

8 Efficient use of manpower

Manpower numbers and costs

8.1. The main manpower categories in AEA are as follows:

- (a) Authority grades: Non-industrial grades with a contractual mobility obligation. The main constituent is the Professional and Managerial Group which broadly comprises scientists, engineers and administrators.
- (b) Local grades: Non-mobile non-industrial staff (mainly in the administrative, secretarial and typing grades).
- (c) Industrial employees such as craftsmen, plant operators, rig operators, transport, canteen and workshop staff and apprentices.

8.2. Over the past years AEA has achieved very large manpower reductions as the result of a series of external decisions to scale down nuclear R&D and of internal service and efficiency reviews aimed at achieving significant cost savings. This has required the development of an overall strategy for a manpower rundown, the introduction of revised premature retirement terms to facilitate the rundown, close consultation with employee representatives and redeployment and retraining of staff wherever possible to contain costs. So far staff cuts have been achieved by a combination of voluntary early retirements, redeployment and retraining, and natural wastage. As future manpower plans envisage further reductions and as the number of staff in the older age ranges is now much diminished, AEA may need to resort to compulsory redundancies with possible employee relations complications which have so far been avoided.

8.3. Table 8.1 illustrates the trends in manpower movements over the past four years. Overall numbers have declined by 30 per cent during the period with the industrial workforce falling by 43 per cent. Staff nearing or reaching the normal retiring age have gradually diminished as numbers in the older age groups have declined while premature retirements, most of these voluntary retirements under the SERT provisions (see paragraph 8.6) have increased dramatically-by a factor of 22 over the period. Recruitment shows a steady decline particularly in the case of industrial employees.

TABLE 8.1 Manpower flows, 1987/88 to 1990/91

	1987/88	1988/89	1989/90	1990/91
<i>Strength at year end</i>				
A	7,214	6,740	6,188	5,727
LG(N1)	2,077	1,833	1,666	1,465
I	<u>4,314</u>	<u>3,591</u>	<u>3,108</u>	<u>2,451</u>
Total	13,605	12,164	10,962	9,643
<i>Resignations</i>				
A	249	380	382	251
LG(N1)	246	266	227	150
I	<u>224</u>	<u>317</u>	<u>250</u>	<u>88</u>
Total	719	963	859	489
<i>Normal retirements</i>				
A	154	179	131	95
LG(N1)	30	45	26	20
I	<u>101</u>	<u>111</u>	<u>80</u>	<u>46</u>
Total	285	335	237	161
<i>Premature retirements</i>				
A	43	215	449	542
LG(N1)	4	35	40	86
I	<u>7</u>	<u>291</u>	<u>138</u>	<u>475</u>
Total	54	541	627	1,103
<i>Recruits</i>				
A	372	171	256	246
LG(N1)	363	231	124	142
I	<u>290</u>	<u>186</u>	<u>156</u>	<u>53</u>
Total	1,025	588	536	441

Source: AEA.

Note: A = Authority grades. LG(N1) = Non-industrial local grades. I = Industrial grades.

8.4. Table 8.2 illustrates a further feature of the manpower rundown, namely that the sites organisation is losing staff at a greater rate than the businesses-part of management's strategy to reduce overhead costs. Some 90 per cent of the reduction in strength during 1990/91 occurred within sites and this produced a marked shift in the balance between businesses and sites. At 1 April 1990 sites and businesses accounted for 51 per cent and 41 per cent of total strength respectively. By 31 March 1991 virtual parity had been reached with sites representing 46 per cent and businesses 45 per cent of total strength.

TABLE 8.2 Manpower in businesses and sites

<i>Employee grade</i>	<i>Businesses</i>		<i>Sites</i>	
	1.4.90	31.3.91	1.4.90	31.3.91
Authority	3,156	3,105	2,329	1,883
Local non-industrial	553	545	987	804
Industrial	<u>815</u>	<u>701</u>	<u>2,292</u>	<u>1,750</u>
Total	4,524	4,351	5,608	4,437

Source: AEA.

