



**Unite – Amicus section response to the
FSA Retail Distribution Review Discussion Paper 07/1**

This response is submitted by Unite - Amicus section. Unite is the UK's largest trade union with 2 million members across the private and public sectors. Our members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, education, health and not for profit sectors.

The union has some 200,000 members across the finance sector. It represents staff in all grades and all occupations, not only in the major English and Scottish banks, but also in investment banks, the Bank of England, insurance companies, building societies, finance houses and business services companies.

Executive Summary

- An increase in investment in apprenticeships schemes within the finance sector, the buy-in from employers on the Sector Skills Agreement for financial services, and a non discriminatory career path for employees are just three areas which would increase the pool of talent, ensure present and future skills needs are addressed and remove the gender inequality associated with the glass ceiling which limits career opportunities for many women within the sector.
- Unite – Amicus section would wish to see independently assessed annual skills audits carried out to ascertain the present and future skills priorities of the organisations in the sector and to more accurately measure 'value added' skills development among the workforce.
- If we want payment systems to not threaten fairness to customers, they must also be, and be seen to be, fair to staff.
- In view of the regulatory framework in which they operate, finance sector employers tend to emphasise qualifications over experience, knowledge and behaviour such as empathy.

- In order to regain consumer confidence in the UK financial services sector the industry must move away from commission based selling and a target driven culture where a lack of transparency breeds mistrust.
- Rather than the risk of market failures dictating the direction of the skills agenda, a proactive approach to the personal and professional development of employees should be the over-riding motivation within the industry.
- An holistic approach is necessary to provide both a response on how the industry could better serve its customers but also to deliver fairness in its treatment of employees.

Introduction

1. This response does not specifically mirror the questions raised in the DP, but highlights key issues in retail financial services raised by the document that impact upon Unite members and other stakeholders.
2. While the DP focuses specifically on the area of advice, Unite – Amicus section believes that there is a wider issue regarding skills and training within the finance sector which requires addressing. This DP provides a platform to raise these issues.

The Future of Retail Distribution - Chapter 2

Skills and training

3. The UK finance sector is facing an unprecedented challenge in an increasingly global environment, culminating in an increase in cross border mergers, takeovers and acquisitions which is also impacting significantly on competition within the domestic financial market.
4. With products intrinsically similar, competitive edge can be gained through the service delivery and specifically the quality of the product knowledge and the skills base of the workforce.
5. Employers therefore need to up their game with regards to training employees and to recognise that investment in skills will deliver a more capable and responsive workforce. An increase in investment in apprenticeships schemes within the finance sector; the buy-in from employers on the Sector Skills Agreement for financial services; and a non discriminatory career path for employees are just three areas which would increase the pool of talent, ensure present and future skills needs are addressed and remove the gender inequality associated with the glass ceiling which limits career opportunities for many women within the sector.
6. Unite – Amicus section is keen to work with the Financial Services Skills Council in ensuring an effective Sector Skills Agreement for the industry

and at the time of writing is awaiting a formal response from the FSSC to the trade union action plan that was submitted in July 2007.

7. Unite – Amicus section would wish to see independently assessed annual skills audits carried out to ascertain the present and future skills priorities of the organisations in the sector and to more accurately measure ‘value added’ skills development among the workforce. This could be done in partnership with trade unions and inform the organisations’ Business Review Report.

Financial Capability

8. Whilst not the central concern of this particular consultation, the DP refers in several places to the importance of financial capability.
9. The FSA's National Strategy for Financial Capability identified the workplace as one of the priority areas to deliver a step change in financial capability in the UK. A report by the FSA's Financial Capability Workplace Working Group finds that trade unions have an important role to play in improving people's financial capability and that the potential for trade unions to promote financial capability in the workplace should be explored further¹. ('Make the Most of Your Money: a report on the FSA Financial Capability Workplace Working Group educational pilot activities', FSA 2006).

Transparency of Remuneration – Chapter 4

10. Pay and remuneration packages within the finance sector are increasingly complicated and although pay for many workers is the prime motivator, recent research indicates that other factors, such as work organisation and ethical concerns are a factor in employment decisions².
11. The sector is also increasingly linking peer group performance to individual pay awards over which an individual has little or no control. This means that while an individual may have performed sufficiently to satisfy the performance criteria, that individual is then measured within a peer group setting which may collectively be underperforming. The group as a whole are then deemed to be under performing.
12. This unfair practise can lead to lower morale and lead to a negative effect when linking performance with pay.
13. Performance based pay systems and a lack of transparency can also leave the system open to criticisms due to perceived or real discrimination, bias or personal favouritism.

