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Employment Relations in the UK Finance Sector: Between Globalisation and Re-regulation

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Abstract

This paper explores the changing context of employment relations in the UK financial services sector. We begin with an overview of recent trends in employment and industrial relations in the sector. We then explore more systematically the qualitative changes that have been taking place in employment relations in the sector. The paper explores the changing nature of work in terms of off-shoring, technological change, the rise of the call centre, teamworking and new modes of skills within the sector. It ends with a discussion of the role and changes in industrial relations issues, trade union renewal and the new regulation of financial services. Our central contention is that whilst deregulatory forces have driven new patterns of employment relations in the sector, spaces have also opened up for new forms of regulation that are themselves reshaping the sector's skill sets and mode of engagement between unions and employers.

1. Introduction

The financial services sector in the UK is large and complex. For classification purposes it includes all activities in banking, insurance and other financial services. In total, its employs over one million people, some four per cent of total UK employment, and generates a balance equivalent to seven per cent of Gross Domestic Product (FSSC, 2006). Over the last twenty years the sector has been exposed to successive processes of deregulation and re-regulation, increased forces of competition and massive technological change. Historically marked demarcations between the different subsets of the industry have been eroded. New entrants (such as supermarkets) have entered the market for financial services, whilst established national 'brands' have been subsumed by international firms and banks, often with standardised products and services. The globalisation of the sector has contributed to greater market volatility and uncertainty, and widespread consolidation in the sector amongst the big players through mergers, takeovers and restructuring.

The impact of new technology has been profound. There has been a move away from traditional direct, personal front line modes of service delivery and decentralised back office operations (Morris and Westbrook, 1996). Two trends are particularly apparent. First, in terms of how customers are serviced, the use of telephony-based services and the internet has become more ubiquitous. Customers have more control than ever before over the way in which they chose to access and purchase financial services and products. Second, many traditional back office operations have been rendered redundant through technological processes that allow for increased centralisation of accounting and financial transfers. Both trends have led to a curious centralisation of service delivery around key hubs and IT centres, often organised in call centre operations that no longer need to be geographically, or more precisely nationally, bound.

The impact of these largely exogenous forces on employment relations has been equally significant. Historically, finance employers were 'characterised as conservative institutions, exhibiting bureaucratic and paternalistic labour-management regimes' (Tailby et al 2007: 213; Samuel, 2005). Jobs in the industry were seen as highly secure, with careers developed through established and recognised internal labour markets, although, as commentators note, career development was often marked by gender segregation with women disproportionately occupying non-career grades (Danford et al, 2003: 99; O'Reilly, 1992). More recently, large employers in the sector have sought to introduce wide ranging changes in human resource management practices, around the way work is organised and the way employees are rewarded, developed and involved. Teamworking, for example, has become a far more prominent form of work organisation. The tendency to work in service delivery teams, with dedicated team leaders is now the foundation of work systems in the sector. Often this has been accompanied by sophisticated forms of performance monitoring. Related to this, career progression no longer proceeds through seniority, formal promotion or time serving but through assessments linked to skills progression whereby competences are meticulously monitored and measured. Attitudes to authority and willingness to work as part of a team increasingly comprise part of the new skills sets being assessed. These changes have begun to contribute to a steady individualisation of pay across the sector. These developments are underpinned by more complex and direct systems of employer-employee communication. Management in financial services often use extensive attitudinal surveys to gauge the opinion of employees and allow them to evaluate different aspects of their work, environment and management. Typically, such direct communication structures are embedded in the team system of work organisation, and are underpinned by annual systems of employee appraisal that seek to link operational issues of work and employee effort to the broader social and behavioural values and competences that are deemed necessary to advance and be rewarded at work.

Alongside changes in firms' human resource management policy and practice have been deeper programmes of organisational restructuring. Most symptomatic has been an increasing trend towards the outsourcing and 'offshoring' of activities. There has been a high-profile debate, for example, about the relocation of call centre operations from the UK to India and other low labour cost countries (Taylor and Bain, 2005).

Trade unions in the sector have sought to respond to such challenges. Employment relations in the industry have historically been portrayed as relatively 'conflict free', and structures and traditions of trade unionism have varied across the different subsets of the industry. Trade unions were most developed in banking, whilst in other parts of the sector workers were often represented by company-specific staff associations that were financially supported by their employers. During the 1980s and 1990s this was to change as, first, staff associations sought to become more independent in the face of increasingly deleterious changes to working conditions and, second, staff associations and sector-related unions merged to form larger representative coalitions in the sector (Morris et al, 2001). The largest trade union in the sector, UNITE, had 180, 000 members in the sector (as of end 2004) and has developed a number of targeted campaigns against offshoring, changing working practices and pay inequality in the sector. However, whilst there is evidence to suggest that workers in the sector have become more 'unionate' and willing to take industrial action, the sector has also been an enthusiastic adopter of new-style partnership agreements (Gall, 1997, 2001).

It is against this backdrop that the paper is set. We begin with an overview of recent trends in employment and industrial relations in the sector. We then explore more systematically the qualitative changes that have been taking place in employment relations in the sector. Much of this material draws from a three-year project looking at the modernisation of employment relations in the insurance and other financial services part of the sector. This research involved nearly 200 interviews at all levels in three large insurance firms, and with key players in the industry. The research was undertaken in collaboration with the trade union UNITE. Our analysis also draws widely from supplementary sector-related documentation. The paper explores the changing nature of work in terms of off-shoring, technological change, the rise of the call centre, teamworking and new modes of skills within the sector. It ends with a discussion of the role and changes in industrial relations issues, trade union renewal and the new regulation of financial services. Our central contention is that whilst deregulatory forces have driven new patterns of employment relations in the sector, spaces have also opened up for new forms of regulation that are themselves reshaping the sector’s skill sets and mode of engagement between unions and employers.

2. The context of employment relations in UK Finance

2.1 The forces of deregulation and technological change

For the purposes of economic classification UK financial services, often covered by the generic term financial intermediation, covers banking, insurance and pensions and other financial services. Prior to the deregulation of the industry in 1987 the three sub-areas of the industry operated in discrete and closely protected markets. Since 1987 the boundaries between the three areas has broken down, and competition has intensified. Banks and building societies are now able to compete with one another, and some building societies have demutualised and become shareholding banks (eg. Halifax and Abbey National). This in turn has resulted in increased mergers and takeovers across the sector, as it has become consolidated. Some of the largest companies are now owned by international conglomerates that are among the largest in world. Many demutualised insurance companies are also owned by these large corporations. Insurance services are also increasing offered by new entrants with no historical experience of financial services. Additionally, there has been a large growth in the number of independent financial advisory agencies operating in the other financial services sub sector.

