuse or industrial action, payments will be suspended pending joint investigation.

The First Time Delivery Scheme will run in the way described from the 1st July 2008. A joint review will take place at the end of January 2009 to assess the effectiveness of the scheme in improving delivery performance and meeting the aspirations of reward of depot employees. This joint analysis will also facilitate the joint consideration for the productivity arrangements for 2009/10 financial year and whether to continue, refine or replace the scheme.

The bonus periods will be aligned to the accounting periods which are four or five weeks, and performance will be assessed over each such period as a whole (i.e. underperformance in one week may be compensated for by over performance in a prior or subsequent week in the period). Payment of both the variable and core elements will be made with the following month's salary.

Payment at the appropriate rate is made to all employees in the unit at the end of the bonus period, pro-rata to part timers (based on hours actually worked) and to new starters in the month. It is paid during annual leave and, pro-rata to sick pay, on sick leave.

The core bonus remains payable for maintaining current performance and working in line with the principles of flexibility and cooperation expressed in the Blueprint and current pay agreements.

Joint Strategic Process

Stage 2 of the 2007/08 pay agreement carried the following commitment:

'Discussions will continue to develop the progressive agenda detailed in the interim agreement in regard to all the issues identified in that agreement and in addition the development of a consensus on the long term strategic direction for Parcellforce Worldwide'.

Both parties agree that the field of possibilities has been increased through the unifying force of shared purpose. Against that backdrop we have evaluated together the transition from recovery to success and have committed to hold ourselves to higher standards in regard to the touchstones that mark complete success and a modern adult to adult relationship processes.

The recovery of Parcelforce Worldwide has evolved, for both management and the CWU, into an aspirational quest to not only safeguard the future of the business but also create a working environment that can deliver outstanding results not at the expense of people but taking people with us, within a framework of shared values, goals and purpose.

The frame will be called 'The Table of Success' approach and is considered the next step in developing the 'Mutual Interest Based' relationship, taking the next development in establishing Parcelforce Worldwide as a democratic enterprise, by liberating the ideas, flexibility and commitment of all key players.

This framework of the 'Table of Success' is intended to describe the process of building upon the adult to adult relationship developed between Parcelforce and the CWU. It carries a jointly agreed desire to define a new approach, an ethical partnership which seeks to develop the concept of a 'Mutual Interest Based Relationship'. This is a relationship not based on raw power or rights but on the mature recognition of mutual as well as separate and differing objectives.

The approach is based on the idea that the appearance of a successful company can be likened to a table top. It will only stand secure and strong if the legs holding up the surface are themselves strong. In our analogy, each of the four legs will be a focus of our joint management and union strategic engagement activity together. The four legs are identified as; Customer and Quality, Products and Services, Physical Infrastructure and People/Terms & Conditions. A joint permanent steering committee will be established for each of these legs to look at all issues of mutual interest and concern. The four legs support and feed into a National Strategic forum.

It is agreed that these forums will meet quarterly as a minimum and that the detailed design of the structure and its aims and objectives will be jointly explained to all local managers and CWU representatives.

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