



LTU Media Briefing

OFF-SHORING AND LLOYDS TSB'S TRANSFER OF JOBS TO INDIA...

Overview

At the end of September Lloyds TSB announced plans to outsource 1,500 jobs to India by the end of 2004, after which it will make a further decision on how many more jobs will follow. The work will be transferred to Hyderabad and Bangalore where staff can be employed at around one-sixth of the salaries of staff in the UK.

This was followed at the end of October by a further announcement that it plans to close its Newcastle Contact Centre by the end of 2004, with the loss of 960 jobs. All work will transfer to India.

This is just one of many recent announcements made by UK companies aiming to move work abroad – also known as ‘off-shoring’ – that individually and collectively could have a major impact on UK jobs, the local communities in which they are based and the wider UK economy. Other recent announcements have concerned HSBC, National Rail Enquiries and BT Directory Enquiries.

Lloyds TSB's announcement has attracted less media attention than that of HSBC – which says it plans to transfer 4,000 jobs to the Far East over a three-year period (1,500 in 2004, 2,000 in 2005 and a further 500 in 2006) – but this has concealed a potentially much greater impact. Lloyds TSB's divulging of its plans only up to the end of 2004 – which are identical to those of HSBC – has diverted attention from the fact that the eventual total will almost certainly be substantially greater.

What Are Lloyds TSB's Plans?

Lloyds TSB has been carrying out a pilot exercise since April this year using an operation based in Bangalore. Currently this site employs around 210 staff. In late September the Bank announced that the number of jobs would increase to 1,500 by the end of 2004 with the new jobs being located in Hyderabad.

These plans could involve a number of business units within the Bank: Group Operations (back office processing and service centres), Telephony (call centres), General Insurance, Scottish Widows (life assurance and investments) and Cheltenham & Gloucester (retail banking and mortgages).

However, the likely extent of Lloyds TSB's plans to export work abroad is certainly not limited to merely 1,500 jobs. Instead, Lloyds TSB has said its announcement merely related to this 'phase' of its



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programme, for the period up until the end of 2004. Once this phase is complete then it will make a further decision on how many more jobs will follow.

In an internal television communication to its managers the Bank has acknowledged that 25,000 staff across Lloyds TSB work in the type of operations that could be transferred abroad. These include call centres, service centres and other back office processing operations.

The Wider Context - The Extent of Off-Shoring

The predicted extent of off-shoring by UK companies – and especially those in the financial services sector – is considerable.

Research has indicated that large swathes of UK jobs could be involved. The employment agency Adecco, for example, has suggested that 100,000 new jobs will be created in Indian call centres by UK firms by 2008 (of course the impact is far wider than just call centres). Meanwhile, other consultants have predicted that 200,000 financial services jobs will be exported from the UK.

To understand the trend towards off-shoring, it is important to appreciate that this extends far beyond just call centres, where the DTI estimates that half a million people are employed in 6,500 centres. The types of jobs being transferred out of the UK also include back office processing (i.e. service centres processing data and paper), Information Technology and even work in specialisms such as accountancy.

In fact, almost any jobs within the financial services sector not requiring face-to-face contact with customers could be outsourced to English speaking staff abroad.

Is Financial Services Off-Shoring Inevitable?

Part of the justification given by Lloyds TSB for its plans to transfer work abroad has been that the rest of the financial services sector will be adopting the same strategy and that if it failed to pursue such cost savings (typically 39% according to Deloitte Consulting) then it would be unable to remain competitive.

This is not, however, a universally held view. Two leading competitors in the banking sector – Royal Bank of Scotland (incorporating Nat West) and Halifax Bank of Scotland – have both said in the last fortnight that they have no plans to transfer their operations overseas. RBS, in explaining its reasons for deciding against exporting jobs abroad, has said:

“We have concluded that the best outcome for our staff, our shareholders and customers is to continue to employ countries in which we operate”

Throughout LTU's discussions with Senior Management, the Union has insisted that the bank and other UK employers have a social responsibility to support the UK economy from which the vast bulk of their profits are derived. The mass export of jobs will damage local economies and remove a layer of jobs that themselves are critical to UK employment opportunities.

The Bank's are all very profitable and some including Lloyds TSB and HSBC are massively



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profitable. Lloyds TSB produced pre-tax profits of £2,607M in 2002.

The RBS and HBOS announcements are to be commended but a word of caution is essential. There is a danger that if more and more financial services companies move work off-shore, those companies that have so far set themselves against this trend could find themselves under pressure to follow suit because of market pressure. It is for this reason that political intervention is needed to influence the level of off-shoring and to put pressure on those companies contemplating moving work to think again.

Impact on Local Communities

The impact of Lloyds TSB's plans to transfer work abroad is likely to be greatest in those local communities where there are large concentrations of staff and/or where many other companies also have similar operations. These could be hit by successive waves of job losses. The locations of the main Lloyds TSB back office operations are detailed in Appendix 1.