The period since 1987 has been characterised by profound changes in technological processes. Customers have been able to access financial services through a variety means. This was pioneered in the early 1990s by companies such as Direct Line, which offered a telephone-based service, but this has now become an industry standard and, more recently, has been developed further through the use of internet net-based services. Such technological innovations may have contributed to increased demand for financial services, but, along with the general consequences of deregulation, have had a profound effect on employment within the sector. As the Financial Services Skills Council (FSSC) (2006:10) notes, the sector ‘now faces a greater range of locational choices than in the past. This is due in part to the possibilities opened up by technology and fast, secure data transmission, and partly to the changing nature of jobs undertaken within financial services’. One consequences of this has been the set-up of large call centre operations, often located ‘in the more peripheral regions of the UK’. More recently, such call centres themselves have been faced with the risk of offshoring to foreign countries. Again, as the FSSC (2006: 11) explains, ‘India has become a particular target for financial sector offshoring because of its advantages of time zoning and widespread use of English, as well as well-educated low wage labour’. Initially it was the ‘non-core or “back office” processing activities’, involving relatively low skilled work’, that were offshored, but more recent evidence suggests that some higher skilled activities, such as IT design, are also been transferred to foreign shores.

In crude aggregate terms, the degree of offshored jobs has, perhaps, been overstated. Nonetheless, the phenomenon has generated much debate, largely on the probability of 'a lot more to come'. Further whilst the total number of jobs lost due to offshore amount to only a small percentage of total employment in the sector, offshoring has emerged as a major trend. The European Restructuring Monitor (ERM) calculates that 'almost 25, 800 jobs have been offshored by UK financial services firms since 2002' (FSSC, 2007: 30)[1]. Employees working in the UK financial services are four times more likely to be affected than their continental European counterparts (FSSC, 2007: 28). To date, the insurance sector has been the most significantly affected. More significant, for work, employment and employment relations in the sector have been the new modes of working in call centres, the changing skills required in the sector and the general retrenchment that has taken place over the last twenty years of the traditional face of the industry. This is most noticeable in the British high street. Estimates suggest that around one in five local branches of banks and building societies were closed between 1995 and 2003. And, despite increased levels of customer complaint, this trend is likely to continue. For example, Barclays Banks recently announced further closures of around 10 per cent of its branch operations (FSSC, 2006). Internal restructuring has been pervasive in recent years, accounting for far more job losses than offshoring (FSSC, 2007).

Whilst the deregulation of the industry has changed the structure of financial services, it also opened up, ironically, pressures for its increased regulation. A series of scandals around the 'mis-selling' of financial products has led to increased controls over not only the types of products companies sell, but the way that they sell them. Thus, the Financial Services Authority was established in 2000 charged with customer protection and the improvement of market confidence in the industry. It has set explicit guides for the development of skill-sets in parts of the industry. For example, as the FSSC (2006: 46) explains, 'regulatory changes have [also] tended to raise training requirements, with a growing requirement for certified professional status, especially relating to procedural compliance in retail financial service provision'. In the area of skills and also, as we shall detail below, in employment relations in general, there is increasing evidence of stakeholder co-ordination within the sector.

2.2 Employment trends

Table 1 presents an overview of employment trends in the industry from 1996 to 2007. The most recent data indicate that approximately 1.1 million people were employed in the sector in 2007. This roughly breaks down into around 620, 000 in banking, 180, 000 in insurance and 290, 000 in other financial services. Around 300, 000 jobs are based in London, and around 5 per cent of the industry are categorised as self-employed. In aggregate terms, employment in the sector appears to have

[1] The ERM calculates restructuring trends from press reports and therefore the figures do not capture the true extent of restructuring or job loss; thus their data report lower levels than official UK government statistics. However, the ERM does provide an indication of how such restructuring is broken down, by sector and rationale.

been relatively stable over the period. However, this obscures some important trends. First, output growth in the sector since 2001 has been strong, performing well above the national average. Second, the period since 2001 has also seen a wave of redundancies. This is the most entrenched period of downsizing since the early nineties – total employment in the sector fell by 100,000 between 1990 and 1994. In this context, recent employment growth should be seen as quite sluggish, as the sector has sought to extract improvements in labour productivity. This has been most marked in the insurance sector, where as the FSSC (2006: 42) notes, 'job cuts…show particularly strong evidence that aggressive cost cutting has taken place in that part of the financial services sector'. Of the 87, 480 jobs lost between May 2002 and August 2007, the European Restructuring Monitor calculates that over half were in insurance, where recorded levels (and percentage) of offshoring were also highest (FSSC, 2007). A further 30 per cent were concentrated in the retail banking sector. For financial services as a whole, around 30 per cent of job losses were due to offshoring, with internal restructuring accounting for 60 per cent (FSSC, 2007).

Table 1: Employment, redundancies and earnings in UK finance sector 1996-2007

	Total Employment (000) *	Redundancies (thousands) **	Median earnings of all full-time employees (£) #	Male Weekly earnings	Female Weekly earnings
1996	1, 021	0	388.2	517.0	309.5
1997	1, 036	21	408.6	544.7	320.5
1998	1, 044	0	422.3	574.7	333.7
1999	1, 073	25	435.4	575.8	333.4
2000	1, 069	0	467.3	611.4	354.2
2001	1, 089	29	482.0	628.3	364.3
2002	1, 113	34	479.8	623.3	370.9
2003	1, 104	34	513.4	672.9	393.3
2004	1, 079	24	494.2	649.5	378.0
2005	1, 079	22	514.1	670.0	389.2
2006	1, 083	28	537.2	689.9	404.9
2007	1, 092				

From SIC 1992 subsection 65-67
* Source Employment, Earning and Productivity Division, ONS, Labour Force Trends (December 2006).
# Source: Labour Force Survey (2nd quarter)
** Source: Annual Survey of Hours and Earnings

Over the same period, the median earnings of all full-time employees in the sector have fared well, rising from £388.20 in 1996 to £537.20 in 2006. Average earnings are among the highest for any sector as a whole in the UK, with median earnings some 20 per cent above the average for all industries and services. The gap between male and female earning is, however marked. Indeed, according to the main industry union UNITE, it is one of the widest differentials across all UK sectors. In 2006, women earned just 59 percent of male median earnings, the same differential as in 1996. To some extent this is a legacy of entrenched occupational gender segregation in the industry, but is also partly accounted for by the increase in part-time employment (a clear gendered area of employment) in the sector since 1990. For example, as Morris et al (2001: 242) note, part-time employment in the banking sector alone rose from '45, 000 in 1990 to 72, 300 by 1998', and short-term contract and agency employment has also risen significantly.

