

15 MARCH 2006

London

# London Remuneration & Customer Service

The last time the Bank made any significant changes to London Allowance was in 1998 when it:

- changed the basis of payment from the historical method of measuring distance from a fixed point in London to determine the level of allowance, to the zoned approach it now uses where the level of allowance is based on individual office location
- said that instead of the traditional notion of compensating staff for the higher costs associated with working in London it intended to base payment on its ability to recruit and retain staff and on what other companies paid.

The Bank has said that it has not increased the level of London Allowance since 1998 because the market has not changed significantly and because in any case increases in basic pay in the London Pay Zones have negated the need for any such increase.

We believe the distinction between the historic and current methods of payment of London Allowance is lost on most staff. What is not lost on them however is the growing view that remuneration for working in London is insufficient to cover the higher costs of working in the capital. They also know that the levels of

---

## INSIDE

**“London Allowance is insufficient to recruit and retain staff of the right calibre and the level of remuneration in London is holding back customer service”**

---

London Allowance are also insufficient to recruit and retain staff of the right calibre.

This view has been borne out in a major survey of managers working in London. Before we talked to the Bank we wanted to get some real evidence of what was happening and to hear the views of managers working at the sharp end. We also wanted to understand whether there was a correlation between the level of London Allowance and the quality of service received by customers.

The findings of our survey, which have been shared with the Bank, are reported inside this Newsletter. We believe there is a real case for reviewing the level of remuneration in London and have begun negotiations with the Bank to that end.

I will keep members informed of developments.

# The Main Findings

LTU's London Allowance Survey provides a real insight into the problems of managing recruitment and retention in London and indicates that the level of pay is holding customer service back.

The main findings have been shared with the Bank already and can be summarised as follows:

- **78% saw London Allowance as an important factor in the recruitment of staff.**
- **76% believed London Allowance is an important factor in the retention of staff.**
- **33% said that they did not understand the basis on which the Bank says it pays London Allowance i.e. that it is based on what the market pays within a specific location rather than to compensate for the higher costs associated with working in London.**
- **80% did not believe that staff understand the basis on which London Allowance is paid.**
- **50% believed that because London Allowance is paid as a supplement rather than as basic pay it hinders their effort to recruit and retain staff of the right calibre.**
- **65% believed that if London Allowance was paid for the number of days staff attend rather than pro-rated according to the number of hours they work, it would help them to recruit reduced hours staff of the right calibre .**
- **85% did not believe the current level of London Allowance is high enough to recruit and retain staff of the right calibre.**
- **32% said that they were losing staff because of the lack of increase in London Allowance.**
- **Only 4% of Managers believed the lack of increases in London Allowance had been compensated for fully by the increase in the Local Market Indicator.**
- **90% disagreed with the statement "Both the Local Market Indicator and the London Allowance are at about the right level".**
- **87% disagreed with the statement "The current rate of London Allowance is competitive and allows the Bank to recruit staff of the right calibre".**
- **87% believed customer service is related directly to the calibre of staff the Bank can attract.**
- **55% believed that London Allowance should be scrapped and staff given a higher basic salary.**
- **82% agreed with the statement "The quality of customer service we can offer in London is affected adversely by the level of remuneration we can offer".**

# The Need For Change

Our survey makes it clear that the people running the Bank on a day-to-day basis believe that remuneration in London is insufficient to cover the higher costs of working in the capital and that the levels of London Allowance in particular are insufficient to recruit and retain staff of the right calibre.

According to the Bank it is its ability to recruit and retain staff that drives its policy on London Allowance and that increases in basic pay have offset the need for any changes in Allowances.

**But our survey of managers working in London shows the paucity of the Bank's argument and why it must now act. In short the level of London Allowance is insufficient to recruit and retain staff of the right calibre and the level of remuneration in London is holding back customer service.**

## Customer Service Is Critical

Customer service is rightly central to the Bank's strategy to be the best bank in the industry. The Bank needs therefore to take seriously the view of the very people who are striving to achieve that in London and take action to address those of its policies that impede them.

In the Bank's statement to the press at the time of the 2005 results it said, in the context of the Retail Bank, that it was committed to achieving top performance in both effectiveness and efficiency.

"Effectiveness is the ability to recruit, develop and retain loyal customers who think of us first for their next financial services need. Efficiency is the ability to provide service and sales at a lower cost so that we can give our customers better value."

One factor in achieving this is the need to reduce the cost of staff turnover and ensuring that levels of remuneration are appropriate to recruit and retain the right staff. It is a false economy to hold down staff costs if this prevents high levels of performance and customer service.

**NICK HOLT**  
Assistant General Secretary

### Newsletters by Email

LTU is offering members the opportunity to receive newsletters by Email.

We will send all newsletters for your area direct to you on the day they are sent to members by post giving you authoritative, immediate information on the issues that matter.

To subscribe to the service all you need do is email us at 24hours@ltu.co.uk with the subject line "Newsletters and your membership number (your file or payroll number)" or phone on 01234 262868. We'll do the rest.