8.5. Manpower in the businesses varies a great deal both in actual numbers and in grade make-up-see Table 8.3.

TABLE 8.3 Business strengths at 31 March 1991

<i>Business</i>	<i>Authority grade</i>	<i>Local non-industrial</i>	<i>Industrial</i>	<i>Total</i>
RS	856	123	248	1,227
D&R	315	59	179	553
FS	242	57	179	478
FUS	148	15	20	183
InTec	685	94	51	830
E&E	339	88	22	449
S&R	349	69	0	418
APS	143	22	2	167
Corporate Business Services	<u>28</u>	<u>18</u>	<u>0</u>	<u>46</u>
	3,105	545	701	4,351

Source: AEA.

8.6. The revised premature retirement terms developed to facilitate the large manpower reductions were first introduced in 1988 following the decision to scale down the Springfields Laboratory and were formulated in the light of early release schemes operating in the Civil Service and also in BNFL. Later in 1988 Government decisions to reduce fast reactor funding (July 1988) and fusion funding (October 1988) necessitated the extension of the terms more widely across AEA, when they became known as Special Early Release Terms (SERT). AEA told us that SERT terms were introduced because, in the opinion of management, neither the standard voluntary redundancy terms nor the compulsory redundancy terms, both of which were available, were suitable to deal with the restructuring problems it faced. The use of standard voluntary redundancy terms was rejected as being unlikely to produce an adequate number of volunteers given the expected size of the rundown. Compulsory redundancy terms were also dismissed on the grounds that their use could have seriously jeopardised industrial relations and disrupted work at a time when rapid concerted change within AEA was essential. AEA told us that compulsory mechanisms would have entailed protracted negotiations over a complex order of discharge policy, particularly 'last in first out', and, for Authority grades, an approach based on the whole AEA as the unit of redundancy.

8.7. The intention of SERT was that, at no extra cost, management should gain the following advantages over proceeding on a compulsory basis:

- (a) flexible operation compared with rigid procedural requirements;
- (b) greater selectivity rather than 'last in first out';
- (c) ability to proceed on a local, rather than AEA, basis for Authority grades;
- (d) avoidance of management involvement in appeals procedures and possible tribunal cases;
- (e) the matching of individual release dates with particular requirements; and
- (f) the achievement of the rundown without bitterness and acrimony.

8.8. The extent of the contribution of SERT towards reducing manpower on a voluntary basis is shown by its progressive use over the past three years. In 1988/89 a cut in the workforce of 1,441 was achieved and 36 per cent of this reduction involved the use of SERT. More than 50 per cent of the total decline of 1,196 in 1989/90 was on a SERT basis and over 80 per cent of the reduction of 1,325 in 1990/91. An analysis of applications to date for release on SERT by location is shown in Table 8.4. So far applications for release have been agreed in a ratio of nearly 2 to 1.

TABLE 8.4 Analysis of total applications for SERT, by location

<i>Location</i>	<i>Total applications received</i>	<i>Rejected</i>	<i>Approved</i>
CHQ	17	2	15
Culcheth	33	29	4
Culham/Harwell	1,430	495	825
Dounreay	529	231	298
Risley	1,379	447	932
Windscale	95	36	59
Winfrith*	<u>967</u>	<u>153</u>	<u>444</u>
Total	4,450	1,393	2,577

Source: AEA.

*370 applications are currently awaiting determination.

8.9. The voluntary nature of SERT has allowed AEA to target older employees, and many of the early offers at various locations were aimed at employees aged over 50. Where a whole area of activity ended it was not, however, generally practicable to confine SERT to specific age bands. Nonetheless it is clear that SERT offers, whether age-specific or not, have generally led to the release of older employees. During the period 1988/89 to 1990/91 61 per cent of SERT cases involved employees aged 55 plus, rising to 73 per cent for employees aged 50 and over. The pattern is of the release of older and the retention of younger employees, which has resulted in a reduction of the average age of the workforce. The percentage of AEA employees aged over 55 declined from 18.9 per cent in March 1988 to 10.6 per cent in September 1991. Conversely the percentage of employees aged between 30 and 39 increased from 20.3 per cent to 27.8 per cent during the same period.

