PAY CAMPAIGN 2023

OUR COLLECTIVE

unite the UNION

Unite's case for this year's pay claim

ARE YOU WITH US?!

TOGETHER WE CAN ACHIEVE BETTER PAY!

TABLE OF CONTENTS

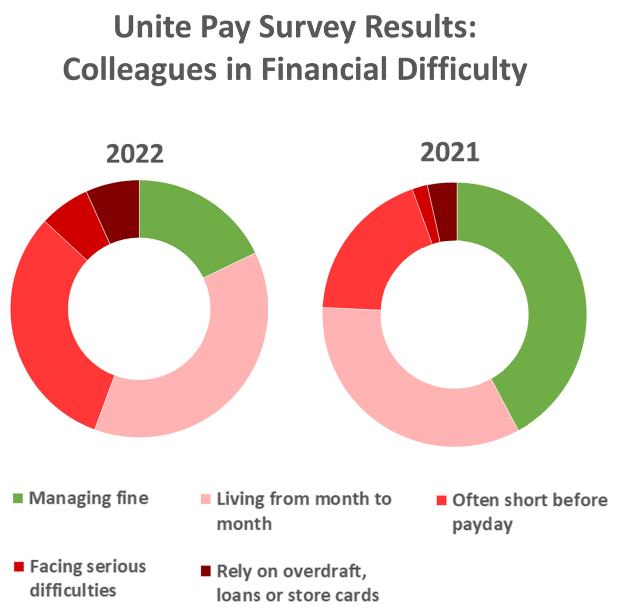
FOREWORD

"This year's pay round will be crucial in ensuring our members can make ends meet during these extraordinary times. The levels of engagement and collectivism shown during the Unite collective actions were incredible and clearly demonstrates that LBG workers are demanding an unparalleled pay round this year and are willing to take actions if needs be."

Caren Evans Unite Finance National Officer

15 MONTH PAY DEAL

- ***2023 PAY IMPLEMENTATION DATE TO BE 1ST JANUARY***
- ***TO INCREASE THE VALUE OF THE 2022 SETTLEMENT***
- ***TO PROVIDE AN EARLY BOOST TO SALARIES IN 2023***



> **JUST AFTER THE FESTIVE PERIOD IS WHEN PEOPLE STRUGGLE MOST, SO A JANUARY PAY RISE WOULD BE MOST WELCOMED AT THIS TIME OF YEAR.**

**As of print date: 08 September, 2022.*

Since our last pay round was implemented, the UK's GDP (Gross Domestic Product) has fallen, and with further falls predicted could see a recession on the cards later this year. Regardless of political opinion, Brexit, Covid-19, the Russian invasion of Ukraine and supply chain disruption has had a massive impact on prices of goods and services that we consume on a daily basis.

Political decisions such as the National Insurance increase and the increase of the energy price cap have meant that even before buying our food and clothing, there is already less money in our pockets than the equivalent time last year. Tax changes in April normally mean a slight increase in take-home pay for workers but the National Insurance increase wiped out most of this in 2022. The energy price cap increase means that for someone on the 'typical use' of an energy tariff now pays nearly £2,000 a year, compared to just under £1,300 previously. It's estimated that by April 2023 when this pay round would typically be due to be implemented this figure could be over £4,400 a year*.

There are many tips going around at the minute on how to manage your money better, and while you can cut out some of your non-essential outgoings but we shouldn't have to struggle when our employer is making billions of pounds.

Ultimately, what colleagues need is pounds in their pockets. A 15-month pay deal would see colleagues receiving their pay rise in January instead of April (subject to acceptance), which last year would have resulted in an additional £250 for our lowest paid colleagues.

Whilst proposing a January implementation this year, we are not proposing a permanent move to a January implementation date as that is not something that our members have told us they need right now. This pay round will be focused on short-term solutions that redirect money from where it is not needed to where it is essential.

PAY BUDGET: NO LESS THAN RPI

RPI as of December 2022

Real terms pay has been in decline since 2018, with total pay in 2021 around 14% lower than its peak in 2018.

For years, Lloyds Banking Group have operated a pay policy whereby they offer pay rises and a pay budget far below what colleagues need, let alone deserve. Any good business needs to balance costs, and wages forms part of that. What LBG aren't telling you is that they could afford inflation-based pay rises, instead choosing to play workers off each other by robbing Peter to pay Paul and retaining as much money as possible to prop up shareholder pay outs and profits.

