

# PAY 2008

## WHAT DO YOU THINK!

**Pay negotiations for 2008 between Unite, Accord and HBOS have now adjourned pending consultation with union members. The outcomes of these discussions are detailed below and have not been agreed.**

These pay talks have been unusually protracted but we have now achieved the best offer possible through negotiation. Over the course of this negotiation, the unions have achieved improvements such as:

- Introduction of a matrix approach to determining pay rises for Levels 1 & 2 in all divisions
- Increase in the minimum pay level for L1 – 3 and sub-levels in L1 & 2.
- Enhanced bonus outcomes
- Free share grant offer to colleagues in 2008 of 3.5%.

As previously communicated to members, the unions are now undertaking a consultation exercise to seek your opinion on the Company's final offer. Unite is committed to consulting members when pay pot offers are below RPI. As HBOS operate a pay structure that rewards performance, the offer will be more beneficial to some than others.

This newsletter is an overview of the pay proposals, the Company's economic position, external factors such as inflation and what settlements have been agreed with other banks/financial institutions.

Members are aware that Unite presented HBOS with the following pay claim:

- RPI + 1% for the next 3 years.
- Colleagues to get to 90% of role market rate within 2 years.
- Underpinning minimum of 3% or £500.
- 1% guaranteed pension contribution to be met out with the pay pot.
- Pay matrix for all divisions.
- Equal Pay distribution.
- Removal of financial impacts for colleagues by way of disciplinary sanctions.
- Reintroduction of overtime rates premia.
- Increase in holiday entitlement of 3 days over 3 years.

This year it has been a difficult set of negotiations as a number of unusual factors were discussed: unpredictable inflation; rising costs for members such as petrol and heating; the Company's difficulties since the credit crisis in the Autumn last year and the Company's position on cost/income control.

### THE OFFER

The Company's final offer on pay for 2008 is:

- 3.5% pay pot with an additional 0.3% to meet the extra costs for bullet points 2 and 3 below.
- Following application of the pay pot, a move to 90% of the sub-level for all effective performers in levels 1 and 2.
- Minimum salary to be set at 90% of the lowest salary guides within Levels 1 & 2. Minimum salary to be set at £23,200 for Level 3 colleagues.
- Introduction of a pay increase matrix for Levels 1 & 2 in all divisions.
- For colleagues in level 3 a move to 90% of the level minimum, after the pay pot application, for effective performances.
- The introduction of a pension saving scheme through salary sacrifice from June 08.
- 1% guaranteed minimum increase for those members who have opted to contribute to the BOS 1976 final salary pension scheme subject to satisfactory performance.
- Enhanced bonus outcomes for approximately 25,000 colleagues whose bonus would otherwise have been adversely impacted by some of the exceptional market conditions in 2007.
- Irrespective of HBOS performance, the Company will make a free share grant offer to colleagues in 2008 of 3.5%.

**WORKING FOR YOU IN HBOS**

**Gwyn Bates & Wendy Dunsmore National Secretaries, Unite the Union**

## Matrices

Matrices to determine the pay increases for all Levels 1 & 2 within the Company have now been introduced which will ensure fairness, transparency and equal pay for the Company.

The proposed pay matrices for colleagues in Levels 1 and 2 are set out below:

Retail	Clear Ratings						
	Clear Ratings	1.1	1.2, 2.1	2.2	1.3, 3.1	2.3, 3.2	3.3
Salary Guide	%	%	%	%	%	%	%
< 90%		7.00	6.00	4.75	2.50	2.25	0.00
>= 90 to <95		6.00	4.75	4.25	2.25	2.00	0.00
>= 95 to <97		4.75	4.25	4.00	2.00	1.75	0.00
>= 97 to <100		4.25	4.00	3.50	1.75	1.50	0.00
>= 100 to <102		4.00	3.50	3.25	1.50	1.25	0.00
>= 102 to <105		3.50	3.25	3.00	1.25	1.00	0.00
>= 105 to <110		3.25	3.00	2.75	1.00	0.00	0.00
>= 110 to <115		3.00	2.75	2.50	1.00	0.00	0.00
>= 115 to <120		2.75	2.50	2.00	1.00	0.00	0.00
>= 120		2.50	2.00	1.50	1.00	0.00	0.00

## Corporate, Group Functions and S & I

Position against Market Median for Role	Individual Performance		
	More is Expected (KPI 0 to 2.9)	Meets Expectations (KPI 3 to 3.9)	Exceeds Expectation (KPI 4 to 5)
<b>Below 90%*</b>	0% - 3%	4% - 6%	7% - 9%
<b>90% to 99%</b>	0% - 2%	3% - 4%	5% - 7%
<b>100% to 109%</b>	0% - 1%	2% - 3%	3% - 5%
<b>110% to 119%</b>	0%	1% - 2%	1% - 3%
<b>Over 120%</b>	0%	0%	1%

For members in Levels 1 & 2, your pay award is determined by your position in the pay range and your performance assessment, therefore you will need to know your current salary and what % this is of your market rate or salary guide. You should then read this % against your Clear/Recognise assessment (for colleagues in Retail and I&I) as set out in the above matrices. A similar approach is used in Group Functions and in Corporate Division where the line manager determines the actual increases from within the ranges published in the guidelines. Your union rep or line manager should be able to help you if you are unsure.

There are models for the distribution of devolved pay for colleagues in Levels 3, 4 & 5. You should be able to get more information on the system applying to you from your HR Business Partner.

## Factors

Unite's pay claim was based around three major factors, the company's economic success, inflation and increases awarded to competitors.

## HBOS Economic Position

On 27 February, HBOS announced its results for 2007 which showed a 3% increase in the underlying pre-tax profit to £5.7bn - much to the credit of members hard-work and dedication. Annual dividends to shareholders increased by 16%. There is little doubt that HBOS, like its competitors, has been impacted with the global financial crisis in that it has seen its share price halve in 6 months which in turn has impacted the Total Reward Package for some members.

## Inflation

The current RPI is at 4.1% (January 2008). February inflation figures will not be known until mid-March.

## Finance Sector Settlements

Negotiations have been concluded in all other large banks and building societies. These are:

Barclays - RPI plus 0.9% for the next three years.

Royal Bank of Scotland - 3.75% pay pot.

HSBC - 3.5% pay pot + 0.5% for grade min and max.

Clydesdale/Yorkshire Banks - Three year deal. Year 1, 3.25% or £800 for performing staff. Year 2 and 3, pay pot of RPI + 0.2%.

LTSB - 3 year deal. Year 1, pay pot of 2.8% plus 1% for market movement. Year 2 & 3, market movement + 1%.

Northern Rock - 4%.

## What's Next

**Unite and Accord are consulting members on the offer. The unions have agreed to ask members a number of questions so that we can properly capture information on whether individuals understand where they are positioned in their salary bands and how they view their pay award.**

**Unite would urge all members to complete and return the survey so that we can take your views forward with the Company. If you would like to give further feedback, you can do so by contacting your local rep, seconded rep or by emailing us at [HBOS.Support@unitetheunion.com](mailto:HBOS.Support@unitetheunion.com)**