2.3 Developments in employment relations

The conduct of employment relations in the finance sector has historically been as diverse as the structural composition of the sector itself. Trade union organisation was most well developed in the banking sector. The structured internal labour markets and paternalistic management policies amongst large banking and building society employers lent themselves to coordinated bargaining with trade union bodies. In the remainder of the sector patterns of trade unionism were relatively under-developed. However, even within banking the nature of employee representation was varied. Historic attempts to develop a national union for the industry had faltered due to the different ideological differences between the main trade union in the industry, the Banking and Insurance and Finance Union (BIFU - previously the National Union of Bank Employee, and originally the Bank Officers Guild), and the myriad of staff associations that predominated across the sector (Morris et al, 2001). Many of these staff associations, for example in Barclays, Nat West and Lloyds (which had over 100, 000 members between them in 1985 – see Gall, 1997), represented significant numbers of employees, but were seen, by BIFU, to be too close to and dependent upon employers. The policies and practices of employers were indeed supportive of such representative bodies, and were assimilated into a process of national bargaining. This was to change in 1986, when, as Morris et al. (2001: 243) explain:

'the banks withdrew from national negotiations and longstanding compulsory arbitration arrangements over pay and other conditions to gain greater control of the bargaining arena. Their negotiating stances toughened, and they acquired the potential to expose the staff associations (now renamed as staff unions), with their co-operative values, as a sham. The associations responded by adopting a more 'unionate' rhetoric, openly challenging some of the policies of the employers'.

The consequences of this were two-fold. First, as the staff unions sought to present themselves in a more independent manner, their positions increasingly came closer to that of BIFU, whose leaders also became more open to discussions with the staff associations. A period of intense union merger activity ensued. This is described in detail in Morris et al (2001) and Gall (1997). The key moment was the formation in 1999 of UNIFI, resulting from a merger between BIFU, UNiFI (the relabelled Barclays Group Staff Union) and the Nat West Staff Association, with 190, 000 members (Gall, 1997). In 2004, UNIFI itself merged with AMICUS (itself formed from a merger between the Manufacturing, Science and Finance Union and the Amalgamated Electrical Engineers Union), which had been taking on a number of other staff unions from banking and insurance. By 2007 AMICUS had changed its name to UNITE (after a merger with the Transport and General Workers Union), a union with 1.6

million members. The finance sector is the largest grouping of members within this new ‘super union’, with an estimated membership of around 180, 000 members.

Second, accompanying this wave of merger activity was a more adversarial stance by unions within the sector from the mid 1980s. Traditionally, the finance sector was seen as relatively conflict free. But with the toughened stances of employers following withdrawal from national bargaining in the mid 1980s, unions sought increasingly to take action against deep redundancy programmes and the introduction of more individualised systems of performance-related pay (Gall, 2001). Whilst this was never to take the form of mass strikes, a number of key industrial disputes took place between 1993 and 1997, culminating in 1997, when a 13 year high number of working days were lost due to industrial stoppages.

Table 2: Union membership and labour disputes in finance, 1995-2006

	Trade union density, all	Male	Female	Working days lost (000) #	Workers involved (000)	Stoppages
1995	37.2	34.7	39.3	9.0	9.6	3
1996	36.4	32.4	39.6	10.0	20.0	2
1997	33.7	30.1	36.8	22.7	21.8	8
1998	31.1	26.6	34.7	2.5	2.9	3
1999	30.2	25.3	34.4	-	-	-
2000	29.9	25.5	33.8	-	-	-
2001	27.0	23.0	30.5	0.2	0.1	1
2002	27.2	22.3	31.4	-	-	-
2003	25.9	21.9	29.7	-	-	-
2004	26.6	21.9	30.9	-	-	1
2005	24.4	19.8	28.5	3	2.3	2
2006	24.3	21.1	27.4	-	-	-

Source: # Office for National Statistics (Labour Force Trends, various); 1995-2000 taken from Gall (2001)

This was to prove the high water mark of recent industrial relations turbulence in the sector. Whilst union membership increased in the sector, most notably in banking but also less so in insurance, between 1985 and 1994, bucking the national trend, this has not proved sustainable. From 1995 onwards union membership in the sector has fallen almost on a year by year basis. The consolidation of members into a larger union body has not been successful in halting this. In 2006, union membership in the sector stood at 24.3 per cent, a full four per cent less than the national average of 28.4 per cent (Grainger and Crowther, 2007). Trade unions were present in 46. 3 per cent of all finance workplaces and 31.4 per cent of employees had their pay affected by collective agreement.

The last ten years has also seen a marked turn away from the 'shift towards adversarialism' in the sector. Since the high point of 1997, the number of working days lost has been almost non-existent. As unions in the sector have become more concentrated they appear to have focused their energies more on the signature of co-operative 'partnership' agreements with employers. As Gall (2001: 364) notes, this appears to have signalled a move on the part of both the unions and some large employers, such as Barclays, to focus more on working together after a period of uncertain and difficult industrial relations: 'having seen the "precipice" both parties agreed to pull back'. Thus between the period 1997 and 2000, partnership agreements were established between unions and some 14 large banking and insurance employers (see Gall, 2001: 364)[2]. Most of these agreements were established on the basis of bringing the unions 'back on board' to work through ongoing programmes of workforce restructuring and change, around for example team-based working and new systems of skill-based pay, and to re-establish good and harmonious industrial relations. Nonetheless, many of these agreements have proved enduring, or, after an initial period, have been reconfirmed (Bacon and Samuel, 2007).

