The First World War brought about substantial changes in the way, and the amounts, bank workers were paid.

Bank salaries in 1914

On the eve of war in 1914, banking was seen as a respectable lower-professional class career, suitable for the sons of managers, shopkeepers and clergymen. Very occasionally graduates went to work for banks, usually going straight into specialist head office roles, but the vast majority of boys entered the banks as apprentices aged 16 or 17, or 15 in Scottish banks. They had to be bright, good at maths and English, with neat handwriting and a reasonable grasp of more general topics such as geography or history.

An apprentice in an English or Welsh bank would start on an annual salary of £20 or £30. The Scottish banks tended to pay less, particularly at the junior end of the scale. A new apprentice in Scotland could start on as little as £10 a year, although £15 was more common. In comparison, an unskilled builder could expect to earn over £64 a year, and a cotton factory worker around £52. The low wage took into account the idea that the apprentice was receiving a valuable education as part of the deal.

After three or four years of apprenticeship, those that the bank wished to keep on staff would be promoted to clerkships. In Scotland, the most junior clerks could still be on as little as £30, whereas in National Provincial Bank of England, one of our biggest English constituent banks, the minimum rate for a clerk was £80. From there on, salaries would rise in response to a range of factors. In bigger banks, there tended to be defined pay scales, which calculated raises on the basis of length of service, size of branch and level of responsibilities. Smaller banks, where even the senior managers knew all their staff by name, took decisions on a case-by-case basis. By his mid-20s, an English bank clerk could usually expect his salary to be between £100 and £130. His Scottish counterpart's salary would still lag behind, but less than in earlier years.

Most banks forbade their clerks from marrying until their salaries reached a certain level, representing what they believed was enough to support a family. The rate varied from bank to bank, but was in the region of £120; double the 23 shillings a week that was said to constitute the poverty line for a family of two adults and three children. It effectively barred bank workers from marrying before their late 20s.

When a bank worker's salary reached £160, he became liable for income tax, which was payable at a rate of 6% above that figure. This would have affected branch and department managers and perhaps their deputies, but not low or middle-ranking clerks. Most banks paid the income tax on their employees' salaries.

Wartime pay – permanent members of staff

The war brought enormous demand for workers. Employees suddenly had more choices about where and how they worked, and this gave them the power to ask for more money. At first, most put aside such demands in the interests of the war effort, but by 1915 it was evident that the cost of living was rising rapidly, and pre-war salaries were no longer enough to make ends meet.

Banks, like many employers, met the need for increased incomes not by raising basic salaries, but by granting bonuses. Each bank gave these payments a different name – war allowance, gratuity, grant-in-aid – but the essential principal was that they boosted workers' incomes without committing banks to permanently maintaining or repeating them.

The details varied from bank to bank, but they had some features in common. Payments were usually targeted towards lower-paid staff, so a higher percentage was paid on the first £100 or £200 of salary, tapering off and stopping at higher levels. For the same reason, some banks also focussed on staff with dependants, giving more to married men and fathers. The banks were keen that payments should be seen as a temporary response to extraordinary circumstances, and warned staff to resist 'the temptation to live always up to one's income'.

Payments increased as the war went on. In 1915 and 1916 they were in the region of 10% for ordinary bank clerks, but in 1917 and 1918 this rose to 15% or 20%, and was supplemented in some cases by additional payments for men with families. In 1918 London County Westminster & Parr's Bank paid £10 per child, in addition to 15% grant-in-aid.

The banks' tradition of paying their employees' income tax also became increasingly significant. The basic rate of income tax doubled during the war, and the threshold was lowered. Combined with increased salaries and bonuses, this made many more people eligible. Among them were many middle-ranking bank workers. If they worked for banks such as London County & Westminster, which continued to pay staff income tax despite the increases, the payments represented an important extra benefit.

Other banks – particularly in Scotland – did not follow the same policy. As early as autumn 1914, Commercial Bank of Scotland announced that it would continue to pay employees' income tax at the current rate, but if it increased, employees would have to pay the difference themselves. National Bank of Scotland followed suit in 1915, and the Royal Bank of Scotland in 1917.

Wartime pay – temporary staff

The banks took on thousands of temporary workers during the war years. They were paid weekly wages, and if a temporary clerk fell ill, he or she was expected to resign until fully recovered, at which point they could apply for readmission. Such a casual arrangement was important for the banks, which had committed to keeping permanent posts open for all the men who were away fighting. They did not want to find themselves permanently committed to paying more staff than they needed, or giving out sick pay for ill temporary staff, on top of the part-pay they were already providing for permanent staff in the army or navy.

Nevertheless, the banks needed to retain professional, numerate and accurate workers. With demand for labour outstripping supply, an unhappy employee could easily find another job elsewhere, and the banks needed to retain the temporary staff they had gone to the trouble of training.

