

PAY CLAIM 2008

The HSBC National Committee met on Friday, 21st September 2007 and set out a claim for the 2008 pay negotiations. As you are aware, we are now entering into the final year of the three-year deal that was agreed in 2005. The Committee has agreed to submit the following claim to the bank.

FIXED TERM DEALS

The Committee has agreed that we will not enter into any more fixed term deals with no protection against increases in the cost of living. We believe that fixed deals have a detrimental effect on members by way of us falling behind in the market. It does not benefit anyone when inflation spirals out of control. The market shifts all the time which means that staff take a pay cut at the end of the term.

The claim is as follows:

- Removal of fixed term deals
- Pay pot RPI + 3% at the date agreed between both parties
- Removal of Band A
- Increase min/max by RPI
- Increase in TA allowances
- A review of all other allowances

John Nolan, National Secretary, said: "Overall we believe that the removal of Band A will go a long way to ending low pay within HSBC."

Band A currently sits slightly above the national minimum wage which is the lowest entry level of any of the bank's main competitors and also less than cashiers get paid in Tesco, Asda and Sainsbury's, which is not acceptable for a company that made over £11bn global profit last year.

As inflation has remained above 4% for most of the year against the projection of the bank's own analysis, that it falls to 2% means our members have seen significant increases in the cost of living whilst receiving minimal pay awards."

Although the bank concentrates on what the market is at the time, we also believe that this has shifted over the last twelve months. At the time of writing we are currently collating the data from the bank's other main competitors. Pay negotiations are due to commence on the 26th November 2007. We will keep you informed of any developments during this time. It is now Union policy that we ballot our members on the outcome of the negotiations and this will be done at the conclusion of the negotiations.

FEEDBACK

Unite thrives on feedback from members so give us your views on the topics covered here via any of the following routes –

- Your local Unite JAOR or Unite Managers' Committee (UMC) rep
- Our helpline on - 020 7253 9642
- Fax – 020 7780 4142
- email – hsbc@unitetheunion.com

KEEPING IN TOUCH

Unite in HSBC is looking to improve the way we communicate with members. To do this we would like to be able to email those members who are happy for us to use this contact route. Emails are faster and go direct to you, preferably via your home email. Using email means you get your own personal copy of our communications and they help reduce the amount of paper the union produces. Unite keeps one central list of emails which can be updated or changed by you direct via myamicus.

Update your records

You can also use myamicus to update the records we hold on you to ensure they are accurate and we are able to contact you for critical things like ballots. In particular, don't forget to tell us if you have been promoted to a managerial grade.

UNITE TO PROTECT SECURE PENSIONS

HSBC's decision to include the Defined Benefits (DB) pension scheme in its review of benefits has caused widespread concern amongst members of the scheme. The bank's literature emphasises the wide gap between the cost to them of this scheme and the Defined Contributions (DC) scheme and the fact that the majority (70%) of serving staff are now in the DC scheme.

Unite is built upon solidarity between working people and that means inequality goes against the grain for us. We are equally committed to secure and adequate pensions' provision for all workers. Indeed, we have taken the lead as a union in campaigning to protect final salary pension schemes both in the private and public sectors.

For this reason we think it important to see the bank's literature about flexible benefits and the Conjoint research exercise in context. The reason for inequality in pensions' provision by the bank is the closure of the DB scheme to new members over ten years ago. At the time, BIFU (which is now part of Unite) opposed the closure and its replacement for new entrants by the DC scheme, saying that it would create inequity and take away security in retirement. The bank rejected these arguments and proceeded with the closure.

That the current inequality was inevitable once the scheme closed is summarised in a union research paper which can be found in full on the union's website under "pensions".



"Final salary schemes - consequences of being closed to new entrants

This paper considers the consequences for a final salary funds of its being closed to new entrants, the effects on employer attitudes and behaviour and the possible consequences for scheme members future pensions and employment.

Higher Contribution Rate

When a fund is closed there will be no new entrants, who would tend to be younger in age than the average of existing members, and the average age of the members will rise as time passes. With any pension scheme the cost of any defined level of member's benefits at retirement rises with age, as contributions are invested for a shorter time. So as the average age of members rises the average contribution rate will also rise.

