

6th December 2011

ALL MEMBERS NEWSLETTER

Bank Pushes Down Living Standards

Yet again the Bank will continue with its vindictive and morally bankrupt policy of denying salary increases for the vast majority of those staff, the overwhelming majority of whom are female with childcare responsibilities or look after elderly relatives and are in the lowest three grades, who chose not to sign the new contracts of employment because they were concerned that if they did signed up to the new contracts their hours of work would be at the complete discretion of the Bank.

That decision will be the subject of legal challenge but the Group's Senior Management team seem intent on rubbing staff noses into the ground until they submit. They won't.

The Group's 2012 pay proposals are as follows:

- A pay pot of just 2.5% for staff in Grades A-D and 2% for staff in Grades E-G. That means with the cost of living expected to be at 3.8% by April 2012, the average member of staff's standard of living will fall by between 1.3% and 1.8% next year depending on Grade.
- A pay matrix, which isn't one really, for all staff in Grades A-E that will provide a range of increases depending on position in scale. The pay ranges for staff are set out in the tables overleaf.
- For the first time in a generation, performance ratings will play no role in determining salary increases for staff in Lloyds Banking Group. Ratings will only be used to determine bonuses for those staff subject to the Group Bonus Scheme. For staff in the LTSB and HBOS Community Banks, which operate Divisional bonuses, ratings will have no practical role to play in the management of staff at all.
- The pay scales will be frozen for Grades A-C but will be increased by 2% for Grades D-G.
- Lastly, and in what can only be described as some kind of sick joke, non-signers in the 'Primary' or

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'Market' zones will be offered just half of the increases that will apply to staff who did sign the new contracts of employment.

The impact of the Bank's proposals on staff are:

- For Grades A-D, the whole of the 2.5% pay pot will be available to move staff through the Zones because the ranges are not being increased. However, the fact is that most staff going from the 'Primary' to the 'Market' Zone will still be at the bottom end of that pay zone despite the fact that they are fully competent members of staff.
- For Grade E-G, if the pay pot is just 2% and scales have gone up by 2% to reflect the external market, then all of the pot will be used to keep staff in the same positions they are now, relative to the market. There will be nothing left for pay progression.
- The vast majority of non-signers will not get an increase again this year and those that do will only get between 1%-1.5%. How Retail motivate those 9,500 key frontline staff is a problem which Employee Relations have dropped into the lap of Alison Brittain, Group Director Lloyds TSB and BOS

Members with any questions on this Newsletter can contact the Union's Advice Team on 01234 262868 or email us at 24hours@ltu.co.uk.

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What ... No Inflation?

According to the latest report from the Office for Budget Responsibility (OBR) by the end of this year household disposable income will have fallen by 2.3%. Much of that loss is a consequence of inflation. The Retail Price index (RPI), which includes housing costs such as mortgage interest payments and council tax, currently stands at 5.6%. Forecasters are predicting that in April next year RPI will be running at 3.8%. For many staff this will be another year in which their salary increases fall behind inflation.

A pay pot of just 2.5% for staff in Grades A-D and 2% for staff in Grades E-G means that with the cost of living expected to be at 3.8% the average member of staff's standard of living will fall by between 1.3% and 1.8% next year depending on Grade. Those staff who have not signed the new contracts will have seen their standards of living fall even further. The Bank has sought to try and argue that it's now part of the public sector and needs to show pay restraint this year. Absolute rubbish. When public sector workers were getting inflation busting pay increases the Bank ignored that and focused on the private sector instead. Now that it suits their arguments the Bank holds up the public sector as a true paragon of virtue. If it wasn't for the misselling of PPI Insurance and some other more lamentable failings of management, which we will discuss later, the Bank would be in a much more healthier position. Staff should not have to suffer because of the failings of Senior Management.

What Are You Worth?

The idea that performance ratings alone should be the key in determining members' speed of progression towards the rate for the job has always been difficult for LTU to accept, more so when those ratings are driven through a forced distribution mechanism and are awarded following calibration sessions which neither staff nor the Union are involved in or know anything about. We have told the Bank that if performance related pay is now dead, which it most surely is, then the balanced scorecard process for Grades A-D, which is time consuming, bureaucratic and worthless should also be abandoned and replaced with a new, more simplified process.

