

# **AGREEMENT BETWEEN ROYAL MAIL GROUP LTD (“RMG”) & COMMUNICATIONS WORKERS UNION (“CWU”)**

## **RESOLUTION OF RMG / CWU DISPUTE RESOLUTION PROCESSES – DEPLOYMENT OF USO REFORM AND EQUALISATION OF NEW ENTRANTS’ PAY, TERMS, CONDITIONS.**

### **1. Introduction**

RMG and CWU have reached agreement on how we deploy USO reform and move forward the equalisation of new entrants’ terms and conditions.

This agreement also recognises the factors listed below as critical to the successful deployment of USO reform, supporting employees and overcoming the immediate challenges facing the business.

- The need to urgently prioritise and introduce a quality-of-service improvement plan that delivers on the promise to put customers and postal workers at the heart of everything we do. Recognising the challenging timescales, Royal Mail will share their quality-of-service improvement plan with the CWU.
- The need to urgently deliver a positive reset in Employee & Industrial Relations and a fresh start in the way the business is run at all levels and in every workplace. The detailed plan to implement this will be published to all employees, managers and CWU representatives in the next two weeks.

Additionally, this agreement confirms pay 2026 and reaffirms – with the ongoing involvement of the UK Government – RMG and CWU’s commitment to deliver the full terms of the rebuilding Royal Mail agreements Part 1 & 2.

### **2. The Importance of USO Reform**

Both parties recognise that Royal Mail now operates in a permanently changed world of communications and that reform of the USO is necessary to secure the future of the company, respond to changing market conditions and invest in new growth areas.

Furthermore, the status quo is not an option and in July 2025 Ofcom announced changes to the following USO and Access regulations:

- First class letters will continue to be delivered Monday to Saturday
- Second class, DSA and all other non-priority letters will be delivered every other day Monday to Friday
- New headline targets for First class and Second class USO mail with new ‘tail of mail’ targets from April 2026
- New DSA D+3 service to be regulated in the same way Ofcom regulates existing access services
- USO Parcels will continue to be required to be delivered Monday to Friday, noting Royal Mail delivers parcels Monday to Saturday
- Special Delivery will continue to be delivered Monday to Saturday
- Requirement for Collections on Second class USO letters to be Monday to Friday, noting Royal Mail intends to collect mail Monday to Saturday

Therefore, the agreement we have reached is about how we implement this change and this will now be carried out in accordance with the key principles set out below and the detailed full Deployment Agreement at Annex A.

## **2.1 The Importance of Job Security and Supporting Employees Through and Beyond Change**

RMG & CWU reaffirm our commitment to the comprehensive job security package agreed in rebuilding Royal Mail Part 1 and Part 2 and key elements of this are reiterated below:

- There will be no compulsory redundancies from the national deployment of USO reform.
- The full terms of MTSF will apply for all employees for the purposes of USO reform deployment.
- The shared aim is for both parties to ensure that any need for employees to move to another work location is managed on a voluntary basis, during USO reform deployment.
- Where there is a requirement for voluntary redundancy this will be offered at the enhanced rate agreed within the rebuilding Royal Mail Part 2 Agreement.

Both parties also recognise that the successful deployment of USO reform requires us to work together at all levels of our respective organisations, adhere to all of the processes agreed pre and post deployment and maximise support for employees through and beyond this critical period of change.

The joint focus of all RM managers and CWU representatives must be to deliver a workplace culture that trusts and values employees, taking into account their views and local knowledge on the best way to deploy change and fix issues as they arise.

To this end we will ensure that the quality-of-service improvement plan and the reset of employee and industrial relations are designed and communicated in a way that prioritises these objectives.

## **2.2 The New Delivery Model 2026 – Key Principles**

Following joint evaluation of the Pilots, further negotiations, and feedback from employees, a new Delivery Model that embraces lessons learned will be adopted for the National roll-out of USO reform. The new model is called 'Delivery Model 2026 (DM26)' and the key principles are set out below (detailed in full Deployment Agreement).