Risks associated with future deficits

Where deficits arise in a scheme, the general practice is to express the deficit contribution as an additional contributions percentage for the employer in addition to the percentage contribution required for future service. As the number of active members gets smaller relative to the size of the fund the size of the additional contributions percentage for any deficit will get larger and the resultant figures will weigh heavily on employers perceptions of the cost of the scheme.

Widening cost gap vis a vis a DC scheme

Employers who close final salary schemes often offer a DC scheme instead to new employees. By their nature such schemes involve a fixed cost to the employer. At the time of closure there will be a perceived relationship between the cost of the old scheme and the cost of the new scheme. As time goes on the cost gap is likely to rise on account of the factors driving rising costs in the final salary scheme. That cost gap may be enlarged greatly if further deficits emerge in the final salary scheme in the period following closure. This will make it much more likely that employers actions may be guided, whatever their original intentions, by the size of the cost gap. In effect they may begin to treat the final salary scheme more like a DC scheme by setting a limit on their future contribution.

Dividing the workforce and undermining opposition to future cutbacks

Employees may well object to scheme closures on the basis that the new DC scheme involves a lower rate of pension pay for new employees than for old employees. This may emerge in terms of lower benefits or through new members being required to pay higher contributions to their scheme in order to achieve a comparable level of benefit. It goes against the principle of people being paid the same 'rate for the job.' New employees may resent the fact that their 'pension pay' is lower and come to feel that members of the final salary scheme are unfairly privileged."

More recent Unite research has compared and contrasted pensions' provision across the four major clearing banks - Barclays, HSBC, Lloyds and RBS.

The DB schemes across these banks are very similar and are now all closed to new entrants following RBS's closure of their scheme last year.

DC schemes vary greatly. Members of the HSBC DC scheme receive up to 6% employer contribution with an additional 2% additional voluntary contribution matched by the bank. In LTSB the same figures are 10.5% and 2%. RBS allocates 15% of salary to pensions. Barclays has a hybrid scheme which includes the guarantee of a cash balance amounting to 20% of that year's salary at normal pension age.

This suggests that HSBC is significantly behind the field in terms of its contribution to the DC scheme.

Protect and don't divide

In Unite's view, the answer to the inequality in pensions in the bank is to provide a better and safer pension for all, not to foster envy between members of the two schemes.

There is a range of ways of doing this. Ideally, the existing DB scheme should be opened up to all staff and future employees. That way the scheme would be refreshed by contributions by the bank on behalf of younger employees and the concept of pooling of contributions, liability and future cost on which the scheme was originally established would be revitalised.

A half-way house would be to establish a less costly guaranteed pension (Defined Benefits) scheme on behalf of newer staff where pension would be built up more slowly but would nevertheless be secure.

Unite action

Your Unite representatives will be negotiating on your behalf for the establishment of the new flexible benefits scheme. As our recent newsletter "Proceed with caution" shows, we have voiced our objection to the inclusion of the Defined Benefits scheme in the Conjoint research and in the bank's review.

Our goal will be to harmonise pensions up not down but we anticipate that this will be a tough call, given the bank's stance thus far.

To be successful we need your support in talking with colleagues about the importance of secure pensions and raising their awareness.

We also need feedback from you that we can use to help formulate our ideas and show the bank that you are with us on this. So don't hold back.

BONUSES – RENEWED FOCUS ON SERVICE

In our pay survey, you told us that the quarterly and annual bonus schemes do not particularly motivate you. Specifically, re the quarterly scheme, 14% agreed or strongly agreed that the scheme motivated them to improve their productivity and 60% disagreed or strongly disagreed. Re the annual scheme, 12% agreed or strongly agreed and 70% disagreed or strongly disagreed.

Your feedback to the union in the past few years has suggested that this may be largely caused by the emphasis in the schemes on sales or referrals. Many of you would prefer that your job was evaluated in terms of your bonus, and indeed your appraisal, on the service you provide to customers and not solely on sales or referrals. Our reps generally, and on branch visits in particular, suggest that members often feel they have little opportunity to make referrals when branch staffing is tight or there is a queue of customers wanting to make routine transactions.

On a more subjective level, members often feel more motivated by the caring side of their role in providing a service to their customers and their community rather than by the requirement to make sales or referrals.

