

GREGOR GALL

# **EMPLOYMENT RELATIONS IN FINANCIAL SERVICES**

An Exploration of the  
Employee Experience After  
the Financial Crash



# Employment Relations in Financial Services

Gregor Gall

# Employment Relations in Financial Services

An Exploration of the Employee  
Experience After the Financial Crash

palgrave  
macmillan

Gregor Gall  
University of Bradford  
Bradford, UK

ISBN 978-1-137-39537-5                      ISBN 978-1-137-39539-9 (eBook)  
DOI 10.1057/978-1-137-39539-9

Library of Congress Control Number: 2017937290

© The Editor(s) (if applicable) and The Author(s) 2017

The author(s) has/have asserted their right(s) to be identified as the author(s) of this work in accordance with the Copyright, Designs and Patents Act 1988.

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature  
The registered company is Macmillan Publishers Ltd.

The registered company address is: The Campus, 4 Crinan Street, London, N1 9XW, United Kingdom

*To my mother, Alisan, for all her love,  
affection and dedication down the years*

# Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
<b>2</b>	<b>Players</b>	<b>39</b>
<b>3</b>	<b>Processes</b>	<b>109</b>
<b>4</b>	<b>Outcomes</b>	<b>177</b>
<b>5</b>	<b>Conclusion</b>	<b>239</b>
	<b>Index</b>	<b>251</b>

# Abbreviations, Acronyms and Organisational Names

Accord	Successor to the IUHS
Aff	Alliance for Finance
ALGUS	Alliance and Leicester Group Union for Staff
AEGIS	AEGIS—The Aegon UK Staff Association
ANSA	Abbey National Staff Association
ANGU	Abbey National Group Union
BFSA	Brittannic Field Staff Association
BIFU	Banking, Insurance and Finance Union
BSU	Britannia Staff Union
CBG	Co-operative Banking Group
CBSSA	Cheshire Building Society Staff Association
CFS	Co-operative Financial Services (later CBG)
CGSU	Cheshire Group Staff Union
CWU	Communication Workers' Unions
DBSSA	Dunfermline Building Society Staff Association
DGSU	Derbyshire Group Staff Union
EWC	European Works Council
EUO	Employed Union Officer
FSA	Financial Services Authority
GMB	GMB general union
HBoS	Halifax Bank of Scotland
HBSSA	Halifax Building Society Staff Association
HSBC	Hong Kong and Shanghai Banking Corporation

## **x      Abbreviations, Acronyms and Organisational Names**

ICT	Information and Communication Technology
IUHS	Independent Union of Halifax Staff
JSA	Job Security Agreement
LBSSA	Leeds Building Society Staff Association
LUBSSA	Leeds United Building Society Staff Association
LBG	Lloyds Banking Group
LFS	Labour Force Survey
LTU	Lloyds Trade Union (also known as Affinity)
MSF	Manufacturing, Science and Finance union
NAG	National Australia Group (owners of Clydesdale and Yorkshire banks)
NGSU	Nationwide Group Staff Union
PGSA	Portman Group Staff Association
PIP	Performance Improvement plans
PRP	Performance-Related Pay
RBS	Royal Bank of Scotland
RSA	Royal Sun Alliance
SEA	Security of Employment Agreement
SIPTU	Services, Industrial, Professional and Technical Union
SSA	Skipton Staff Association
SUWBS	Staff Union West Bromwich Building Society
TUC	Trades Union Congress
TUPE	Transfer of Undertakings (Protection of Employment) regulations
UBAC	Union for Bradford and Bingley Staff and Associated Companies
UFS	Union of Finance Staff
Unite	Union formed from Amicus and TGWU merger
USDAW	Union of Shop, Distributive and Allied Workers
WISA	Woolwich Independent Staff Association
YISA	Yorkshire Independent Staff Association

# List of Figures

Fig. 2.1	Employment levels ('000s) in the financial services sector in Britain, 1978–2015	75
----------	--	----