8.10. The costs of SERT were reckoned on an average basis to be around £75,000 per Authority grade employee and around £15,000 for local and industrial grades. There are wide variations in payment depending on such factors as pay grade, length of service and age on retirement. Early retirement cash costs in 1989/90 were £22.8 million and in 1990/91 £35.4 million. AEA told us that SERT terms were costly but not excessively so and that they were believed to be broadly comparable with those used by other organisations with a public sector background for dealing with significant staff surpluses. The use of SERT terms compared with standard voluntary redundancy terms is estimated by AEA to have involved extra costs amounting to 20 per cent of the total costs arising from SERT releases in the period 1988/89 to 1990/91.

8.11. AEA contended that the use of SERT had proved a highly effective way of removing large staff surpluses. Management argued that it was difficult to make valid comparisons between SERT costs and those which would have arisen had AEA opted for compulsory redundancy because additional costs resulting from inevitable negotiations over redundancies, possible industrial tribunal cases and management effort involved in handling redundancy among mobile grades on an AEA-wide basis could not now and could not then be precisely assessed. But the management view was that the use of SERT had been no more costly overall than compulsory redundancy would have been, and probably a good deal cheaper, while offering speed, selectivity and flexibility which compulsory methods would have lacked.

8.12. The unions alleged that the use of SERT had allowed staff to retire early on enhanced terms instead of any serious attempt being made to redeploy or retrain them. They believed that skilled staff had been allowed to leave when, in a number of areas, business growth was restricted only by the lack of suitably qualified employees. The unions also argued that there was evidence of employees who had retired on SERT terms being re-engaged under contract. AEA responded that as a result of corporate and local initiatives there had been a significant amount of restructuring-related redeployment and that only some 2 per cent of SERT leavers had a continued association with AEA, often to undertake a specific item of work on a short contract basis.

8.13. As shown in Table 8.5, staff costs increased slightly in 1991 over 1990, although the average number of employees dropped from 11,996 to 10,752. The reasons for this were an average 9 per cent increase in basic pay settlements, the implementation of performance-related pay elements and a shift during 1990/91 in the balance of AEA staffing, with a marked reduction in industrial grades.

TABLE 8.5 Staff costs, 1990 and 1991

	<i>£ million</i>	
	1990	1991
Wages and salaries	189.2	192.3
Social security costs	14.3	14.7
Other pension costs	<u>12.2</u>	<u>11.2</u>
	215.7	218.2

Source: AEA.

Manpower planning

8.14. Businesses, sites and CHQ are responsible for proposing manpower plans for the current year and the following four years in their corporate plan submissions. The main staff groups are dealt with separately and the plans cover areas such as scope for recruitment, expected retirements, wastage, training and development requirements, restructuring proposals and organisation changes. Plans are expressed as end-year planning targets for each staff group. Prime responsibility for the determination of manpower targets and for subsequent control of manpower levels therefore rests with line managers at local level.

8.15. Once overall manpower plans have been endorsed by the Board during the budget process units are free to amend their manpower targets during the year provided that the changes do not undermine the achievement of their financial targets and are consistent with overall corporate strategy. This gives units useful flexibility and underlines their accountability for managing their own affairs. All such changes must be notified to CHQ, which produces monthly and quarterly reports of manpower movements for corporate management and local units and as a basis for consultation with employee representatives. The role of CHQ is to maintain an overview of manpower trends and to produce regular monitoring reports for corporate management but its ability to question is limited to obvious anomalies. The trade union view was that there should be more corporate control and co-ordination of requirements. The thrust of manpower planning in AEA in recent years was seen by them as a manpower reduction strategy rather than one of hitting specific staff targets—a reflection, they contended, of the various pressures to reduce costs.

