

The Good, The Bad & The Tightfisted

Members will recall that when the Bank agreed to carry out a review of its pay structure we said such a review needed to be fundamental. A review exercise merely designed to tinker around with a discredited pay structure would be unacceptable.

Our Pay Claim for 2003 sought to address the structural inadequacies of the Bank's approach to pay and provide real and lasting improvements in pay for staff at all levels through a mechanism of defined salary progression.

LTU's Pay Claim 2003

In agreeing to a review the Bank said it acknowledged LTU's repeated criticisms of its pay policy and said it saw merit in the clearly defined pay progression recommended by the Union.

We proposed that:

- For Bands TC and TD the scale minimum should be set at 80% of the market indicator.
- All IT staff we said that staff should be able to achieve 100% of the market indicator after a number of years.
- On top of the existing Group IT pay system an Effective Levels mechanism should be introduced to allow for more consistent and effective recognition of experience, skills and performance.

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- For those staff at or just above the market indicator we said that their position relative to the market indicator should be maintained.
- There should be a review of the IT grading structure.

Some of the specific proposals and principles we put forward as part of our 2003 pay claim have been accepted by the Bank and incorporated into the new system. However, that said, in a number of important areas it seems the Bank is, through its own short-sightedness, intent on undermining what potentially, if properly funded, could be an effective reward mechanism.

The Bank's Proposals

From April next year the Bank will be introducing the concept of pay zones. For each IT Band there will be 3 pay zones - 'primary', 'market' and 'high performance'. Each zone will have a salary minimum and maximum.

Your initial position in one of the zones will be determined by your salary. Progression through the zones will be determined by your contribution which will be assessed by your line manager taking into account factors such as ongoing performance, knowledge, behaviours etc.

According to the Bank the 'primary' zone will be for those who are new to the role or developing

in that role; fully effective performers will be managed towards or in the 'market' zone and those who consistently produce superior performance will be managed towards or in the 'high performance' zone.

Market indicators for each of the IT Bands will still be important because each year they will determine the movement in the salary ranges for each zone. When it comes to deciding pay awards for staff, line managers will be advised of the market movements for each pay zone. It will then be for line managers to determine, taking into account those market movements, how much of their pay pot to apply to each member of staff.

The Good

The Bank's new reward system either incorporates or builds on a number of specific LTU proposals:

- All staff in IT Bands TA to TD will be moved to the entry point for the 'primary' zone, which at the present time is set at 85% of the market indicator.
- In IT the number of staff currently paid below the 'primary' zone ranges from 50% of staff at TD to 2.3% at TA. For those IT staff whose salary already falls within one of the zones their salary will be reviewed in April in the normal way. LTU is about to commence Group IT pay negotiations for 2004 and further information on those discussions will be provided shortly.
- Despite the fact that market indicators have been around for many years there

are still large numbers of IT staff in Bands TA and TD who are paid below their market indicator regardless of the fact that they are fully competent, experienced members of staff. The Bank has now said that under the new system the move from the 'primary' zone to the 'market' zone should take no more than 2 to 3 years depending on performance and Band.

- LTU believes that one of the main drawbacks of the current grading structure in IT is the lack of career progression it offers to staff. We are currently discussing IT Bands and Job Families and the likely outcome of those discussions is that the number of Bands will increase and new salary ranges will be adopted using pay zones.

The Bad

There are four specific problems with the Bank's new reward systems and these are:

- The Bank has said that staff will get from the 'primary' zone to the 'market' zone in either 2 or 3 years depending on band. What that means is that you will get from 90%, the entry point of the 'primary' zone, to 95% of the entry point of the 'market' zone, in either 2 or 3 years. Crucially what the Bank do not say is how long it will take to get to 100%, which is the rate for the job.
- In our discussions with the Bank LTU has said that all staff in the 'primary' and 'market' zones, except those subject to a performance improvement plan, should automatically get the market movement for their Band. That should be centrally determined and applied. The line manager would then be able to use the remainder of the pay pot to make adjustments, or not, to staff in all zones.
- We believe that properly defined salary progression will only be achieved if market movements are automatic for staff in the 'primary' and 'market' zones.
- A further problem with the new system

is the treatment of those staff whose current salary puts them in the 'high-performance' zone or are above it. In future staff in the 'high-performance' zone will only get a basic salary increase if they produce superior performance. Those staff whose current salary puts them above the 'high-performance' zone will get no increase in basic salary regardless of their performance. These two groups of staff are the backbone of Lloyds TSB and it is unacceptable that their basic salaries should be left to wither on the vine. LTU's policy is that staff in or above the 'high-performance' zone should see their position relative to the market indicator maintained.

- The link between the new performance management system and new reward system is critical. How the new performance ratings, which will be introduced later next year, will work and how they will be linked to individual pay awards is something that requires further discussion. Until we have that level of detail it is impossible to say whether the new system will deliver improved pay for staff.

& The Tightfisted

If your current salary is below the 'primary' zone then the Bank will move you to the minimum of that zone in two stages. You will get an interim adjustment in April 2004 and a final adjustment in October 2004.

To make the adjustments in two stages when it can be done in one in April at no extra cost smacks of penny pinching on the part of the Senior Management team. If the Bank has accepted that staff should be moved to the minimum of the

'primary' zone then why should they have to wait until October next year to get what they deserve? It is also worth pointing out that if staff have to wait until October to get their final adjustment then they will also lose out under the Flavours scheme.

The Bank should overcome its tightfistedness and move staff to the minimum of the 'primary' zone in April.

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