# List of Tables

Table 2.1	NGSU membership leavers and joiners, February 2016–June 2016	54
Table 2.2	Membership levels of unions organising within the financial services sector, 1995–2015	71
Table 2.3	Union densities and presence (%) in the financial services sector in Britain, 1996–2015	74
Table 2.4	Union presence within the financial services sector in Britain, 1995–2014	77
Table 3.1	Strike activity in the financial services sector, 1999–2015	164
Table 4.1	Performance pay matrix determination	193

# List of Insets

Inset 3.1	Partnership in HBoS	114
Inset 3.2	The War of Words—LTU Attacks Accord and Unite, Part 1	132
Inset 3.3	The War of Words—LTU Attacks Accord and Unite, Part 2	136
Inset 3.4	Selection of Headlines to Unite Press Releases	141
Inset 4.1	Letters of Discontent, Despair, Dismay and Dissatisfaction	205
Inset 4.2	Pleas of Pension Poverty	209
Inset 4.3	Market Pay Misery	211
Inset 4.4	Truth and Lies About Financial Services Sector Workers’ Wages and Conditions	212

# 1

## Introduction

### Introduction

This study examines and analyses the employment experiences of workers in the financial services sector in Britain since the financial crash of 2007–2008. This is then to look at the human toll and tragedy of what has happened in terms of the erosion of workers' terms and conditions of employment in banking, insurance and financial intermediation. Widespread redundancies, reduced worth of pensions and oppressive performance management systems have been some of the most obvious and widespread outcomes by which rapacious employers have responded to the deleterious impact of the financial crash upon their businesses and profitability. The purpose of these actions has been to protect and advance their material interests. The context of doing so has been that under an unchallenged regime of neo-liberal capitalism, the 'credit crunch' gave way to the financial crash and an unprecedented recession, with the financial services sector at its root and core, shortly leading the way to what has become known as an 'age of austerity'. Yet for a very short period of time in Britain, the financial and economic crisis also became a political and ideological

crisis for capitalism, as capitalism itself wobbled and witnessed widespread government intervention in a failing, deregulated ‘free market’. The weakness of the left and labour unions generally in Britain and, more specifically, in the financial services sector, meant that this crisis of capitalism was, ultimately, resolved on capital’s terms and in its favour—and at the expense of labour. This was true of economy and society in general but particularly so in the financial services sector. Escudero (2009: 2) ventured that along with the United States, Britain was the ‘at the epicentre of the crisis and where its impact ... on the financial sector ha[s] been felt most strongly’ with Soriano (2011: 1, 21) recording that: ‘In the EU27 as a whole, 250,000 jobs were lost in the banking sector between 2008 and 2010 ... Importantly, 187,000 jobs were lost in the UK alone, the main European financial centre. ... The British sector was particularly exposed because its investment banking sector had a low level of regulation, and stocks and securities trading had gone further than elsewhere’. Meantime, on the third anniversary of the financial crash, Unite (press release, 13 September 2010) calculated that ‘one hundred thousand finance sector jobs have been lost since the banking crisis began’, with a year later, ‘in excess of 150,000 jobs lost ... between 2008 and 2011’ (Unite 2012: 6). By mid-2015, *Business Insider UK* (20 June 2015) calculated the number of jobs cut had risen to 186,111 in banking. Despite differences of opinion over the extent of labour shedding, it is clear that it has been the numbers of workers affected have been very substantial.

Originally, the subtitle of this book was envisaged to be *Fight, flight and falling-in-line* but, as the data gathering process progressed, it became clear that a revised subtitle of something like *Fright, flight and falling in line* would have been more appropriate as the absence of ‘fight’ became ever more palpable. Suffice it to say, for the moment, that the extremely limited presence of any strikes over the last decade indicated that where any ‘fight’ did take place, it was of a less forceful and collective nature than might have been otherwise expected. While this did not signal the triumph of partnership between capital and labour nor the complete hegemony of capital, the extant evidence of ‘fight’ in terms of resistance will be recorded and analysed as will its absence and inter-relation to the other components of ‘flight’ (leaving the sector) and

'falling in line' (acquiescence to the new managerial regimes). Upon further reflection, the four f's of fright, flight falling-in-line and fight were believed to be captured more eloquently and succinctly in the subtitle of 'An Exploration of the Employee Experience after the Financial Crash'. To date no other study has sought to provide an over-arching analysis of the fate of labour in this sector since the financial crash. In this sense, and even though some of the aspects have been well covered at a journalistic level, this study constitutes an act of exploring an unfamiliar area in order to discover new information and then present an analysis of it.