Members will recall that last year we said that removing the pay progression guarantees unilaterally

meant that staff would take significantly longer to be paid the market rate for the job. We calculated that it would take staff in grades A-C 12 years to just get into the 'Market' Zone and 22 years to be paid the rate for the job.

Grades A-C: no change to clusters

Pay Cluster	Proposed 2012 Midpoints by Grade		
	A	B	C
1	£14,850	£17, 570	£21,420
2	£15,350	£18,490	£22,550
3	£16,110	£19,420	£23,670
4	£17,650	£20,800	£24,790
5	£19,950	£23,120	£27,050

Grades D-G: increase by 2%

Grade	Proposed 2012 Midpoints		
	National	Outer London	Inner London
G	£87,400	£90,000	£94,400
F	£61,100	£63,600	£67,300
EU	£45,300	£47,500	£49,800
EL	£38,100	£40,000	£41,900
DU	£32,500	£34,800	£36,400
DL	£27,900	£29,800	£31,200

The Bank will now seek to argue that, because performance ratings have been abandoned, when it comes to pay progression staff will move more quickly through the zones. Don't be fooled by this sleight of hand. More staff in Grades A-C will move from the 'Primary' to the 'Market' zone this year but that's because the salary ranges are being frozen. Equally, a lot of those staff that do move from the 'Primary' Zone will only just drop into the 'Market' Zone despite the fact staff have been doing the same roles for many years and are fully competent. We believe those staff should be paid the rate for the job. Also there is large group of staff over the range maximums who will get nothing under the Bank's proposals.

That brings us on neatly to the change in zone descriptions which the Bank is slipping in this year. In a piece of Orwellian newspeak, the Bank is trying to convince staff that the 'Primary' Zone, which was intended for staff who are developing within their roles and are moving towards becoming fully effective in those roles, is now the 'Market Primary' Zone. The aim is to try to convince you to ignore the fact that you are being paid up to 10% below the rate for job you are doing because you are in the 'Market Primary' Zone. The Bank must think staff are stupid to be convinced by such rubbish.

Grades A-D: 2.5% budget allocated using following matrix

	Top Performer	Strong Performer	Good Performer	Dev. Performer	Under Performer
Primary or below			3%		0%
Market			2%		0%
Market Plus			1%		0%
Over maximum			0%		0%

Grades E: 2% budget devolved using following pre-populated matrix

	Top Performer	Strong Performer	Good Performer	Dev. Performer	Under Performer
Primary or below			2.5%		0%
Market			1.5%		0%
Market Plus			1%		0%
Over maximum			0%		0%

Pay Increases ... Exercise In Power

During our pay negotiations LTU has lambasted the Bank for its failure to clawback bonuses paid to Eric Daniels and other members of the GEC for their role in the payment protection insurance misselling scandal. We said that it was morally bankrupt to punish predominantly female members of staff for protecting their contractual rights whilst at the same time threatening to clawback contractual bonuses and doing nothing at all.

We are glad that the Bank has accepted our arguments and is pursuing Mr Daniels and Ms Weir. There are a number of other Senior Executives who should also have their bonuses clawed back.

In fact those bonuses could go some way to paying back salary increases for those staff who have chosen not to sign the new contracts of employment. The Bank has said that non-signers in the 'Primary' or 'Market' Zones will be offered just half of the increases that will apply to staff who did sign the new contracts.

The vast majority of non-signers will not get any

increases again this year and those that do will only get increases of between 1%-1.5%. Those staff on spot salaries, namely Financial Advisers, will get 1.25%. The Bank is trying to coerce the non-signers into submission and such a policy is vindictive in the extreme. In any event, that policy will be the subject of a legal challenge and it will be for the Courts to determine the legality of the Bank's actions. Given the fact that the overwhelming majority of non-signers are female, the Group's approach could also be deemed to be indirectly discriminatory.

We'll see to what extent the Bank goes to making sure bonuses are clawed back from Senior Executives or whether that's just another piece of PR window dressing to divert attention away from the Group's Senior Leadership problems.

Members with any questions on this Newsletter can contact the Union's Bedford Office on 01234 262868 or email us at 24hours@ltu.co.uk.

Mark V Brown
General Secretary

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