

15TH MARCH 2011

ALL MEMBERS IN DIRECT CHANNELS (CLUSTER 3)

Direct Channels 'Reheats' Earlier *Rhombus* Pay & Bonuses Proposals

Direct Channels is 'reheating' proposals it first announced last year concerning changes to Advisers' Salary and Bonus arrangements, with only minor tweaking to some details that would provide absolutely no improvement for the overwhelming majority of Advisers. The changes to the Bank's original proposals are that:

- **The Salary Scales have been increased by 2%. However, this was always going to happen since Group-wide Salary Scales are also increasing by 2% in April.**
- **New Advisers would automatically have their salaries increased to 95% of the Salary Scale after six months in their role, so long as they meet the Bank's performance standards.** This is, of course, something LTSB Advisers already receive (though their increase is to 100% rather than 95% of the Market Rate!).

The Bank has committed to work closely with Accord and Unite to assist them in persuading staff to now accept the new, reheated proposals; even though there has been little meaningful change from the proposals rejected in their previous ballots.

Key Issues Remain

Despite the Bank, Unite and Accord no doubt wanting to give the impression of progress having been made, the fact is that important staff concerns remain unaddressed. These include:

- **Salary Progression.** For the majority of staff paid above the Market Rates - and especially those paid in the Market Plus Zone or above the Scale Maximum - the fact remains that they can expect indefinite Pay Freezes or, at the very best, below inflation pay increases.

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- **Consolidation of the HBOS Multi-Skilled Allowance through a £600 uplift in salaries.** However, the fact that this monthly allowance is to be consolidated in salaries, will serve only to increase the probability of staff having their pay inflated into the Market Plus Zone or above the Scale Maximum. In other words, they are likely to have any consolidation clawed-back by receiving lower (if any) future pay increases. The Bank will effectively be 'giving with one hand and taking with the other'!
- **Unsociable Hours Payments.** The Bank has also held back from unveiling its future plans for the harmonisation across LTSB and HBOS of its Unsociable Hours Payments.

Therefore, without significant improvements to the Bank's proposals - which have not yet occurred - there would be sustained downward pressure upon the salaries of many LTSB and HBOS Advisers.

LTU Demands 'Fair Pay Now' For Telephony Advisers

The Salary, Grading and Bonus Proposals that the Bank is proposing are simply not competitive and fail to give sufficient recognition to the demands upon and flexibility required of Telephony Advisers.

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The 'Winners' and Losers

The table at the foot of this page shows Direct Channels' updated Salary Scales - incorporating the 2% Group-wide increase - for Advisers based in Cluster 3 sites, who have accepted the Bank's new Contracts of Employment.

The Winners - New Staff ... But Not For Long!

There are few long-term winners under Direct Channels' proposals, despite efforts by the Bank, Accord and Unite to pull wool over the eyes of staff.

Adopting similar arrangements to those already in place for LTSB Advisers - and under a process known as Bring To Competence (BTC) - the Bank has said that it will increase the salaries of new Advisers to the Minimum of the Market Zone (£16,009 for Core Banking Advisers in Cluster 3 sites) after they have been in their role six months, so long as they are judged to have met the Bank's performance standards.

Of course, for many Advisers this is below the automatic movement to 100% of the Salary Scale after six months already in place for Lloyds TSB Staff. *A Sales Adviser in Pay Cluster 2 would receive an increase to £15,985 under the current Salary Structure (after applying the 2% uplift), but just to £15,249 under these proposals - a fall of £736!*

However, whilst new staff may benefit from the Bank's proposals in the short-term, they can expect to lose out by typically then having to wait another three years for their salaries to reach the Market Rate and face the prospect of their salaries increasing no further up the Salary Scale except in exceptional circumstances.

Only in exceptional circumstances could any Advisers expect their salaries to progress beyond the Midpoints for their roles, because

of how the Bank's Pay Structure penalises staff paid near or at all above this level.

The Losers - 43% Longer-Serving & More Experienced!

Whilst the Bank's proposals may offer some short-term benefit to new staff, the Bank's proposals would condemn around 43% of Advisers to either pay freezes or, at best, below inflation rises.

This will hit hardest longer-serving and more experienced staff; together with those HBOS Advisers who Accord and Unite accepted downgrading from HBOS Grade 1.4 and those who would receive a £600 consolidation of their Multi-Skilled Allowance, pushing them further up the Salary Scales:

- 5% of Advisers are currently paid above the new Scale Maximum and therefore have no prospect whatsoever of receiving any pay increase for the foreseeable future.
- 19% more Advisers are paid in the Market Plus Zone and so face the prospect of either indefinite pay freezes or below inflation pay increases, other than in exceptional circumstances.
- A further 19% of Advisers are paid within the Market Zone but above the Market Indicator and so also face the prospect of either pay freezes or only nominal pay increases unless they are amongst the top 15% of performers.

Quite simply, staff paid above the Salary Midpoint will invariably suffer either Pay Freezes or, at best, nominal increase in pay. Therefore, the only way that this downward pressure upon Advisers' salaries can be tackled and avoided would be to increase the Salary Midpoints.

LTU is insisting that the Midpoints should be increased by £1,000.

LBG ADVISER PAY SCALES FOR GLASGOW, SOLENT, SOUTHEND, BELFAST & LEEDS

ADVISER TYPE	PRIMARY ZONE		MARKET ZONE			MARKET PLUS ZONE		ON TARGET BONUS
	MIN	MAX	MIN	MIDPOINT	MAX	MIN	MAX	
Core Banking Adviser	£15,165	£16,008	£16,009	£16,850	£17,693	£17,694	£20,220	10%
Service Adviser	£14,499	£15,304	£15,305	£16,110	£16,916	£16,917	£19,332	5%
Sales Adviser	£14,094	£14,877	£14,878	£15,660	£16,443	£16,444	£18,792	20%

Competitive Salaries?