The significance of the study can be located in five particular aspects. The first is that the more general and wider crisis emanated firstly in the financial services sector and its effects have been more keenly felt in this sector than elsewhere. The second is that partnership, as the dominant means of organising the relationship between the representatives of capital and labour, has endured despite the crash (although, on occasion, capital has been prepared to step out with partnership when deemed necessary). The third is that the dominant historical form of labour unionism in the sector prior to the crash ill-prepared workers for resisting the terms of capital for responding to, and resolving, the crisis. The fourth is that despite the central concern of this book being the employee experience in terms of their jobs, working conditions and remuneration, the workforces of the major employers in the financial service sector are unionised, with their representative organs being recognised for collective bargaining on terms and conditions of employment. This necessitates an ample consideration of the industrial or labour relations of the sector as well as an examination of the activity of the labour unions themselves. The fifth is that many recent studies of the financial services sector have not considered what are the salient matters of the employee experience of employment and the processes and outcomes of employment relations within the sector (see, for example, Casu and Gall 2016 and Ertürk and Gabor 2017).

So the 'story' to be told in this study is one of increasing domination by employers and their managers as the basis of collective employee representation and resistance, namely, labour unionism, has become further eroded despite valiant efforts to arrest this decline. In other words, employees in the financial services sector in the post-financial crash period have faced a particularly sharp situation of considerable downward pressure upon their terms

and conditions of employment and a marked inability to collectively defend themselves, making this a 'tale' of the reified hegemony of neo-liberalism in terms of the economy and the governance of employing organisations.

## Intellectual Perspective

Following on from the radical political economy perspective deployed in Gall (2008), this section seeks to lay out a more developed and fleshed out one. Thus, compared to its predecessor (feudalism) and possible successors (socialism, communism, barbarism), capitalism is first and foremost an economic system whose *raison d'être* is the accumulation of surplus value, namely, profit. Quintessentially, surplus value is produced by the exploitation of labour by capital for capital's benefit and interest (assuming it is realised into a usable form). The social structuration this gives rise to is a system of social classes, based primarily upon capital and labour. Capital gives rise to the superordinate (minority) class and labour the subordinate (majority) class. Within this radical political economy perspective, the role and place of the financial services sector is two-fold. First, financial services are but one part of the strategic means of exchange as per the means of production, distribution and exchange upon which capitalism is reliant to function and which embodies and facilitates the production of surplus value. Second, and at the same time, financial services are also a capitalist field of enterprise in themselves where surplus value is extracted as a result of the capitalist labour process and the consequent services provided being bought and sold (and in which labour exploitation of the workers which carry out these tasks is conducted). The state, as the other main actor in capitalist society in addition to labour and capital, is a capitalist one wherein its role and functions are primarily determined by the more powerful class, namely, capital. Its fundamental, historic role has been to support capital in any struggles with and against labour over the terms of exploitation and over exploitation itself. Notwithstanding this and the struggle by contending classes to exert control over the state, there have been different epochs of the capitalist state, with its previous social democratic form giving way to its neo-liberal form. Here, the state has been used to

propagate the ideas and forms of neo-liberalism through deregulation of the labour and product markets and, on occasion, intervene in the economy to assist capitalist enterprises either for their own good or that of capitalism per se. Regulation of activities, involvement in money supply and state ownership are the main forms of intervention. The fourth actor in the employment relations of the financial services sector is the customer. However, its influence is weak, not because it sides with capital or labour but because it is atomised and unorganised. Unlike some employment relationships and employment relations, trifurcation has not occurred primarily but not exclusively because of this weakness. The issue of whether labour can form an alliance with customers to further their joint interests is addressed later on.

