

No. 658/17

6th December 2017

Dear Colleagues,

UPDATE ON EXTERNAL MEDIATOR'S REPORT

On Friday 1st December the CWU received a copy of the Final Report by the External Mediator, Lynette Harris, relating to our ongoing dispute around Pay and the Four Pillars of Security. A copy of the Final Report is attached for your information.

In line with the Dispute Resolution Procedures set out in Schedule 3 (paragraphs 3.1 to 4.8) of the Agenda for Growth Agreement, the External Mediator has produced a Report which sets out a summary of the final position of the parties at the completion of the mediation process and the External Mediator's conclusions and recommended solutions to the matters in dispute. While para 4.5 of the mediation procedures say "the expectation is that both parties will use the External Mediator's recommendation to solve their differences", the recommendations themselves are not binding on either side. **It is therefore important to note that the Mediator's Report is not an Agreement between the parties but simply represents the views of the External Mediator on the matters in dispute.**

The CWU recognise that the mediation process and the requirements for confidentiality have been frustrating but in the face of the massive mandate for industrial action and the degree of membership support the dynamics of the talks have changed markedly and Royal Mail Group's position has moved significantly and particularly on the critical issues of Pay (where the basic pay offer has increased), Pensions (where the company have now agreed to introduce a single wage in retirement scheme for all employees) and Pipeline (where the company have moved away from their proposal for a 5pm last letter time).

From the outset of the mediation process, the CWU have argued that Royal Mail Group's legal action was not a serious attempt to resolve the dispute but a cynical, last minute manoeuvre designed to stop the CWU exercising its democratic right to strike following a legally constituted ballot. Having been forced into the mediation process under duress, we have made it clear that whatever the requirements of the mediation process and the

particular recommendations of the Mediator, the ultimate solution to this dispute lies between Royal Mail Group and the CWU.

At the centre of this long running dispute is a basic struggle for our members' future employment, income and retirement security and we must never lose sight of that. In the face of management's short term cost cutting agenda, serious resourcing issues, closure of our DB Pension scheme and the risks from automation and competition, the CWU has set out a progressive, forward agenda designed to protect members' jobs, pay, pensions and working conditions and promote their health and wellbeing at work. Our aim is to build a bridge from our current Agreements and secure a greater period of stability and security for our members.

PAY

The employer's position on pay has moved both in design and reward since their original set of pay proposals were put to the union back in March 2017. Our Representatives and members will recall RMG's original proposals included:

- Introducing a lower starter pay rate for new entrants.
- Removing a range of legacy payments including 2000 Driving Allowance, 2000 PHG Allowance, PBS ICS Time Bonus, Road Network Scheme 2007, Early Shift Protection 2000 Way Forward, LA1 Supplement, Pay Protection, Network 2007, Reserve Rights Night Shift and LGV Allowance.
- Removal of election payments.
- Move from weekly to monthly pay.
- Align Christmas Bonus to performance.
- The loss of the first 3 days paid sick leave.

As a result of the CWU's campaign and the degree of opposition from members, management subsequently withdrew all the above pay proposals. However, Royal Mail Group maintained their proposal to link future annual pay awards to their own (un-agreed) productivity measure based on Weighted Items Per Gross Hour (WIPGH).

In relation to the 2017 April pay award (and in response to the union's claim for an inflation plus pay rise from the April review date) the company had offered prior to the mediation a £375 lump sum payment (to be consolidated in April 2018). From the same date, Royal Mail Group also offered a 1.2% base pay increase and a productivity linked pay increase of up to 3.5% dependent on delivering increased performance.

In the course of the mediation, Royal Mail Group made the following revised pay offer on 15th November:

- A £550 lump sum payment (pro rata for part timers) payable to all CWU represented grades employed in RM on the date of the Agreement in recompense for the pay year 2017/18.
- An adjustment to base pay only from 2nd April 2018 of 2% which is in effect a consolidation of the equivalent to the lump sum payment.
- For the pay year 2018/19, a 2% base pay increase from 2nd April 2018.
- From October 2018 a reduction in the working week of 1 hour for full time employees subject to achieving the following enablers to allow it to happen:
 - a) Deployment of the last letter time 15:30 (16:30 rural).
 - b) National deployment of AHDC scheduling tool and roll out of hours capture.
 - c) Conclusion and implementation of delivery method trials.

Although the CWU recognise this was an improved offer, it was still an unconsolidated deal, did not flow through to other allowances and did not reflect current rises in the cost of living. We also made it clear that the offer from Royal Mail Group made no reference to the outstanding issue of holiday pay for part time employees.

On basic pay, the recommendation in the External Mediator's Final Report (detailed in para 79) represents a significant improvement on the latest offer from RMG. It recommends a 2.6% basic pay rise for all CWU represented grades for 2017/18 (consolidated from April 2017 and flowing through to all pay and allowances) with a further 2% rise in basic pay (not allowances) from April 2018.

