

4 JANUARY 2007

# Pay 2007 'Not Met' Expectations

## INSIDE The Bank's Deal With Amicus Exposed Financial Services & Bands 7 & 8 Pay Scales

I can now advise members that with the announcement of the pay details for 2007 our stance has been vindicated. In line with the agreement the Bank reached with Amicus last year the pay pot for 2007 will comprise 2.8% to reflect average market movement plus 1% to cover performance and pay progression. **This means a total pay pot of 3.8%.**

**This is not only a lower figure than last year when inflation was 1.8%, but with the increase in the cost of living expected to be about 4% by March 2007 - the relevant benchmark for April pay awards - it means most staff will see a cut in their standard of living.**

**The Bank has again reiterated that as far as it's concerned cost of living has no bearing on pay - it's the market that drives its pay policy.**

**This is a luxury that staff cannot afford.**

Members will recall that the two year pay deal the Bank agreed with Amicus last year consisted of a 4% pay pot in 2006 together with some minor tweaking to the pay system and a pay pot for 2007 which would be made up of the average market movement plus a further 1% to pay for performance and pay progression.

As we said at the time we could have taken the easy option and accepted the two-year deal, dressing up the minor changes to the system as a victory, but we weren't prepared to mislead members.

At its simplest staff have a right to expect that the Bank will deliver on its own policy and pay fully experienced and competent staff the market rates for their jobs. But the Bank's two-year pay proposal would not deliver that objective and simply getting into the 'market' zone, for those who manage to achieve it, is not the same as being paid the market rate for the job.

And, without proper guarantees relating to progression, staff would be left to flounder at the bottom of the 'market' zone and the majority of staff whose salaries put them in the 'market-plus' zone would get nothing again despite meeting their objectives.

Coupled with the strings the deal involved, this meant a good deal for the Bank and a much less satisfactory deal for staff. So the deal was unacceptable and LTU's Executive Committee rejected the two-year offer.

Local Market - Branch & Non Branch (Band 8) 2007									
Local Market	Primary Zone		Market Zone		Market-Plus		Local Market Indicators		
	From	To	From	To	From	To	2006	2007	
1	£11,389	£12,020	£12,021	£13,287	£13,288	£15,185	£12,292	£12,654	
2	£11,873	£12,531	£12,532	£13,852	£13,853	£15,830	£12,815	£13,192	
3	£12,600	£13,299	£13,300	£14,700	£14,701	£16,800	£13,600	£14,000	
4	£13,569	£14,322	£14,323	£15,831	£15,832	£18,092	£14,646	£15,077	
5	£14,393	£15,191	£15,192	£16,792	£16,793	£19,190	£15,535	£15,992	

Local Market - Branch & Non Branch (Band 7) 2007									
Local Market	Primary Zone		Market Zone		Market Plus		Local Market Indicators		
	From	To	From	To	From	To	2006	2007	
1	£13,237	£13,972	£13,973	£15,443	£15,444	£17,650	£14,204	£14,708	
2	£13,721	£14,482	£14,483	£16,007	£16,008	£18,294	£14,723	£15,245	
3	£14,445	£15,247	£15,248	£16,853	£16,854	£19,280	£15,500	£16,050	
4	£15,411	£16,266	£16,267	£17,979	£17,980	£20,548	£16,536	£17,123	
5	£16,231	£17,131	£17,132	£18,936	£18,937	£21,641	£17,416	£18,034	

Financial Services 6 - 2 - 2007 Pay Zones and Market Indicators												
Band	Primary Zone		Market Zone		Market-Plus		Market Indicators					Market Movement Increase 2006
	From	To	From	To	From	To	2003	2004	2005	2006	2007	
6	£19,035	£20,092	£20,093	£22,208	£22,209	£25,380	£19,500	£19,700	£19,900	£20,600	£21,150	2.7%
5L	£21,590	£24,129	£24,130	£26,670	£26,671	£30,480	£23,250	£23,750	£24,150	£24,800	£25,400	2.4%
5U	£24,693	£27,597	£27,598	£30,503	£30,504	£34,860	£27,250	£27,800	£28,000	£28,650	£29,050	1.4%
4L	£29,368	£32,822	£32,823	£36,278	£36,279	£41,460	£31,350	£32,000	£33,100	£33,450	£34,550	3.3%
4U	£34,850	£38,949	£38,950	£43,050	£43,051	£49,200	£36,750	£37,700	£38,600	£40,000	£41,000	2.5%
3L	£41,140	£45,979	£45,980	£50,820	£50,821	£58,080	£43,250	£44,550	£46,000	£46,900	£48,400	3.2%
3U	£50,448	£56,382	£56,383	£62,318	£62,319	£71,220	£51,550	£53,350	£55,400	£56,800	£59,350	4.5%
2L	£59,798	£66,832	£66,833	£73,868	£73,869	£84,420	£62,200	£64,400	£66,350	£68,250	£70,350	3.1%
2U	£71,018	£79,372	£79,373	£87,728	£87,729	£100,260	£73,500	£76,050	£78,700	£80,350	£83,550	4.0%