This brief outline provides the basis upon which to stipulate that the employment relations of the financial services sector, as with any other economic sector, can best be analysed and understood as the outcome of a symbiotic, two-way inter-change between the external (to unit of capital) environment and the internal (within the unit of capital) environment. In order to help do this whilst at the same time not becoming mesmerised by the process of interaction itself so that the intentions lying this become somewhat hidden, the aid of three derived conceptual categories from the above outline, namely, power, ideology and material interest, is helpful. These categories have particular pertinence for the financial services sector for, as previously alluded to in terms of the relative absence of open conflict between capital and labour in the form of collective industrial action as well as the prevalence of partnership, such conceptual categories enable a deeper and more insightful interrogation of the intentions, processes and outcomes of both parties in employment relations. In other words, it can be contemplated that partnership has not abolished the innate conflict of interests between capital and labour and that the absence of widespread, open signs of collective action may only indicate the inability of labour to mobilise to collectively prosecute its interests. Indeed, this does not suggest that the exploitation of labour has ended or been resolved for, as sometimes expressed, it may merely indicate a one-sided class war is taking place—in this case, waged by capital against labour. Power is normally conceived as ‘power to’ and ‘power over’, with the former facilitating

the latter. Meanwhile ideology provides a worldview of how economic, social and political relations should be configured and for what purposes. Meantime, material interest is the category which—so to speak—binds the other two together in a mutually supportive way. Given that material interests give rise to power and ideology, they can also be protected and advanced by power and ideology. Applied to the financial services sector, the power of capital is a manifest one in terms of hiring and firing and setting terms and conditions of employment as well as determining the organisation of work and the labour process. This ‘power to’ do so involves a ‘power over’ labour, indicating little salient state regulation and that labour—through unions—is not a particularly strong force.

Yet it is possible, if not probable in the short-term, to conceive of a situation where labour develops its ability to exercise ‘power to’ and ‘power over’ because of the exploitation experienced by labour at the hands of capital. The dominant ideology of neo-liberalism has taken a specific form in the financial service sector, namely, a partnership variant of human resource management whereby a certain form or nature of labour unionism is recognised and legitimated. The roots of this are strongly historical in as much as the dominant employer means for dealing with independent unionism was to engage in a strategy of ‘peaceful competition’ (Bain 1970: 131) under which moderate and dependent staff associations were developed and/or supported. As these staff associations began to become more independent and ‘unionate’ (Blackburn 1967), best exemplified by merging with independent forms of labour unionism, the strategy of ‘peaceful competition’ gave way one of partnership by which the now dominant and more independent forms of labour unionism were, by and large, ideologically incorporated into the interests and agenda of the employers in the sector. The degrees to which positive and willing endorsement or reluctant and begrudging acquiescence existed on the part of labour unions varied (see Gall 2008). But it is clear that a significant factor for some unions in the sector was their lack of ‘power to’ and ‘power over’. Again it is possible, if not probable in the short-term, to conceive of a situation where labour develops its own independent ideology in the sector and which takes account of its material interests from a radical standpoint leading to at

least militant objectives (if not militant action itself). Material interests denote economic interest, and for capital this concerns the shareholders (individual, institutional) and senior management (in terms of their salaries, benefits, bonuses and share options). For labour, workers' concerns here are bound up with their remuneration (pay, pensions, etc.) as well as job security and conditions of work.

In the following chapters, readers should bear in mind that even if the attendant (radical political economy derived) links between the capitalist system as a omnipotent regime of accumulation, the agency of capitalists in the financial services sector and the process of the exploitation of wage labour are not always fully drawn out (because to repeatedly do so may look clumsy and over-bearing), there are very much implied and present. Thus, when the text examines the responses of employers to the financial crash, it is on occasion implied that they seek to respond in ways which re-inforce and deepen their means of control of workers (their power) and their terms and conditions of employment in order to enhance their ability to maintain or increase rates of profitability (namely, their material interests).