However again it is important to stress that we do not accept RMG's latest offer or the recommendation of the Mediator and whilst we acknowledge that there has been progress we still believe more progress needs to be made in this area.

SHORTER WORKING WEEK

In relation to the shorter working week, the union has secured a clear commitment from the employer to the principle of a 35 hour full time working week. In developing the words in the Accord over the course of the Summer, both parties agreed that "a shorter working week can assist in helping to address a number of issues the business and its employees face around automation and resourcing workloads, overtime and part time employment and the company's long term commitment to have a predominantly full time workforce consistent with our existing agreements".

Although both sides are agreed on the principle of a shorter working week the key question now is on what basis any hour reduction should be triggered. The Mediator's Report noted that a shorter working week is "a goal shared by both parties, the issue is how to achieve this affordably". During the mediation process and as part of the pay offer, the employer made an offer to reduce the working week for CWU grades by one hour from 2018. This one hour reduction would be subject to the following enablers:

- Deployment of the last letter time of 15:30 (16:30 rural).
- National Deployment of AHDC scheduling tool and roll out of hours capture.
- Conclusion and implementation of the delivery methods trials by October 2018.

In subsequent talks with the employer, Royal Mail Group have now changed the basis on which the hours cut should be delivered and are now proposing to jointly commit to the first hour subject to:

- Undertaking the trial work for AHDC and the delivery methods in the first part of next year and;
- Agreement to the 30 minute shift in notional last letter time.

Clearly, the employer's latest proposals relating to the shorter working week are an improvement on those initially tabled to the CWU back in March. The employer's original proposals which provided for a three stage hours reduction were linked to completely unacceptable and largely unachievable productivity targets. The very latest offer on the one hour has been linked not to the implementation and completion of delivery method trials but to the start of those trials, undertaking the trial work on AHDC and agreement on the 30 minutes shift in notional last letter time.

However what needs to be secured in these negotiations is a coherent and determined commitment/flight path to have all full-time duties based on a 35hr week by a specified date. So there is still much to do in this area whilst again recognising some progress.

PENSIONS

Royal Mail Group's agreement to the union's proposal for a single pension scheme for all CWU members based on a wage in retirement represents a major advance in the talks and arguably the most significant step forward over recent months. The introduction of a wage in retirement scheme will not only have a massive material and generational benefit for our members' future pension benefits but also represents a potentially historic

development in UK occupational pension provision since the disastrous moves to introduce individual DC schemes.

Since the CWU presented its own WiNRs scheme to Royal Mail Group earlier this year, we had effectively reached an impasse in talks with the employer refusing to accept the principle of a single scheme for all and arguing that our proposals for a wage in retirement scheme represent too great a long term risk for the company. Royal Mail Group had said that if no deal had been done by July 2017 all our members would be placed into the inferior DC scheme.

It is therefore a testament to the credibility and integrity of our proposal and to the strength of our membership campaign that Royal Mail Group have now committed to work with the union (with the support of our respective pension advisors) and develop a single pension scheme for all employees which offers a wage in retirement. We have also agreed the future definition for pensionable pay which will cover all basic pay and allowances with no lower earnings deduction. The company have also agreed to introduce the new scheme as quickly as possible (subject to the statutory regulations being put in place) and to discuss transitional arrangements from April 2018 in light of the company's unilateral decision to close the RMPP to future accrual in March next year.

In addition, RMG has agreed that:

- The governance of the new pension scheme will be part of any future pension discussions.
- The parties will work together to lobby Government and other interested parties required to support the necessary changes in the regulations (which Royal Mail Group have agreed to pay for).
- To work jointly via a Pension Forum to address the specific tasks involved in pursuing a new single wage in retirement scheme for all Royal Mail Group employees.

Both parties also recognise that there may well be a need for transitional arrangements to be in place from 1st April 2018. As an interim measure, the parties have been discussing a transitional arrangement whereby former RMPP members are transferred into a defined benefit cash balance scheme for an interim period, and current DC members (with at least five years' service in the DC scheme will also be moved into the defined benefit cash balance scheme until a new single scheme is introduced. Equally for that period current DC scheme members below 5 years' service will be auto enrolled into a new high level with a RMG contribution of 10%.

To be clear all of the above represents huge progress but we have still not agreed either the transitional arrangements (if required) or the contribution rates of the employer in any final new scheme which we believe is fundamental to the targeted benefit outcomes, so there is still much to do before we reach an actual Agreement rather than just a philosophical one.

PIPELINE

The CWU position in relation to the company's proposals on a revised pipeline has been well documented and communicated. Royal Mail Group's position is that the needs of a cost efficient pipeline should determine the delivery operation. This represents a distinct change in emphasis from the standard established at BT2010 that the pipeline should be engineered to meet the requirements of the delivery operation.

The CWU believe the company's short term thinking and managed decline of the network will seriously reduce the company's capabilities, limit innovation, restrict the offer of new products and services and ultimately exacerbate the decline in letter volumes and so hasten the point at which the "once up the path" model ceases to be viable.

