

### **Proposed Changes to Terms and Conditions Negotiations Update 11/20 #2**

Dear Member

After many weeks of negotiations between the business and the trade unions, we have reached the point when further progress is no longer possible. You are now being asked at this point to vote on the package of proposals as set out by the business and briefed to you.

**Your UNISON in British Gas sector committee (made up from senior reps who work for British Gas) unanimously believes that the proposition the business is making to you, is the best that can be secured through negotiation. Furthermore, taking industrial action could lead to Centrica withdrawing the offer and reverting to more detrimental proposals which we would not want to see. As a member led union, we will be bound by the decision you make. Therefore, it is very important that you exercise your choice and do so carefully with a view to ensuring a future for all our members employed by Centrica and one we can build from going forward. If you are in any doubt on aspects of the proposals before you, please speak with one of your UNISON reps to seek clarification at the earliest opportunity.**

We fully understand the anger and frustration that has been evident these last few months. The actions of Centrica at the outset made these negotiations very difficult, but we saw past these and have worked hard to get a negotiated settlement that can be put to members to decide on.

We have understood the financial challenges the business faces and that the economic downturn linked to COVID is set to make matters worse. You only need to see the collapsed share price and size of the pension deficit to understand the severity of the problems. Ultimately, we do share a responsibility for the thousands of members whose livelihoods depend on the continuation of British Gas. It is why we think a negotiated outcome is preferable, but ultimately it is members choice.

Members have every right to reject the revised proposals and rejection will move us to hold an industrial action ballot, but you should only reject the proposal if you believe this will lead to an improved offer. Your negotiating team do not believe based on all the work so far that this is possible and in addition not worth the huge risk to the livelihoods of our members.

The company proposals are complex and while it includes many negative elements like a 3 year pay freeze and removal of Flexsa, it does also include positives going forward like pay calibrated to an upper quartile position and a new company performance bonus. Should the business recover we have determined that members will benefit from that recovery.

Member consultation on the proposals will take place after staff briefings. Your UNISON branch will be in touch explaining how you can take part. Please respond to any requests. Thankyou.

## **A Summary of the Key Changes that British Gas was seeking to impose on Staff and (in red) how these have been revised in negotiations with the trade unions.**

### **Base Pay**

The business was seeking to align all pay to a market medium position going forward into the future. This would leave staff in a worse position with new pay rates in the future below what staff currently earn thus resulting in over 90% of staff having pay frozen for more than 5 years and for many staff even longer - up to 9/10 years

The business will instead use a market upper quartile position for L8 staff to harmonise base pay rates after a 3 year pay freeze.

Base pay will be frozen for all employees across Centrica for the first 3 years unless you are actually paid below the market medium rate in April 2021. If you are, you will be moved up to that rate straight away.

During the 3 year pay freeze, an increase of CPI capped at 2.5% will be applied to both the upper quartile and market median rates for the job. After the 3 year pay freeze ends a negotiated pay increase will then also be applied to the new upper quartile pay rates in years 4 and 5. The market medium rate will disappear and the new rate for the job will be the upper quartile rate and it will now be above the wage most staff get. Over the next 2 years (years 4 and 5) in two stages you will move upwards to the new rate for the job. This benefits around 70% of staff in the collective arrangement. If you are in the smaller group of staff who remain above the new upper quartile rate due to historical reasons but are doing the broadly the same grade job, you will receive 50% of the negotiated pay increase in an unconsolidated payment. You will not see any base pay reduction and your pay will be protected.

### **Level 7 Merit Arrangements**

The business was seeking to align all L7 staff onto the Merit Pay arrangement.

Going forward those L7's who are not in the Merit Pot arrangements, will be placed in the Merit arrangement but importantly the size of the Merit pot will be negotiated with the trade unions after the 3 year pay freeze ends. A new simplified appeals/grievance process will be created for L7 staff unhappy with their personal merit outcome and trade unions will support members in that process. The salary ranges for L7 Merit Pay will also be made available and anyone below the bottom point in the range will be moved onto that point. No L7 will be outside the salary range.

### **Flexsa**

The business made clear its intention to remove Flexsa allowances for all employees and with it the value of purchasing benefits through this arrangement. This was a non-contractual discretionary arrangement and the business made it clear it could no longer be afforded.

We have not been able to move the business on its intention to remove the Flexsa scheme primarily because this was not a collective term but a discretionary reward.

### **New Collective Recovery Bonus**

The business was seeking to introduce a free share award to employees

The business has agreed a revised proposal. This will see 2% of Centrica's operating profits being used to reward staff annually as a new company bonus scheme. At present based on 2019 full year

results that 2% would equate to a value of £715 per employee and it will be credited in free shares in Centrica held under each employee's name. This figure will grow or fall dependent on company performance. These can be cashed after 3 or 5 years of holding. If the company does grow and profits increase going forward, the total bonus will grow also. The award will be distributed to all employees (pro rata for p/t) and is not linked to your salary. This is a new shared company bonus and does not change any incentive/performance scheme that exists already for staff and have been reformed under the SIR programme.