## Conceptual Terms

Although exorcised from the subtitle of this study, the series of 'f' words provide a useful set of lower level concepts by which to form a framework for analysis. In other words, they help in the organisation of the analysis of data by providing categories in which to locate actions, behaviours and phenomena. Thus, 'fight or flight' is a traditional and commonly known binary conceptualisation of human reaction to adverse situations. It is derived from the American psychologist, Walter Bradford Cannon, who in 1915 coined the phrase to describe the responses of animals to danger. In psychological terms, the schema was later developed into a four-fold one of 'fight', 'flight', 'freeze', and 'fawn'. 'Freeze' refers to seeking isolation and reclusivity while 'fawn' comprises acquiescence and acted out acceptance. In employment relation terms, 'freeze' is not a particularly easily operationalised concept for it implies that workers could be at work but not part of a work group.

This would be difficult to achieve despite some tendencies towards atomisation. However, an unrelated sense of freeze is compatible with ‘fright’ whereby workers feel compelled and coerced into ‘falling-in-line’. Meantime, ‘fawn’ approximates to ‘falling-in-line’ in a rather more willing—but far from positive—sense. Thus, to lay out the categories:

- *Fight* comprises acts of collective and semi-collective resistance against the actions and interests of the employer, most obviously taking the form of industrial action (striking and industrial action short of striking such as overtime bans and work-to-rules) as well as using ballots for those actions as bargaining chips. Less obviously, means of expressing employee voice (through surveys and consultative ballots) can be used as means of leverage and mobilisation. This depends upon strategic or tactical choice and circumstance (see later). As acts of individual resistance such as sabotage, sickness absence and appealing against performance management assessments are difficult to identify and measure because of their hidden and secretive nature (as well as sometimes being conflated with other behaviours), they do not form a primary concern of this category.
- *Flight* comprises those of working age leaving the sector through of their own accord as a result of some form or measure of dissatisfaction, those taking early retirement for similar reasons of dissatisfaction, those taking voluntary redundancy for similar reasons and those subject to compulsory redundancy or transferal to other organisations through outsourcing. Some indication of the extent of flight is given by the example of the LBG which cut 57,000 jobs between 2008 and 2016 through redundancies, retirement, sell offs, offshoring and outsourcing (*Guardian*, 25 August 2016).
- *Fright* and *falling-in-line* are related in terms of outcome although they differ in the process by which the outcome is arrived at. Under *fright*, workers are coerced by economic compulsion as a result of the prospect of the loss of their job (through either redundancy or dismissal for performance issues). This leads them to buckle under and buckle down in order to try to avoid such outcomes by working harder and longer. For example, Accord’s president in 2011 reported: ‘Our members’ biggest worry is simply that they’ll lose their jobs.

We're seeing a lot of people who are just keeping their heads down, working those extra hours and not being treated with the respect they deserve. They are just taking it and not speaking up because they are worried about their future' (*My Accord*, Spring 2011). By contrast, under falling-in-line workers seek to reproduce the attitudes and behaviours desired and demanded by their employers in order to secure pay increases and promotion under the regimes of performance management. This conveys the sense of game playing without genuine, positive commitment to the ideology and cultural norms of the company. Fright is, therefore, more grudging than falling-in-line.

A similar common conceptualisation to 'fight and flight' is that of worker mobilisation in the form of 'anger > hope > action' chain of reaction. Anger gives rise to the hope that action, which requires both to be created and taken, can resolve the issue which led to the anger in the first place. Mobilisation theory, following Kelly (1998), is a more much specified sequence by which workers develop grievances and then act to resolve these.

