

Look Into My Eyes, My Eyes, Not Around The Eyes, Look Into My Eyes

Three, two, one, you're under. Whenever targets or bonuses are mentioned Mortgage Specialists will repeat the following:

- **"We are performing better than anyone expected and are on track for big bonuses in Q1."**
- **"January and February have been the best start to the year that we've experienced in our time at Lloyds TSB."**
- **"Our targets for 2006 are both realistic and achievable."**
- **"Our new bonus scheme is an enlightened piece of reward management designed to increase the total pay of Mortgage Specialists."**

Three, two, one, welcome back to real world, which for the vast majority of Mortgage Specialists is harder than they have ever experienced before. According to the Bank's latest performance data, at the end of February, only 6%, not 60% or 16% but 6%, of Mortgage Specialists, taking into account the achievement of the referral gateways, are on track to earn a bonus in Q1. That equates to just 43 Mortgage Specialists. 41 of those Mortgage Specialists, who are on track to secure a bonus, were previously Levels C or D under the old structure. Of those Mortgage Specialists at Level A and B, only 2 are on track to achieve a bonus under the new scheme.

61% of Mortgage Specialists are achieving less than 70% of target - that is unprecedented. So after all the changes: the introduction of Regional Mortgage Sales Directors, the appointment of 80 Mortgage Sales Managers, a re-engineered sales process, more specialist training and the introduction of new Mortgage Specialist pay and incentive arrangements, 94% of Mortgage Specialists will not get a bonus in Q1 based on February quarter to date figures.

We know the Bank is bearing down on costs this year, although it's ironic that such cost constraints never seem to apply to Senior Executives, some of whom get £1 million bonuses simply for turning up for work, but designing a scheme where only a small number of staff are eligible to receive a bonus is going a little too far.

Last year the Bank employed a firm of management consultants, Towers Perrin, to look at incentives and bonus schemes across the network. According to that research, many sellers did not believe that targets were achievable and in order to change that perception Towers Perrin suggested that any new bonus schemes must ensure that more sellers achieve bonuses. That's not happening and Mortgage Specialists seem to be in a doom loop scenario that is characterised by disappointment, which leads to demotivation, and that will eventually lead to disengagement from the business. Lloyds TSB cannot afford to let that happen.

Worse Than The Old System?

In Q1 last year 36% of Mortgage Specialists achieved 100% of target and were therefore eligible for bonuses. 48% of Mortgage Specialists were at more than 90% of target and would have been eligible for bonuses under the new scheme. In Q2, 50% of sellers achieved 100% of target and were eligible for bonuses. Whilst the number of Mortgage Specialists eligible for bonuses reduced in Q3 to 30%, that is still five times more than those who are likely to achieve bonuses in Q1 2006.

	2005			2006
	Q1	Q2	Q3	Q1
>100%	36%	50%	30%)
) 21%* ₂
90-100%* ₁	12%	11%	8%)

*₁ Last year only those who achieved 100% of target received a bonus. Under the new scheme bonus payments are made at 90%.

*₂ The figure is for January and February only and includes all Mortgage Specialists who are on target for sale completions of 91%+. But only 6% have achieved sales targets and gateway referrals and are therefore entitled to a bonus.

Once the complete data is available for Q1, LTU will sit down formally with the Bank to review performance and the achievement of the referral gateways. We will keep members informed of developments.

In the meantime, members with any questions can contact the Union's Advice Line on 01234 262868

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