The Bank would like Telephony Advisers to believe that its Salary Package is competitive, but this simply isn't true.

A comparison with the 'Pay and Conditions in Call & Contact Centres Survey 2010/11' produced by one of the leading pay research organisations, Income Data Services (IDS), shows that:

- **The IDS Survey reports the average Scale Midpoint for roles equivalent to that of Core Banking Advisers to be £17,600; which is £1,550 higher than that proposed for LBG Advisers in Cluster 2 sites and £750 higher than those in Cluster 3.**
- **The IDS Survey reports that most Call Centre employers increase salaries to the Market Rate within a year (and 27% within six months), whereas under the Bank's proposals, LBG Advisers can expect only to reach 95% of the Market Rate within 6 months and then typically take three further years to reach the Market Rate.**
- **Average bonuses reported in the IDS Survey are also 3.1% higher than the actual levels paid to Core Banking Advisers.**

- **Over half of Call Centres covered by the IDS Survey pay Unsocial Hours Payments, providing recognition of working evenings, weekends and bank holidays; something we suspect the Bank intends to scrap or severely reduce, though it refuses to come clean on its plans until after the Rhombus negotiations are completed.**
- **The IDS Survey provides no conclusive evidence of whether or not the Bank's wider benefits package is any more attractive than the average for the call centre industry.**

Against this background, it is hardly surprising that the level of turnover amongst LBG Advisers - which the Bank has acknowledged in the past is a good barometer of how competitive salaries are - has remained significantly and stubbornly above the 16% reported by other organisations.

The fact is that rather than paying LBG Advisers competitive salaries, the Bank instead is wasting considerable sums each year recruiting and training new advisers to replace those who are no longer willing to put up with inadequate salaries and excessive work pressures.

Adviser Salary Scales Worse Than Seven Years Ago!

Despite all the additional pressures and demands that Telephony Advisers are now under, over the past seven years (since April 2004) Adviser Salaries have significantly fallen in value after taking account of inflation.

Over this period, the Salary Midpoints for Effective Advisers (including the latest increase) have increased, on average, by 16.4% whereas the Retail Price Index has increased over the same period by 25.1%.

This means that in real terms the Advisers Salary Scales that Direct Channels is proposing

- after accounting for inflation - are 8.7% lower than they were seven years ago!

The table shows how the Salary Scales for each type of Adviser and in each Pay Cluster will have fallen in real terms over the last seven years after taking into account the effects of inflation.

CUTS IN SALARY SCALES AFTER ACCOUNTING FOR INFLATION		
Adviser Role	Cluster 2	Cluster 3
Core Banking	7.0% cut	1.2% cut
Service	12.2% cut	6.6% cut
Sales	15.4% cut	10.0% cut

There can be absolutely no excuse for Telephony Advisers being expected to put up with Basic Salaries

that are worth less in real terms than were being paid seven years ago.

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LTU's 'Fair Pay Now' Proposals

Direct Channels' new Salary Structure proposals are simply not good enough. **They leave Salary Scales lower than they were seven years ago, are uncompetitive relative to the external jobs market for call centre workers, and condemn 43% of existing Advisers to indefinite Pay Freezes or (at best) nominal pay increases.**

And all this against a background of increasing demands being placed upon - and flexibility required of - Advisers.

LTU's proposals for Fair Pay Now for Telephony Advisers are therefore completely justified, involving a demand for:

- **A £1,000 increase to all three proposed Salary Scales (based on the midpoints) in order to address concerns over Salary Progression for the 43% of Advisers currently paid above the proposed Midpoint.**

As a consequence, this would go some way to bridging the gap between the Adviser Salary Scales of the Bank and its competitors, whilst also having the effect of reducing the number of staff either in the Market Plus Zone or above the

Scale Maximum and hence most at risk of either indefinite Pay Freezes or, at best, nominal pay increases.

- **A guarantee that all LBG Advisers will suffer no reduction in the rates of Unsociable Hours Allowances for the hours they work for a period of at least three years from the date the new Salary & Grading Structure is introduced.**
- **LTU is also demanding that since the Direct Channels Salary Structure was out-of-scope of the Group-wide proposals for the harmonisation of terms and conditions across LTSB and HBOS - and given that the Bank doesn't plan to introduce the new Salary Structure until after this year's Annual Pay Review - all Advisers remaining on LTSB Contracts of Employment should receive the same level of pay increases as any other Advisers.**

LTU has therefore rejected the Bank's proposals and will be shortly meeting with the Bank at ACAS in an effort to progress our negotiations further.

Staff On LTSB Contracts

There is no reason for staff who have chosen to remain on their existing Lloyds TSB Contracts of Employment to not continue doing so, therefore protecting their existing Working Hours Rights.

The majority of Advisers remaining on LTSB Contracts are, in any case, paid above the new Scale Midpoints and therefore would most likely suffer pay freezes or at best nominal pay increases, as the Bank continues to punish longer-service and experience.

Meanwhile, the levels of Bonuses remain

exactly the same for all staff irrespective of whether they are on LBG or LTSB Contracts of Employment.

Furthermore, staff remaining on LTSB Contracts will be protected from cuts to Unsocial Hours Payments.

Finally, the Bank has accepted that staff on LTSB Contracts will continue to have their pay increased to 100% of the Salary Scale after completing six months working for the Bank.

**STEVE TATLOW
Assistant General Secretary**

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