

# Annualised Hours

## Some History and Background

Over the last 20 years there has been a move away from traditional working practices with an increasing emphasis on the need for flexibility generally in the jobs market. Nowadays, less than half of British employees work a “9 – 5” day, a distinct move away from some of the very rigid forms of employment that had been in place for many years. In 1973, the Career Information Services of the Training Services Agency produced a report entitled “Flexible Working Hours”, this report pointed out that there were no known cases of British businesses operating flexible working hours prior to 1972.

The idea was pioneered in the Messerschmidt Company in Munich and by the early 1970’s it is claimed that some 1500 organisations in West Germany had introduced flexible working hours. A further 500 companies around Europe followed suit and by 1972 reports were being published in the British national press. This appears to have influenced a number of notable companies to experiment with flexitime schemes, among them, ICI, Pilkingtons, Allen and Hanbury, Wiggins Teape and Norwich Union. Most trades unions followed the TUC lead and kept an open mind on the subject.

## Why Flexitime/Annualised Hours

The increasing need to attract and keep skilled staff, the trend towards living at a distance from the place of work coupled with punctuality problems caused by traffic congestion, the move towards family friendly policies resulting from an increase in women in the workplace, all these added to the attractiveness of “temporal flexibility”. However, while flexitime systems can be quite simple, annualised hours schemes can be highly complex in both design and implementation.

## Business Goals

The starting points for the design of any new business system are the aims and objectives that the system is intended to support and the business problems which they are intended to solve. While flexitime systems are sometimes introduced at the instigation and for the benefit of employees, annualised hours systems are invariably introduced with the objective of increasing organisational effectiveness and achieving competitive advantage. Annualised hours systems are also frequently introduced as part of a wider organisational and business development strategy, which has the objective of increasing organisational productivity.

The goals most frequently cited as reasons for introducing new systems are: improved labour utilisation, better use of capital resources, a more flexible workforce, improved customer service, increased hours for customer service, control of costs (especially control of overtime) and improved attraction and retention of staff. Different organisations will have different goals and problems, the design of the system, the nature of negotiations and the tactics for implementation can only be determined once the goals and problems are understood.

## **Working Out The Hours**

Whatever their objectives all annualised hours systems rely on a contract which sets out the number of hours an employee is expected to work over a whole year, rather than the more usual system of setting the number of hours worked over a period of a week.

The number of contracted hours takes into account the length of the traditional working week and statutory and contracted holidays. The following example shows how the total number of contract hours could be calculated:

Basic working week 37.5 hours; annual holidays 5 weeks; statutory holidays 8 days; length of year in weeks allowing for leap years 52.18

Total annual hours = basic working week (37.5 x 52.18), less annual holidays (37.5 x 5) less statutory holidays (7.5 x 8) 1956.75 - (187.5 + 60) = 1709.25 hours.

## **The Detailed Agreement**

Detailed agreements concerning when and how these hours will be worked vary considerably, but they will contain variations on the following features:

Hours worked in any one period will reflect the needs of the business and employees are expected to be fully flexible

Employees are expected to complete their work within the contracted annual hours

No overtime is paid; the distinction between the basic working week and overtime is removed

Salaries are paid in 12 equal monthly instalments

Basic pay is increased to compensate for the loss of overtime

Sickness and other absences are not taken into account in calculations of hours worked (although organisations often have policies to manage long term sickness)

## **The Working Time Directive – How it Affects Annualised Hours Schemes**

The regulations set a limit of an average 48 hours per week; the standard averaging period is 17 weeks, which could present a problem in highly seasonal work places. Employers are however allowed to extend the averaging period up to 52 weeks in agreement with employees.

Daily rest periods are set at 11 hours which effectively limits the working day to 12 hours assuming a one hour unpaid lunch break. Employees are also entitled to one full day off per week.

These rules can be subject to opt outs and derogations but the degree of flexibility possible within the rules should be sufficient for the majority of circumstances.

## **Rostered and Reserve Hours**

Typically, the contracted annual hours are split into two parts, the main part is worked in set rosters and the balance is held in reserve. The main part of the hours will be rostered according to the expected pattern of seasonal demand. Reserve hours are used to top up the rostered hours to cover for absence or unexpected peaks in demand. Employees can be asked to work reserve hours at short notice but not all reserve hours are necessarily called off by the employer, to the benefit of employees. Levels of

reserve hours vary from industry to industry, according to peaks and troughs and predictability of seasonal demand.

### **Trust and Control**

The way the system is monitored will reflect both the values of the organisation and the scale and complexity of the scheme. Given that almost all systems will require some form of process to record time worked, some fundamental questions need to be answered. Will the new monitoring system be based on electronic records or time sheets? Will it be management or employee controlled? How will new rosters be worked out? How much notice will be given on call out and extended working?

### **Managing The Change**

A manager presented with the task of introducing an annualised hours system will need to involve people at three different stages: when the system is being designed, when the implementation is being designed, and when the system is being implemented.

Stage one - design: Two sets of people with complementary knowledge are needed to ensure that the system meets the business goals. One set will be experts on flexible systems, the other will understand the organisation: its visions, its culture, its politics and how to make things happen. Their combined skills and creative talents will be needed to design a custom built system to meet the business goals.

Stage two - implementation design .Two sets of people should also be involved at the next stage: those who control the resources needed to make things happen, and those who have the power to block the change. The endorsement of all the people in these categories is required before the new system can be implemented. This stage involves iteration between the creative and the powerful, until a consensus about what is right and what can be made to happen, is achieved.

Stage three - implementation

At this stage, a planned implementation will need to consider the most effective way in which the employees impacted can be involved so that they:

Know what the changes are all about and feel committed to the changes

Know what action they need to take to make things happen, and

Feel part of an organisation where everyone works together.

### **Is It Worth It?**

There is no doubt that annualised hours schemes can be a real challenge to design and implement. Any manager charged with installing a scheme and making it work should expect resistance and drawn out negotiation. Realistically, you would expect nothing else of a scheme that changes the way people work, when they work and what they are paid.

However, if properly implemented an annualised hours scheme can produce significant benefits for an organisation and at the same time make staff feel that they are benefiting too.

Very neat if you can pull it off!