# The Bank's Deal Exposed

## The Rate For The Job

**According to the Bank, approximately 75% of staff received pay increases of at least the market movement in 2006 and it says it sees no reason not to expect a similar outcome this year. This might be acceptable if staff were already being paid at or above the rate for the job - but they're not.**

Until the latest changes to the pay system the Bank regarded the rate for the job for a fully competent and experienced member of staff as being the Market Indicator (MI). However, with the introduction of Pay Zones the Bank moved the goal posts by suggesting that provided staff were in the Market Zone, they were being paid the rate for the job.

But with inflation forecast to be about 4%, market movement is simply not good enough anyway and many if not most staff could see their income fall in real terms.

And being paid at 95% of the midpoint of the scale is not and will never be the same as being paid 100% - it is yet another sleight of hand.

## Remember What You're Worth

We know that when it comes to individual discussions at Branch/Office level, your Line Manager will have been told to talk about the whole of the 'market' zone reflecting what other employers pay for fully effective, competent employees.

Don't be fooled by this verbal sleight of hand. Members should never forget that market indicators still exist in the Bank's system and are equivalent to the middle of the 'market' zone. The market indicators for the local markets and

for the Financial Services market are set out on page 4 of this Newsletter. It is the market indicator figures (remember these are the Bank's own figures not ours) that other employers will pay for a fully effective and competent member of staff, and that is what you are worth in the job market. **So remember, simply falling across the threshold of the 'market' zone is not enough. You need to progress to at least the middle of the 'market' zone in order to be getting paid the rate for the job.**

## Inflation

Inflation is currently running at 3.9% its highest level for nearly a decade and is forecast to be 3.97% by March, which is the datum point for pay given a 1st April review date. Indeed RBS has forecast that the increase in the cost of living by March will be 4.2%. So judged by this simple yardstick alone the Bank's two-year deal with Amicus is failing staff and the Bank has been able to engineer a cut in staff living standards.

## The Market

On the issue of market comparisons, as we pointed out last year LTU was asked to accept that the average market movement should be the key factor in the size of the pot. This is the amount of money required to keep staff in the same position relative to people in other companies. **Yet, there is simply no way of checking the accuracy of the average market movement in other companies because the Bank refuses to release the salary survey information that shows what the market is and how it has moved.**

And even if the pot of 3.8% did match RPI we would still need to ask whether the pay rates produced by the increase matched market rates elsewhere. No evidence has ever been produced to show that the Bank is matching the rates of pay in other, comparable companies.

It must also be remembered that the Bank chooses its comparator group. This means that even if the Bank's pay rates match those in its comparator group, there is no guarantee that it is paying the 'rate for the job' in any local market. An employer that chooses its pay comparators arbitrarily and conceals their identities cannot expect to retain any confidence. All we are being offered is the opportunity to participate in an act of faith.

As for being in line with the market is concerned, it is important that members understand what this actually means.

**The market position at which the Bank sets its pay and allowance levels is the median of what other organisations it chooses to compare itself with pays.**

**The median is the point at which half the companies the Bank compares itself with pay more to their staff.**

**Paying at the median therefore is a pay policy of mediocrity.**

**The Bank says it wants to be a high performing organisation but pays staff at the point where half of its competitors pay more to their staff - the level of the also rans - the two just don't add up.**

## A Bad Deal

The Bank's two-year deal can be compared to a lender offering a fixed rate mortgage where the borrower pays a premium in the hope that he or she will be able to buy protection against interest rate rises. The lender computes the likely cost of money over the period and sets its rate so that

the cost paid by the borrower gives the lender an appropriate margin.

Only one of the parties can win and given the overwhelming wealth of economic data available to lenders and the relative inexperience of most borrowers, it's almost certain that the lender will come off best.

Amicus have unwittingly played the role of the borrower and inflicted their poor judgement on staff whose pay rates will now undershoot inflation.

## Next Steps

We have sought information from the Bank that will allow us to explore the growth in labour and other productivity measures in the Bank and relate that growth in productivity to profits and pay. The Bank has consistently refused to provide the data we have requested and this has made it impossible to pursue the pay and productivity issue.

One of the issues in productivity is the extent of unpaid overtime working. We know this is still an issue in a number of areas, particularly the branch network, and ought to be able to be quantified and reflected in pay.

As part of our ongoing negotiations we will be seeking from the Bank:

- full disclosure of the comparator data on which its market comparisons are based
- full disclosure of work measurement and efficiency studies that have been or could be used to measure labour productivity or levels of performance
- disclosure of the various elements of the Bank's staff costs to enable us to develop our case on pay.

We will keep members informed of developments.