Keeping it sold

In this context, Unite is positive about the idea of a change to the balanced scorecard for the branches and centres which would bring about a greater emphasis on "keeping it sold".

It would be wrong to think that keeping it sold was the same as service but there is a natural and significant overlap. Based on the regulator's principle of treating customers fairly, keeping them sold assumes that customers stay with the bank and its products because they needed them in the first place and the products continue to prove themselves of value to the customer. This generates a sense of mutual loyalty which encourages other products to be purchased when needed in the future. None of this would work if the interaction in the branch (or with the call centre) was not a positive and pleasant experience which continued over time.

Common sense

No doubt members who have worked for the bank for some time would welcome such a change and see this as common sense – they may only regret that it has taken so long for the bank to come to this view on the scorecard. Another way to look at this would be to acknowledge that the bank has built on its experience of the past few years.

Dialogue

The bank has currently engaged the union in dialogue on the scorecard for 2008 and specifically how any changes will be made and what specific measures the scorecards for the branches and the call centres will contain.

Unite sees the principle of a more balanced scorecard, with renewed emphasis on service, quality sales and retention, as a positive move which we would want to support. At the same time, we acknowledge that those members who have been motivated by the focus in the last few years on sales and referrals will see this change as a challenge and may feel de-motivated.

Your union can help make this process of cultural and behavioural change a more positive experience through our dialogue with the bank. To do this, we need to know what you think of the idea and how you view the measures that make up the bonus in 2008.

HSBC PAY SURVEY COMMENTS – JULY 2007

Alongside the survey many of you decided to make comments expressing your feelings about the pay and bonus system. This is a brief summary of the most typical quotes.

ON THE PAY BAND

"How can we have a fair pay system when we have pay bands!"

"In Brighton house prices have escalated due to a perceived proximity to London yet we only receive £1,000 per year. Our cost of living is very similar to London."

WHAT DO YOU THINK OF YOUR PAY RISES

"After 35 years loyal service, at the age of 53, having been told I am "over scale" on salary, I feel frustrated that I got an £89 annual pay rise last year which equates to 8p per hour"

"I realise the bank's pay structure does not include an automatic cost of living rise but if the bank places any value on its experienced grade 4s & 5s it needs to change its policy on reviewing the "rate for grade" and salary maxima as the policy followed over the last 10 years has had a significant adverse effect on morale and engagement levels."

"Between 1999-2006 I had no pay increase. In 2007 I got approximately £200. This means that after inflation my pay in real terms reduces at 3% per annum. A cost of living payment to all over scale staff will probably cost the bank between £1m – £1.5m per annum. When compared to their annual profits this is a very small amount of money."

"My salary has increased less than £2,000 in 10 years. Is that fair?"

"Please note that I work in operations at HSBC and most of us have not received a pay rise in 5 years."

"In 18 years I have never received a pay rise equal to inflation."

"I am disgusted with the pay system at HSBC. I have worked for the bank for 31 years and for the last 6 years or more I have not received a pay rise or even an inflation cost of living rise. All my bills increase e.g. council tax, water etc and I am worse off in real terms, but the bank don't care. I got a one off payment of £119 to compensate me for a year. WOW!! Only my years of service keep me going. I also work unpaid overtime but I am still waiting for time in lieu."

STAFF TURNOVER

"Starting salaries are so low in the branch that we lose most of our new recruits in the first year. As a chief cashier this makes my life very difficult and

adds to the stress of short staffing."

"I work at a DSC. On my section practically everyone, especially the young, is looking for other jobs. They tell me the pay in HSBC is very poor compared to elsewhere."

"99% of the experienced staff have left due to poor pay in relation to the work done in my section. HSBC has fallen asleep on this issue in the last 5 years. If they don't wake up soon they are going to lose a lot of valuable customers."

ON THE BELL CURVE

"Even if I had met all my objectives I might not be as good as my peers and therefore would end up at the bottom of the bell curve with a poor rating."

THE BONUS SCHEME

"The quarterly bonus does motivate me. Having said that, as a manager, my bonus is paid on the performance of the branch and not just my own performance."

"You cannot have bonus schemes unless people are able to have a chance of achieving a bonus. Short staffing for two years has effectively made it impossible for my branch to achieve even though as individuals we are doing very well."

PENSIONS

"My pay and benefits package does make me want to stay with the bank but only because I have a good pension and I am only 5 years off retirement".

