

Shameless Opportunism

Today staff in the Network will receive an Interchange message telling them that the threshold level for the payment of bonuses is being increased from 90% to 100%.

The changes announced today have not been agreed by the Union neither have they been the subject of proper consultation.

In a blatant piece of opportunism the Bank has sought to jump on the 'no rewards for failure' bandwagon and exploit the public misconception about the payment of bonuses to ordinary members of staff. Whilst reassuring frontline staff that their bonus payments would be unaffected by changes imposed by UKFI, the Bank must have known all the time that it had every intention of sticking the knife into staff and their bonuses at the first available opportunity. This decision will be seen by staff for what it is: a desperate attempt by people desperate to cut costs by reducing the living standards of hard pressed staff in order to increase profits and secure their own futures.

The Bank's changes are as follows:

- Sales bonuses for Mortgage Specialists, Mortgage Sales Managers, Area Mortgage Sales Managers, Local Directors, Branch Managers, Sales Managers, Senior Personal Banking Managers and Personal Banking Managers will no longer be paid at 90% of target/threshold. With immediate effect staff will only start to earn bonuses for the achievement of 100% of target/threshold.
- For SPBM's and PBM's the points multiplier

INSIDE Bonus Bandwagon Short Termism eForum

will increase to 3.17 from 3.02. The Banking Volume target will increase to 164 from 151 in Q1. The Commission Volume and Partnership Referral targets will increase to 71 and 50 respectively.

- The Q2 thresholds for Customer Assistants and Personal Bankers for sales or referrals will increase from 45 to 50 and 100 to 115 respectively.
- The move to the payment of bonuses at 100% of target will be felt most significantly by Branch Managers and Local Directors. The Bank has increased the value of points for over performance from £38 per 1,000 salespoints to £55 for Branch Managers and from £6.50 to £9.40 for Local Directors.
- Sales bonuses for ABSM's and BSM's will now be paid at 100% of target.

Bank Jumps On Bonus Bandwagon

In the interchange message to staff the Bank says: "due to ongoing challenging economic conditions, increased financial constraints placed on our business and a continuing spotlight on bank bonuses, we have made some important decisions which will result in changes to the bonus schemes for 2009."

Let us be clear about one thing: the spotlight on bonuses referred to in the Bank's communication is not directed at Personal Banking Managers or Mortgage Specialists, or even Local Directors, it is aimed specifically at Senior Executives from across the Financial Services industry.

The Bank is doing what we have accused opportunistic politicians of doing which is trying to blur the distinction between so called 'Fat Cat' Senior Executives, who have earned large bonuses based on phantom profits, and innocent members of staff who have done nothing wrong.

When we recently met UKFI they made clear that they understood how the bonus systems operated for frontline staff in the Lloyds Banking Group and said they had no intention of upsetting those arrangements. More importantly, they understood

that the various salesforces in the Network needed to be properly incentivised in order to drive the business forward.

LTU will be meeting UKFI again next week to discuss the terms of the Bank's participation in the Government's Asset Protection Scheme. One of the issues we will be raising with them is whether they expressed any concerns to the Bank about the level at which bonuses were paid to staff in the Network.

The Bank also stands accused of deliberately misleading staff in the Branch Network. In the Q&A document which accompanied the announcement on the bonus changes following discussions with UKFI, the Bank said in respect of frontline staff "There will be no changes to the principles underpinning these schemes". There is bound to be suspicion that at the time this document was issued, in early March, the Bank knew they had every intention of changing one of the main principles of the bonus schemes, moving the target threshold from 90% to 100%, for Q2. If they had no such intention then what's changed since that document was issued? It's not as though economic conditions or the financial constraints on the Bank have got any worse since early March.

Hypocrisy?

If the gateway to bonuses in the Network was too low does that mean that all incentive schemes in the Group which pay out below target will be abolished in the post-UKFI world? Does that principle, if indeed it is a principle rather than a knee jerk reaction to the challenging economic times, apply to all staff regardless of Band?

The most up to date information on executive remuneration shows that part of the incentive scheme for the three most Senior Executives in the Group said "Failure to achieve at least 90% of the stretching budget would result in no payment under the corporate half of the bonus". LTU have no problem with the level of that gateway but what we do have a problem with, is Senior Executives on the one hand saying that they don't

believe bonuses should be paid at 90% of target when their own bonuses pay out at that level.

In the interests of transparency and fairness we have written to the Bank and asked them to provide us with details of the incentive arrangements that are currently in place for the new MD of the Retail Bank and the MD's of the Community Banks. When we have got those details we will then be able to determine whether all staff are being treated the same or whether some staff are being treated more favourably than others. If we don't receive details of the schemes then we will quite reasonably assume that the 100% rule applies only to frontline staff.

Short Termism

When Terri Dial set the threshold for the payment of bonuses at 90% for staff in the Network she did so not for any charitable reasons but because paying for performance below target works. If you can get more staff into the bonus 'game' then the motivational value of the incentive scheme is enhanced to such an extent that overall performance increases. According to the Bank, at the time the 90% threshold was introduced, if staff increased their performance levels by just 2-3% then the incremental impact on business results would be substantial. Equally, the Bank understood, because staff told them at the time, that an incentive plan with too high a threshold was demotivating and ineffective. It seems that

the Bank has forgotten the lessons of the past and experience will show the decision to increase thresholds to be ill-conceived, ill-considered and economically unsustainable. It would seem that in its rush to cut costs in the short-term the Bank has forgotten that to be successful in the long-term requires a highly motivated and engaged workforce.

As a result of the changes announced today thousands of staff are going to be financially worse off and by introducing the changes immediately the Bank is not giving staff the time necessary to adapt to the new environment. That is simply unacceptable and no way to manage staff.

LTU Launches eForum Next Week

Over the last few weeks many staff have told us that they feel unable to speak freely about the problems facing the Bank and some of the decisions made by the Senior Executive team through fear of being labelled a trouble makers. In one email a member asked "Has the Union considered creating a forum on their website to enable staff to air their views on the current pay / bonus debacle in a safe environment. I know of a large number of staff who would welcome the opportunity to have a say but feel 'constrained' within the work place due to the current uncertainties over their jobs in light of the HBOS acquisition."

It's taken longer than we expected but next week LTU will be launching our own eForum for members.

Whilst we pride ourselves on our ability to communicate with our members quickly and

efficiently we want our members to be able to speak to us and their colleagues as easily as possible on a range of issues, such as bonuses, targets, pay, Balanced Scorecard and the performance of the Bank overall.

LTU's eForum will enable members to reply to posted topics and post their own questions and opinions on issues that they feel are important. It will be open to all members to join. Details of how to access the forum site will be sent to members in an email next week and will be published in the next Newsletter. In the meantime, members with any questions or comments on this Newsletter can contact the Union's Bedford Office on 01234 262868.

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