

The migration of financial sector jobs overseas cuts deeper than just call centres. While international financial organisations look for greater cost benefits, trade unions such as Amicus are fighting hard to protect UK jobs. Businesses need to look beyond the bottom line, the union's national secretary for finance, **David Fleming**, tells Jim Banks.



# WHO'S TAKING THE STRAIN?



In recent years, certain jobs in the financial sector have been following the pattern of those in other industries that have packed their bags in the last few decades and flown out of the UK. The number of jobs going abroad to offshore outsourcing service providers continues to grow, as global financial entities focus on what they perceive as core activities and seek maximum cost efficiency for non-core processes. Potential cost reductions are certainly a powerful driver, especially in the short-term, given the labour cost arbitrage possible in economies such as India.

Much has been said about the relocation of call centres, with supporters and detractors equally vocal about the cost advantages and the apparent decline in the quality of customer service. It must be realised, however, that the range of jobs in the financial sector moving abroad is far broader than just call centre operations.

Indeed, growth in finance and accounting outsourcing (FAO) processes has been a notable feature of recent years, as the range of processes deemed to be 'non-core' activities becomes ever wider. Procure to pay, order to cash, financial application and cash management are now increasingly likely to be outsourced or offshored.

'In the global economy you can understand the cost argument, but in the last three years up to 40,000 jobs have been outsourced, and they are not all call centre jobs,' says David Fleming, National Secretary for Finance for the Amicus trade union. 'Most of them are processing, administrative, HR or IT jobs and there is no doubt that we will see further global migration of those kinds of jobs.'

Offshoring for cost efficiency is a hot issue, and the debate over its effects on the UK job market has compelled Amicus to urge business and government to reconsider the strategy.

Amicus has voiced forthright opposition to moves by Prudential and Aviva, for instance, which have exported large numbers of jobs from the UK to lower cost base countries. Labour cost arbitrage between the UK and India or China is likely to endure, so action on many fronts is urgently needed.

### The case against

Unions face an uphill struggle in persuading financial institutions to pay less attention to cost cutting, particularly as these institutions become increasingly globalised, and therefore less tied to the needs of any single market.

Amicus, however, feels that there are many ways to put the case against large offshoring projects, especially for financial institutions with a significant presence in the UK, or those that have built their brand here. The union believes that behind the cost savings lie other problems, including huge attrition rates in some offshore destinations. Indeed, it even questions the supposed financial benefits of offshoring in the long-term.

China's expected move into financial services outsourcing, for instance, could undercut India, prompting international organisations to move, thus incurring a further raft of set-up costs and potentially pulling many jobs out of India.

Amicus feels it has a responsibility to protect communities that rely on financial sector jobs disappearing from the UK. 'The outsourcing trend attacks

- As financial institutions become increasingly globalised, they are less tied to the needs of any single market.
- In the last three years, up to 40,000 UK jobs in the financial sector have been outsourced abroad.
- With big players like Deutsche Bank continuing to look to overseas service providers, the outsourcing trend looks unlikely to be reversed.

UK jobs,' observes Fleming. 'The UK might provide only a small part of their profits, but many financial institutions have built their reputations and their brands in the UK market. In places like York or Norwich, from where Aviva has pulled out, processing jobs can secure families, and thus communities, so they are vitally important.'

Fleming scoffs at accusations that wanting to keep jobs in the UK is a form of racism. He stresses that the emphasis is on protecting communities that rely on those jobs, wherever they are. Amicus is, after all, an international union, and is also concerned about the rights of workers in India. 'Offshoring could create false communities in places like India that are heavily reliant on outsourced jobs, which could be vulnerable if those operations were to seek greater labour cost arbitrage in China,' he remarks.

Fleming feels that the rethink on offshore call centres proves that the trend can be reversed. Financial services organisations are now advertising UK-only call centres as a value-add in the face of rising customer dissatisfaction with offshore call centres. 'Call centres have suffered difficulties, not least with the language barrier, and customer satisfaction has fallen, so many of those jobs have come back to the UK,' he notes.

