

# **Shaping our Future**

## **AN AGREEMENT BETWEEN ROYAL MAIL AND THE CWU**

### **1. Introduction**

In the face of growing competition we must all respond to a more testing environment and new challenges. All of us are having to change the way we work and how we work together to secure our future.

This agreement is a defining moment in the relationship between the company and the union.

It is about all of us doing things differently.

It's about setting the clear direction we must now take to achieve real success for the company and the workforce.

### **2. Pay and Efficiency**

We have sorted out our differences over this year's pay reaching the following agreement:

- 1) 2.9% on basic pay and overtime rates Monday to Saturday as already implemented effective from April 06.
- 2) Flow through of the 2.9% increase to all allowances (including London Weighting) and scheduled attendance from 3 July 06.
- 3) A further 1% increase on basic pensionable pay and weekday overtime rates arising from the efficiency agreement from 5 June. This payment is guaranteed but could increase subject to final joint audit of the savings achieved so far in every office.
- 4) The full terms of the efficiency agreement has been extended up to the end of the financial year (March 2007) broken into three quarters and paid from the end of each quarter:
  - a) Savings from July to September will be added to basic pay from October
  - b) Savings from October to December will be added to basic pay from January
  - c) Savings from January to March will be added to basic pay from the beginning of April.

### **3. Job Security**

We want to give people the maximum possible certainty around their future. The best way this can be achieved is through a commercially successful and profitable company. To give employees the reassurances they need we reaffirm existing company policies and agreements as we go through a crucial period of change:

All job reductions among CWU-represented grades will continue to be managed using voluntary redundancy or natural wastage in line with the joint agreement on managing the surplus framework.

All Full-time employees who wish to remain full time will be allowed to do so. Part time postal workers will continue to form a crucial and significant part of Royal Mail's resourcing approach. There will be an audit of part time terms and conditions to ensure there is no discrimination against part time workers.

#### **4. Pensions**

Royal Mail has agreed a Memorandum Of Understanding (MOU) with the Trustees, which, subject to the proposed Government funding being confirmed, will commit the company to fund the pension deficit over 17 years.

Royal Mail has confirmed that the MOU does not include any proposed changes to contribution rates or retirement ages.

The contribution in 2006/07 is £735m and is expected to grow with inflation over this period.

The results of the next formal evaluation of the scheme are due in September and both parties agree that any ongoing pension issues arising from this will be discussed between the unions, the trustees and the business in the normal way.

CWU and Royal Mail agree that the only way of protecting the pension fund is through a healthy and profitable company providing exceptional value and service to our customers.

Both parties recognise that this agreement is subject to a successful conclusion on government funding discussions.

#### **5. Royal Mail working with the CWU**

Royal Mail recognises that it is right for the company to have a strong, independent union with a positive influence at all levels of the organisation and promotes active participation of its employees in the union.

Royal Mail continues to welcome input from the CWU in developing its letters strategy.

Royal Mail and CWU are committed to reaching timely agreement on all issues affecting terms and conditions for Royal Mail employees

In all Royal Mail Letters workplaces, change will be managed utilising our agreed Industrial Relations procedures with the full involvement of the CWU.

We are also committed to the following:

- Ensuring that our managers and representatives demonstrate full support for national agreements, and work together to implement them through constructive and positive relationships at all levels.
- Develop high quality managers and representatives by investing in joint training on the skills necessary to understand the business and do their jobs.
- Agreeing a new industrial relations framework by December 2006, in which the union will determine its own IR structure and Royal Mail will provide the appropriate financial support for industrial relations.

#### **6. Growing the Business**

The key to our future success is how we grow the business in a competitive environment. Crucial to this is the development of new products and services that give our customers real choice. This includes reviewing some of our existing services, improving our ability to meet demand and capture emerging areas of growth within the postal market.

Royal Mail want CWU to become actively involved in achieving growth and we will look for new work across all functions of the business and work together to retain existing work.

Both Royal Mail and CWU see an early opportunity to grow the business through Door to Door. This is a key area where our competitors are seizing the initiative and both parties recognise the need to act at pace. We commit to negotiate a national agreement that will enable – in the next 3 months- growth in the Door to Door product and the removal of the current weekly restrictions. The national agreement will also include options for preserving jobs, improving remuneration arrangements and how we take our people with us.

## **7. Our New Approach to Ways of Working**

In 2005 we agreed to trial new ways of working. These trials will now commence in eight weeks using the following terms of reference:

The national parties will encourage local managers, CWU representatives and our people to take an innovative approach in developing the best solutions utilising their local experience.

New ideas will be sought from the national and local parties. Nothing will be ruled in and nothing will be ruled out.

Prior to and during the trials, both parties will actively work together to ensure people participate and are open minded to new approaches.

It is agreed that trials will only be successful if our people's views have been taken into account and local parties are confident of co-operation.

The ideas will be trialled if the following criteria are met:

- Improved efficiency/office cost per item
- Maintained or improved quality of service
- Maintained or improved earnings

Royal Mail and CWU will have full involvement and access to the trial sites to monitor progress.

The national parties will monitor the trials on a regular basis and carry out a formal review after no more than 6 months using the same criteria, and also listen to the views of the local parties and frontline employees.

The outcome of the review will be used to inform our wider negotiations.

There will be no permanent changes to postmen and women's duties and no roll out beyond the trial sites until the review has taken place and the necessary agreements reached by the national parties.

## **8. Our next steps**

We must modernise the company. Investment in our people and automation are central to this aim. We will work together to ensure that we become the most efficient, customer focused and flexible company in the market place and at the same time raise the value and status of a postal workers job.

We will reach an agreement that takes these issues forward by no later than April 2007.

Royal Mail and the CWU reaffirm their intention, included in the April 2005 agreement, is to continue to introduce, by agreement, an improved package focusing on enhancing basic pensionable earnings and simplifying pay.

**9.** Subject to final agreement on the words we will trial the new attendance procedure within three months.

**10.** Royal Mail and CWU understand that the investment from Government is vital if the commitments on pensions and job security are to be delivered.

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