- c.3,500 walks have been or will be reintroduced as a result of the initial base data verification exercise completed in 2025
- Singleton shared van and High-Capacity Trolley (HCT) Town Walks will be organised in groups of four walks. Two of these 4 walks will deliver 1<sup>st</sup> class and parcels only Monday to Friday and 2 will deliver all mail Monday to Friday. Three individuals will be allocated to these four walks.
- On Saturday all walks will deliver 1c and parcels only
- Current Inward Primary Sort (IPS) would remain unchanged and current preparation frames would remain unchanged other than colour coding and the implementation of the vertical preparation standard, in the initial phase of DM26 deployment.
- Singleton and Shared Van Town walk workload will be shared across the 3 duties to balance walk distances and help manage the effects of fatigue. This means employees do

not need to learn new walks or rotate in different areas, beyond current van pairs. (Including the planned absorption areas)

- The exact configuration of walk pairings and workload balance between the three duties will be subject to local knowledge, and planning with best practice shared to the RSGs and National Delivery Joint Working Group (NDJW)
- DM26 allows for non-drivers to play an active part in all parts of the plan
- DOs will be able to select one-predominant attendance pattern contained within the full deployment agreement

This USO Agreement will allow local knowledge from Customer Operations Managers (COMs), CWU Reps and all employees in the Delivery Office to influence key decisions to ensure successful deployment, within the framework of principles set out in the full agreement, appendices and via the joint review and governance processes. These include joint Regional Steering Groups consisting of RODs and Divisional Reps, OPL and Area Rep, Regional Programme Manager and Transformation Change Lead. The RSG will report into the National Delivery Joint Working Group.

Further detail on the model can be found within the full USO Deployment Agreement and Appendix.

### **2.3 Benefits for Employees**

Beyond delivering future business and job security for employees, deploying the DM26 enables the following benefits for employees that include:-

- An increase in the number of Saturdays off for Full Time (FT) and Part Time (PT) employees and the opportunity to have earlier finishes on a Saturday, subject to local factors (e.g. Number of drivers. Current Duty Patterns).
- Opportunity for earlier start times against a set criteria contained within the annex.
- Opportunity for c.6,000 PT employees to increase their contracted hours up to FT, where required. This will provide an ongoing opportunity for part time contract employees to increase their contracted hours up to full time, when other employees leave Royal Mail within their Delivery Unit (subject to redeploying surplus requirements).
- Ability for employees to remain in the same delivery areas and on the same delivery walks
- Fairer balance of workload across all walk types by a revised model week baseline
- Greater inclusion of non-driving employees
- DO choice of agreed improved duty patterns
- Improved and structured DO resourcing via weekly resourcing meetings (WRM) including leave cover, day off cover and workload
- Giving employees the opportunity to feedback into the review process
- Improved onboarding experience for new entrants aiding overall retention

### **2.4 Local Pre-Deployment Support and Involvement**

Royal Mail and CWU have agreed the following to ensure improved local involvement is a key principle in our approach to delivering successful change:

- This governance structure will ensure all activity is deployed in line with the principles of this agreement and detail contained in the full USO Deployment agreement, including a formal review process which must be completed in all DO's. This will include a Joint Go/No Go process.

- Each Delivery Office (DO) is different, and both parties recognise the benefit of local knowledge. This agreement will allow local knowledge from Customer Operations Managers (COM), CWU Reps and all employees in the DO to influence key decisions to ensure successful deployment, within the framework of principles laid out in the full Deployment Agreement, appendices and via the joint review and governance processes.
- As part of the planning and deployment process, DOs can recommend localised solutions via the Regional Steering Groups (RSGs) (as outlined in the full Deployment Agreement). All DOs will be assured via a standard process, the purpose of which is to identify non-standard solutions and refer back to the RSGs which will have the autonomy to agree or reject the planned changes.

## **2.5 Review Process and Safeguards**

Royal Mail and CWU agree that a robust review process is crucial to addressing any issues arising from the initial deployment of USO change:

- Both parties agree that for deployment to be successful joint working between all Managers and CWU Reps is paramount. To support USO reform and the deployment of DM26, both parties have agreed to the creation of Regional Steering Groups with attendance from all parties.
- These Steering Groups will hold mandatory weekly meetings to monitor and ensure the plan is operating as agreed, in line with the Review Process detailed in the full Deployment Agreement. If necessary, plans will be amended to support each DOs progress using identified best practice. If a unit is not achieving the key targets set out in the full deployment agreement, the appropriate remedial action will be taken.

USO deployment is a national programme any questions or further guidance should be referred to the NDJWG via the RSGs which will support a fast-track approach for escalation/resolution process.

## **2.6 Advanced Deployment Approach**

Given the delay to USO deployment, both parties recognise the need to swiftly and efficiently deploy and are pleased to confirm the following structured deployment.

