Hit the Road Jack
- The ethics of redundancies in the banking and finance industry

By Clare Payne

After fifteen years of service, Tony's last day in the office had come. He felt nostalgic that morning, in fact he'd been nostalgic all week. He'd no longer be catching the 7:20am express train to the city with Mike and Julie, lining up for his cappuccino at the coffee bar in the foyer of his building, or going to the gym across the road from his office. He swiped his card and entered the floor on which he worked and there above his desk was a sign saying 'Farewell Tony.' At 3:30pm they had an afternoon tea, his colleagues gathered around his desk and presented him with a card that everyone had signed. After work they all went out for a drink and even the MD came along and said a few nice words. They all raised their glasses for Tony and wished him well for the future.

When Mark went to work the same morning he didn't notice the ten train stops that passed on his daily commute as he was already busy on his BlackBerry dealing with the emails that had come through overnight. Ralph, his barista, had his skim latte ready and he grabbed it as he made his way to his 8:30 meeting. He was hoping he would be able to squeeze a gym session in at lunch before the markets got busy again in the afternoon. At 11am, after his meeting had wrapped up, that's when he got the call. As directed, he went to meeting room 3 on Level 10. There his boss David told him that the Bank was changing its direction and the team would be downsizing, Mark's position would be redundant. Mark's assistant of 15 years, Mary, had collected his personal belongings behind him and after a brief spiel from David he was escorted out of the building, his swipe card de-activated and his BlackBerry confiscated. By 11:30am he was standing on Pitt Street with only his wallet. He would have time for the gym after all.

Neither Tony nor Mark were needed anymore by the organisations to which they had given over a decade of their professional lives. Both businesses had been suffering under the financial crisis and after much deliberation management had rationalised how best to move forward sustainably. In the end it meant that Tony and Mark had to go, neither organization could afford to keep them on the books so to speak. The reasons may have been similar, the business cases solid, however the execution vastly different. Leading one to ask: is this the price one pays for working in the finance industry (a just deserts of sorts) or is it an unnecessarily harsh, and yet accepted, practice?

What's clear is the banking and finance industry has its own set of rules and operates according to its own code. But is it ethical?

Justifications

Banking and finance industry management and human resources staff tend to justify 'exits' such as Mark's by reference to risks particularly around confidentiality of information. It is claimed that the risk of an employee such as Mark going back to his desk and copying files, sending malicious emails, disrupting a deal, making illegal trades or for those in money handling roles, actually stealing is so great, and likely, that they must be marched out of the building. The belief is that all this is possible from an employee who the day before had access to files, trading systems and was handing out a business card as a representative of the company.

The traders that everyone talks about

A small percentage of people working in banking and finance are traders. When justifying the banking style of termination, people, even within the industry, seem to mention traders, in that it is certainly justified for a trader to be marched out without any warning. However, simple steps can be taken to limit access to trading and computer systems.

Therefore in a matter of minutes a trader's access can be limited so that they could no longer impact the market. The same goes for all staff of a bank, even access to their emails can be instantly taken away. If only banks could apply their IT acumen to restoring some dignity to the termination process.

Exploring the alternatives

One would hope that terminations are a last resort for an employer. Something that is reluctantly considered and actioned after all other options: part time work, job sharing, leave without pay and reduced work hours, have been considered. This would not however seem the case within the banking and finance industry. Whilst some of our best mathematicians, actuaries and strategists work in banking and finance there is little evidence that teams are consulted or given the opportunity to workshop amongst themselves how the desired reductions could be achieved whilst maintaining the cohesion and effective functioning of the business.

Status and benefits

Modern workplaces seem to operate under a somewhat transparent and openly accepted class system - banking and finance has wholeheartedly bought into this model.

Different benefits attach to your position in the hierarchy. There are the obvious distinctions in title and responsibilities, in the business sense, however if you're a director you will certainly also get a car park in the building in which you work. If you're the CEO you will probably get a reserved spot on the first floor of the car park so that you are saved the hassle of winding down a few levels to where the rest of senior management park. If you're a board member then someone may park your car for you.

If you're the head of a team someone will probably get your coffee for you in the morning, if you are an assistant you will probably get your team coffees each morning and your status in the organisation will become clear to everyone, including the barista, as you walk along with a cardboard tray full of coffees. Someone on their way up will only by coffee for themselves, never offering to buy for their colleagues for fear of looking like they are further down the pecking order than they perceive themselves to be.

This class and hence benefit system extends to every facet of one's working life, including termination.

The more senior you are the more dignity is applied to the termination process. For senior executives a termination is likely to be cloaked in different language and is rarely framed as a redundancy: taking time off, pursuing other interests, stepping aside to let someone else take the reigns or quite simply retirement. These reasons are also variously attached even to obviously underperforming senior executives.

