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ANNUALISED HOURS

Amicus Guide

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the union



Amicus Guide to Annualised hours

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■ INTRODUCTION

The steady increase in the number of people wishing to take advantage of recent legislation regarding flexible working comes at a time when a number of changes regarding traditional working patterns in industry and the public sector are being implemented. The annualised hours system of work offers employers increased scope to redistribute and match their workplace resources in line with peaks and troughs in demand. The objective of annualised hours is that staff are at work when the business needs them to be and not at work when demand is slack.

Around 820,000 employees currently work annual hours representing 4.4% of full time employees (2003 Labour Force Survey). There are significant sectoral variations in the incidence of annual hours. The biggest group of employees in absolute terms is in manufacturing, with 167,000 working annual hours. In percentage terms, however, manufacturing is behind sectors such as education, health & social work, electricity, gas and water.

An annualised hours contract states the total number of contracted hours an employee is expected to work in a year. This can differ for different groups/sections of the workforce and includes:

A core of rostered working time hours which must be worked, annual holidays and bank holidays plus;

- A number of unrostered hours (banked, spare, committed or flexible). These flexible hours are used either for certain planned purposes or to deal with other contingencies that may arise.
- Typically employers use the rostered hours to cover normal working shifts and draw on the unrostered hours to cover for eventualities such as short-term sickness cover, holidays, short-term production peaks and the event of plant or equipment failure. For part-time workers, annual hours are worked out on a pro-rata basis to full time equivalents.
- There are considerable variations between organisations in the number of hours classified as flexible, what they are used for, how much notice needs to be given to use them, how many are typically used and the general attitude towards using them. It is through negotiation between the company and the union that firm guidelines for the use of flexible hours should be drawn up.

■ CALCULATING TOTAL ANNUAL HOURS

There are a number of different ways of calculating the total number of contracted annual hours, the most common method being to calculate the hours for the whole year – based on the standard working week of the company in question – then deducting the relevant annual leave entitlement and statutory bank holidays.

Generally, a 52 week year is used, but sometimes a 52.179 or 52.18 week year is used in order to take account of leap years. Therefore, given a basic working week of 37.5 hours, a basic working day of 7.5 hours, 20 days annual leave, plus 8 days for statutory holidays, the total hours can be calculated by:

Multiplying the basic week of 37.5 hours by 52 to give an annual total of	1950 hours
Less annual leave – 20 days x 7.5 hours	(150) hours
Less statutory holidays – 8 days x 7.5 hours	(60) hours
Total	1740 hours per year

In this example, the total annual hours are therefore 1,740, of which 85% (1,479 hours) are rostered and 15% (261 hours) unrostered - these percentages should be part of the negotiations and could be

different for different groups of workers. Salaries are normally paid in 12 equal monthly instalments based on the total number of annual hours (rostered and unrostered) **even if only the rostered hours are worked.**

■ HOLIDAY ARRANGEMENTS

Holiday entitlement for employees working on annualised hours contracts tends to be the same as for colleagues working standard patterns. However the entitlement may reflect the fact that they are often shift workers.

The difference with the annualised hours system is that holiday entitlement is expressed in hours rather than days. The extent to which holidays are fixed or floating varies and can be subject to negotiations. In manufacturing workplaces with continuous production, holidays may be rostered into the shift pattern and linked to specific plant shutdowns. Although fixed, in this situation, the dates are known well in advance, allowing employees to plan accordingly. Negotiators should seek a facility where individual employees can gain some flexibility in taking annual leave by swapping shifts with colleagues. In other cases, employees can remain free to choose their own holiday dates, subject to agreement with their line manager.

■ BENEFITS OF AN ANNUALISED HOURS SYSTEM

Employers:

- The biggest gain for employers is that their wage costs become more stable and are easier to control
- To implement this type of scheme, a major review of how existing work is carried out is necessary and a detailed plan would need to be implemented to ensure how contracted hours would be managed
- The opportunity to maximise productivity and efficiency
- Improved employee attendance, motivation and flexibility
- The scheme offers employers a better deployment of resources
- The ability to extend the hours in which products or services can be offered to customers

Employees:

- The consolidation of a number of different allowances into an all-inclusive salary often means salaries are enhanced to take into account any anomalies
- The same amount of salary is paid for each of the twelve months even if staff only work their rostered hours
- There is often an increase in pensionable pay
- There is a possibility for upskilling
- There is a reduction in total working time
- Annualised hours can offer better opportunities for working flexibly, especially relevant for those with caring responsibilities
- Shifts can be swapped with colleagues

■ THE DISADVANTAGES

Employers:

- Schemes can be very complex to set up initially, although there is specialist software that can make the process easier to manage
- Accurate estimates of workloads and working time is required or the company could run out of flexible hours, which could lead to the use of overtime
- There could be problems with staff who are concerned over how earnings levels will be maintained following the reduction in overtime
- Some shifts can be difficult to cover i.e. weekends
- Employees are paid for flexible hours, whether worked or not. This could create a potential disincentive for employees to fulfil this commitment
- There could be a case for gender discrimination. Working arrangements are not always consistent under this scheme