Whilst AMICUS/UNITE has been careful in its advocacy of partnership – noting that partnership is not synonymous with sweetheart deals – it has nonetheless sought to promote some of the most high-profile agreements (for example with Legal and General) as benchmarks for other employers in the sector to follow. Partnership has also been taken up by key remaining staff associations (eg, Portman Group Staff Association; Nationwide Group Staff Association and West Bromwich Building Society Staff Association) as a model for employment relations modernisation (see Stuart et al, 2006). Such activity is not restricted to the level of the employer or workplace. UNITE, along with 17 others key unions and staff associations in the sector, increasingly act together under the umbrella organisation the *Alliance for Finance*, to represent the interests of trade unions and staff associations to the Financial Services Authority, Government, the consumer lobby and trade associations.

3. The Reshaping of Work in a Context of Continuous Change

Having outlined the changing terrain of employment and employment relations in the British finance sector, we now focus more closely on the changing nature of work within the sector and the forces driving such change. Processes of globalisation and deregulation have led to various shifts in the patterns and structures of how work is organised and located within the sector. This section explores how such processes, along with technical change, have promoted the rise of new working environments in call centres and a trend to offshore certain types of work. It also examines how

[2] Gall (2001: 364) identifies agreements in: ANZ Banking, Cooperative Bank, Lloyds TSB, Pearl Assurance, Prudential Assurance, Legal and general, Royal Liver, AXA, AXA Insurance, Britannia Building Society, Barclays (in 1998 and 2000), UNISYS, Scottish Widows and Capital Bank.

modes of working, skills requirements and systems of employee involvement are changing in the sector in response to the new working environment.

3.1 The Globalising Imperative: Offshoring

As noted, one of the most widely reported developments in the sector has been the phenomenon of offshoring. Various operations in relation to customer service, call centre operations (front and back office), and information technology amongst others, are being off-shored to countries such as India (Storey et al, 1997; Leyshon et al, 2004). This has accelerated since the mid 1990s, and attracted much media attention:

‘Some jobs will always require face-to-face contact or physical proximity to the customer. But the development of information technology and the possibility of digital data transmission through telecommunications links has opened up a new opportunity for globalising the delivery of some service sector jobs. The trend began with relatively low-skilled data processing and data inputting work (such as routine administrative work dealing with airline ticket stubs and credit card applications) migrating from north America and Europe to destinations such as Jamaica, Barbados, the Philippines and Mexico. Higher-skilled work, such as software development, tended to be undertaken via the reverse mechanism of taking the workers to the work – for example, the so-called 'bodyshopping' of Indian IT specialists who worked under contract for US companies in the US.’ (Union Network International, 2002)
There are various reasons why offshoring is taking place. Technological developments have facilitated consumer-employee and intra-organisational interactions across different geographical locations. The increasing development of the call centre (discussed below) has allowed for a new form of customer-organisation interaction based on telephony. In addition, there are perceived to be benefits in terms of (lower) labour costs and labour flexibility/adaptability when relocating work to different national contexts such as India. It is perceived to be easier to develop a greenfield site approach and re-engineer the structures and relations of work. What is more, as offshoring developed from the 1990s onwards particular locations such as India began to develop an internal ‘call centre industry’, with regions and cities such as Mumbai, for example, creating specialised ‘industrial districts’. These locations developed supportive organisational and employment processes in the form of recruitment and training that facilitated the transfer of work and call centre activity to the country. In addition, such organisational dynamics tended to create their own internal inertia. It became management ‘fashion’ to consider the emergence of off-shoring as an inevitable consequence of globalisation and that the future within the financial services lay in re-locating ever greater amounts of work. In political terms, there has been little formal opposition – although trade unions and some consumer groups have registered concern and, increasingly, opposition. The British government has not opposed offshoring. They have argued for a greater realisation that the market is more global and they have rarely opposed any strategy related to offshoring. In fact, there have been political lobbies within the British parliament that have actively supported offshoring.

Abbey - 400
American Express - 400
Aviva - 5,000

Axa - 230
Barclays - 250
HSBC - 4,000
Friends Provident - 100
Lloyds TSB/Scottish Widows - 1,500
National Rail Enquiries - 700
Prudential - 600
Scottish Provident - 100
(Unite, 2007 http://www.amicustheunion.org/default.aspx?page=219)

The impact of off-shoring is variable. It has undoubtedly led to employment loss in the sector, as the discussion above illustrates. Many of the leading banks, building societies and insurance companies in the UK have relocated some employment overseas in the last decade (see table above). More significant, is the climate of uncertainty the offshoring dynamic has created, in terms of rampant perceptions of employee insecurity and the pressures this has put on trade union negotiation of terms and conditions. Pressure has been placed on employees and trade unions when negotiating with employers, due to the possibility of such strategic re-locations. There is a view that the insurance and banking industries do not have to locate all their services in the UK, and this brings pressure on the unions as they find that their effective organisational scope does not extend beyond the national and espeically European boundaries to any great extent. Clearly, the spectre of offshoring raises employer bargaining leverage, whatever their specific motives.

3.2 The Cult of the Call Centre

The development of information technology has allowed for a move away from a more direct, personal front-line mode of service delivery to one based on telephony and the Internet, and is organised primarily around call centres. Traditional insurance sales and serviced delivery have been restructured through the use of information technology and greater de-personalisation. This development has two main characteristics. Firstly, the emergence of the Internet means that many customers can now buy and monitor their insurance schemes on line. This has led to a curious centralisation of service delivery around key hubs and IT centres. It has eroded the role of traditional sales and given rise to expectations of new employee skill sets within the sector.

‘A number of important technological developments, including the introduction of EFTPOS (electronic fund transfer at point of sale) and ATMs (automatic telling machines), occurred during the 1970s and 1980s… With the growing sophistication and integration of information and communication technologies, other cost-cutting possibilities related to concentrating activities in regional centres, were soon realised by the big financial institutions. ‘Telemediated homebanking’ originated in the USA... Customers could carry out transactions involving cheque and savings accounts, mortgages, credit cards, loans, share dealing and travel services. …Direct Line, established by the Royal Bank of Scotland in 1988, was initially dedicated to selling motor insurance, but soon expanded into household insurance, personal loans and mortgages, in direct competition with the established banks and former building societies.’ (Bain and Taylor: 2002 ….)

