

No: 327/24

4<sup>th</sup> October 2024

**For the Immediate Attention of All:**

**Postal Branches  
Parcelforce Regional Organisers  
Parcelforce Representatives**

Dear Colleagues,

**TERMS OF REFERENCE BETWEEN PARCELFORCE WORLDWIDE AND THE CWU ON A TRIAL OF A HYBRID REWARD MECHANISM/C&D DRIVER PRODUCTIVITY INCENTIVE SCHEME**

Attached for the information of Branches, Parcelforce Representatives and members is a Terms of Reference covering further trial activity on a Hybrid Reward Mechanism/C&D Driver Productivity Incentive Scheme.

Discussions have continued with the business to develop alternative options and resolve the issues which were prevalent during the previous trial and the learnings suggested a number of variations of an incentive scheme to test the optimal mechanism for rewarding performance in times of both higher and lower volume levels.

The revised scheme has a number of improvements:

- These relate to an upgraded version of the Parcelforce Route Balancer tool (PRB) and firm guidelines for its use, to improve the accuracy of the Gateway figure and the item reward figure.
- A reaffirmation of the commitment that internal routes should be fully utilised before traffic is assigned to external resource.
- Improved information and pre-advice to ensure drivers are aware of the level of opportunity and the level of achievement each day. This will include consideration of a Depot Champion Role.

This scheme is not directly linked to the achievement of customer ETA (estimated time of arrival) windows, however there is an expectation all delivery and collection customer service levels need to be maintained in line with customer specification. Where there is any negative impact on quality performance in the participating depots it will be reviewed as a matter of urgency as part of the joint working group activity. This may include early withdrawal of depots from the trial where quality cannot be maintained.

The participating sites below have been selected to reflect the different depot types:

- **Gloucester (Cluster)**
- **Leicester**

- **London SW**
- **London SE**
- **Glasgow**
- **Deeside**

The individual route payment calculations will be checked by the Operations Manager at the end of the week and signed off by the Regional Operations Leader (ROL) to provide a robust audit trail for the incentive scheme payments.

Arrangements are being made with Parcelforce for a launch call early next week for Representatives from the participating sites to ensure that the scheme and the opportunities it will provide with regard to earning opportunities for our members are fully understood. It is anticipated the new scheme will be launched from Monday 14<sup>th</sup> October.

The department would request that Branches bring the contents of this LTB to the attention of our members in the trial sites and across the wider Parcelforce membership.

Any enquiries in relation to this LTB should be addressed to Davie Robertson, Assistant Secretary, email: [sbanbury@cwu.org](mailto:sbanbury@cwu.org) quoting reference LTB 327/24.

Yours sincerely



**Davie Robertson**  
Assistant Secretary

## **TERMS OF REFERENCE BETWEEN PARCELFORCE WORLDWIDE AND THE CWU**

### **FURTHER TRIALS OF A HYBRID REWARD MECHANISM/C&D DRIVER PRODUCTIVITY INCENTIVE SCHEME**

#### **Background**

Parcelforce and the CWU recognise the pressures of the increasingly competitive and rapidly evolving parcels market and are committed to creating and developing a strategy for product development, revenue retention and growth to address the significant losses facing Parcelforce.

The Business Recovery, Transformation and Growth Agreement 2023 included references to piloting an alternative hybrid reward mechanism in Parcelforce to incentivise improved driver productivity against workload (Incentivising Productivity, PFW Appendix 3).

Following the recent trial of a previously used reward scheme designed specifically for Peak volumes in 2023, the learnings will be used to trial a number of variations of an incentive scheme in order to further test the optimal mechanism for rewarding performance in times of both higher and lower volume levels.

However, in order to progress at pace the initial trial activity will take place using a variation on the previous scheme for a minimum 3-month period at a limited number of agreed sites using the following version of the scheme:

- **Reward Mechanism 1: Current Incentive Scheme (RM1)**

Details on the operation the C&D driver scheme can be found in Appendix 1 and Annex A

The incentive scheme consists of individual Gateway numbers based on route specific productivity levels, calculated on the urban, suburban and/or rural nature of each route. This sets a level playing field for earnings potential regardless of route type, depot location etc.

The joint aspiration remains to incentivise performance while maximising earnings levels and improving driver productivity.

To give a true understanding of the potential success of the scheme, both parties have discussed conducting a trial deployment in 6 PFW depots. Participating sites have been selected to reflect the different depot types.

Both parties recognise that a stable resourcing base is key to the successful deployment of any revised approach. Therefore 6 Depots that have been selected are considered to be in a stable state to participate in the specific trials. These depots are:

#### **Gloucester (Cluster), Leicester, London SW, London SE, Glasgow, Deeside**

Although this scheme is not currently being directly linked to the achievement of customer ETA (estimated time of arrival) windows, the expectation is that all delivery and collection customer service levels need to be maintained in line with customer specification. Any negative impact on quality performance in the participating depots will be reviewed as a matter of urgency as part of the joint working group activity. This may include early withdrawal of depots from the trial where quality cannot be maintained.

Based on learnings from the previous trial the JWG will consider the creation of a Reward Scheme Champion role to ensure that drivers have the most accurate information on the scheme mechanics and payments.

#### **Tools**

The PRB (Parcelforce Route Balancer) model will be adjusted to include an additional four columns: Stops to achieve with SA, Gateway No., Stop Cost, and Incentive Payment. This will enable the Route

Driver to be shown the opportunities for improvement under the Hybrid Reward Incentive Scheme and bring clarity to the scheme.

### **Health and Safety**

Health & Safety is of paramount importance to both Parcelforce and the CWU therefore it is important that C&D drivers participating in the scheme observe existing Risk Assessments and Safe Systems of Work and strictly adhere to all relevant safety compliance standards to remain within the trial.