Employees:

- The loss of overtime could lead to a drop in earnings for some workers and would require negotiated compensation
- Some workers may not be happy about the prospect of working longer shifts at peak times (even with the opportunity for more days off)
- Domestic and social life could be adversely affected if working hours are irregular
- Flexible hours are not rostered. Negotiators would need to ensure that a reasonable notice clause is applied if employees are to be called in at short notice on a rest day
- Personal choice regarding time off and holidays may be affected
- There could be resistance to what is effectively compulsory overtime in busy periods
- A reduction in the number of employees

■ THE WORKING TIME REGULATIONS

An annualised hours scheme must comply with the Working Time Regulations, which briefly specifies:

- A maximum working week of 48 hours, including overtime, averaged out over a reference period (usually 17 weeks)
- A minimum uninterrupted rest break of 11 consecutive hours a day and 24 hours per week or 48 hours per fortnight
- A rest period of at least 20 minutes during any period of 6 hours or more worked
- Night workers should not work more than an average of 8 hours in any 24 hour period and should be offered a free health assessment before commencing night work to determine their suitability, and regular health assessments thereafter
- All employees are entitled to a minimum of 4 weeks' annual leave
- For young workers (aged 16-17) the limit is 8 hours a day and 40 hours a week, not averaged over a reference period, and there is no opt out available. They may not normally work between 10pm and 6am

This is a brief summary of the main points of the Working Time Regulations, and certain groups of workers are excluded or have their own separate set of Regulations. For further information contact your Regional Officer, the Amicus Researcher with responsibility for Health & Safety, or download an Amicus guide to the Working Time Regulations on www.amicustheunion.org/main.asp?page=38

■ INTRODUCING AN ANNUALISED HOURS SCHEME

The introduction of an annualised hours scheme is often part of a major change programme or restructuring exercise. In order to implement a scheme that will meet an organisation's operational requirements, there would need to be a total review of workloads, working patterns, production or service targets, working time (including overtime) and payment systems.

Negotiations between management and unions would need to be at the forefront of any proposed change programme. It is vitally important that all employees who would be affected are involved, through the trade union, at an early stage. This includes consultation at both the design and implementation stages.

To help successfully negotiate an annualised hours scheme, workplace representatives and their members must be fully involved at every stage of the process to achieve the best possible outcome. Involvement of members directly affected by such changes can be an important role of the rep.

Workplace representation should include union officials who have extensive experience of annualised hours schemes. It could also include fact-finding visits to other companies where annualised hours are already in operation, to see if there are any lessons to be learnt.

■ CHECKLIST FOR WORKPLACE REPRESENTATIVES

In many cases, proposals to change to an annualised hours scheme is often accompanied by a number of other changes. These could include a reduction in the number of employees, the adoption of a single status terms and conditions policy, increased job flexibility, the removal of existing demarcations, revised pay and grading structures and a reduction in overtime time.

This range of potential changes, clearly indicates that early discussion with the employer to clarify and agree the issues involved needs to take place at the earliest opportunity. The following is a brief checklist of issues that would need to be addressed or considered:

- Workplace representatives should resist attempts to reduce the number of jobs
- Ensure effective communications between all sectors of the workplace and management
- Ensure workplace representatives are fully conversant with the concept of annualised hours
- Ensure that as workplace representatives you have adequate facilities to communicate with the members affected as discussion continues
- Ensure that any anxieties or concerns from members are raised with management

- Acknowledge that working weekends and bank holidays will be unpopular – find pro-active ways of addressing this issue if necessary
- Fully discuss the concept of shift-swapping, the benefits and disadvantages
- Set up a monitoring and review process prior to any changes
- Establish a procedure to ensure that employees do not lose out if:
 - ❑ an employee leaves without completing the contracted hours or with unused banked hours
 - ❑ an employee does not meet or exceeds the contracted annual hours total
 - ❑ an employee retires with contracted hours outstanding
 - ❑ the company goes into administration
- Ensure there is a policy whereby authorised absences, sick leave, compassionate leave, training, union and public duties can be counted against flexible hours
- Request an equal pay audit before the planning stage, to ensure pay inequalities are not carried over to the new system
- Procedure should be agreed governing the use of flexible hours - this should include:

- ❑ the total number of flexible hours for each section of the workforce
- ❑ the number of flexible hours to be worked in any given period
- ❑ establish the amount of notice to be given before flexible hours are worked
- ❑ dealing with any outstanding flexible hours, i.e. by elimination, reduction or redesigning the work schedule
- ❑ ensure that workers have the opportunity to personalise holiday leave requirements, especially in companies where there is an annual shutdown
- ❑ agree with management that call out and standby duties should be deducted from flexible hours regardless of whether worked.

■ USEFUL WEB SITES

www.amicustheunion.org

for a downloadable copy of this document

www.incomesdata.co.uk

for examples of companies using annualised hours system

www.acas.org.uk

for further information on flexible working and changing patterns of work

www.lrd.org.uk

for information on negotiating flexible working arrangements