¹ Make the Most of Your Money: a report on the FSA Financial Capability Workplace Working Group educational pilot activities (FSA 2006)

² See examples cited Good Work: An Amicus Agenda for Better Jobs (Amicus, 2006)

14. It is also difficult for some employees to accept that senior management and directors can command pay increases and bonuses well in excess of inflation rates and rises in average earnings, while others in the same organisation will not receive a pay rise at all.
15. The issue of equal pay has also dogged the finance sector for many years, with the sector having the highest gender pay gap of all industrial sectors at around 43%.
16. If we want payment systems to not threaten fairness to customers, they must also be, and be seen to be, fair to staff.

Legal and Regulatory Considerations – Chapter 5

Consumer Confidence

17. Unite – Amicus section would agree that professionalism is a combination of competencies such as qualifications, skills and behaviours. However, would argue that in view of the regulatory framework in which they operate, finance sector employers tend to emphasise qualifications over experience, knowledge and behaviour such as empathy.
18. The FSSC quite rightly suggest that there is a balance to be struck between qualifications and knowledge. Employers must also recognise that good people management skills do not necessarily come with time.
19. Skills such as coaching, negotiation, project planning, improving staff morale and performance management are key skills that management require to carry out the function effectively.
20. A recent survey by the FSSC identified a need for training and development to address management and leadership skills gaps. The Report further found “the impact of managerial skills gaps and poor leadership is enormous and addressing them ought to be the industry’s highest priority”.³
21. There is also a distinct lack of soft skills within the industry which it could be argued, has impacted significantly on consumer confidence and trust.
22. The House of Commons Treasury Select Committee in a Report on long-term savings published in 2004, argued that a shift away from commission-based sales is likely to be a key component of any strategy to rebuild consumer confidence in the finance industry.
23. It said that as long as most selling is rewarded on commission, many consumers may remain suspicious that they are being sold a product for the wrong reason.

³ FSSC The Skills Bill: An agenda for the industry

24. In order to regain consumer confidence in the UK financial services sector the industry must move away from commission based selling and a target driven culture where a lack of transparency breeds mistrust.

Mis-selling and morale

25. The incentivisation and target driven culture associated with commission based selling and synonymous with the finance sector has faced much criticism from both trade unions and consumers groups.

26. Trade unions believe that this type of selling increases stress, lowers morale and is a barrier to positive employee engagement. While consumer groups believe that it increases the risks of mis-selling by employees in a drive to meet often unrealistic and unattainable targets; none of which does anything for consumer confidence or a motivated and productive workforce.

27. The FSA conducted its own work on remuneration and in relation to 'Treating Customers Fairly' published a 'cluster report' in 2005 which stated that "all remuneration structures will impact on staff behaviours and it is important to recognise the risks associated with particular incentives and control for them."

28. The FSA's work also found that despite more evidence of quality measures (such as bonuses for sales people taking account of non-sales issues), there are many areas where remuneration of sales people may not support TCF principles (for example, the most significant proportion of sales bonuses are still frequently dependent on volume and some sales staff are remunerated on 100% sales commission).

29. The 'cluster' report also concluded that TCF may be relevant for all factors that can incentivise staff, including target setting, promotion, salary increments and disciplinary issues.

30. In earlier dialogues with the FSA, Unite – Amicus section has called for the need to consider a more 'holistic' approach, recognising that remuneration systems (and many other employment practices) do not work in isolation.

31. While there is recognition that regulation based training is necessary, it need not be the driving force for the development of the skills agenda in the sector. Furthermore, rather than the risk of market failures dictating the direction of the skills agenda, a proactive approach to the personal and professional development of employees should be the over-riding motivation within the industry.

32. Unite – Amicus section is keen not to overburden an already heavily regulated industry. However, the recommendations put forward in this response place an emphasis on skills as an intrinsic component in a successful business and any investment in skills i.e. human capital should

be measured and monitored more closely by the industry than they are at present.

33. Unite – Amicus section believes that it is unhelpful to look at the issues raised in the DP in isolation, rather a holistic approach is necessary to provide both a response on how the industry could better serve its customers but also to deliver fairness in its treatment of employees.
34. Finally, we note that part of the FSA’s approach to considering the issues raised in the DP involved the setting up of five groups to consider particular themes. It appears that there was no involvement of trade union representatives of those working in the industry in either the membership of the groups or attendance at group meetings. This fails to consider a key stakeholder and misses the opportunity for some valuable insights to be brought to the discussion.
35. Unite – Amicus section is happy to contribute to the FSA’s work in this area and would be happy to explore further with the FSA any of the issues we have raised.

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