### **Review**

Joint involvement will enable us to understand any issues and the potential impact on both individuals and the operation and address any concerns that may require clarification or further investigation. The Joint Working Group will monitor the activity, review the outputs throughout the 3-month trial period and make recommendations to the signatories of this Joint Statement.

This may include recommendations to increase or decrease the number of depots participating in the trial.

Preparation for the trial will commence at the six participating depots from 9th September 2024. This will include detailed joint briefings and engagement with drivers, managers and local representatives to ensure a consistent understanding of how the design and guidelines for the scheme works for that location. The trial will go live from Monday 14th October 2024 and will be subject to weekly monitoring by the Joint Working Group to review progress and discuss design amendments based on operational learnings and driver feedback. The national parties will meet to review progress and discuss next steps during week commencing 28<sup>th</sup> October 2024.

Any issues in relation to the interpretation or application and deployment of the trial activity will be raised with the signatories for resolution.



Rob Fowler  
Interim Managing Director  
Parcelforce Worldwide



Davie Robertson  
Assistant Secretary  
CWU

Date 2<sup>nd</sup> October 2024

## APPENDIX 1

### Incentive Scheme Guidelines

To maximise learnings and obtain the most feedback possible all drivers in the 6 depots will take part in the incentive trials.

There are two potential ways to achieve the additional drop payments:

- Deliver within existing duty hours (including underpinned, pre-scheduled SA)
- Deliver the additional parcels beyond core duty hours

The base design parameters for payment calculations under both versions are:

- All calculations are based on an hourly rate of £18.00 per hour for the purposes of the trial.
- The Trial PRB (Parcelforce Route Balancer) model (Identified above) is then used to generate the average stop time for each individual route.
- The model uses the stop time to calculate how many stops each route should achieve per hour.
- The £18.00 figure is then divided by that number of stops to give an individual stop rate per route.
- The PRB data also provides the expected Stops per Route (SPR) based on the time per stop and the length of duty.
- The incentive model picks up the SPR and uses the number for each route as the individual 'Gateway' to the incentive payment.

The gateway numbers are calculated each day based on the items scanned to route, by taking the whole duty time and removing the following elements: pre brief time, load time, stem time out, break time, stem time in and debrief time, leaving a core delivery/collection time available for each route up to a standard duty time of 7:36. This is divided by the average stops per hour, based upon the route data for each day. This is the gateway number that incentive payments for that day will be based upon. The average stop time is calculated from total stops time on route divided by the total stops. To obtain the incentive scheme stop cost the £18 per hour is divided by the planned stops per hour. See tables below:

Table 1 – Full Duty Example

Duty Length	Pre-Brief / REX	Load Time	Stem Time Out	Meal Break	Stem Time In	De-Brief / Unload	On Rte Time	Total Stops	Average Stop Time
09:36	00:15	00:12	00:45	00:40	00:40	00:15	06:49	93	00:04:24

Table 2 – Same route as Table 1 – this example creates the Gateway number

Duty Length	Pre-Brief / REX	Load Time	Stem Time Out	Meal Break	Stem Time In	De-Brief / Unload	On Rte Time	Gateway No.	Average Stop Time
07:36	00:15	00:12	00:45	00:40	00:40	00:15	04:49	66	00:04:24

All stops carried out above this are then paid at the calculated stop rate (minus any payments already made due to underpinned Scheduled Attendance).

The participating Depots must operate the PRB tool to determine the gateway number for incentive payments for each route daily. This should be as a minimum at the end of the inbound sortation period when all workload is available and scanned to route.

If a route requires additional stops after the first PRB run, the agreed workload should be scanned to route, the route must be reoptimized in the REX console and the PRB tool refreshed with the updated information, this will provide consistency in application and most important, accurate gateway numbers.

Where volume is insufficient the workload priority will be to ensure that employed resource is fully utilised before workload is allocated to external resource. Workload will be aligned to route on the basis

that it will achieve service level agreements, protect our customer promise and uphold business leading quality of service.

The individual route payment calculations will be checked by the Operations Manager at the end of the week and signed off by the Regional Operations Leader (ROL) to provide a robust audit trail for the incentive scheme payments. Summarised route payments will be shared with Regional Organisers (RO) to monitor scheme outputs.

On a discretionary basis any exceptional circumstances causing an individual to fail to achieve the commitments they have undertaken will be jointly reviewed by the local Ops Manager and local representative whilst being mindful not to undermine the general principle of the commitment payment. Where this cannot be resolved the ROL and RO will review the issue and make a final decision based on the circumstances.

For the purposes of any annual leave, scheduled attendance associated to the duty will continue to be paid during the trial, in line with current arrangements.

## **ANNEX A**

### **Driver Hybrid Reward Mechanism 1 Trial: Current Incentive Scheme.**

In line with the current incentive scheme, the Gateway targets are based on 7.6 hours per day with a depot and route specific drop rate (based on the current rate of £18.00 per hour working at the required productivity level) and paid for each drop made above this gateway number.

Current Scheduled Attendance to be paid as normal with the difference between payment earned under the Incentive Scheme and payment made as a result of Scheduled Attendance to be calculated and paid to the driver each month, based on a daily payment calculation. Each day's payments will be banked and protected.

Every C&D driver in the scheme will have to achieve their individually calculated gateway total of stops, before being eligible for a payment per additional drop beyond the gateway number.

The calculated gateway total of stop figures will be shared with the CWU Unit Rep and Regional Organiser before the scheme is launched. Any disputed gateway figure(s) will be referred to the JWG to make a decision in a timely manner.

Additional workload can be carried out either within or beyond normal attendance patterns and, with a more rewarding payment rate, may provide a more lucrative and flexible alternative to fixed scheduled attendance hours.