

Commercial Banking's Pay Policy: Cutting Through The Spin

Last week, LTU issued a Newsletter publicising the fact that Commercial / Business Banking Staff have been paid less than the Bank's official Pay Pot for the last three years.

This followed a confession in an Interchange Message by David Postings (Managing Director) that Commercial Banking had adopted a different Pay Policy to that operating in other parts of the Bank. The direct consequence of this policy - which had not previously been notified to either the Union or Staff - is that Commercial Staff are now paid salaries that are on average 1.6% lower than they should be.

This would have been bad enough if Commercial Banking had been performing badly. **But it is a disgrace when it has been acknowledged that the business unit has been delivering excellent performance; with profits having doubled over the last three years!**

Rather than refuting what LTU said in our Newsletter, the Bank last week confirmed in a subsequent Interchange Message that - whilst Bank policy is that staff should share from a 3.8% Pay Pot this year - Commercial /Business Banking Staff are being awarded a share from a Pay Pot worth just 3.1%.

But, just like Mr Postings' first communication, none of the points made by senior management stand up to any serious examination when attempting to justify the different Pay Policy now operating within Commercial / Business Banking.

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LTU cannot accept a situation having arisen where one of the Bank's most successful business units is deliberately withholding pay rises from its staff.

The situation is aggravated by the fact that at no stage did management share details of its policy - which has been operating for the last three years - with either LTU (which represents over 85% of Network staff) or the staff affected.

Commercial Staff are clearly appalled by how they have been misled and mistreated, and we have received an unprecedented response to our last Newsletter. Commercial Staff typically have described management's approach to Pay as "disgraceful" and "dishonourable" and that they feel "conned"!

LTU will be campaigning for 'Fair Pay for Commercial Staff' at two levels. We will shortly be providing guidance on how to use the Grievance Procedure to press for higher pay increases where Bank policy has been misapplied. And we have also triggered the formal Disputes Procedure, which could lead to arbitration by ACAS.

Commercial's 'Facts' Exposed

Rather than admitting that Commercial Banking has been acting wrongly, senior management has decided to justify its deception by laying claim to a series of facts that simply don't stand up to serious examination.

We examine each of these so-called 'facts' in turn below:

"We do follow the Group's pay principles when reviewing pay"

Incorrect. The Bank's official Pay Policy is that:

1. A published Pay Pot - which for 2007 was 3.8% - is supposed to be distributed amongst all staff in the business unit. By paying just 3.1% in salary increases this year - and an average of 3.1% over the last three years - Commercial Banking has fundamentally breached the official Pay Policy.
2. Before we issued our last Commercial Newsletter we checked with the Bank's Compensation & Benefits Department - the custodian of the Bank's official Pay Policy - to check our facts. We were assured unequivocally that *"the pay pot is for use on salary increases only"* and were told specifically that it should not be used for bonuses.

Commercial Senior Management has acknowledged money was redirected to fund bonus payments; therefore breaching another of the Bank's fundamental pay principles.

"Our main aim is (sic) make sure that everyone is paid a fair rate for the job they do. The pay pot is distributed to make sure we are able to move people towards the correct pay zone."

This is a misrepresentation of official Bank Policy. The Pay Pot is not merely intended to "move people **towards** the correct pay zone". It should also help move salaries up **within** the correct pay zone!

Though this may at first appear to be semantics, it is not. Since publishing our last Commercial Newsletter we have received extensive feedback from staff

whose salaries have clearly not been moved up within their Pay Zones, even though their Performance Ratings clearly justify such increases.

Of course, higher pay increases have not been possible because money has been deliberately 'skimmed off' the Pay Pot and used elsewhere.

LTU will be providing guidance in our next Commercial Newsletter on how members in these circumstances can use the Grievance Procedure to press for higher pay increases.

"When reviewing salaries we look at: current level of pay; where people are in the pay zone and; their overall contribution"

Even this statement doesn't stand up to examination when compared to the actual experiences of staff.

