UK bank bonuses and the lie of “shared sacrifice”

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Every so often, an event occurs that cuts through the carefully managed cant and hypocrisy of official politics to expose the real state of social relations.

Such is the case with the announcement that Stephen Hester, chief of the Royal Bank of Scotland, stood to pocket a near £1 million bonus.

Details of the award came as the government vowed to press ahead with its plans to slash welfare payments for the unemployed and those on invalidity benefits. The Conservative-Liberal Democrat coalition is imposing a maximum level of £26,000 per annum in the total amount of welfare payments—including housing costs and child benefits—that can be claimed by any family, irrespective of size.

Tens of thousands will be adversely affected by the measure, many of whom will have to leave their homes—particularly in London and the south east of England—in what amounts to a policy of social cleansing.

The government insisted that the change was warranted in the interests of “fairness” and cracking down on “spongers”.

Compare this with its response to Hester’s bonus. The RBS chief had been awarded £963,000 in share options, in addition to his £1.2 million annual salary.

Hester is by no means alone. FTSE 100 executives have seen their pay rise by 40 percent in the last year. But the details of his bonus have left a particularly bitter taste. RBS was bailed out with £45 billion of public funds in 2008. Then the largest company by assets in the world, it had recorded a loss of £24.1 billion in the credit crunch—the biggest loss in UK corporate history.

Despite the loss, then CEO Sir Fred Goodwin still managed to walk away from the bank with a pension pot worth a reported £16 million.

RBS is now 82 percent state-owned, but the government insisted that it could do nothing about Hester’s award. Its hands were tied, Chancellor George Osborne claimed, by the terms of the contract agreed between RBS and the Labour government at the time of the multibillion bailout—an agreement by which Hester could expect to receive up to £39 million in pay and share-options between 2008 and 2014.

Conservative Minister Iain Duncan Smith—who is leading the assault on welfare claimants—argued that a government challenge to the award would result in “chaos”.

The inordinate respect accorded to Hester’s contract stands in marked contrast to the contempt for the rights of millions of public sector workers. Previously agreed retirement terms are being ripped up, and workers made to pay more, and work longer for less money.

In March, local authorities across the country ripped up the contracts of public service employees and imposed new ones—most often involving a cut in pay—or be laid off if they refused.

In the construction industry, thousands of building workers have been told they must also accept new contracts, with pay cuts of up to 35 percent, or they will lose their jobs.

Workers employment terms can be overturned at a stroke, backed with the threat of mass sackings. The super-rich, however, are off limits.

The BBC’s economics editor, Robert Peston, reported that the board of RBS were threatening to resign en masse in the event of any “interference” in CEO remuneration. Media commentators warned darkly of bankers “packing up” and leaving Britain. The country cannot survive without their “expertise”, news columns claimed.

In fact, RBS made a loss of £3.6 billion in 2009, and

£1.13 billion in 2010. Its shares collapsed to half their worth in 2008. Nonetheless, it is claimed that Hester's "five year plan" to turn the bank around is on course. What does this consist of? His great contribution to the "revival" of RBS has been the elimination of 33,000 jobs, with more to come.

At the weekend it was announced that Hester would forgo his bonus. With a basic salary of £1.2 million, it is hardly the magnanimous gesture now being claimed. No doubt some other form of misnamed "compensation" is now being cooked up behind the scenes.

Nothing has been said of Ellen Alemany, head of RBS US operations, who is expected to receive a £4.8 million bonus. Or John Hourican, head of the RBS investment arm, tipped for £4 million in "incentive shares."

At any rate, Hester's decision will do nothing to reverse a situation in which the financial oligarchy has more than restored their fortunes to pre-2008 levels, courtesy of government bailouts.

The top 1 percent of the population enjoyed an increase in post-tax income of 13 percent during 2009/2010. In the meantime, the government's austerity measures have enabled a situation in which the average gross salary fell by 4.5 percent last year, adjusted for inflation.

It is this glaring social inequality that accounts for the feigned outrage over Hester's bonus by the likes of Labour leader Ed Miliband and Conservative Mayor of London Boris Johnson.

All the official parties are committed to pay cuts across the public sector. Notwithstanding the complaints made by some of their number over Hester's award, no one has proposed making any inroads in the gargantuan fortunes of the super-rich.

Instead, Scottish National Party leader Alex Salmond spoke of the problems of imposing the needed "pay restraint across the public sector … against the background of huge bonuses being paid in organisations which are still within the public sector."

"This blatant inequality thus threatens economic recovery", he said.

What he means is that it has exposed the mantra of the official parties of "shared sacrifice" and "We're all in it together", by which they are seeking to drive down workers' pay and conditions and destroy fundamental social and democratic rights.

The Hester affair confirms the utter rottenness and perfidy of the trade unions. A tiny elite—reviled by the vast majority of the population—issue edicts and threats in defence of their privileges. Meanwhile, union leaders argue that workers must accept spending cuts and pay freezes while huddling in meetings with government ministers and corporate bosses to help devise new ways of making the working class carry the burden of the crisis.