Those local communities that are most vulnerable to the consequences of off-shoring include Glasgow, Edinburgh, South Wales, the South Coast, the North East and the North West; many of which are areas that have been successful in attracting call centres and service centres to replace declining, traditional industries. These are areas where Lloyds TSB and other financial service companies presently have a significant presence.

Taking Glasgow, for example, it is estimated that around 20,000 people are employed in call centres; with many others working in service centres and back office processing. This sector grew rapidly during the 1990's to fill the void created by the collapse of manufacturing. Having attracted companies to establish operations in Glasgow, there is an obvious risk that this work will be lost with no obvious replacement jobs on the horizon.

And if more and more financial services companies jump on the off-shoring bandwagon, the impact upon employment levels in these areas will be considerable.

In the United States, which is several years ahead of the UK in exporting jobs to lower cost countries, some analysts have predicted that up to 3.3 million white-collar jobs could be transferred to lower-cost countries by 2015. There has been a growing backlash against off-shoring and a number of States have begun to prepare legislation designed to restrict the export of work abroad.

The Micawber Principle

One argument put forward to defend the off-shoring of jobs is that this process is inevitable and that, as with the loss of manufacturing jobs in the 1980's and 1990's, fresh industries will spring up offering new jobs to fill the void. This is the industrial equivalent of saying that 'something good will turn up'.

It won't: there are no bright new industries in sight, offering the prospect of substantial numbers of well-paid new jobs for people to move into. In most areas, labour shortages are in low paid service jobs in sectors such as tourism, hotels and catering. These are no substitutes for jobs and careers in banking and financial services.



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Impact on the UK Economy

Some representatives of the UK financial services sector have sought to play down the significance to the UK economy of exporting work abroad. They have argued that by cutting costs they can increase profitability and thereby shareholder value. This they argue would, in turn, contribute directly to the health of the UK economy and thus help protect UK jobs. We do not accept that argument.

Most important, employing fewer UK-based staff will mean that less money will filter back into the economy through salaries spent in the UK and taxation. There is a far higher propensity for income channelled through salaries to find its way back into the UK economy through consumer spending and direct and indirect taxation, than there is for reinvested shareholder earnings.

Even if the effects of higher spending by UK shareholders in the UK and tax on additional shareholder income relative to spending on salaries and the tax take from UK salaries were neutral, there would be other unavoidable losses.

First, higher unemployment amongst displaced staff or consequential unemployment amongst other groups would produce obvious higher social welfare costs for government.

Secondly, money spent locally in the UK by banks etc. buying goods and services from other industries would be lost.

With many other companies under pressure to follow suit – if for no other reason than to satisfy market perceptions of the need to have an off-shoring strategy –there could be implications for UK Pension Funds.

Intervention is therefore essential to persuade companies in financial services and other sectors to demonstrate corporate social responsibility to the UK where they make most of their earnings rather than off-shoring work abroad.

A failure to influence employers now may mean that those companies that to date have set themselves against off-shoring, such as RBS and HBOS, might find their position.

A list of some of those UK companies that have been reported as having outsourced operations to low cost countries – or else are in the process of outsourcing –is attached as Appendix 2

Giving Customers A Say

Lloyds TSB Group Union (LTU) is an independent trade union with 45,000 members and represents the overwhelming majority of staff employed by Lloyds TSB.

We believe that customers should be given a say in where their accounts are managed and that, if asked, the vast majority will want Lloyds TSB and other institutions to keep their account management in the UK.

Lloyds TSB and other Banks make great play of their efforts to respond to all their stakeholders: shareholders, customers and staff. Yet in a survey of staff, over 90% have said that they are opposed to



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off-shoring of jobs and individual customers are going to be given no choice in the matter. We believe that this is wrong on an issue of great public concern and of direct interest to customers.

LTU has assembled teams across the whole of the UK to visit Lloyds TSB branches and invite customers outside to sign a petition objecting to the transfer of work abroad. In the petition, customers are asked to support the following statement:

“I am a customer of Lloyds TSB and I object to any aspect of the management of my account(s) being transferred to India or any other overseas location. To do so would be bad for Customers, Staff and the UK economy.”

The Union is confident of collecting over half a million customer signatures in support of its campaign. It believes that this will force Senior Management to take seriously the views of its customers.

Over 95% of customers approached have supported our campaign. For example in one day in November 697 customers of Tamworth branch of Lloyds TSB signed the petition.

Summary

UK opinion has been slow to appreciate the enormity of the off-shoring issue, but opinion is now shifting. It is not enough merely to demand that off-shoring is achieved without resort to compulsory redundancies (which Lloyds TSB has refused anyway) and that employers ‘up-skill’ those workers who are displaced. At best this would deal only with the consequences of off-shoring rather than the actual decision to outsource operations and in most cases would be entirely cosmetic.

The issue is not just about protecting jobs in individual companies such as Lloyds TSB, it’s about the future of UK employment.

For More Information

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