8.16. The reality of this can be seen by examining actual against planned staff numbers in recent years. The 31 March 1989 manpower target was originally set at 13,373 but after the review of the Northern Research Laboratories and Government decisions to cut funding the target was reduced to 12,325. Actual strength at the year end was 12,164. The 31 March 1990 manpower target was originally set at 11,490 but was subsequently adjusted to 11,380. Actual strength at the year end was 10,962. The original 31 March 1991 manpower target was 10,205 but, owing to various uncertainties, this was recognised as a provisional figure and revised downwards to 9,846. Actual numbers at the year end were 9,643. In each of the last three years, therefore, staffing levels have 'undershot' the planned figures even when these have been adjusted downwards during the course of a particular year. However, AEA pointed out that, given the need for continuing manpower reductions against a background of major and rapid change, these 'undershoots' had been generally helpful and also that the rundown had been accompanied by significant growth in other areas, primarily the Industrial Business Group, to realise business opportunities.

8.17. Forward manpower plans for AEA are shown in Table 8.6.

TABLE 8.6 Consolidated manpower plan, 1991 to 1995

	31.3.91	31.3.92	31.3.93	31.3.94	31.3.95
Authority grades	5,772	5,529	5,275	5,211	5,143
Non-industrial local grades	1,419	1,328	1,264	1,251	1,237
Industrials	<u>2,449</u>	<u>2,161</u>	<u>1,971</u>	<u>1,875</u>	<u>1,756</u>
Total	9,640	9,018	8,510	8,337	8,136

Source: AEA.

Total strength is projected to fall to around 8,100 by 31 March 1995, a reduction of some 1,500 from the 31 March 1991 figure. As has been the case to date, reductions would be concentrated in sites, reflecting further rationalisation and streamlining in the support area. Numbers in the businesses are projected to decline slightly, a larger fall in the Nuclear Business Group (mainly because of the presumed closure of PFR in 1994) being partially offset by expected growth in the Industrial Business Group.

8.18. AEA told us that, in the light of falling resignation rates and the relatively depressed external job market, a key issue would be whether the further planned reductions could be achieved on a voluntary basis and without resort to compulsory redundancy.

Manpower utilisation

8.19. AEA stated that it had in place or was developing a range of tools to monitor the productivity of the workforce either on an individual or a broader team basis. However, it was the view of AEA that, in common with other organisations carrying out R&D and consultancy work, it was difficult to quantify manpower efficiency where measures of output volume could not be made.

8.20. For non-industrial employees AEA's appraisal system is used to monitor individual performance. Line managers are required to assess their staff against a range of skills and abilities and to comment on training and career development needs. Authority grade staff are additionally set objectives which cover key aspects of the job and which should, wherever possible, be quantified and measurable. Annual interviews are held to discuss performance against objectives and the whole process links into performance pay and bonus arrangements.

8.21. Industrial employees do not have an appraisal system but, at all AEA locations, enjoy productivity schemes which were locally negotiated and therefore differ from site to site. AEA told us that the schemes were in essence attendance bonuses designed to improve attendance and thereby to increase productivity and reduce costs. They consist solely of a bonus for completed days of attendance and in some cases an additional payment is made for perfect attendance during a week. The schemes have replaced earlier productivity arrangements under which employees could claim 75 per cent of relevant organisational improvements and which management were anxious to terminate due to the considerable staffing and administrative costs involved. At current rates of pay AEA management regarded the new schemes as being broadly cost neutral and pointed to reductions in sickness absence (see paragraph 7.42) as evidence of increased productivity.

8.22. Team bonuses are also introduced from time to time to enhance productivity where a specific target can be identified, the achievement of which is dependent upon concerted team performance. Use of team bonuses has to date been very limited but one example was a scheme devised as an incentive to minimise the maintenance shutdown period for SGHWR in 1989.

