21 February 2024

Dear Mr Rathi,

RE: Request to remedy FCA and PSR Pay Settlement 2024.

This is to notify you that our FCA and PSR Unite Branch members have not voted to accept the FCA and PSR's Pay Settlement 2024.

Based on direct feedback from several hundred members and wider staff, we believe there are significant, widespread concerns with specific aspects of the Settlement that will likely hamper its success and require remedial action.

We share these concerns with you in the spirit of collaboration seeking to achieve mutual improvements to the Settlement that work for the FCA and PSR as well as for your leadership and staff.

Feedback from Members and Staff on FCA and PSR's Pay Offer 2024:

This feedback consists of evidence and insights from several hundred members and staff that we have collated over the last two weeks.

1. **Abolishing base pay.** The decision to abolish base pay, two years after abolishing bonuses, was directly contrary to the key representations made by both the Staff Consultation Committee (SCC) and Union Staff Representatives. The RPI is currently at 4.9% after reaching 11.6% in 2023. Unite estimates that staff have suffered 30% inflation in the last 4 years alone. Abolishing base pay at this time is widely seen by staff as harmful and confusing in this context. It is not an example comparable employers have taken and appears to experiment with the careers and livelihoods of 5,000 staff. The strongest feedback we've received from staff is that base pay increases, regardless of performance, are desperately needed now more than ever.

2. **Non-existent 'reward'.** The key focus of your Pay Settlement is 'reward' for performance. However, the average Associate and Senior Associate when using the 'pay calculator' noted that the monthly increase in salary if they achieved a grade '4' (high performance) instead of '3' (average performance) is merely £25-£45 before tax. Many colleagues who have put significant effort and sacrifice into achieving higher performance have openly expressed feeling distressed, exploited and admitted that it is not worth it in future. 'At our Best' awards are not seen as adequate replacement for this.

As a result, it is reported to us that this Pay Settlement is directly detering better performance.

3. **Punishment instead of reward.** The average staff member will receive a performance grade ‘3’ this year. Staff have noted that the pay difference between a grade ‘2’ (poor performance) and ‘3’ is significantly higher than the difference between a grade ‘4’ and ‘3’ meaning this Pay Settlement is seen as being weighted towards punishment rather than reward. Combined with the amount of ‘reward’, this offer is akin to taking a ‘carrot and stick’ approach without a ‘carrot’.

4. **Perverse incentives for new joiners.** It was noted that there is a large portion of staff who have recently joined the organisation, or been promoted, at the bottom of their pay band. It is common practice across the organisation to award people new to the role a performance grade ‘2’ (poor performance). The pay award for a performance grade ‘2’ is 1.5%. Most pay band minimums were increased by 3% at least. This means a large cohort of new joiners stand to fall below the minimum of their pay band within their first year. Several people noted that they would achieve higher pay if they simply resigned and re-applied for their role. Many reported that they were not told of the informal, yet common, practice of awarding new joiners a performance grade ‘2’ until the End of Year discussions. As a result, many new joiners who put significant effort in demonstrating their value to the organisation upon joining have told us of feeling misled, exploited, and set up to fail.

5. **Lack of pay band progression.** Likewise, Associate and Senior Associate new joiners noted that even if they attained exceptional performance grade ‘5’ (exceptional performance) consistently every year, it may take nearly a decade for them to reach even the mid-point of their pay band. This again reinforces the lack of ‘reward’ and incentive for performance in this offer.

6. **Objectively low pay.** A significant number of FCA staff are still paid below the Joseph Rowntree Foundations Minimum Income Standard where a single person needs to earn £29,500 a year to reach a minimum acceptable standard of living in 2023. This Standard will increase further in 2024 and mostly impact Apprentice and PBS staff hardest. Failing to address this means that we, as a Branch, will have to look at establishing our own hardship fund for members in 2024 as the demand is there. This is highly unnecessary and embarrassing in a regulator publicly championing the role its staff have played in addressing the cost of living crisis for consumers.

7. **Unclear and misleading comms.** Many staff shared their frustration that internal and external communications again failed to meet the minimum standard of being ‘fair, clear and not misleading’ that we expect of the financial promotions of firms we regulate.