"My package only makes me want to stay because I am lucky enough to be in the defined benefit pension scheme. Otherwise I would not stay"

"I agree that the package makes me want to stay but only because I am on the old final salary pension scheme"

LOOKING OUTSIDE THE BANK

"A senior manager last year confirmed that staff would not be given any inflation linked pay rise. This was justified on the basis that staff can earn bonuses compared with civil servants who cannot. In fact, civil servants in the MOD were given quite a big bonus last year."

UNPAID OVERTIME

"A big issue for a lot of staff is working overtime and not being paid. Staff are frightened to challenge this!"

WILL THE BANK LISTEN?

"Sadly, all these surveys fall on deaf ears. Nothing constructive is ever done to make improvements!"

FEEDBACK

Unite thrives on feedback from members so give us your views on the topics covered here via any of the following routes –

- Your local Unite JAOR or Unite Managers' Committee (UMC) rep
- Our helpline on - 020 7253 9642
- Fax – 020 7780 4142
- email – hsbc@unitetheunion.com

THE SURVEY ITSELF YIELDED THE FOLLOWING RESULTS

Question 1

88% of those who responded did not receive an inflation or above pay rise in 2007.

Question 2

88% of respondents did not receive an inflation or above pay rise in 2006.

Question 3

And 89% of those who responded did not receive an inflation or above pay rise in 2005.

There is a steady group of respondents who have not received an inflationary pay rise in the past 3 years.

Question 4

More than half of those who responded strongly disagree that they receive a comparable rate of pay to others doing a similar job in other major banks/companies.

Question 5

Almost 90% of respondents disagree or strongly disagree that the pay system in HSBC is fair.

Question 6

More than half of respondents disagree or strongly disagree that the quarterly bonus scheme motivates them to improve productivity. Only 14% of responses agree that they are motivated by the quarterly bonus.

Question 7

Almost 70% of respondents disagree or strongly disagree that the annual bonus scheme motivates them to improve productivity. And around 13% are motivated by the annual bonus.

Question 8

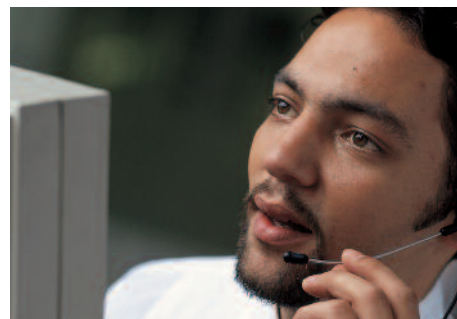
Around 60% of those who responded disagree or strongly disagree that the bank is taking effective measures to achieve equal pay.

Question 9

80% of those who responded disagree or disagree strongly that the performance pay system in HSBC improves employee performance and less than 8% agree with this statement.

Question 10

Over 70% of respondents disagree or strongly disagree that their pay and benefits package makes them want to stay with the bank.



The local branch – the debate continues

In the last edition of @work we voiced some concerns raised by members regarding the future of the smaller branches. At one end of the spectrum, 2007 has brought closure of 34 of the branches where our members work. This compares to 33 in 2006 which means that total numbers have more or less stayed the same this year, despite the welcome reversal of four planned closures.

Hopefully at the more positive end of the spectrum, sits the review of the smaller, non-managerial, branches and their conversion into service points. In the fourth quarter of this year, a pilot examining fifteen small branches is being carried out. The aim of the pilot is to see how they work and what they achieve for the bank.

In time for launch in January 2008, the bank is planning that the smallest 400-500 branches will convert to service points and be managed regionally by the new Regional Service Point Managers.

Critically, in terms of their long-term viability and fairness to their staff, the service point branches will not be targeted for sales. This means that the bank accepts that their primary purpose is to continue to provide a limited service and point customers requiring more sophisticated services and new products in the right direction.

John Hackett, who is leading this change, has expressed to the union his hope that it will provide the smaller branches with a new lease of life. Unite shares this hope.