Whether the same pattern will be repeated in less customer-facing roles, such as IT functions or F&A processes, remains to be seen, but for Amicus, senior management need to start looking beyond their bottom line when making operational decisions on offshoring.

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**Tackling regulation**

Typical union action may not be the way forward, as picket lines give way to persuasion. 'We know we can't barricade the ports to global financial organisations moving jobs abroad,' admits Fleming, 'but we can fight on different ground, partly by forming relationships with companies on specific issues. However, we can only achieve change through government regulation.'

In meeting ministers and giving evidence to Treasury Committees on this issue, Fleming has been told that offshoring brings significant reinvestment back to the UK, and has been reminded that the UK job market is not collapsing. However, he claims that the money is not coming back to these shores: 'There is no evidence of this reinvestment. If there were, it would have been forced down our throats.'

There is some regulatory basis for challenging offshoring in place, and corporate social responsibility (CSR) issues may increasingly play a part. CSR forces companies to look at the economic, social and environmental impact of their operations and how these can be managed to their competitive benefit. Fleming feels a refocusing of CSR efforts could keep more jobs in the UK: 'Companies may spend millions and have a good policy on a global scale, but in the UK that investment has been lacking.'

Legislation on data protection is another key issue, particularly with the publicity surrounding call centre fraud. Fleming believes the Financial Services Authority (FSA) has been conspicuously absent from the debate in the UK: 'We don't believe the UK regulations on data protection have been considered. The FSA could make a massive difference.'

**Planning for the long term**

While it continues to raise questions at a legislative level, Amicus is working to establish closer relationships with financial institutions to encourage constructive dialogue. It is succeeding in this goal, and it is here that progress can be made in the short term. This will not suddenly stem the flow of jobs abroad, but the union feels it offers more protection to those workers whose jobs do leave the UK. Previous offshoring deals have been poorly handled, especially in the treatment of employees. 'We want massive advance notice and a lot of transparency, so that people have the chance to retrain to find employment elsewhere,' says Fleming.

Amicus also maintains that it is good business to keep financial services jobs in the UK. The esteem of a brand affects an organisation's global performance, it argues, and a brand suffers if customer dissatisfaction grows as a result of offshoring. A brand also does not cover itself in glory by association by making mass redundancies.

While considering these implications, senior management might do well to look at the business benefits created by long-term links to communities that have supported their organisation. 'The benefits of keeping jobs in the UK are proven,' argues Fleming. 'Offshoring often means dealing with third or fourth parties that are not part of your corporate culture, but still have a role in building your brand name. The UK has a financial industry culture. Companies that are not offshoring, like Alliance and Leicester or Nationwide, are not suffering in the marketplace. We don't believe the business case has been made for offshoring, partly because of issues like maintaining control.'

The debate over control is particularly relevant, as it can be crucial to the performance of a business and its perception in the market and among shareholders. With up to 40 kinds of financial sector jobs being offshored, Fleming wonders how companies can maintain a cohesive strategy.

He also senses that financial sector workers are increasingly worried by the impact of offshoring. Amicus has recently seen large numbers of employees from the sector return to the union.

'It scares us that lessons may only be learned the hard way, with UK workers losing their jobs,' admits Fleming. 'The problem will get worse before it gets better, but I won't give up. We must protect jobs in the UK. To do so, we have to get past the rampant short-termism and cynicism in the financial sector.'

The future direction of offshoring remains delicately balanced, but what is certain is that Amicus will not cease in its efforts to change employers' strategies. FBA

**Author**

David Fleming has been with Amicus for nine years. He is the National Secretary for Finance, representing banking and insurance.

He has over 29 years' experience in the field of industrial relations and human resources. Before joining Amicus, he spent 12 years with the Chartered Society of Physiotherapy, where he headed its industrial relations department, and the BMA, where he was a Training Consultant.