Many Commercial Staff report receiving Performance Ratings that would justify them having received higher pay increases in order to move them higher up their existing Pay Zones. However, in many cases staff have reported receiving increases that are less than the scale movement. In other words, in relative terms their pay has decreased.

Of course, Commercial Banking doesn't have the excuse of arguing that the Pay Pot was insufficient to fund the correct pay increases ... since it has deliberately chosen not to use its full Pay Pot allocation on funding salary increases.

"We consider pay and bonus together and recognise performance particularly through bonuses. We look to differentiate our awards in line with performance. We have increased our bonus pot from £5.1m to £11.1m over the last 3 years, an increase of 117%."

Again, this is not a correct application of Bank policy.

The level of pay increases to be received by staff should be determined by a combination of factors:

- * The amount of money available in the Pay Pot (i.e. 3.8% in 2007).

- * The Balanced Scorecard Rating for 'whole job performance' (as opposed to achievement of specific performance targets).
- * Moving staff to the correct Pay Zone and, if their Performance Ratings merit it, paying increases that move them through the Pay Zone. For example, someone who is in the Market Zone and rated as 'Met Expectations' should have received at least the market movement (i.e. increase) for their Pay Zone; and more if they received a higher rating.

These pay increases - which should be funded from the full Pay Pot allocation available to each business unit - should be treated entirely separate from Bonus Payments. The Bank's Compensation and Benefits Department has confirmed this is the case.

In contrast to pay increases, bonuses should be self-financing through a combination of a 2.5% allocation provided by the Bank centrally for bonuses and from profit growth in individual business units. Since Commercial / Business Banking's profits have more than doubled over the last three years, it is hardly surprising that bonuses have also more than doubled over the same period!

Finally, despite it being almost the end of April, the 2007 Bonus Scheme has still not been published. Does this mean that once again Commercial Staff will put in considerable effort, only to find it is neither adequately rewarded through their Pay or Bonus arrangements?

"We have increased spend on pay by 3.1% this year. This is not intended to represent a cost of living increase but is there to ensure we move people towards the correct pay zone and we believe we have achieved this."

First and foremost, in his original Interchange message, Mr Postings stated unequivocally *"I have driven a policy of restricting pay rises to around inflation"*.

Second, does this mean that Commercial Banking see nothing wrong in restricting pay increases to levels below those paid to all other Lloyds TSB staff and UK-wide average earnings (5.2%)?

Third, a 3.1% increase is, in any case, well short of representing a cost of living increase. The Retail Price Index (RPI) measure of inflation - which includes all costs - is currently 4.8%. A mere 3.1% average increase in salaries therefore represents a 1.7% cut in the real value of pay.

Finally, as we explained earlier; the Pay Pot is not designed merely to move salaries *towards* the correct Pay Zone, it should also fund salary increases *within* the correct Pay Zone too!

Time For Some Management Integrity

It is high time that Senior Management put its hands up and admitted it has deceived Commercial Staff over the last three years.

Rather than attempting to justify the unjustifiable, it should admit it has been acting improperly and repatriate the additional 1.6% Pay Pot money that should have been spent on Commercial salaries.

Until it does, it will not be able to recover the faith and confidence of staff. That is clear from the feedback LTU has received from Commercial Staff since our last Newsletter. This is a pity when LTU supports the general overall thrust of Commercial's business strategy and the direction Mr Postings has provided in building a stronger, more profitable business unit.

LTU will be campaigning vigorously over the coming weeks and months to ensure Commercial Staff receive the further pay rises to which they are entitled.

STEVE TATLOW
Assistant General Secretary

NEXT COMMERCIAL BANKING NEWSLETTER HOW YOU CAN USE THE BANK'S GRIEVANCE PROCEDURE TO RECEIVE THE PAY INCREASE TO WHICH YOU ARE ENTITLED ACCORDING TO OFFICIAL BANK POLICY.