- An additional 240 pilot DOs agreed for DM26 which is c.20 per ROD area, in addition to the 35 current pilot DOs.
- Current pilots have the option to deploy DM26 or keep their current solution for Town areas. If not selecting DM26 they must reconfigure non-town walks to align with DM26 principles and also select a Duty Pattern from within the list of 9 contained in the Full Deployment Agreement if they have previously selected an option not contained within the list.
- These additional 240 DOs will deploy as soon as possible from the date of this agreement ahead of the ballot, once the Rapid Base Data Validation, DO Health Checks and Go/No Go steps are complete. Once the formal review is completed for all pilots (35+240) they become BAU in the same way as all other DOs.

Alongside the above activity, the agreed pre-deployment approach outlined within the full Agreement and associated appendices must be urgently completed in all DOs, including the Rapid Base Data Validation, the DO Health Check and the Go/No Go preparation.

Royal Mail and the CWU are jointly committed to completing the deployment of DM26 in readiness for Peak 2026. A deployment plan will be shared with the NDJWG who will then cascade to the RSGs, to review as part of the overall Governance Process below and will be reviewed on a regular basis.

## **2.7 Delivery Site Incentive Scheme**

RMG and CWU will introduce a new Delivery site incentive scheme in Delivery units following each site's USO go-live date.

- The terms of this incentive scheme will be agreed, and self-funded basis on an adjusted cost per item model based on an individual unit-specific cost, to the timelines agreed by the Joint Working Group.
- This scheme will not jeopardise resourcing to workload which is an absolute necessity under the USO reform. Neither will it quicken or change the mandatory review post deployment or change the job security guarantees.
- The Delivery Site Incentive Scheme will be reviewed following USO deployment.
- Further talks on similar schemes in Processing and other parts of RMG will continue with the aim of reaching agreement in line with the commitments set out in section 5.

## **2.8 New Ways of Working**

To move forward the commitment in Rebuilding Royal Mail Part One Agreement, Royal Mail and the CWU will pilot new ways of working including mechanisms to allow postal workers to have more say over day-to-day operations and management of workload. A joint working group will be established and agree the pilot programme by no later than July 2026, for introduction in an agreed number of units alongside USO deployment.

## **3 Equalisation of New Entrants Pay, Terms & Conditions (CWU graded employees employed on or after 1<sup>st</sup> December 2022"New Entrant" in delivery and processing)**

RMG and CWU reaffirm their commitment in rebuilding Royal Mail Part 1 to deliver a new resourcing model, including the equalisation of New Entrants' pay, terms and conditions through the introduction of a new career pathway – alongside necessary flexibility to grow the business.

Furthermore, both parties recognise that whilst this was a key commitment made by the new owners of Royal Mail, the difficulties and delays associated with the introduction of USO reform has impacted on Royal Mail's finances and our ability to deliver progress to the previously agreed Timeline. Therefore we have agreed the need to refresh the overall approach to equalisation by implementing the first step set out below and giving full consideration to a range of factors that will help inform the subsequent steps.

For the purpose of complete clarity this means that this new career path to equalisation will be based on agreed incremental steps over an agreed period of time.

### **3.1 The First Step to Equalising New Entrants Terms and Conditions**

The first step has been agreed as follows:

- No further new entrants will be employed on 40-hour full time contracts and the standard full-time contract going forward will be 37 hours per week, effective 1<sup>st</sup> June 2026.
- Existing new entrants with contracted weekly hours of more than 37 hours will retain a fulltime equivalent working week that matches their existing contracted hours (e.g. 38, 39, or 40 hours) for the purposes of pensionable pay, overtime and allowances. The circa 3,000 employees in this category will be ringfenced for the time being and future options will be considered and agreed, always without forcing any employee to a loss of pay per week on one hand, and always giving to the employee the choice to reduce the working hours to 37 hours on a voluntary basis on the other hand.
- All employees on New Entrants' contracts will receive a 4.75 % pay rise (see Appendix 1) flowing through to London Pay ranges and Scottish Distance Island overtime and SA rates and a 3% flow through to pensionable and non-pensionable shift allowances. This represents a first step in closing the differential on pay, and is effective from 1<sup>st</sup> April 2026.
- As a further alignment step, the overtime rate for all new entrants (including those on a fulltime equivalent working week above 37 hours) shall be x 1 the applicable hourly rate, no later than 1<sup>st</sup> June 2026.
- Arrangements for equalisation of New Entrant employees in Fleet, Engineering, HR Services will be the subject of a future negotiations and agreement, to be concluded by 1<sup>st</sup> June 2026
- In advance of the full contract review (referred to below at 3.2), any terms and conditions for New Entrants on 37 hours or less relating to the full-time equivalent working week, including pensionable pay and overtime, and allowances will be varied to 37 hours accordingly. This means that any hours worked above the full-time equivalent working week of 37 hours will no longer be pensionable effective 1 June 2026.