### **Transitional Payment**

The business was not willing to offer any transitional payment in way of recognising the impact the changes have on all staff notably the loss of Flexsa and pay freeze.

The business has agreed to make a lump sum payment to all L7/8 staff of £1000 as a transitional payment subject to the changes being accepted. This payment is subject to tax/NI but it can be put into your DC pension pot at full value.

### **Overtime rates and late/night working rates**

The business was proposing to reduce overtime to a plain time payment only so no enhancement

The business has agreed that overtime rates from 1<sup>st</sup> April will be at 1.33 or time and a third. Late or night working rates will also be at 1.33 or time and a third.

### **Annual Leave**

The business proposed an immediate move for all employees to a standard 25 days plus bank holidays arrangement. Those who had more than 25 days will simply lose the additional days.

The business has now agreed a revised position that a phased rundown will take place for all staff who are currently in receipt of A/L above 25 days. Those below 25 will move to 25 days with effect from the 1<sup>st</sup> April 2021. If you are on 29 days or above, you will in the first year drop to 29 followed by a drop to 27 and a drop to 25. If you are on 28 days you will remain on 28 in the first year, followed by a drop to 27 in the second year and a drop to 25 in the final year. If you are on 27 or 26 days, you will remain on these for 2 further years and then move to 25 days.

### **Working Hours**

The business was seeking an increase in the working week from 37 hours to 37 ½ for office-based staff and to 40 hours for field-based staff. This increase was without additional remuneration

The business has now agreed that for those in the staff collective the working week will not increase and will remain fixed at 37 hours for all F/T staff.

### **Operational Window**

The business proposed a move to a standard operational working week across Centrica of 6am-11pm Mon-Sunday

The business has agreed a revised position of a new operational working week for all employees will be 7am-9pm Mon to Sunday. A memorandum of understanding for staff will exist between the trade unions and the business to ensure existing office staff are not suddenly subject to significant revisions to current working patterns.

## **Redundancy terms**

The business proposed the immediate removal of the enhanced GSSO contractual redundancy terms to be replaced with a less generous, not defined and non-contractual package. The business also wanted the ability to change its package according to circumstances at the time.

The business has now agreed a revised position that those entitled to contractual GSSO redundancy terms will see those terms protected for 3 years until April 2024. After that point and for those staff without contractual GSSO terms a new contractual scheme will be used which for staff members is broadly equivalent to statutory terms x 2 with no upper limit. The business will also consider running a discretionary expressions of interest voluntary exit programme.

## **Health and Wellbeing**

A change was proposed to overall sickness benefits to be applied with a further requirement to sign up to the Centrica private healthcare insurance plan. If you refused to sign up to the private health insurance, you would only be eligible for statutory sick pay which is a significant detriment.

The business has agreed a revised position in which all employees will be enrolled into the private healthcare plan with its published benefits and pre-existing medical conditions covered. Members will however be able to opt out without any detriment and if they so choose, be able to opt back in later, although pre-existing medical conditions however may not be covered.

The sickness scheme will change as originally proposed so after 2 years' service you get 13 weeks at 100% of basic salary followed by 39 weeks at 67% of basic salary in any 12-month period.

The business and the trade unions will jointly work together to find ways to reduce short term sickness to 50% of its present level. Should that be achieved the business will increase the pot of money available to staff through the profit share bonus.

## **Pay Date Change**

The business was progressing a moving of the pay date to an end of month position which would be four weeks in arrears. Currently staff are paid mid-month 2 weeks in advance and 2 weeks in arrears. The move from one position to another requires a one off 6-week gap between pay dates. To cover those extra 2 weeks, the business proposed making a payroll loan available to be paid back over 9 months.

The business has now agreed to remove this proposal for base pay although the positions will change so that any variable pay such as overtime will be only paid in arrears.

## **Contracts of Employment**

The business was seeking to change the contracts of employment and effectively remove the right for trade unions to negotiate future changes, meaning the business will be able to change terms in future simply by informing you of them.

The business has agreed a revised position so that for all L7/8 staff, the terms agreed will become contractual terms subject to collective bargaining only with the trade unions.

## **Q and A**

### **Why is UNISON not recommending rejection of the proposal?**

The UNISON in British Gas National Sector Committee considered its position very carefully following months of negotiations. We do not believe we can further improve the offer for Staff during negotiations and are suitably concerned that should we attempt to force further improvements through industrial action we could end up in a more negative position for members and with an even weaker business going forward. We committed that any revised proposals would be put to members for them to make the decision. Although several of the changes proposed remain difficult to accept, they do create an opportunity for the business to recover and grow again. This will feed through into better reward and job security for all employees. Amongst the office staff we have lost thousands of jobs over the past 3 years and more will follow unless things change. The long negotiations have ensured the offer to members is improved in several ways but ultimately it is for members to decide on whether they wish to accept or reject it.