In operational terms, at the heart of these developments was the move to national and (through process of offshoring), increasingly, international call centres. The call centre represents one of the most significant shifts in the way in which information services are delivered in the service industry generally. For some, this is seen to give rise to a systematic Taylorisation of work within the sector (for a discussion of such debates see Bain and Taylor, 2000, 2002; Taylor and Bain, 1999). The work in such centres is based on scripted and IT facilitated information exchanges as employees work to established routines and repertoires that are IT assisted – what has evocatively been termed ‘an assembly line in the head’ (Taylor and Bain, 1999). In addition, such new work spaces tend to ‘collectivise’ work around teams dealing with specific features and aspects of service delivery. These teams are subjected to very high levels of surveillance and performance monitoring which can be used to influence career trajectories and even discipline call centre workers. We are now witnessing forms of work where monitoring through performance management systems (e.g. call waiting, complaints, sales levels) are very common. The display and use of such data is to be considered a key feature of the sector and forms an increasing part of individual performance appraisal which are moving towards a greater judgmental orientation as opposed to a developmental one: that is to say they emphasise actual performance and not always employee potential and its development. The greater use of measures and data at team level, operations level, workplace and divisional level is a central feature of the new employment relations of financial services. Given this, it is unsurprising that call centres workplaces have been considered the modern equivalents of the ‘dark satanic mills’ (workplaces of the past which were ruthless in terms of management control and intervention). However, developments do not occur without tensions. Within such workplace environments there are a variety of team remits and roles, and services delivered, which means that the degree of autonomy of teams in relation to performance management and control vary. In addition, research indicates that the level of employee turnover in such workplaces, the reliance of agency staff, and the organisational spaces that exist in terms of personal relations and resistance means that they are not hierarchical and conflict free workplaces, and management control is subject to challenge (Taylor and Bain, 2003). Indeed, employment relations tensions within such environments, along with regulatory pressures on quality delivery, have created pressures on employers to develop new skills sets and engage in more participative engagement with employees

3.3 Teams and skills

Within these new workplaces and spaces new forms of work organisation are becoming more embedded. The emergence of teamworking has been noted. The tendency to work in service delivery teams, with dedicated team leaders is now the foundation of work systems in the sector. The extent to which such teams are either closely monitored by their team leader and subject to their particular styles of management, or the extent to which teams are allowed a deal of discretion in the way they work and the way they can rotate their posts varies according to the nature of the job and the nature of the firm. Within this new mode of working employees do not necessarily progress through seniority, formal promotion or time-served but through skills assessments around new forms of skill’s ladders. These measure competences in a detailed manner, and fit within the broader apparatus of performance management. Personal competences and abilities are evaluated and rewarded. In addition, firms are increasingly interested in a broader understanding of personal competences, around the measurement of behavioural traits and competences. Attitudes to authority and willingness to work as par of a team are increasingly part of the skills portfolio being assessed. These changes have begun to contribute to a steady individualisation of pay, as the question of performance and evaluation play an increasing role in reward systems. Moves up the pay scale are contingent on performance, competence and behaviour. This makes defending the culture of collective pay an important feature of trade union policy: but it also makes ensuring fairness in the treatment of different staff as they are assessed equally important.

The shift towards new skills management is influenced by the broader regulatory authority in the sector - as a response to scandals around the mis-selling of certain insurance products. Notably, the Financial Services Authority (FSA) sets explicit industry benchmarks for both technical and behavioural competencies. Accordingly, all the leading financial services employers have experimented in recent years with competency-based frameworks. Whilst the name varies in each organisation, the basis premise is that of a skills ladder. An employee enters the ladder at a novice grade and then passes through various developmental grades, before finally reaching the competent level for that particular role. The level of competence at each particular grade is assessed (and often requires evidence-based support) against a set of micro-competence criteria and performance targets that contain both task and behavioural elements. Thus, whilst all frameworks require an increasing demonstration of performance – such as the number and complexity of claims dealt with or the amount of leakage clawed back – staff are also expected to develop their softer skills, in terms of their ability to work in a team, generate customer approval (and get evidence of this!) and display leadership qualities. The assessment process involves regular appraisal sessions between staff and team leaders and progression through the grades are tied to pay rises.

Competence-based Skills Ladder

5 - Competent

4 -
3 - Developmental/progressing grades
2 –

1 – Novice – entry/induction level

So, what are the organisational benefits and challenges of such frameworks? At an individual level, such frameworks usefully insert employees within a structured support system whereby the acquisition of knowledge and the development of their role is recognised and rewarded. They promote self-career management amongst employees, and may have the ‘spill over’ effect of encouraging employees to learn more broadly. At a more organisational level, an aspiration would be that the link between knowledge acquisition, progression and pay would create a more motivated body of staff. It would also be the case that the focus on behavioural skills would contribute to team cohesion and customer service delivery. The central role of appraisal in the system is also important, because it not only promotes employee mentoring but also ties in the development of employees' capacities to the organisation of work and the team and broader business objectives.

Yet, it is the issue of 'fit' within the broader organisation environment that poses the greatest challenge to the effectiveness of such frameworks. Such systems require organisational commitment and consistency if employees are to be persuaded that skills ladders are not the latest, passing, management fad. The emphasis on appraisal and personal development planning within such frameworks create a central human resource role for team leaders: a role that some take more seriously than others. In addition to consistency of management practice, 'space' has to be created for learning within the day-to-day organisation of work. Business realities make this difficult, meaning that for employees 'evidencing' their knowledge acquisition so that they can progress up the skills ladder can often seem like an additional burden to the day-to-day intensity of work. How the acquisition of competencies within the skills ladders are connected to wider organisational commitments to learning is also an important dimension. Such frameworks often lend themselves to some form of external accredited qualifications; but typically they are not. Likewise, they are rarely integrated within a system of broader organisational support for learning: such as time off or financial support for employees to pursue higher-level courses. In other words, whilst a skills ladder approach offers the potential for the creation of organisational learning cultures, they will not do so in and of themselves. Organisations need to ensure that such frameworks are integrated in a sensitive and supportive way to the broader structures of management, the nature of work and systems of support for personal development. These are very common developments within the financial services sector: they are now a mainstay of how skills development takes place. They challenge the way progress through the firm has been understood and they bring forth the need for a new form of trade union and human resources department approach to regulation if they are to be based on principles of fairness and equity.