At a time when the demand for greater flexibility and bespoke delivery options is rising it is ludicrous the company would embark on a strategy which abandons the AM period for parcel delivery and restricts their delivery window relative to all of the major competitors in the Parcels Market.

In discussions on pipeline issues, the business has moved from its original position. The debate has centred on the company's proposed pipeline changes to accommodate growth in regard to new LAT parcel volumes. From the CWU perspective, we have sought to retain key principles around a "core delivery model" for delivery duties ensuring that combined USO deliveries continue to operate with Delivery "start" and "go out" times as close to current as possible.

To clarify, progress has been made but RMG need to be far clearer on the impact of any proposed change and we are insisting that any new pipeline has to be consistent with no major disruption to our members' lives, a defined core operation, earlier and later opportunities for growth and a structure that can genuinely embrace new products and services. That said, these negotiations still have a way to go before we have an Agreement.

Automated Hours Data Capture (AHDC) / Outdoor PDA Actuals

The introduction of Automated Hours Data Capture has been a clear priority for the business and those discussions have been ongoing in one form or another since late 2015. Branches will be aware that the company has proposed a trial of the equipment in regard to both an active system (requiring the employee to swipe in and out) and a passive system involving automated recording utilising RFID technology in a new design name badge holder.

The CWU has consistently voiced concerns over the company's plans for the use of the technology and has continued to seek clarity and assurances in regard to safeguards for our members in line with those achieved for other forms of IT platforms such as Telemetry. In addition, we have raised concerns over the requirement for the level of visibility suggested in the company's proposal where at the trial sites sensors have been fitted at every workstation. We have maintained that the tracking of individuals to that degree is unnecessary and could lead to victimisation should the data be misused. Throughout the talks the CWU have sought to enact the policies and protections agreed at our Policy Forum in March 2016.

Additionally we recognise that the similar levels of visibility intrinsic to the Outdoor PDA Actuals will require the agreement of corresponding safeguards with regard to the use of data for conduct or individual performance management.

Again progress has been made and the Mediator Report touched on this, however, there is still a way to go because this technology has the ability to drive an inhuman workplace/approach and we are determined to secure an Agreement that ensures that this is not the case in RMG.

EXTENDING OUR AGREEMENTS

As part of the union's Four Pillars campaign, we have been seeking to extend the legal protections contained in the AFG Agreement. We are proposing that the Agreement should be extended to 2023 (for a further 5 years from 2018) and continue to provide the security in the way the company is structured, to avoid the risk of outsourcing and the breakup of Royal Mail Group and provide the climate for the company to develop and advance a future growth agenda.

In the talks, the company has recognised that the work of the Growth Forum has "certainly deteriorated" and has not provided the right environment for a proper discussion about

potential new products and services. This has led to discussions around creating a new Growth Forum with some additional investment funding from the company to support developing and trialling of new products and services. This still remains a long way from the union's own progressive, forward agenda for growth based on greater diversification, investment and innovation and the development of new products and services for customers.

The Mediator Report suggested reflecting on this issue in line with the current Agreement i.e. in 2019, which is unacceptable to the CWU, we need to deal with this now and agree an extension to that Agreement to afford our members and this union the confidence to work with RMG on a genuine mutual interest culture which affords employees with employment, standard of living and retirement security. Therefore negotiations continue in this regard.

CONCLUSION

Against the backdrop of the CWU's ballot result and the External Mediator's Final Report, it is clear the CWU has successfully shifted the employer's position and secured the basis for a far better Agreement for our members based on the 'Pillars of Security' we seek.

As well as the above, we also have a firm commitment from the employer that any final Agreement will also cover the issue of how we rebuild confidence, the working environment and culture, recommitment to the IR Framework, Resourcing, Quality of Service, Efficiency and Productivity Measures.

Your negotiators have not lost sight of the issues detailed above which need to be addressed if we are to successfully move our members and the business forward. The Postal Executive constantly monitor and assist our progress and we continue to take input from our Senior Field Officials. These are the belt and braces that ensure the CWU work together to produce the best possible democratic resolution to this dispute.

It is hugely important that members understand that Parcelforce and all other business units under the Royal Mail Group Corporate Umbrella are being fully represented by the CWU negotiators in these talks.

To be clear, our dispute is far from over. If an Agreement can be achieved without the need for industrial action this will be excellent work, however, if the talks go backwards or we feel management are being insincere at any stage of the negotiations we will not hesitate to issue notice.

In closing, the message is clear, keep your eye on the prize, hope for an Agreement but remain prepared for industrial action and be in no doubt that your leadership is as determined as ever to reach an Agreement based on our policies via negotiation or adversity, whichever way the Royal Mail Group want it.

Further talks with the employer are due to take place this week and next and further updates will be provided to Branches in due course.

Yours sincerely



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