



# Pensions Cuts

## Discussions with Capita and their Final Pay Proposal

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### Your Pensions and our discussions with Capita

You will have received our recent newsletter explaining that our discussions with Capita had not led to an offer which did enough to address the pensions issue that to the satisfaction of members and that we will be proceeding with a formal ballot for industrial Action in line with the strong mandate given to us. The purpose of this newsletter is to explain our position during the discussions and, in more detail, our view of the company offer.

### Capita's offer and our decision to defer the strike ballot

On the 14<sup>th</sup> of June, following the overwhelming vote by our members to ballot for industrial action over pensions at five L&P sites, Capita tabled the following proposal

#### Pay 2011/12:

- 2011: increase in basic salary equal to the Average Earnings Index (average for 2010) subject to a minimum of 1.5% and a maximum of 3%
- 2012: increase in basic salary equal to the Average Earnings Index (average for 2011) subject to a minimum of 1.5% and a maximum of 3%.

#### Bonus 2010 and future years:

- 2010: (subject to financial approval) 1.25% of basic salary payable as usual, as a one off bonus payment, in February 2011 pay, subject to normal conditions and statutory deductions
- 2011 and future years: buyout for all those in receipt of the Staff Incentive Scheme earning less than £25,000. Buyout to be 2% of basic salary and paid as a salary uplift, this would be payable in the last quarter of 2010.

We welcomed Capita's decision to reopen the dialogue in order to find a solution to the pensions issue. Indeed our priority as your union has been to encourage Capita back to the negotiating table and seek a settlement before industrial action becomes necessary. We expressed to Capita that this initial proposal didn't go far enough in addressing the pensions issue but that we would engage in further discussion to explore whether a deal we could put to members could be reached.

Our response to the company was that more money on the table would be needed and that there would have to be some focus on the distribution of that money towards those staff that have lost out most heavily from the pensions changes. We therefore agreed to defer our proposed industrial action ballot to allow these talks to take place. We were very aware of members growing frustration at the delay and some would view the offer as not worthy of consideration. However, we did feel that it was important to give Capita every chance to develop a proposal that might go far enough for our members in dealing with the pensions issue and, therefore, avoid industrial action.

### **The Discussions and Capita's final proposal**

It was with a great deal of disappointment that Capita presented a final proposal which was almost entirely the same as that which they had presented to us well over a month earlier. The final proposal, which Capita have also outlined in a separate communication to staff, is this:

#### **Pay 2011/12:**

A two year pay deal for 2011 and 2012 on the following basis:

- pay pot for the annual rise indexed to Average Weekly Earnings (AWE) (Whole Economy) over the previous 12 months (January to December)
- The pay pot for 2011 and 2012 would be subject to minimum of 1.5% and a maximum of 3% each year
- After two years to review the minimum and maximum rates.

#### **Bonus:**

- a one off payment of 1.25% to staff, payable in February 2011.
- Staff earning below £25,000 per annum (and some above the threshold but not managers or subject matter experts) a 2% salary increase in Q4 2010 but no longer eligible for a bonus
- Staff earning more than £25,000 will become eligible for a bonus scheme which would be based on business plan and individual performance. The details of that scheme are not yet finalised but Capita are looking to offer up to 7% on the basis of meeting "a stretch on the business plan."

### **Why this proposal does not resolve the pensions issue**

As you will know from our recent newsletter, the Unite senior workplace reps met to discuss this proposal and unanimously agreed that it would do little to satisfy members' aspirations and given the mandate from the consultative ballot agreed proceed to an industrial action ballot in Reading, Craigforth, Quadrant Court, Manchester and the Glasgow Bothwell Street office.

We were extremely disappointed that Capita had done nothing to revise their proposal in order to offer more to those who have been impacted by the pensions cuts. A large number of our members are having to take a pay cut of up to 7% to pay into an inferior pension scheme that will see individual retirement income cut by many thousands of pounds. Feedback from members has indicated overwhelming support for the decision to proceed to ballot and that Capita have shown scant regard for their very real anger on the pensions issue.

### **How does the proposal measure up as a pay offer?**

This proposal, in any case, would be likely to result in further below inflation pay increases to staff, effectively cuts in real-terms pay following previous below inflation pay deals. This year's pay deal was a 1.5% increase. Inflation (RPI) is currently 4.8%.

Inflation is predicted to outstrip increases in earnings in the UK economy over the next couple of years according to the median of forecasts from 40 or so City institutions collated by the Treasury.

Inflation (RPI) is forecast to be 3.8% by the final quarter of 2010 and 3.2% by the end of 2011. Average earnings are forecast to grow by 1.9% in 2010 and 2.1% in 2011 as average earnings growth is stagnated by the public sector pay freeze.

Whilst these are only predictions about the future of inflation and earnings they do suggest that the offer would likely lead to a further erosion of pay against increased prices.

Capita are making substantial savings by slashing the pensions of staff. We are very disappointed that they are unwilling to put any of those savings towards a better offer to members.

We would like to emphasise that we are not rejecting, or accepting, this pay and bonus proposal but we do see the irony in Capita's desire to see the union ballot its members on the terms of this offer when they have failed to address the outcome of the pensions ballot. If Capita withdraw this pay offer for the whole of the Life & Pensions Division as a result of staff taking industrial action in defence of their pensions then that will be their decision and not ours and the Union will consult with members before submitting a pay claim in line with normal protocols later on in the year. It is worth noting that in their initial proposal Capita stated that the offer would come off the table if Unite balloted for action on pensions but it appears that they have since had a change of heart. Unite has also had feedback from members in the non impacted sites who are nonplussed by the Company's proposal as a pay offer but are very concerned by Capita's linking of Industrial Action on pensions and their future pay increases and are asking why Capita appear to be looking for a confrontation with them as well.

### **A Question of Trust**

Capita, in their recent message to you, say "Although the Capita Group is currently on course to meet City analysts' financial expectations for this year, in terms of meeting our Life and Pensions divisional plan targets, 2010 is being a very tough year." However in the half-yearly results released on 22 July 2010 both Capita Group and Life and Pensions seem to be doing very well.

The underlying operating profit of Capita Group for the 6 months to 30 June 2010 was £178.4 million. This is a 12% increase on the corresponding position in 2009 and allows for an 18% increase in divided payments to shareholders. The underlying operating profit for Life and Pensions increased from £26.6 million for the 1<sup>st</sup> half of 2009 to £33.2 million for the 1<sup>st</sup> half of 2010. An increase in profits of 25% is an excellent interim result for which you, the staff, are directly responsible. Instead of rewarding staff for such an excellent performance and delivering record profits and dividends in a very tough economic climate we see Capita cutting terms and conditions. It will not be lost on members either that the annual bonus schemes were significantly diluted in 2009 without agreement and linked bonus pots to Divisional profit targets for the first time in a scheme which lacks any transparency.

It is clear that Capita can certainly afford to compensate staff for the cuts to their pensions and take home pay and Unite note that Capita acknowledge that any Industrial Action would affect Company profit. We call on Capita to resume negotiations with a serious offer that would be acceptable to our members.

We therefore urge members in Reading, Craigforth, Quadrant Court, Manchester and the Glasgow Bothwell Street office to vote for yes to both questions in the forthcoming ballot as the surest way of defending pensions and forcing Capita back to the negotiating table.

**Daryl Williams**  
**Finance Sector Officer**  
**Unite**