



## Management Agreement 2009

The Co-operative Group Council submitted a claim for the 2009 Management Agreement review in October 2008 to coincide with the budgetary process of the Group. At that time inflation stood at 5% but the forecasters were uncertain as to what levels of inflation would be seen in 2009 due to the changing face of the UK economy.

As we have all seen, the last few months have been incredibly unpredictable and we are entering unprecedented territory with a Retail Prices Index that has fallen to zero percent and a period of deflation appears highly likely. The world economy is facing many challenges with the global banking and financial services “crash” and many industries finding their traditional markets stagnating. The UK is now experiencing a recession and whilst there are reports of “green shoots of recovery” it is likely to be some time before the economic climate changes significantly for the better.

Against this backdrop, the Co-operative Group Council has undertaken a series of detailed negotiations with the Group to address the 2009 Management Agreement review. During these negotiations the Council was mindful of; the UK economy, the retail market place and the settlements reached for management grades throughout the private sector. The Council was also aware of the significant financial commitment that the Group has undertaken in relation to the acquisition of Somerfield and the ongoing brand campaign, which will make the Group a major player in the retail sector.

The position reached can be summarised as follows:

- **An increase to salaries of 2% for all management roles**
- **The suspension of variable pay for 2009**
- **All Role Band minima and maxima to increase by 2%**
- **Role Bands 4 to 1 to receive bonus in May to reflect 2008 performance based on the existing criteria**
- **Subject to confirmation of financial results, special discretionary bonus payments of 4% of salary will be made to Role Band 5 managers in the Food Retail business and 2% of salary to Role Band 5 managers in Funerals, Farms and ELP businesses and the Corporate Centre**

The Co-operative Group Council has considered the final offer very carefully and recognises that in the current volatile economic climate this represents a commitment by the Group to continue to increase salaries of the management population. The Council has also taken into account recent management pay settlements as reported by Incomes Data Services (IDS) and the latest report by the Hay Group which confirms that almost two-fifths of UK organisations (38%) plan to freeze salaries in 2009.

The Co-operative Group Council is disappointed that the variable pay has, once again, been suspended. For 2009 this is due to the integration of Somerfield within the Food Retail business and the desire of the Executive to provide a consistent approach to management salary increases in 2009. Whilst the settlement figure would not allow for a significant range of awards, the Council is keen to progress discussions with the Group to develop a variable pay structure that will differentiate personal performance and reward those managers who contribute towards the success of the business.

Whilst the Co-operative Group Council recognises that the Group has again provided funding to reward the Role Band 5 population, they remain bitterly disappointed that the Executive has not agreed to implement a mechanical system based on the criteria that is in place for Role Bands 4 and above.

The Council urges the Executive to put into practice the co-operative values and principles of equity and equality for managers within Role Band 5 by incorporating them into the formal bonus mechanism for the management population in its entirety. Such action would reflect recognition to the Role Band 5 manager's valued contribution to the success of the Society.

In light of the ongoing economic upheaval and the huge and complex task of integrating Somerfield into the Group, the Co-operative Group Council has reached an agreement to apply the Management Agreement for 2009 as detailed above. The award will be processed in the April payrolls (23<sup>rd</sup> and 24<sup>th</sup> April) and bonus will be processed in the May payroll.

In reaching this decision the Co-operative Group Council has advised the Group that should the current economic conditions dramatically shift in the forthcoming months that the Co-operative Group Council would wish to enter into a meaningful dialogue to review prevailing circumstances. NACO will continue to monitor the economy and the retail sector and keep members abreast of any developments.

Neil Buist  
General Secretary

15<sup>th</sup> April 2009