### **If the deal is rejected will this lead to an improved Staff offer?**

The view of the UNISON in British Gas national sector committee is that we think it highly unlikely the offer will be improved further. We consider it more likely that the business will reduce the revised proposal terms and seek to implement the changes in different ways – firstly through voluntary acceptance and later by more pressing means. As a union we will only realistically have one option available to us and that is via industrial action. This requires a separate IA Ballot, and should members support that option it would need to be substantial and could lead to the loss of the improvements we have secured. We are clear however that if members decide to take this course, we will work to make any action successful.

### **What is the position within other collective and other trade unions?**

All trade unions have been involved in negotiations with the business with a view to putting a revised proposition to trade unions members. Only trade union members will have a say on the proposal.

The proposed changes impact groups of workers very differently depending on their existing terms, so comparisons are difficult. The most striking difference is in base pay and what happens after 3 years. 70% of our members in the staff collective will see positive upward salary movement as they progress to new spot rates based on upper quartile market revisions. This is a different to the positions in the field collective. Staff members are also not being required to work 3 extra hours per week or increase productivity via a mechanism called CTAP. The respective business units within Centrica all face different challenges but ultimately to move forward agreements are required. We have taken the position that staff members should be the ones to decide if the proposal is acceptable or not, before we move to an industrial action ballot.

### **Is British Gas / Centrica really in difficulty?**

Although we do not think Centrica is likely to go bust any time soon it does face a series of major challenges which we acknowledge. While many of these challenges are self-inflicted and a result of poor past decision making by the executive, that doesn't help us today. Centrica has seen its share price fall from over £2.50 to around £0.45p and its total company value has fallen from £16 billion to below £3 billion. It has debts of some £3.3 billion and a pension deficit at last valuation of £1.4 billion and growing. Centrica has a share of a nuclear energy business which is hardly producing any power due to stations being offline and an offshore oil and gas production business which has declined in value significantly due to wholesale gas and oil

markets being in decline. In the UK it has also lost millions of customers and is impacted by the energy price cap. It does however retain a market leading position in UK energy and service customers and with net zero likely to lead to increased spending on home/business adaptations this could bring much needed growth in the future. Despite the significant job losses Centrica still employs some 20,000 workers and we want to ensure a strong UK workforce into the future, not one that is outsourced, franchised or sold off.

**What is the value in having a new company bonus scheme that pays out in shares when the share price is at record lows?**

This is a new reward scheme and is in addition to existing incentive schemes. The trade unions wanted to ensure that if the business was successful moving forward some additional return was guaranteed for members. The new reward is fixed at 2% of adjusted operating profits (a metric used to adjudicate the Chris O'Shea's reward) and distributed evenly per FTE. If the business does recover the shares should theoretically rise and increase the value of a person's holding, plus if dividend payments are restored these will also contribute to any increased value. After 3 or 5 years these shares can be cashed in or kept. It is an annual reward paid yearly and we hope it will develop into a significant pot of money going into the future.

**What is the £1000 cash payment for and do other collective also have incentive payments attached to accepting the deal?**

During the negotiations we consistently requested that the business should compensate members for future detriment such as the loss of Flexsa and enhanced annual leave. The business was adamant it would not do this and would not be willing to make any upfront payment. We have arrived at a position in which should the proposals be accepted a £1000 payment will be made to all those in the staff collective L7 and L8. This payment is in part to recompense for any detriment suffered by the removal of Flexsa but is conditional on a majority vote to accept. Other collectives have transitional payments proposed but they are not easily comparable. For example, in the S&R collective the proposal is to work three extra hours per week and an upfront payment to reflect 9 months of this is proposed.

**What is the memorandum of understanding on working hours?**

The business is clear that it wants to introduce a range of consistent terms across Centrica including revised contractual hours. The business has stated that it is not their intention to develop new shift patterns or to cover those extended hours and essentially working patterns will remain the same. If hours outside the present normal are required volunteers should be sought first and kept under review so that the business need is justifiable.

**Has the Section 188 notice been withdrawn?**

No, the letter has not been withdrawn despite our request to do so, although we have a clear written agreement from the business that it will not take any further steps to action this before the 11th of January 2021. This allows time to conduct a ballot of members and if required to begin the Industrial action ballot. Prior to the business carrying out its threat to action the S188 it is likely to attempt to get people to agree voluntarily to change contracts. This would weaken the collective positions of the trade unions if members signed these revisions.

**What Next? – You will be contacted by your branch and asked to vote – please follow instructions given!**