Here Unite lays out some of the key considerations to take into account when the bank likely offers a derisory pay award, and we show where they can really find the money to make a pay award that we can all be proud of, and truly shows them as using finance as a force for good.

BEST PROFITS SINCE 2009!

- The bank made £6.9 billion in profit before tax – highest profits since the banking crisis.
- In the 2021 annual report Lloyds Banking Group recorded £10 billion in retained profits. Increased by £6 billion (2020).
- Profit per employee before tax in 2021 was over £105,000. 4.5 times higher than 2020 and the highest since 2009!
- You can see there is more than enough money to cover the maximum cost of the pay budget.

SPARE COMMON EQUITY TIER 1 CAPITAL (CET1)

- The CET1 ratio measures a bank's solvency through the strength of the capital (e.g. shareholder equity, reserves) that it holds. LBG has a regulatory minimum ratio of 11%, and it's internal target is 13.5%.
- By the end of 2021 the CET1 ratio was 17.3%. That meant there was 3.8% of capital surplus available.
- With the bank paying out £3.4billion to shareholders this helped reduce the CET1 to 14.7% by the middle of 2022!
- This still (at present) leaves 1.2% in excess of what the bank feel is needed to be retained for growth and investment. This is estimated to be £2.5BILLION of spare money and more than enough to give staff an inflation busting pay rise!
- There will still be a ridiculous amount spare for the inevitable share buybacks we predict will happen in 2023.

SAVINGS ON STAFF REDUCTIONS

- In the 2021 annual report it shows LBG reduced their average headcount by 3589.
- We estimate this equates to a potential saving of £214 million.
- That is a nice amount to contribute back into improving remaining staff pay!

PAY BUDGET: ESTIMATED COSTS

Increase %	Pay Budget	Total Budget inc. additional costs*
1%	£ 24,050,000.00	£ 38,480,000.00
2%	£ 48,100,000.00	£ 76,960,000.00
3%	£ 72,150,000.00	£ 115,440,000.00
4%	£ 96,200,000.00	£ 153,920,000.00
5%	£ 120,250,000.00	£ 192,400,000.00
6%	£ 144,300,000.00	£ 230,880,000.00
7%	£ 168,350,000.00	£ 269,360,000.00
8%	£ 192,400,000.00	£ 307,840,000.00
9%	£ 216,450,000.00	£ 346,320,000.00
10%	£ 240,500,000.00	£ 384,800,000.00
11%	£ 264,550,000.00	£ 423,280,000.00
12%	£ 288,600,000.00	£ 461,760,000.00
13%	£ 312,650,000.00	£ 500,240,000.00
14%	£ 336,700,000.00	£ 538,720,000.00
15%	£ 360,750,000.00	£ 577,200,000.00

*costs incl. pensions, flex etc.

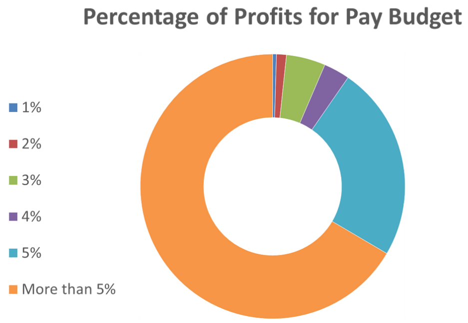
COST SAVINGS FROM REDUCTION IN OFFICE FOOTPRINT

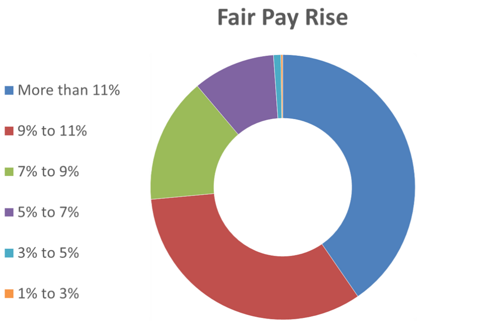
- Lloyds will be seeking to reduce their office footprint by 11% before 2023. No doubt in part due to the mass increase in homeworking, with staff taking on the energy and heating costs that come with it, but with no financial contribution from the bank.
- This reduction will bring savings, some of which should go towards staff.