3.4 Teams and direct participation

The structure of the new skills management as noted above is clearly tied to the architecture of team-based forms of working. The focus of the development of individual competences and the way that team working is organised has also contributed to the reshaping of management-employee relations more generally. Notably, new forms of 'direct participation' have been developing throughout banking and insurance. We explore the characteristics of such participation below with a short case study of AXA Insurance – a French company operating in the UK (this is drawn from original research by the authors: see Stuart and Martinez Lucio 2005). In AXA, direct and individual involvement was extremely well developed within their UK sites. Management used extensive attitude surveys to gauge the opinion of employees and allow them to evaluate different aspects of their work, environment and management. Team meetings were often organised around the discussion of the findings and in some cases these were organised around larger section areas. The surveys would also identify problem areas and quality involvement teams would be established to allow for employees to contribute suggestions to the problems. Trade unionists were involved in such developments in their capacity as employees. The use of focus groups on a monthly basis by site management was another development that allowed individual employee opinion to be sought without a structured trade union input. In such groups employees would be invited to provide their opinions on certain matters and to question management. These were viewed as a de facto consultative forum with a high degree of visibility.

When asked about involvement and participation, employee respondents rarely referenced the union or collective participation processes but spoke of these types of mechanisms – even if they were not always enthralled by them. Teamworking was the space within which the employee viewed their most effective and relevant form of involvement. Employees viewed weekly team meetings as the main forum for raising issues and concerns. Many of these were technical and work related. They were not seen as a space within which more social concerns could be discussed, although the social aspects of the team in terms of team building and team identity were organised at this level through team events and social meetings sponsored by the firm. Within the framework of teamworking and teams, employees identified the significance of 'one-to-one' meetings between themselves and their team-leaders. These were seen as central to the establishment of objectives and mutual understandings about work related issues. At the time of the research it was noted that the annual appraisal between team-leaders and their staff was beginning to involve not just operational issues of work and employee effort but social and behavioural ones as well in terms of comportment and company values. It was very common for staff to point to these features of direct involvement as opposed to other collectivist based ones. That is not to suggest that these modes of teamwork empowered employees, but that they tended to be viewed as the main vehicle for communication and involvement. Employees spoke about such developments and processes as the main form of involvement within the workplace, even if opinion varied as to their effectiveness and significance.

These kinds of developments can contribute to new forms of industrial relations that are not reliant on trade union representation. In the case of EGG – the banking operation that was started by the Prudential insurance company – individualised communication and participation have developed much along the lines outlined above. However, whereas AXA is a unionised environment, EGG is not. It has responded to initiatives such as the European Involvement and Communications Directive (see below) and the desire for some form of representation from employees by establishing a People's Forum within the firm. In part this has been prompted by trade union attempts to organise with the firm and the strategic desire by management through the use of consultants to limit the presence of, and not recognise, the role of trade unions. The role of the People's Forums is to raise issues and it has a range of resources and staff allocated to it – it should not be seen as equivalent to traditional staff associations, such as those at the Nationwide Building Society, because these latter bodies are in effect trade unions albeit linked to one particular employer. In the case of EGG their rationale is as follows:

'Egg makes every effort to inform and consult early, too. Before parent company Prudential announced in January it might sell its majority stake in Egg, Gratton (Chief Executive and Co-Chair of People's Forum) called Horton (Co-Chair, employee rep) to discuss it before the information went public. Horton was then able to convene People Forum members to raise it with them, too. They were also consulted earlier on unrelated) redundancy arrangements. "Our aim is to represent the voice of Egg people, to make working life great, and to help drive superior business results," says Horton. "While we have a commitment to the People Forum set out in documents, we don't want to get too legalistic. In the end it's based on trust and commitment," he says. …The prospect of further statutory requirements — with new I&C Regulations due to take effect in a year's time — is also prompting companies to consider overhauling their processes.' (IPA Bulletin, Number 33, March 2004: P1)

This view illustrates the flexibility of such forms of representation – it is also one closely tied to the view of the firm and the members of the People's Forum and it is not without its critics. However, we are seeing the kinds of techniques discussed with AXA facilitating the development – or in some cases continuity – of non-union and direct forms of communication and consultation.

4. The Return of Industrial Relations and the New Regulation of Financial Services

Despite these trends towards more individualised forms of employment relations, it would be a mistake to write-off trade unions and the role of employment regulation within the sector. They continue to play a vitally important role within the financial services sector. There are various developments that need to be taken into account that are shaping new industrial relations practice. They relate to issues such as the changing nature of trade union strategy, the new agenda in employment-related issues such as diversity and dignity at work, the emergent learning agenda, and the role of new regulatory bodies such as the Sector Skills Councils and the Financial Services Authority. There are also continuing and developing forms of dialogue between unions and management at the local, national and transnational level of financial organisations. These developments present challenges to the view that globalisation has unhinged the regulatory order of sectoral industrial relations.

4.1 The new co-ordination of trade union structures

As noted, trade union merger activity has proliferated since the mid 1990s, culminating with the merger of the banking union UNIFI with AMICUS (now UNITE) in 2004. Members in the sector are now part of a new large trade union structure that has 1.6 million members (180, 000 in finance and banking). The union has created a new and co-ordinated structure of membership services. Research and policy functions have become highly co-ordinated and there is an increasingly common approach to strategic issues within the sector. The union is able to lobby around sectoral-related issues at the highest levels of policy and in a more co-ordinated manner. Through its sponsored Parliamentary representatives (via the Labour Party) it has been able to lobby on issues such as offshoring and social inclusion in terms of financial services in a more transparent manner. This has potentially wide ranging consequences as UNITE is able to undertake more co-ordinated campaigns against the larger employers in the sector, such as Legal and General, AXA, HSBC and Barclays, that recognise the union. What is more it means that due to the weakness and highly fragmented nature of employer associations, such as the Association of Business Insurers, it is UNITE (and as noted earlier the Alliance for Finance) that now relates to regulatory public bodies such as the Financial Services Authority and the Sector Skills Councils (SSC)in a more systematic manner. UNITE has also developed international co-ordination strategies and meetings with trade unionists in countries such as India with a view to responding to issues such as call centre offshoring. The development of UNITE and its financial services section is therefore a major feature of the new terrain of employment relations in the sector in the UK. It will be another five to ten years before the full co-ordinating capacity of the union is realised, but there are strong indications that political and organisational influence will increase.