### **3.2 Additional Mechanisms to Support Retention of Employees**

- The current average working hours of new entrants is 31 hours per week. Going forward Royal Mail commit to increase the average hours of new entrants to 35 hours per week, subject to the preferences of the individual employee and USO deployment approach.
- Furthermore, the local manager and local rep can by local agreement agree to increase a new entrant contract to 37 hours per week.
- Recognising that the New Entrants contract was introduced during a period of industrial dispute, and as an important part of any relationship reset, both parties welcome the opportunity to review the contract of employment retaining the necessary elements of flexibility to be effective for the success of the business in the future. This review of the contract will be concluded by the 1<sup>st</sup> September 2026.

### **3.3 Delivering the Subsequent Steps of Equalisation**

Both parties recognise that further work is required to develop a shared understanding of important factors that will influence the timing and next steps on the equalisation career pathway including the following:

- Analysing the reasons why retention of employees (new and old contracts) has become a major issue and its impact on delivering customer services. To support this work Royal Mail and CWU will develop a new exit survey for all employees that will identify the main reasons for someone choosing to leave the organisation.
- Assessment of the financial benefits of USO reform.

- The financial and commercial challenges facing the business and the market conditions that Royal Mail now operates in a highly competitive environment.
- The cost analysis of equalisation set against the costs of consistently having to recruit and train new entrants.
- Considering ways of aligning the equalisation career pathway with the opportunity to grow the business and expand new products and services.

The above work will commence immediately and will lead to the next formal review of new entrants terms and conditions no later than January 2027 the output of which will be the next step and the plan to achieving equalisation.

#### **4 Pay 2026**

With the exception of new entrants as referenced above, RMG and CWU have agreed a 3.0% pay increase for all other RMG employees flowing through to all elements of pay consistent with the application of the pay award in April 2025.

- This has been done to not delay the pay increase and to ensure it is introduced quickly and backdated to the 1<sup>st</sup> April 2026.
- If the actual average CPI for January, February and March 2026 (announced February, March, April 2026) is above 3%, the difference will be considered for payment following the successful deployment of the USO reform.

#### **5 Applicability**

- Any payments set out in this Agreement or section 2 of Rebuilding RM Part Two Agreement will only be payable to those employed by RMG at the time of the payment being made. RMG will aim to make any backdated payments in the next available payroll after this Agreement has been signed by both Parties.

#### **6 Relaunch of the Rebuilding Royal Mail Part 1 & 2 Agreements**

RMG and CWU reaffirm our commitment to delivering in full all aspects of the rebuilding Royal Mail Part 1 & Part 2 agreements.

In particular it is recognised that the EP Group / CWU Agreement of the 18<sup>th</sup> of December 2024 (rebuilding Royal Mail Part 1) is a crucial agreement that set out a new and positive vision of the future under the new owners, including major commitments to employees, new governance structures and assurances from the UK government.

Both parties agree that now we have overcome the difficult issues associated with the delay to USO reform and the first step in equalising new entrants' terms and conditions, it is essential we relaunch the whole agreement through the following actions:

- A joint audit of the agreement will be published, alongside establishing a process with involvement from the UK government to support and monitor progress going forward.
- An effective communications plan for all managers, representatives and employees.

It is also in the interests of employees, customers and the future of the company that RMG and CWU now do everything possible to work together at all levels of our respective organisations to deliver on the following:

- Successful deployment of the agreed USO reform, as one of the key enablers to achieve significant and lasting improvements to quality of service.
- The new plan for growth and investment as set out in the Rebuilding Royal Mail Part 1 Agreement.
- The launch of a joint campaign calling for change to the regulatory environment and a level playing field with our competitors by government tackling the inequitable Labour models that exist across the parcels and logistics sector.
- A business that operates in a financially self-sustainable way, generating value that can be shared between employees, the company, and the shareholder.

## Appendix 1

### New Entrant Rates of Pay (Summary Table)

	<b>Hourly Rate</b>	<b>Weekly Hours</b>	<b>Annual Salary</b>	<b>Notes</b>
New Entrant Full-time Rate	13.68	37	£26,416	(new New Entrant full-time working week)
New Entrant Full-time Rate (London)	16.24	37	£31,346	(new New Entrant full-time working week with London weighting)
New Entrant Part-time Rate	13.68	32	£22,846	(example illustration for a New Entrant employee working 32 hours per week)
New Entrant Ringfenced Rate	13.68	40	£28,558	(illustration for New Entrant employee already contracted 40 hours per week)