8.23. AEA told us that considerable efforts had been made in recent years to improve manpower efficiency. An internal efficiency unit had been set up in the mid-1980s (now replaced by an internal consultancy service-see Chapter 4) to examine effective methods of operation; its early reports were mostly sponsored or requested by individual departments in AEA. Later more wide-ranging examinations were carried out and one report, dating from 1987, examined industrial working practices. While acknowledging the difficulty of assessing productivity in an organisation which did not generally have tangible products the report found that two approaches were applicable and quantifiable in all the sections studied-time spent working and the pace of work.

8.24. Using these two measurements the report concluded that, by the standards of outside industry, the productivity of the industrial workforce could be improved by at least 25 per cent, equivalent at that time to some 700 jobs. Productivity was also affected by skill inflexibility in the form of job demarcations of various kinds.

8.25. Since then substantial job losses among industrial staff have taken place and an agreement on flexible working practices was concluded with the unions in 1988 with the objective of using to the fullest extent the skills of all industrial employees and to reward improvements in ways of working and increasing flexibility. Annexed to the agreement was a joint understanding on the use of work study under which employees would co-operate fully with management in the arrangements for carrying out such work study assignments, including method study and work measurement.

8.26. As part of the 1989 industrial pay agreement AVPs were introduced to reward individuals or groups of employees for specific improvements in working practices. Line managers need to be satisfied that the efficiency gains being sought will justify the payments made through the scheme. Examples of such improvements are increased flexibility over meal breaks, working hours and skills, completion of work records and acceptance of contractors. AEA told us that AVPs were therefore self-financing. Virtually all employees eligible to receive one or in some cases two payments are currently receiving them.

8.27. AEA told us that its general strategy had been to reduce professional and technical manpower in the businesses both in response to income reductions and to increase unit productivity and also to reduce sites and CHQ operating costs to achieve greater overall efficiency. To this end numerous reviews had been carried out at all locations in recent years.

8.28. The 1988 review of the Northern Research Laboratories identified scope for achieving major staff savings through the scaling down of work at the Springfields Laboratory and the transfer of some work to Risley. Its implementation, involving the resolution of employee surpluses of around 400, was largely complete by 31 March 1991. A review of CHQ between September 1987 and June 1988 saved 104 posts by changes in functions and activities and alterations in management style. A further review in late 1989 resulted in additional staff reductions. Reviews of site services have been carried out at all locations and these have produced plans for radical savings in costs and employee numbers by cutting the supply of services, reducing service levels, improving working practices, eliminating duplication and management layers and by further contracting out.

8.29. As a result of all these developments AEA considered that major improvements had been made in the provision of cost-effective support services and in matching these with business requirements. AEA argued that a general indicator was the significant fall in employee numbers from 1986 to date compared with a constant price analysis of projected turnover over the same period. The manpower reductions are, proportionally, considerably greater thereby reflecting, in the view of AEA, substantial efficiency improvements. Additionally the proportion of employees in the businesses has risen from 41 per cent at their formation in April 1990 to 45 per cent in March 1991 and is planned to reach 54 per cent by 1995.

8.30. AEA told us that in view of the process of continual review and reorganisation carried out in recent years there remained in their view limited scope for further improvements in efficiency. However, additional savings could come from reviews which were currently under way, from the new initiatives the businesses were taking to scrutinise cost management and efficiency, and from future changes in the configuration of sites.

Contracting out

8.31. AEA's general policy is that contractors should be used where this would enable work to be carried out more efficiently and economically with due regard for safety. For core activities the aim is to make full use of internal resources before considering the use of contractors but for services the policy is to contract out where this would demonstrably be more efficient and economical.