For example, the union has developed a range of highly pertinent campaigns. One relates to the learning agenda, in response to the statutory rights granted to Union Learning Representatives (ULRs) in the Employment Act (2002). ULRs have become increasingly active in companies such as AXA and Royal and Sun Alliance, generating new networks of trade union activists and raising a range of issues regarding the learning needs of employees. According to trade union literature they are by law allowed to play a role in: ‘Raising awareness and promoting the value of learning; providing information on learning; identifying learning needs; working with employers and other partners to improve access to learning opportunities; monitoring quality of provision, and supporting equal opportunities in learning’ (www.poptel.org.uk/whitehall-college/whitehall/pdf/diduno.pdf). The steady increase in the number of ULRs in this sector means that the developmental aspects of human resource management may not always be the sole preserve of management as the union can be involved in consultation on such aspects of work (for a general discussion of ULRs see Wallis et al, 2005). How they will connect with the skills ladders discussed above will become an issue of increasing interest, particularly given the union influence in the SSC

Alongside such initiatives there has been a greater attention paid to workplace equality and diversity matters. UNITE has begun to target employers about such questions. It is argued by the union that women earn on average about 41 per cent less than men in the financial services sector, and UNITE have begun a campaign of ‘naming and shaming’ with a view to forcing companies to do more systematic internal equality audits and to raise pay for women (Berry, 2006a). The union is pushing a gender equality charter which it hopes key companies will sign up to. In 2006 the banking and insurance firm First Direct, known for its pioneering use of call centres and telephone banking, signed up to an equality agreement with UNITE. The agreements commits the company to improve the pay of female staff, and to continue work with the trade union on such issues, thus building on activities such as the sharing of employment data within the firm (Berry 2006b).

2.2 New Collectivism: New Forms of Dialogue and Participation

Paralleling the changing structure of trade union co-ordination within the sector has been the rise of a new form of workplace dialogue, around union-management cooperation or what is more commonly in the UK referred to as partnership (Haynes and Allen, 2001 Martinez Lucio and Stuart, 2005; Samuels, 2007; Stuart and Martinez Lucio, 2005). Whilst the sector is known for having a range of non-union companies – especially amongst some of the insurance companies be they specialist or not – the question of new forms of strategic dialogue between unions and management has been widely debated.

One illustrative company that we researched has been held up as an important national example of strategic engagement, having won awards for its industrial relations from employer associations and trade unions. The case below looks at the development and role of Framework Agreements regarding involvement and participation. Legal and General is an insurance firm that is British owned and whose market is in great part national. It employs circa 8,000 individuals and deals mainly with the home, pensions and life insurance markets. It has a series of joint working committees that were established to ensure a wider dialogue between management and unions at the national and site levels. These included trade unionists and managers from various departments. Trade union representatives and human resource managers worked together on various initiatives and thereby concluded a joint agreement on issues such as performance management and the procedures underpinning it. Accompanying materials, for example, clarified the way individual employees would be evaluated by their team manager. More generally, it was agreed that any discussions arising out of dedicated forums and joint project teams would eventually be ‘badged’ jointly by both management and the trade unions. In this case, it was possible to detect a strong trade union network that was both formal and informal, and which was able to utilise the agenda of staff involvement and participation.

The degree of interaction between human resource managers and trade union representatives was extensive. Opinions were sought from the trade union by management, and the trade union ensured that this was the case. There was ongoing interaction and extensive informal dialogues and a clear campaign to staff of the benefits of working together. As part of the ‘badging’ process, any jointly-discussed agreement or initiative was referenced in documents through the use of both the company and trade union logos, and even pictures of key individuals from management and unions. This was deemed important by the trade union because it communicated the nature of the working relation and relevant developments to its members and the staff base more generally; the use of joint logos (or a refusal to ‘badge’) communicated whether the union was in agreement and or not on specific developments. This latter point was considered by the trade union representatives to be a way of ensuring that the independent status of the union, and its ultimate independence, were communicated and ensured.

A new agreement on absenteeism in 2004 represented a good example of working together. On the one hand, management was concerned with absence and had decided it would be prudent to have certain cases of absence corroborated by the use of company sponsored medical staff, through an insistence on ‘return to work’ interviews and the use of baseline indicators for evaluating difficult cases. The trade union disputed some of these proposals, but had managed to ensure an appropriate procedure that was transparent and consistent, and sickness pay levels were maintained. At the heart of the agreement was a concern with not having attendance management abused, with individuals clear about their rights. This was set against broader developments in UK employment relations where leading organisations had sought to either cut sickness pay or tighten the process of claiming it.

Union-management dialogue was such that it raised the question of offshoring and the transfer of work abroad. The union was able to advance a political position and marketing strategy within the firm that argued that the British identity of the firm and the loyalty of customers would be best served by not offshoring jobs and work. To what extent this was an outcome of the partnership strategy is debateable. Nevertheless, the union reflected these positions and provide support for them within the corporation's political spheres, In fact, in 2004 AMICUS gave the company an award as best employer based on such commitments to employment and offshoring, as well as its culture of involvement.

The case shows how the trade union increased its participation. First, there is no doubt that working on joint projects such as performance management required constant vigilance as far as some trade unionists were concerned. Secondly, the manner in which management and trade unions enthused about participation created a curious dilemma. As each side became aware of the other's enthusiasm for co-operative participation it created a degree of interaction between key individuals that was increasingly based on an intense dialogue and an extraordinary degree of mutual vigilance. Such strategies require investment in union resources and time. The trade union was able to ameliorate such problems by virtue of its ability to recruit workplace representatives; such was the transparency of the trade union and its work even if such developments were not always clear to its members and especially the broader employee base. In this company the problems of bringing managers on board and accepting an active trade union led to a joint training programme. During 2003 and 2004 a joint training programme was launched with the objective of raising consciousness amongst team managers with regards to the union's role – this was a major development, and the union and management received funding to support this through the Department for Trade and Industry Partnership Fund. The training raised awareness of the union's role amongst managers. Many managers at various levels appeared to acknowledge that the adoption of clearer procedures on a range of work related issues such as performance management as well as sickness and absence did facilitate their work – in some cases, the trade union had become an important reference point for managers seeking advice.