Comms on the quality and extent of staff representation were greatly exaggerated. Staff Representatives report feeling 'used' to justify poor outcomes on pay despite their representations being ignored in the final outcome. Comms to staff included misleading comparisons to the inflation we have suffered. Many people reported that treating 5,000 employees of the Financial Conduct Authority as if they don't understand inflation and the impact this has had on their livelihoods undermines their self-esteem and wellbeing at work. This persistent behaviour significantly undermines culture at the organisation and sets a poor 'tone from the top'. It is hard to respect someone who talks down to you, regardless of the content.

8. **Graduates.** First year Graduates report that as a result of this offer, they stand to be paid less in absolute terms in their second year of the scheme than those in the cohort starting the year previous. Aside from being unfair in principle and practice, this also fails to take into account inflation. Many Graduates have reported this as having a significant impact on their motivation and trust in the organisation at an early stage in their careers.

9. **Leave policies.** Many staff reacted positively to the news that paternity and maternity leave policies would be improved. Improving benefits and leave policies can be an excellent way to demonstrate your commitment to invest in staff when pay awards are constrained. That said, it is not clear to what extent these changes are actually driven by legislative requirements, and many staff noted that the FCA's leave policies still fall significantly short of those available to staff in comparable regulators or private sector employers we regularly lose staff too.

10. **Disability pay gap.** You have championed commitments to DEI and reducing pay gaps and some commendable progress has been made in some areas. However, staff noted that the disability pay gap, as reported by the FCA, is only 0.4% lower over the last 3 years. In our Branch case work, we have observed a pattern of people with disabilities, neurodivergence and complex personal circumstances requiring extended leave of absence, consistently achieving poorer outcomes in performance grading, and therefore pay. We suspect that there is systematic discrimination not being addressed and this is being noticed by affected staff and the wider staff body.

11. **Maintained pay.** Many members feel that the approach to 'maintained pay' is discriminatory towards members of staff who have worked at the FCA and PSR for longer, and who are often older. These members feel that the maintained pay position does not reflect their performance and contribution to the organisation, deters high performance from your most experienced staff, and request that age-pay gap data is reported alongside pay-gap data for other characteristics.

12. **Poor quality and problematic staff consultations.** You personally committed to enhancing consultations on pay in particular as part of the FCA's new, 'enhanced' SCC. This was supported by the Chair, Ashley Alder's, public commitment to 'best in class' staff representation at the Treasury Select Committee. Instead of 'best in class' staff consultations, unfortunately the organisation delivered some of the poorest staff consultations on pay Unite has observed in the public sector. This meant staff accountability and scrutiny that improves governance and outcomes at other organisations was not facilitated and therefore not possible.

    At times these consultations were a toxic environment for Staff Representatives volunteering their time to serve a vital function. Staff Reps were not provided with almost any of the information necessary to be able to discuss and consult on pay. This meant that it was almost impossible for staff representatives to offer informed representations on pay whatsoever. The only opportunity Staff Reps had to meet decision makers (ExCo) on pay was on the day the decision was taken, and Union Reps were actively misled by HR about this meeting even taking place. It is not clear that the problematic and toxic environment for Staff Representation at the FCA and PSR has changed at all with the new 'enhanced' SCC. This is clearly having an ongoing impact on the wellbeing, mental-health and BAU work of Staff Representatives and makes it difficult, in all good conscience, to advocate staff stand in the upcoming SCC elections.

As I hope you can agree, some of these insights are alarming and we hope will prompt quick and targeted action to remedy, in close consultation with Staff Representatives.

Our members have indicated that action on these specific concerns could move them to accept the Pay Settlement.

We politely request that you, Mr Rathi, personally acknowledge this request and respond accordingly within the week outlining your next steps to remedy these issues (COB Friday 23rd February 2023) so Staff Representatives can plan accordingly.

Kind regards,

Oliver Rice
Georgina Deilaki
Cliff Zattoni
Caryl Regnault
Mark Burkett

FCA and PSR Unite Branch