Senior executives are also afforded the opportunity to wind down, to say goodbyes, to mentally process their impending departure. From a business perspective they do a hand-over, tie-up loose ends and ensure the smooth transition of accounts. They have farewells, the CEO tends to send out an email to the staff 'explaining' the departure and the individuals tend to do a mail out to their friends, colleagues and business acquaintances, letting them know that they are moving on and their future contact details. On many occasions they will also receive a gift from the organisation and will most certainly receive an extensively negotiated financial package that eases any related stress around the change.

That's what it's like when you are senior. If you are anywhere below this mystery mark then you will most likely be marched off the premises and no longer be welcome at that team lunch that you accepted an invite to just a week ago.

What happened to trust?

All banks and financial institutions are consistent in wishing to employ the best people they can. Most recruitment process are thorough, involving background checks, behavioural interviews, even psychometric testing. Staff are then inducted and constantly developed through both internal and external training programs throughout their time with an organisation. Ultimately these staff are entrusted as representatives of the company.

This leads one to wonder, why is it that banks are so distrusting that they believe these staff are a 'danger' once advised that their position will be redundant, or are the individuals simply untrustworthy?

Either way, it is clear that despite the best recruitment practices and development programs, banks do not in fact trust their staff- those below senior management that is.

How foolish would a banker really be?

As individuals we develop a professional reputation, sometimes our reputation is so strong that clients move with us when we change jobs. We become experts in our own right. Would such individuals risk making a scene, committing fraud, sending out a malicious email in the heat of the moment? Even aspiring executives have their futures to consider, their futures in the industry, certainly they would not want such an event as part of their career story.

And of course there is pride. A motivating and stabilising factor and one which is deeply instilled within those who work in banking and finance. However this corporate pride is exerted, by the designer cufflinks, the perfectly ironed pink shirt or the overzealous issuing of business cards, it is a factor that certainly serves to curb inappropriate or damaging behaviour.

Legal mechanisms to protect employers

Unfortunately, but maybe realistically, employers tend to find it difficult to rely on factors such as pride and trust in giving them comfort around the risks that stem from terminations. Therefore it should be highlighted that there are various and well-established legal protections for employers when it comes to terminating employees and protecting intellectual property. An employee cannot simply take a client list, nor can one copy systems or methods. Most employees are made aware of this in their employment contracts at the commencement of employment and if they were to be reminded again at termination then it is likely that any temptation would quickly dissipate.

Is it simply a case of 'this is the way we do things are around here'?

Surely the worst justification for any decision or behaviour is: 'that this is the way we do things around here. It's what everyone else does.' Yes, there is something to be said for having agreed processes and company rituals, however when such rituals spread across an industry and are adapted and move from their original application, it is at this time that we should collectively question, why do we do it like this and is it right?

With redundancies continuing to occur in the banking and finance industry, it seems the right time to re-consider the process of terminations and question how we go about re-adjusting our workforce whilst maintaining the dignity of once essential workers.

The cold reality of corporations

The current process of terminations within banking and finance is certainly efficient. Hundreds of staff can be dealt with in a matter of hours. The process is cold, it is clinical, but is it unrealistic to expect anything different from a corporation, especially one that deals with the ever-quantifiable dollar end of our society? Is it too much to expect a certain level of compassion from an organisation?

It is however, the collective of the people within an organization that forms its conscience. Corporations are also shaped by the conscience of the shareholders, board members, clients and consumers. And all these people have feelings, this should not be forgotten in the push for efficient downsizing and adjustment of workforces to current market conditions.

And of course people have both feelings and memories. And if, and when, the market turns and companies are again looking to hire, will those same people that were marched off the premises be willing to take up a post again? Or will it be at this time that corporations suffer what some may see as just desserts when they find those ex-employees on the other side of deals and extremely uncooperative? Or that young graduate that no one spoke to again ends up as a senior executive of a client certain that he will never feed work back to his old employer and in fact will ensure to steer it elsewhere. This is something organisations would be wise to think about when agreeing on how they should treat their once valued staff, especially in banking and finance where every employee is potentially a client, whether it be by virtue of a bank account, home loan or credit card.

Maybe this risk will be motivation enough to change the behaviour of senior management and human resources professionals within banking and finance and the employment lawyers and outplacement providers who advise them.

Integrity and Values Statements

It is now commonplace for organisations to have values statements. A quick scan of the annual reports of the organisations that make up our banking and finance industry will give you a strong impression that these organisations value their people, they care about their staff and they acknowledge that it is the people who are the essential component in their business' success.

Why then is there a disconnect in this appreciation and care for their people, in acknowledging and respecting them, when it comes to terminations? Certainly this shows a lack of integrity from the industry. If it is the people who really matter and who make their business a success, which it most certainly is, then maybe this is just the time for banks and financial institutions to prove that they are what they say they are, that they do have integrity.

Brief Biography

Clare Payne is a former employment lawyer and Consulting Fellow for Ethics in Banking and Finance with St James Ethics Centre. Clare founded the Banking and Finance Oath (www.thebfo.org) and previously managed the Integrity Office of an Investment Bank. Clare was awarded the Robin Cosgrove Prize for Ethics in Finance.