The development more widely of this new form of participation may be further reinforced by the government's adoption of legislation – initially elaborated in the European Union – regarding information and consultation rights. The Information and Consultation Directive is applicable to virtually all financial and banking concerns by virtue of their size. Those with established procedures are less affected by this legislation but those with a non-union environment and weak consultation mechanisms with their staff have had to put in place a range of new mechanisms in part to avoid the possibility of stronger and potentially union-based approaches: see the example of EGG discussed above. The reality so far is that this new legislation has not yet reinforced a more collectivist role (Taylor et al, 2007). Yet, the debate on whether this new legislation will impact must be seen alongside other legislation and new forms of regulation that are impacting on financial services.

For example, a further dimension of the new dialogue and pattern of regulation in financial services are European Works Councils (EWC). There is a broad discussion about these institutions but they are emerging as a significant feature of European regulation: some commentators have disputed how extensive their role is (see the discussions in Fitzgerald and Stirling, 2004), but they are an increasing feature of the financial services industry. Companies such as AXA have a EWC that brings together employee and trade union representatives from across various European countries where it has operations. This council meets at least once a year to discuss strategic issues and it is a forum for consultation. The EWC has developed such projects as a framework for participation and set of principles for dialogue within the firm in terms of its stakeholders. At the plenary session of the company's EWC in July 2007 in Berlin a range of positions were reached on such as issues as reducing the gender related pay gap and the way to approach the question of offshoring (UNI, 2007). These framework approaches are an increasingly important feature of the industrial relations landscape of the sector and show a renewed role for trade unions.

4.3 The Rise of Sectoral Regulation: Sector Skills Councils and the Financial Services Authority

The trade union UNITE has not been slow in developing strong relation with the two new policy oriented and regulatory bodies in the sector: the Sector Skills Council and the Financial Services Authority. Within the UK, sector skills councils have been charged with enhancing skills profiles at sectoral level and concluding sector skills agreements. They are institutions that are essentially employer dominated, but with the involvement of unions and other industry-related bodies. The Financial Services Skills Council (FCCS) has trade union representation at policy making and project level. The remit of the FSSC is broad, and it looks to:

- 'Represent employers' interests and directly influence the planning and funding of education and training across the UK…
- …Review of examinations initiated by the Financial Services Authority...
- Attract staff into the sector by … forging strong links between employers and colleges and improving access to local labour markets and public funding
- Provide opportunities … to realise their full potential through the promotion of lifelong learning and developing career pathways
- Provide … intelligence about the sector…
- Promote the concept of spending on training …
- Offer business coaching…
- Enhance the profile of British qualifications in the global community
- Promote the development of an integrated national standards framework…
- Provide a forum where members can exchange views, agree policy, influence local funding and inform research'

(SOURCE: https://www.fssc.org.uk/cgi-bin/wms.pl/About_us/22)

This development allows for questions of sectoral cohesiveness and the regulation of employment to be debated in a more open manner

In terms of the FSA, which was outlined earlier in the paper, the organisation is not solely concerned with regulating the business services of the sector - it is a vital part of the way qualifications and skills are developed and national standards set. This can be seen to represent a new form of, albeit softer, regulation which allows for a greater discussion of the form and content of work within the sector (see Stuart and Martinez Lucio, 2008 for a discussion of new regulatory roles). As we noted earlier, one example of the impact of this body has been around the implementation of skills ladders and profiles, and how they are structured and monitored. This approach is likely to be extended in the future to a wider set of employment-related issues, around for example equality and diversity, and there is likely to be a more expansive approach to the auditing of employment practices. Pieced together, the FSSC and the FSA represent a new form of regulation that confirms to a pattern that is emerging across the European Union more generally (Majone, 1994). These are institutional spaces around which industrial relations actors will steadily play an enhanced role in the regulatory politics of the sector.

5. Discussion: Between the Realities of the Market and the Push to Re-Regulation

This chapter has explored the changing terrain of employment relations in the UK financial services sector. Pressures for change in financial services are extensive and they create new pressures on labour-management dialogue and the conduct and content of employment relations. The main pressure can be summarised as follows:

- Ownership uncertainty brings with it the prospect of further restructuring and new management constituencies around which to establish effective working relations and cultural change.
- The sector has had to rapidly acclimatise to a new type of working environment in the form of the call centre, which has transformed the character of employee identity and work organisation thus bringing challenges in terms of the working environment and demands on employee organisation, working patterns and skills sets.
- New forms of work organisations, such as teamworking, and new forms of employee communication around direct participation have had to be accommodated to the current system of employee relations with its more collective systems of communication.
- There is a new approach to skills and training which has reshaped the way promotion and reward are understood, further compounding the challenges to the collective system of representation.
- The issue of off-shoring has become a major feature of the sector, creating at the same time a need for greater dialogue and yet also pressure on the nature of that dialogue between trade union representatives and management.

These challenges have cut deep into the traditional cultures of employment relations within the sector and threatened employment security, established patterns of work and modes of employee representation. Clearly, it is difficult for trade unions to represent and negotiate on behalf of their members when employers seek to gain bargaining leverage through the threat (real or otherwise) of offshoring. Whilst the demands on employees in the 1990s seemed to usher in a new period of industrial conflict and confrontation, management-union relations have in the new century been increasingly characterised by partnership. Many would understand this in terms of a renewed management authority and profound union weakness. This is certainly part of the story, but as always the story is more complex than that and contradictory pressures are always present. In order to meet not just the challenges of globalisation and technical change, but new regulatory pressures, employers are themselves looking to trade unions to participate in the change management process. To be true, this is typically as a ‘partner’, rather than a social actor, but that is not to deny possible space for new union momentum and the furtherance of new employee relations agendas. Thus, we have shown how a new set of dialogues within the financial services sector and new institutional dynamics are beginning to emerge. The study has shown us how the need to create robust and coherent approaches to representation, inclusion, development and quality has contributed to, and promoted action from, an increasing body of regulation and regulatory actors. In a curious turn, trade unions have begun to engage with questions around learning, employee development, equality and other matters through new relations with policy making bodies and regulatory institutions. The emergence of institutions such as the FCCS and the extension in the remit of others such as the FSA are important areas for future study.

The sector under discussion is caught between the need for quality, security and professionalism on the one hand and the pressures of greater globalisation and markets on the other. This tension must be the focus of debates if we are too truly understand how employment relations in UK finance and banking is being restructured, and what the consequences of this restructuring will be.

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