Thousands of job cuts in UK financial sector

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In recent months financial firms in Britain, including banks and insurers, have announced thousands of lay-offs.

Management at many of the same institutions, who did much to precipitate the economic crisis that began in 2008, continue to rake in massive bonuses.

Insurance firm Aviva, for example, has revealed plans to slash 2,000 jobs over the next six months—six percent of the global workforce. The move is bound up with an assault on workers' terms and conditions, as the company also said it would reduce its redundancy pay-outs by half at the end of the year.

The move comes after another 3,000 jobs went in 2012 and Aviva posted a £3 billion loss in the last financial year. CEO Mark Wilson declared in a statement, "I know this is difficult news for our employees but these changes are essential if we are to remain competitive".

Days before, leading insurer Axa unveiled plans to cut its workforce by between 450 and 500, as part of its decision to end face-to-face financial advice.

Tens of thousands of jobs are expected to be cut across the sector by the middle of 2013. A Confederation of British Industry study published in January estimated that between the last three months of 2012 and the first three months of 2013, 43,000 jobs would go.

Major British banks have led the way. Barclays announced in February plans to cut 3,700 jobs, while HSBC recently carried out 3,160 lay-offs. Lloyds, 39 percent controlled by the government, announced 550 redundancies in the middle of March after 1,340 positions were eliminated in January. The cuts are linked to an expansion in the use of agency workers earning much lower salaries, as well as plans to outsource jobs to low-wage centres in Asia.

The mass lay-offs at the banks are a refutation of claims made by politicians that the finance industry can be a driving force for the British economy. They come as the economy continues to struggle, and the government presses ahead with austerity measures. A recent study by the Poverty and Social Exclusion project estimated that 33 percent of the population were living in various forms of deprivation.

While thousands of workers earning low and modest wages have been made to pay for the economic crisis, the heads of the financial institutions continue to award themselves huge bonuses, even as they are implicated in new scandals. Antony Jenkins, head of Barclays, gave himself over £5 million worth of shares, part of a bonus package that saw nine top executives collect a total of £40 million in bonus payments at the end of March.

At Lloyds, chief executive António Horta-Osório is to receive a bonus payment worth £1.5 million, while the bank lost £570 million in the 2012-13 financial year. The government is preparing to sell a third of its share in the bank at a price roughly 15 percent less than when the bailout of the group in late 2008 was organised.

At HSBC, 200 top executives were paid more than £1 million globally in 2012, 78 of whom were based in the UK. This came as the bank was fined close to £1 billion for laundering money from Mexican drug barons through the financial system, and as speculation continues that fines will be imposed for HSBC's role in the fixing of LIBOR. Such fines, small change for the banks, will do nothing to prevent such criminal practices from taking place and do not even come close to compensating for the massive profits accrued through such criminality.

That lay-offs can go unopposed under such conditions is primarily due to the role of the trade unions, which have played a crucial role in imposing redundancies in the financial sector, as in every other area of the economy. Not a single protest action has been organised to oppose any of the lay-offs.

The unions enjoy a cosy relationship with Britain’s financial sector, even holding a post on the board of directors of the Bank of England. This position is currently occupied by Dave Prentis, head of Unison. He replaced Brendan Barber, former chair of the Trades Union Congress (TUC), who sat on the Bank’s board until 2012 and would have been involved in the discussions over the multi-billion bailout of the banks in 2008-09.

Bank of England governor Mervin King made a point of thanking Barber personally when he was invited to address the TUC in 2010. He stated, “Brendan has helped us through some extremely turbulent times. I am grateful to him”.

This type of close collaboration is widespread.

The main union involved in the financial industry is Unite, led by Len McCluskey. McCluskey is often held up as a “left” union leader by groups like the Socialist Party, who backed his recent re-election campaign and with whom he has worked closely since the 1980s.

In 2012, the union produced an astonishing document entitled “A finance sector for the real economy”, in which it bluntly laid out its position on the banks. Unite claimed that as a consequence of the 2008 crisis, “the UK finance sector has been placed under intense scrutiny and changes have taken place that has (sic) transformed financial services significantly”. New regulations were making the finance sector “more transparent, safe and accountable”, it claimed, but ultimately “it is how the sector conducts itself from here on in which will determine whether lessons have been learned”.

The message could not be clearer. The very same institutions which brought about the deepest economic crisis since the 1930s are capable of mending their ways, if only pressurised a little through negotiations by well-placed union bureaucrats.

Unite has been involved from the earliest stages in discussions with management on how to generate cost savings. The latest round of lay-offs at HSBC was known to Unite for months.

Unite was also involved in discussions with Aviva management to draw up plans to save £400 million, but gave no warning to workers of what was being prepared. In unveiling the 2,000 job cuts, the company statement merely noted that “consultation” with the unions had taken place and that this would continue throughout the redundancy process.

At Lloyds, the union has done nothing to halt the expansion of agency work and has negotiated pay deals for the majority of low-level staff that fall well short of inflation. On the back of the announcement of mass redundancies and the revelations of bonuses, Unite released a statement by its National Organiser Dominic Hook that declared meekly, “Unite is urging Lloyds to return to the negotiating table to recognise the contribution ordinary staff up and down the country are making to help the bank get back on its feet”.