In journalese, what has happened in the financial services sector is often described in terms of 'shake out' and 'shake up', meaning the 'shake out' of jobs and the 'shake up' of employment practices and ways of working—both to the detriment of the workforce. But for the purposes of analysis here, and with a focus upon labour unionism, a better way of understanding the processes and outcomes is to return to a previous analysis of the industrial relations of the financial services sector (Gall 2008) which identified that union organisation had experienced disorganisation, dissolution and dislocation. In a revised and updated schema, to this can now be added the category of demoralisation in order to provide a more holistic means by which to assess union decline. Overall, the outcome has been atrophy of union influence and presence although suggesting that labour unionism is now 'hollowed out' or has become a 'hollow shell' would be inappropriate and inaccurate. This is because, on the one hand, the implied starting point—of being strong and influential—is wrong for labour unionism in the financial services sector has developed on a different trajectory from labour unionism in manufacturing, while, on the other hand, the extent of decline is not so

advanced in either relative or absolute terms as the ‘hollowed out’ thesis suggests. Fleshed out, the four aforementioned categories are:

- *Disorganisation* has resulted from the consequences of the quasi-constant state of organisational flux as the structures of units of capital are reconfigured through mergers and amalgamations, disposals, demergers, outsourcing and offshoring. As the organisational structures of labour unionism are heavily influenced by those of capital for reasons of meeting and engaging with the representatives of capital, labour unionism has often experienced the need to mirror such changes in order to (re-)create more effective organisational forms. In this sense, more work and resources have been required to be put into getting labour unionism to a point where it can meet capital, rather than concentrating upon how to mobilise resources to exert leverage upon capital. Furthermore, the relationship between union personnel and management personnel are also in a state of flux with a constant churn of old relationships ended and new ones begun. This sense of disorganisation is for union organisation to become progressively less organised, rather than to never be organised in the first place. The latter sense is encompassed within the category of dislocation.
- *Dissolution* concerns the contraction of labour unionism’s presence, most obviously in terms of overall membership but also in organisational presence in terms of members, structures and activities based in the workplace in the form of the some presence of workplace unionism. Increasingly, relations between members and their union are direct and individualised so that workplace and local unionisms have become denuded.
- *Dislocation* concerns established employment moving out of the realms of that which labour unionism has traditionally organised within. Both existing and new companies have developed their presence in new product markets and with new means of delivering these products as information and communication technologies (ICTs) have developed. For labour unionism, seeking to move its presence into these new areas through organising and recruitment activities has been difficult as a result of the attempts by capital to keep these

operations ‘union free’ by a variety of means while there has been a steep and arduous ‘learning curve’ for labour unionism to acquaint its own operations with in these new settings.

- *Demoralisation* revolves around the demotivation and disillusionment of members and activists as a result of the ascendancy of the power of capital and the prevalence of its ideology of partnership as a cloak for this power. The feelings of (relative) hopelessness and pointlessness then mount in a frustrating manner for members feel aggrieved but at the same time believe that there is little to no chance of ameliorative redress and change. Membership may be lapsed but for those that remain members there is little compulsion to be active in order to create the opportunity for such change. Collective confidence and oppositional consciousness are then denuded. The consequential triumvirate of anger > hope > action does not then come into play.

Of course, these four processes and outcomes are not the preserve of the post-crash period for they far pre-dated it but they have been deepened and extended by developments in the period since the crash as the subsequent chapters indicate. Notwithstanding the caveat entered into above concerning the extent of union decline, disorganisation, dissolution, dislocation and demoralisation do raise the potential (as opposed to prospect or probability) of de-unionisation of the sector in the longer term in both absolute and relative levels of union membership.

What makes this schema rather more idiosyncratic than might otherwise be the case is that the setting of employment relations in the financial services sector is largely comprised of partnership working (between representatives of capital and organised labour) amongst the largest organisations. This means that that movement towards union decline, with its sub-components of disorganisation, dissolution, dislocation and demoralisation, cannot be directly and automatically ‘read off’ employer strategy in a simple ‘cause and effect’ manner. This is because, as will become clear, the extent of employer support (financial, ideological, organisational) for labour unionism is substantial (albeit this is for a certain type and form of labour unionism). From capital, the conventional argument is its monopoly of knowledge warrants its power of unilateral initiative in order to be able to respond effectively and efficiently

to changing market conditions in order to maintain market share and control costs. The components of power, profit (material interests) and ideology are not specifically spelt out in this perspective. However, so the partnership perspective goes, in an increasingly fraught and volatile marketplace, the input of employees is required so that employing organisations can be as competitive as possible in this environment. Herein lies the foundation of the mutual gains agenda of partnership (see later) whereby the interests of capital and labour can, it is argued, be aligned in a reciprocal—but not equal—manner.