The banks' reluctance to commit to pay rises for permanent staff was less of a concern with temporary staff, where the arrangements were usually informal and it was easy to grant increases on a case-by-case basis. In London County & Westminster Bank, for example, the official pay scale for women (introduced in 1916) offered 25 to 30 shillings a week, but by 1918 the wages actually being paid ranged from 17/6 to 45 shillings, depending on the woman's job, age and experience.

Most banks exempted temporary staff from their main wartime bonus schemes, but made separate arrangements to top up their incomes. Ulster Bank paid for a ‘light lunch’ (or the cash equivalent) for female clerks. Later in the war, percentage bonuses equivalent to the ones payable to permanent staff were offered. In 1918, London County Westminster & Parr’s Bank introduced ‘service pay’ for temporary staff, worth one shilling a week for every completed year’s service, up to a maximum of 5 shillings.

Overtime and incentives

Traditionally, bank clerks worked all day on Mondays to Fridays, plus Saturday mornings. At busy times of year, such as the six-monthly balance when all the books had to be checked and updated, they were expected to work late to get the job done.

The extra hours became more onerous in the war, when staff shortages made it harder to get through everything. Work was rearranged so that staff concentrated on serving customers in the daytime, and did the paperwork after hours. When it came to six-monthly balances, staff had to work through weekends or bank holidays to process everything. In recognition of the extra time staff worked, some banks introduced overtime payments. Regardless of the worker’s normal salary, it was paid at a flat rate of 1s 6d for each evening worked after 6.30pm – a relatively modest sum, intended not to pay the worker for his or her time, but to cover the extra costs of being away from home all evening, for example to pay for a meal in a café. It was not payable to managers, and was intended for use only at exceptionally busy times, not throughout extended periods.

Later in the war, another form of extra payment was devised. This time it was proposed by the government, and related to the sale of war bonds. These bonds were a product that enabled people to lend their savings towards the national war effort. Banks were responsible for selling them to their customers, and in recompense for their time and costs, were granted a commission of 2/6 per £100 (ie, 0.125%). In May 1918 the Chancellor of the Exchequer was keen to increase sales of the bonds, and proposed a scheme whereby the commission would be split between the bank and the bank clerks themselves. In effect, the bank workers would be given a sales incentive.

The English clearing banks collectively agreed to comply with the Chancellor’s proposal, although a number of them were reluctant. It was a significant departure from traditional banking values, potentially setting a precedent that would turn bank clerks into salesmen. In addition, some banks were offended by the suggestion that their clerks were not already doing everything in their power to sell war bonds. Williams Deacon’s Bank’s directors, for example, went along with the resolution, but put on record that ‘they considered it wrong in principle and in the case of our bank, unnecessary.’

The Scottish banks went even further. They were appalled by the suggestion, calling it ‘a childish idea’. They defied the Chancellor’s wishes and refused to participate in the incentive scheme.

Peace bonuses and beyond

Although bank workers received supplementary payments from their employers throughout the war, these were intended to mitigate the effects of the rapidly rising cost of living. They were weighted towards increasing the income of the lowest-paid workers, and were in fact a way for the banks to raise salaries without permanently committing to higher rates. In the year or two after the end of the war, once staffing levels had been stabilised, almost all the banks overhauled their pay scales to incorporate the wartime bonus payments into normal salaries.

To mark the end of the war, several of our constituent banks decided to pay a real 'bonus' – a sum in recognition of their staff's exceptional wartime service, whether in uniform or behind the bank counter, and in celebration of the return of peace. National Provincial & Union Bank of England paid what it called a 'Peace Bonus': one month's salary to each employee.

London County Westminster & Parr's Bank wanted to make a similar gesture: 'something more in honour of the great victory of 1918, for which all our staff have so successfully worked.' It had another major occasion to mark, too, for 1918 had seen the merger of London County & Westminster Bank with Parr's Bank. There was a tradition in banking of granting staff a bonus to mark such mergers, not only as thanks for the extra work they had to put in, but to launch the amalgamated company on a positive note. With two causes for celebration in mind, the bank hit upon a creative new idea for the bonus.

In January 1919, it announced that it would pay a bonus of 10%, but rather than cash, the bonus would be paid in bank shares. All permanent and temporary staff, from managers down to the lowest-paid messenger, would receive one share for every £20 of his or her salary. No limits were imposed on the recipients' freedom to sell their shares, although the bank's chairman told the AGM audience that 'I venture to express a hope that those who have thus been made shareholders will, if they possibly can, retain their interest in the bank.'

For the bank there was a financial advantage. It still paid its employees' income tax, so it would cost extra money to pay a cash bonus to anyone whose annual income was over £130, the tax threshold. In contrast, the shares would not be liable for income tax until they were sold, when the tax would be the employee's responsibility.

There was also an advantage in terms of employee engagement. Social unrest and tensions between workers and employers were widely anticipated in the aftermath of war. Making employees into part-owners of the company was a way to bridge that divide, and keep the bank unified in what would inevitably be challenging post-war years.