8.32. AEA maintained that while comparisons of in-house and external options needed to be based on a fair treatment of overhead costs, a broad managerial judgment was frequently required taking account of both financial and non-financial considerations such as flexibility, rapid response and the amount of contract management involved. There is in-house purchasing and supply expertise to advise line management on purchasing strategy and procurement.

8.33. The use of contractors in no way affects the overall responsibility of AEA to oversee the safety of all operations on AEA sites. Contractors are supervised closely and given advice, warning or instruction as appropriate.

8.34. AEA has always made extensive use of external sources of services and expertise. An analysis of AEA's external spend in 1990/91 is shown in Table 8.7.

TABLE 8.7 AEA external contract spend, 1990/91

Category	£'000
Building and civil engineering	10,650
Computer hardware/software	16,400
Design/consultancy services	15,560
Engineering services	4,770
General services	33,350
Plant and equipment	20,170
Research and development	4,400
Stores	<u>20,300</u>
Total	125,600

Source: AEA.

The total of just over £125 million represents over a quarter of AEA's turnover.

8.35. Approximately two-thirds of external spend is by sites and one-third by businesses. Sites primarily use contractors to provide basic services such as cleaning, laundry, building and grounds maintenance, transport and reprographic facilities. The use of contractors varies widely from site to site because local market conditions differ. At Dounreay, for example, there are simply no contractors available to provide services which might be required. AEA stated that where services were still provided in-house the position was kept under regular review. Sites would need to continue to demonstrate to businesses that the services they provided were competitive.

8.36. Businesses use contractors primarily where the work calls for skills, expertise and equipment which AEA does not have and also to meet peaks in workload where recruiting new employees would lead to eventual surplus. Businesses will generally be cautious about increasing their levels of permanent staff until they are confident that they can be supported in the longer term by sustained growth.

8.37. The use of contractors is recognised by AEA as an issue of particular sensitivity with the trade unions and AEA told us that prior consultation with employee representatives took place where there was any proposal to change the use of contractors either in scale or area. An Agreement issued by the NJIC in May 1988 entitled 'Joint Statement on the Management of Change' makes provision for this.

8.38. Nonetheless the trade unions had reservations about the use of contractors in AEA. As the use of contractors was not monitored centrally they pointed out that businesses and sites were allowed to decide for themselves whether to undertake work in-house or put it out to contract and consequently there was no assurance that available AEA employees at one location would be used in preference to contractors at another location. They emphasised the need for a corporate system to match work needs with surplus employees before contracting out could occur. They also alleged that in some instances the methods of costing contractors by adding low or zero overheads to their costs led to higher ultimate costs as well as depriving AEA employees of work and expertise in core activities. Above all they were concerned about a general lack of consultation and, in some instances, a refusal to supply relevant information. They regarded current practices as not making the best use of AEA's resources and having a demoralising effect on employees.

8.39. AEA responded by arguing that, given the large amount of work which was contracted out, occasional problems were bound to arise and, when they did, they were acknowledged and rectified wherever possible. It was confident that contracting out decisions were not only made on a proper financial basis but that they had regard to the wider operational efficiency of AEA. It pointed to the fact that a significant proportion of AEA activity was contracted out without major industrial relations problems and this in its view demonstrated the value of AEA policy and practice of full prior consultation with employee representatives.

Conclusions and recommendations

Manpower numbers and costs

8.40. Reductions in funding of nuclear activities, and the recent emphasis on cost-cutting to put the businesses on a commercially viable footing, have required staff numbers to be significantly reduced. The use of standard voluntary redundancy terms was rejected by AEA management on the grounds that, given the scale of the rundown, insufficient volunteers would have come forward. The use of compulsory redundancy terms was also rejected on the grounds that this approach would have entailed protracted negotiations over a complex order of discharge policy, in particular 'last in first out', applied across the whole AEA for Authority grade employees, and would have damaged staff morale and commitment. In AEA's view, the rundown has been facilitated by the introduction of SERT, which have ensured flexible implementation on a voluntary basis free from industrial unrest. Release terms have been expensive, although not excessively so, AEA believes, in comparison with similar organisations. AEA told us that although overall costs had been some 20 per cent higher than would have been the case if its standard voluntary redundancy terms had been applied, they were closely similar to the costs of compulsory terms. In over 2,500 cases of early release under SERT there have been isolated instances where released employees have been re-engaged for specific tasks on a short-contract basis. But these few cases do not detract from the efficiency and effectiveness of the implementation of the redundancy programme. It has speedily and flexibly reduced staff numbers without industrial unrest and any severe effects on staff morale.