## **Finance Capitalism, Capitalism and Neo-liberalism**

As is now commonly understood, the general crisis of capitalism in the late 2000s and into the 2010s was triggered by a crisis within finance capitalism in the first instance. The increasing separation of finance capital from industrial capital, to become much more a circuit of capital in its own right, alongside the decreasing regulation of finance capital leading it to become less risk averse meant that, on the one hand, finance capital had become a more weighty fraction within wider capitalism, and on the other, a less stable part of capitalism. The two together became a dangerous mix. In Britain, this is best highlighted by the payment protection insurance (PPI) mis-selling scandal which saw around 30 million policies wrongly sold and financial institutions setting aside up to £30 bn in compensation schemes as well as mortgages being offered to those that could ill afford them (as well as mortgages over the value of the property). Within the financial services sector, the crisis triggered a massive process of restructuring (principally labour shedding, and reorganisation of work) which far outstripped that which happened elsewhere in other sectors of the economy. As explained elsewhere, this did not lead to the re-regulation of finance capital on a par with the regime that existed before the ‘Big Bang’ deregulation of 1986 onwards. Forms of ‘light touch’ regulation ensued as neo-liberalism continued its ideological and political dominance. However, this process of

the continued sectional dominance by a fraction of capital within capitalism overall can be traced back to prior to the rise of neo-liberalism. Finance capital is best epitomised by—but not made entirely synonymous with—the City of London, indicating that its dominance has been bound up with the process of capitalist industrialisation, expansion and imperialism. The implications of this for employment relations are two-fold. First, state regulation of employment within the financial services sector has historically been weak, occasioning no particular forms of intervention like some other sectors of economic activity (for example, mining, ports, steel, sweated trades). It may be thought that the strategic importance of finance capital for capitalism per se would have occasioned particular forms of state control. Rather, the considerable relative strength of finance capital vis-à-vis other fractions of capitalism and the capitalist state has precluded this in Britain. The absence of any particular state oversight or intervention has meant that the second derivative feature has been that capital has dominated the employment relationship far more than in many other economic sectors. Consequently, the unitarist ideology, the material interests, and the power of finance capital have heavily coloured the complexion of employment relations leading to the prevalence of staff associations and now company-level social partnership.

## **Labour Unionism: Historical Trajectories and Contemporary Phenomena**

Labour unionism in Britain has been subject to five main salient tendencies since the 1970s. The first has been the dismantling of job controls established by unions, representing a progressive surrendering by labour to capital of the controls labour had built up over the organisation of work. These were used to control the pace and nature of work, in order to lessen the exploitation labour was subject to in the wage-effort bargain. The second has been the restriction of collective bargaining to a smaller number of shallower issues. The main component of this tendency has been to remove traditional forms of collective

bargaining over pay rises and their replacement with individual assessment so that the sums of money available for pay rises are still bargained over but not the manner in which the sums are then distributed. Allied to this has been the emergence of performance measurement of individuals. The third has been the end of the 'something-for-nothing' bargaining agenda and its replacement with the 'something-for-something' agenda. Thus, for many years and influenced by years of relatively high inflation, unions sought annual pay increases to keep up with or better the level of inflation in order to protect and advance their members' standards of living. Negotiations with employers concerned arguments about how much should be paid and whether the employer could afford this. The rise of productivity bargaining from the early 1960s began to change this culture, with employers starting to insist upon concessions in effort bargaining and work practices in return for pay rises. By the end of the 1970s and beginning of the 1980s, employer routinely began insisting upon gaining different forms of flexibility (task, temporal) from their workers in return for pay rises. The fourth has been the emergence of vertical forms of labour unionism. Previously, different grades of workers in both public and private service sectors were represented by different unions. This was especially so with regard to workers and their managers and supervisors. Over time and as a result of employer reorganisations and union mergers, workers, managers and supervisors have become members of the same unions (even if they had different internal union sections to represent them). Lastly, workers end or lapse their union membership when made redundant—and prior to gaining any subsequent employment—as unions no longer, to the limited extent that they once did, provide access to jobs by organising job pools. Moreover, as the cost of membership becomes an issue too in the context of unemployment, this also leads to lapsing. Compared to a number of continental European countries, state unemployment benefits are not operated through unions in Britain, and unions now do not provide extensive unemployment benefits to members themselves.