FREE UP MONEY BY ADDRESSING THE DISPARITY IN GPS

- Currently Group Performance Share works on the principle the higher the grade, the higher the bonus. This has come under criticism particularly from A to C staff as generally they won't earn more than 5%. 5% of a little salary is still very little, whereas you can have a grade G colleague earning upto 50% of a massive salary. Then there are Executives that can earn 100% and CEO earning up to 140%.
- It is believed every grade should be able to attain a percentage within the same range. Since it is based on salary, this will still result in higher awards for higher grades but will increase opportunity, balance and equality for the lower grades by increasing their GPS potential.
- Restructuring the GPS pool could then free up more money to be dedicated towards salary increases!

Unite Pay Survey:
Staff Thoughts on Fair Pay for 2023





> THE DAYS OF ACTING LIKE PAYING STAFF A FAIR AND DECENT WAGE IS GOING TO 'BREAK THE BANK' ARE OVER!

INCREASED REVENUE FROM BANK OF ENGLAND RATE INCREASES

- In 2022 rates have increased 5 times from 0.5% to 1.75% (with some expecting them to go as high as 4% in 2023).
- This means the bank will likely continue to see a surge in profitability, a windfall unrelated to their business activities.
- Lloyds in the half-year results predict that a 1% rise in interest rates could increase net interest income by £675m in the first year, and then over £1bn by year 2
- Rather than prop up profits by giving colleagues a real term pay cut surely it makes more sense to repurpose some of this 'easy money' and direct it to staff so they feel valued and fairly paid.

Unite fully believe that the bank will say it is impossible to spend what we say is necessary and deserved for their staff.

As you can see the points raised, that just won't wash. It is also worth reminding LBG that when they do the wrong thing it can be an expensive mistake to fix.

Lloyds Banking Group is a business that can set aside and afford to drop £22 billion on a PPI scandal, £1.2 billion on the HBOS reading scandal, £695,000,000 for the issues related to insurance branch business in Germany and £91,000,000 on the fine for historical home insurance issues last year. Then there is the £400,000,000 software write off in 2021. These issues alone total up to just over £24 billion!

This year's pay claim sounds extravagant because frankly, staff are too used to being given way less than they are worth but there is literally billions upon billions of pounds at Lloyds Banking Group's disposal. In comparison, and reality, we are asking for very little. Yet, that 'very little' will make a huge difference to the workforce a.k.a the backbone of Lloyds Banking Group.

PAY RANGE MOVEMENT

All pay ranges should be increased by the agreed pay budget %

Every year your pay rise is determined is determined by several factors. Until recently there were two main factors that influenced what you ended up receiving as a pay rise. In 2020 the bank removed your personal performance, as something that could impact your pay reviews.

This now means that the major contributing factor that decides your pay rise is where you sit on your pay grade relative to the 'Market' zone.

Each grade comprises of 3 main 'zones', as well as 2 others. These zones directly affect the percentage you are offered as a pay rise - typically decreasing at each step.

The Pay Zones are:	
Below Minimum	*Where you are below the minimum salary*
Market Primary	*This is typically where you start out*
Market	*This is considered the market rate for your role*
Market Plus	*This is where you are earning more than the market rate*
Above Max	*This is where you have hit the top maximum salary threshold*

When you look at each grade and the 'pay zone' it is heavily weighted towards market plus, meaning the majority of pay growth within the grade is often as much, if not more than market primary and market plus combined. You can see this in the example below:

	Minimum	Maximum
Market Primary	£23,184	£24,471
Market	£24,472	£27,048
Market Plus	£27,049	£33,488

This is one way in which the bank can suppress the wages and pay rises of staff. The other is how those pay zones move each year. This is typically termed as 'market movement'. Over the last 5 years this movement has been negligible to nothing.

In 2021 there was no market movement. This has meant that whilst your costs have gone up, your chance of a fair pay rise has gone down.

Since 2017 the average movement for each grade has been low. This means that the maximum of the grade is often only moving by a few hundred pound, and has a direct effect on your pay rise.