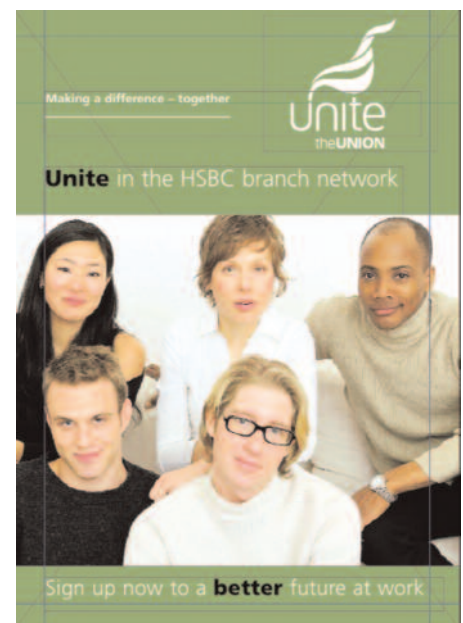
At the same time, the union has put to him our concern that the new service points should not perpetuate the existing problems our members encounter in the smaller branches. On recent visits, you have highlighted - staffing cover, unpaid overtime, not having breaks, security, lack of managerial support, training and career opportunities, as

the key issues. On the positive side, you really value the service you are able to offer in the small branches to the local community and, in particular, to those with limited mobility.

2008 will be a critical year in the bank's strategy to maintain and develop its branch network. Please keep up your feedback on this, whether or not you are part of the pilot or are in a smaller or larger branch.

NEW BRANCH BOOKLET

Unite has produced a new booklet for the HSBC branch network. It contains articles on – being a Unite rep in the branch network,



ending unpaid overtime, secret filming by mystery shoppers, the network and commercial reorganisation, branch closures, and lunch duty allowance.

If you have not had a copy or would like further copies, please email desrine.dwyer@unitetheunion.org or go to the HSBC section of the unite website.

EQUALITIES AT FIRST DIRECT – THE GOOD WORK CONTINUES

The team of Unite reps at first direct won the Unite Equalities award earlier this year and were presented with the award by Derek Simpson at the Unite Policy Conference. The award was in recognition of the continual dialogue, active campaigning and promotion of all equalities issues by the team of reps, culminating in the signing of the Unite Equalities Charter by first direct.

MOTHER AT WORK AWARDS 2007

The good work continues with first direct receiving the Employer of the Future Award at this year's Mother at Work awards held in June at London's City Hall. The award recognises employers that strive to achieve a work-life balance approach that benefits their people, especially working mothers, and how this also benefits the business and sets new precedents for other employers.

first direct employs approximately 3500 people across two sites, in Leeds and Hamilton.

70% of employees are women, many of which are working mums, so childcare, flexible working and an appreciation of the commitments a working parent faces are essential to allow people to fulfil their career aspirations whilst maintaining a happy family life.

first direct believe that getting the work life balance right is fundamental, saying 'It's interwoven into our people proposition and increasingly plays a big part in our people's lives. Our 2006 employee survey highlights that we are heading in the right direction, our 76% engagement score was the highest across HSBC UK. In response to the specific question 'my workload allows me to maintain a good balance between work and life', 82% of our people agreed.'

Here is a selection of the wide range of initiatives, services and support that's in place to help working mothers and fathers achieve work-life balance;

ON-SITE NURSERIES

On-site nurseries in Hamilton and Leeds offer 337 places, for children aged 3 months to 5 years, the Leeds site houses the largest on-site nursery in the UK.

Employees can pay per hour as opposed to per session. Hours and vouchers can be bought through 'plus' the flexible benefits scheme to take advantage of Tax and NI benefits or separately through direct salary deduction.

MATERNITY ALLOWANCES

Employees with two years service or more receive 14 weeks full pay and their 'plus' package continues throughout the maternity leave. This can include private medical insurance, store vouchers, payment towards nursery places for older children and many more options. Employees taking adoption leave also receive the same benefits, with no qualifying period. 90% of first direct's working mums return to work following their maternity leave.

first direct have received the Tommy's pregnancy management accreditation. In addition to supporting people, the programme is also aimed to assist managers' support their people through pregnancy.

PARENT PACKS

To celebrate the birth of the honorary members of the first direct family, a parent pack is sent to all new mums and dads to mark the special occasion. Each pack includes a 'welcome back' card, a photo frame, a first direct bib and a voucher for on-site services.

FLEXIBLE WORKING

Home working, part time options, three and four day working weeks, job sharing and numerous shift patterns help to ensure that first direct offer working hours that suit the lifestyles of many working parents.