8.41. We have been unable to reach a firm conclusion on the economy of the implementation of the redundancy programme since AEA has not produced overall costings either of the redundancy options open to it or of extending the restructuring process, as envisaged in the SIP, over a longer period. We acknowledge the difficulties in arriving at comparative costings of other redundancy options given the uncertainties involved in, for example, timing and age/length of service profiles of those leaving. On the face of it, the programme could have been implemented at lower cost by a less liberal application of SERT terms. Against this AEA says that the unquantifiable effects of possible industrial unrest and loss of staff morale should be taken into account. We return to this matter in our conclusions on the restructuring programme as a whole.

Manpower planning

8.42. Responsibility for manpower planning and the subsequent control of manpower levels rests with local line managers in businesses and sites. There is a lack of effective corporate control and co-ordination which inhibits interchangeability of staff between businesses and the identification of skills shortages. Manpower targets are frequently revised downwards but, even so, for the last three years the revised target figures have proved too high. However, in the circumstances of a need for continuing manpower reductions this undershooting of the manpower targets has generally been helpful. We conclude that:

- (a) manpower planning in AEA has been distorted by the staff reduction exercise and, under the pressure to reduce costs, has to a significant extent needed to be a manpower reduction strategy; and
- (b) there is a need for more co-ordination and control at corporate level.

Manpower utilisation

8.43. The performance of non-industrial staff is monitored through annual appraisal against objectives, around 50 per cent of which are quantifiable. The work of industrial employees is not measured, although a report of 1987 estimated that their productivity, at that time, could be improved by at least 25 per cent. Since then there have been substantial job losses among industrial workers, and efficiency reviews at all sites. Various incentives are now paid to improve the productivity and efficiency of industrial employees, including a productivity bonus based solely on attendance measures. AEA alleged difficulties in measuring the work of individuals; moreover the precise matching of manpower to AEA requirements is difficult to achieve in a fluid situation where workforce restructuring is still taking place and business needs are as yet not fully defined. We conclude that:

- (a) quantifiable objectives for non-industrial staff are not always being set;

- (b) productivity bonuses for industrial employees based solely on attendance measures are not related to increased productivity; and
- (c) there is a need for further manpower reductions to bring numbers into line with expected reductions in work needs.

8.44. We recommend that:

- (a) as far as possible, quantifiable and challenging objectives should be set for all non-industrial staff (see paragraph 7.55);
- (b) AEA management and unions should jointly review the operation of all bonus and productivity schemes for industrial employees, with the objective of replacing such schemes by bringing industrial workers into the existing appraisal scheme, with quantifiable objectives and performance pay as part of a unified pay structure (see also paragraph 7.55); and
- (c) AEA should continue to adjust workforce numbers in order to reduce costs and achieve a close manpower match with business needs.

Contracting out

8.45. AEA contracts out extensively-in cash terms around a quarter of its 1990/91 turnover. Although it is AEA policy to consult fully with the trade unions over this sensitive issue, the use of contractors is not monitored centrally and there have been instances where local managers have been in breach of this policy. However, no major industrial relations problems have so far resulted. We conclude that:

- (a) the use of contractors encourages internal efficiency by promoting competition for work;
- (b) safety remains the responsibility of AEA and all contractors are subject to close supervision; and
- (c) there is a need for local managers to observe AEA policy in respect of consultation with the trade unions.