> BIGGEST CONCERN FOR ME IS THE MIDPOINT MOVEMENT IS WELL BELOW NOT JUST THE RATE OF INFLATION, BUT ALSO WELL BELOW THE PAY INCREASE FOR MARKET ZONE EMPLOYEES. THIS IS EFFECTIVELY DRIVING DOWN THE AVERAGE PAY INCREASE FOR EMPLOYEES YEAR ON YEAR.
>
> - UNITE PAY BALLOT 2022

RE-OPEN CLAUSE

A commitment from both parties to re-open pay talks during 2023 if economic conditions deteriorate after the settlement date

This commitment is fundamental, in ensuring that all LBG workers have peace of mind that should the economic landscape deteriorate, placing further and unbearable pressures on their ability to cover essential expenditure like energy bills, food shopping, council tax bills and travel costs, that they will not be left to struggle alone, or rely on mountainous debt just to make ends meet.

The collectivism of the Unite pay campaign throughout 2022 brought about the much needed £1000 cost of living payment, which has provided much needed breathing space for a lot of LBG workers and is testament to the hard work of all Unite members and LBG workers who stood up and took action.

However this year we don't want to have to mobilise and build the necessary leverage in order to shame LBG to do right by its hard working staff.

That is why we have included a re-open commitment into our pay claim this year, which will seek a solid and unequivocal commitment that pay talks will re-open, based on the economic deteriorations as outlined above, to ensure additional and suitable support is put in place in a timely fashion, to ensure LBG workers can survive these unprecedented cost of living pressures. Which have to date been unpredictable and extremely volatile.

Charlie Nunn recently stated to the entire bargaining unit;

"like our customers, we know our colleagues are also facing an increase in their cost of living. That's why we announced a one-off additional payment to support our colleagues and we will continue to listen and consider what else we can do in response to the rising cost of living."

Unite seeks for this expression of concern, and thus consideration, to be met with a firm unequivocal commitment to take action and re-open pay talks if necessary, and for this to be clear in the 2023 pay settlement.

In the absence of such a commitment and the buy in of LBG in good faith, Unite will have no other recourse but to redouble our campaigning efforts as seen throughout 2022 to do right by colleagues and ensure they can live and not simply exist - for which we hope, you, LBG worker, will be with us!

STRUCTURAL CHANGE STILL NEEDED!

ARE YOU WITH US?

OUR COMMITMENT TO CAMPAIGN FOR FUNDAMENTAL CHANGES TO PAY AND REWARD IN LBG

JOIN UNITE

SHARE BUYBACK VIDEO

WORK OUT YOUR PAY RISE

The 2022 pay round and 2023 pay survey have unearthed the extent of discontent within LBG towards the current approaches to pay and reward, discontent which was also evident in the banks own colleague engagement survey.

Your Unite team know that these are very real and pressing issues for colleagues and we will be pursing these wider structural issues on a long term basis as part of our wider pay campaign.

The 2023 pay round, given the economic pressures colleagues are and will be facing, requires us to focus on getting more pounds into the pockets of LBG workers, this is our primary focus, so that everyone can weather the economic storms ahead and get through this cost of living crisis.

Rest assured, the above will be addressed, our pay campaign for wide scale change to pay and reward is only getting started and if you want to see change then you need to get involved, you need to join Unite the Union.

The key fundamental concerns that Unite have identified and are hearing from members focus on the following;

- *The difficulty higher grades face getting to the market rate, some citing as many as 10 years.*
- *4 day working week with no loss of pay*
- *Not actually being paid the market rate for the role*
- *Final salary pension*
- *Lack of market movement as a way to artificially push people into the market range*
- *Lack of parity with competitors*
- *The unfair distribution of GPS, favoring higher percentages for higher grades.*
- *Job evaluation concerns*
- *A & B review*
- *Closing the pay gap for women and BAME workers*

> “TOTAL REWARD HAS BEEN COMPLETELY ERODED BY THE GROUP FOR A NUMBER OF YEARS AND WHAT IS CONCERNING IS THE STAGGERING INEQUALITY BETWEEN THOSE AT GRADE A-D AND THOSE ABOVE IN TERMS OF GPS AWARDS, THE PAY AND PENSION CONTRIBUTIONS.
> - UNITE PAY SURVEY 2023”

CHANGE IS NOT A SPECTATOR SPORT

SUPPORT UNITE!

CONTACT US

JOIN

08081 449 595
www.uniteinlbg.org
www.unitetheunion.org
LBG.Support@unitetheunion.org

@uniteinlbg