With regard to the financial services sector, such job controls did not exist in any palpable way. Professional banking or insurance qualifications which exerted a mild form of job control were not determined by unions or staff associations. Although seniority existed in terms of

general and specific banking activities, again this was not determined in any way by staff associations or unions. However, the financial services sector has been a prime example of employers introducing individual performance systems to determine workers' pay rises, beginning with performance-related pay (PRP) and transmogrifying into systems of performance management. Not only has this development removed a significant area of influence from the unions in the sector but the effect has been to further fragment and stratify a workforce and membership (see below and subsequent chapters) so that collective mobilisation is much more difficult to achieve. Similarly, negotiations over the size of the available pay pot—even when distributed by means of individual performance measurement—have been bound up with gaining other changes in employment conditions and practices in the financial services sector. Pen-ultimately, membership of staff associations and unions in the financial services sector has often catered for workers and their managers and supervisors (albeit with different internal union sections to represent them) up to the level of directors. This *de facto* right to union membership for senior staff was fought for by the emerging financial service sector unions and its take up became relatively common. This tendency was underscored by the moderate nature of many of the organisations and subsequent union recruitment strategies to maximise membership. Thus, the lowest paid bank tellers through to highly paid senior managers (but not directors) held union membership. Lastly, and like most contemporary unions, unions and staff associations did not provide access to employment opportunities and so membership lapsing upon redundancy was extremely common. And, the same is true of retired members for there is little in the way of activity for retired members to undertake.

In the financial services sector, the effect of continued widespread usage of performance-related pay has been to put workers and union members into different, though not entirely atomised or individualised, stratified positions so that a sense of overall or majority collectivism is harder to re-create and sustain. Stratification takes place whereby workers are put into different bandings as a result of individual performance assessments. Normally, there are no more than four or five bandings but these are then transposed onto a matrix based on market levels of

pay so that the number of final groups of outcomes by category can be up to 20. When members are unhappy or aggrieved with the outcomes of their performance appraisals (with regard to the impact on pay and development needs), they can appeal on an *individual* basis with union help and representation, and in turn, this strengthens the directness of the link between the concerned member and union but also atomises the member from other members given this representation will in all likelihood the most extensive and deep form of interaction with their union. This fragmentation is added to, as with outside the financial services sector, by workers and members being in different pension schemes such as remaining final salary schemes, other defined benefits schemes, and other defined contribution schemes. So there are considerable pressures towards fragmentation of macro-collective identities, raising the prospect of de-collectivisation and atomisation, with union resources increasingly expended on individual case work. This presents a challenge to unions to reconfigure and reconstruct collectivism (in terms of organisation, identity and consciousness).

Before moving on, it is important to recount that, along with the relative underdevelopment of workplace unionism, historically and contemporarily the ‘servicing’, rather than ‘organising’, approach has dominated in the financial services sector (Gall 2008).<sup>1</sup> Thus, the tendency is for ‘the’ union to be viewed as an external third party essentially hired to provide services, often in the vein of an insurance policy when needed, and to members where members do not perceive themselves as an active agency, much less the most important resource of a union.

## Partnership

Formal partnership agreements and partnership working, referred to hereafter as simply ‘partnership’ and embodying the frameworks, processes and outcomes of a mutual gains ideology, continue to comprise the dominant modus operandi for organising the relationship between capital and labour in the financial services sector. The extent of partnership in the financial services sector is such that it may no longer provide competitive advantage although by the same token not having it