Buying and selling holidays is also available, where employees can buy or sell up to one working week and spread the cost of buying holiday over 12 months.

FAMILY VALUE

Family is now one of first direct's core values and the familymatters intranet site has enabled first direct to extend in-house support for the working parent network by providing practical support and guidance. The site has useful links to family related internal policies and procedures. Financial details are also included with links to child tax credits details and informative external websites.

'In first direct, we are firm believers that people need a good balance between work and life - it benefits us all. As a progressive employer, we are delighted to be able to demonstrate a variety of practices that help people achieve equality in life. We always welcome input and ideas from our people and Unite are very much part of this - we aim to work together to continue our great work in this area.' Jane Hanson, Head of HR.



ENGAGEMENT SURVEY FOR @WORK – OCTOBER 2007

Along with their responses to our questionnaire many members chose to give their comments on the survey overall or to specific questions. I give below a brief summary of some of the typical comments.

ON THE UNITE SURVEY

"This is the true picture of how I feel about the questions asked. When the September survey comes out because my objectives will be adversely affected by my own branch engagement score I will be putting "strongly agree" for everything. I answered truthfully last year and was criticised for a 30% employee engagement score. Given the number of direct reports I have, by doing this, I am guaranteed to increase my engagement score by 10%."

"These responses relate to people at the top of HSBC not my direct line managers who are very supportive."

"The bank relies on the fact that members are so loyal to their line manager that they are reluctant to be too negative in the survey."

MEMBERS FEELINGS ON ENGAGEMENT

"There are too many staff shortages."

"New staff are inadequately trained before being given too much responsibility because of staff shortages."

"Established staff members are expected to do too much. In some branches staff only have time to get a drink at lunchtime!"

"Please get someone to get the bank back on track!"

QUESTION 1 - WORK LIFE BALANCE

"What about being paid for overtime?"

"I was told by area management that staff and managers cannot have Mondays and Fridays as lieu days for Saturday as these are our biggest selling days".

"Managers are expected to stay behind on Thursday night unpaid to ensure that wealth diaries are fully booked for the following week".

"We've been told that area have said that there's no budget for overtime yet we have to stay to 5.45 every night. It's not fair!"

"There's never enough cover for absence so, as the manager, I have to do on average 8 hours overtime a week."

QUESTION 2 – DOING WHAT'S RIGHT FOR THE CUSTOMER

"We are expected to do what's best for the bank not the customer despite the bank's claim that they put customers first. In the long run this cannot be good business for the bank."

QUESTION 4 – CAREER OPPORTUNITIES

"If you are a cashier there is no time for training or to do anything else. There is no chance of a career."

"Not if you are a grade 4."

"I was recruited two years ago to do counselling and have been cashiering ever since. I'm leaving."



OUR SURVEY RESULTS – these are the numerical results of our survey

Q1- My workload allows me to maintain a good balance between work and life - 35.8% agreed or strongly agreed but 47.13% disagreed or strongly disagreed.

Q2 - I am encouraged to do what's right for the customer - 42% agreed or strongly agreed but 34.8% disagreed or strongly disagreed.

Q3 - There are career opportunities available to me at HSBC - 31.7% agreed or strongly agreed but 42% disagreed or strongly

disagreed.

Q4 - My Total Reward package is fair compensation for the work I do - 8.36% agreed or strongly agreed but 86.85% disagreed or strongly disagreed.

Q5 - Our leaders act on employee feedback - 7.25% agreed or strongly agreed but 76.17% disagreed or strongly disagreed.

Q6 - The business operates ethically - 36.43% agreed or strongly agreed but 30.75% disagreed or strongly disagreed.

Q7 - I am motivated by the changes within

HSBC - 3.6% agreed or strongly agreed but 80.7% disagreed or strongly disagreed.

Q8 - I trust the information I receive from HSBC - 13.43% agreed or strongly agreed but 57.9% disagreed or strongly disagreed.

Q9 - HSBC values diversity - 33.8% agreed or strongly agreed but 19.33% disagreed or strongly disagreed.

Q10 - I am aware of HSBC's Corporate Social responsibility activities - 44.6% agreed or strongly agreed but 24% disagreed or strongly disagreed.