

Behind The Facade

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AFTER YEARS OF plenty, workers in the financial services sector are finding their wallets squeezed and their lifestyles restricted. It's about much more than the end of decadent corporate freebies and bulging expense accounts: the scale of redundancies in the sector means that a new group of unemployed professionals is emerging, with limited prospects in sight.

While public sector pay-cuts may have dominated the headlines, a significant re-pricing of Ireland's financial services is also underway, with salaries having fallen by up to 20 per cent across the industry.

Contrary to popular perception, that won't simply mean less bubbly at the Ice Bar in the Four Seasons. For many domestic financial services and IFSC employees were never in the big leagues when it came to making money – for every banker raking it in (in 2007 Depfa Bank paid its seven-member executive committee a cool €21 million), there might have been 50 employees on the operations side, earning a decent, but unspectacular, wage. For a fund administrator earning €35,000, a 10 per cent pay cut is sizeable, while some firms have also imposed unpaid leave on employees of one day a month.

Ironically, despite all the headlines, the one sector which has yet emerged relatively unscathed in terms of pay-cuts is banking, with employees of AIB actually enjoying a 3 per cent pay rise last year. Employees at other banks, such as Merrill Lynch, Bank of Ireland and Anglo Irish Bank have also not had their salaries cut, while some even received bonuses in 2009.

But, while bank employees may not have had their wage-cut (yet), most have suffered significant financial pain due to the collapse in banks' share prices. Given that Anglo Irish Bank, Bank of Ireland and AIB, all encouraged employees to save through the banks' respective Save As You Earn (Saye) share schemes, many have taken a sizeable hit on their investments. These Revenue approved schemes enabled employees to make regular contributions of up to €500 a month, for agreed periods of three, five or seven years, of after-tax income to buy bank shares at reduced prices.

In the good years, investing in such schemes offered stellar rewards. Employees of Anglo Irish Bank were some of the biggest beneficiaries of the scheme, with some phenomenal pay-outs reported, due to the bank's rocketing share price. For example, 100 employees got windfalls of €250,000 back in 2006. However, given that investments transferred into shares at the end of the agreed period, many of these gains were only on paper as unless the shares were sold, their value was nullified when the bank was nationalised in January 2009.

As such, many bank employees have seen their nest eggs completely wiped out, in the case of Anglo Irish Bank, or dramatically reduced. The other major cost to bank employees is the recent

pull-back on pensions which will likely see the imposition of a requirements for employees to contribute additional funds towards their pensions.

STATIONARY SQUEEZE

In addition to pay-cuts, one of the biggest hits to staff morale has been the curious tightening up of stationary supplies. As firms across the financial services sector clamp down on costs, one of the biggest areas that has been hit is office supplies.

It's a peculiar situation whereby banks who previously lent out millions without due oversight, have now imposed onerous approval processes on employees looking for an extra pen or sheet of paper.

Imagine working in a globally-renowned bank and having to get approval from your superior two levels above you just to get an envelope? Or sharing a stapler between an office of eight people because the approval process to order additional staplers is just too cumbersome? Or how about the IFSC bank where it is now someone's job to deliver a daily ration of printer paper to each employee every morning?

Strange as it may seem these are all daily occurrences across Ireland's financial sector, where the little perks of a professional job – such as free stationary, stamps, diaries and newspapers – have all but disappeared.

Companies are also cutting back on the amount of documentation they are willing to archive, which means that some employees are now sitting surrounded by cardboard boxes, while others are being asked to retrieve items from storage and reduce the contents before sending them back.

Many firms have bans on foreign travel in place, or if travelling to London, employees are requested to do so on an over-and-back basis, thus avoiding the cost of an expensive hotel, while taxi fares are being replaced by tube rides. Bank of Ireland for example, now requires senior staff to stay in hotels of the calibre of Jurys Inns when travelling on business.

As for the perks, the days of lavish black-tie Christmas parties, summer barbecues and team nights out have also been consigned to the past. Where such nights out are still taking place, a free bar and three-course meal have been replaced by evenings where the budget is capped at as little as €15 a head in US institutions or a two-drink maximum. Days out golfing with clients or trips Six Nations games largely gone. At Bank of Ireland, all “discretionary, non-essential spending is gone”, which means no staff Christmas party and of corporate entertainment there is “practically none”.

The days of rubbing shoulders with the great and good are also over with most banks pulling their sponsorship deals. The bank has also not renewed its sponsorship contract with Pádraig Harrington. Anglo Irish Bank has stopped using its corporate box at Croke Park, as well as cancelling a number of sponsorships last year. Admittedly, public sympathy for such “hardships” will be thin on the ground.

JOB LOSSES CONTINUE

Stapler and paper droughts aside, the biggest issue for financial services professionals remains the threat of redundancy. According to the ESRI, an estimated 15,000 people will lose their jobs in the sector up until the end of this year, and already, there have been significant lay-offs in banking.

During the boom, the lure of a quick buck led many to leave the relative security of their “quasi civil service” jobs in the domestic banks and seek out new opportunities with incoming foreign players such as Halifax or with the new kid on the block, Anglo Irish Bank. Now however, they have had their fingers burnt.

Ulster Bank is letting 1,000 people go, while the imminent departure of Halifax will see another 750 people become unemployed. In addition, on-going redundancies at Anglo Irish Bank, the uncertain future for PostBank’s 260 employees and the wave of expected consolidation in the sector, will likely see additional jobs lost.

While the level of lay-offs hasn’t been as high as had been feared in IFSC firms, nonetheless there have been reductions across the board, in firms such as Merrill Lynch, Citco and Citi, with those in contract roles or part-time positions particularly affected. Depfa Bank for example, has reduced its headcount by 41 to 265, while funds servicing firm State Street reduced its workforce by 5 per cent, or about 100 jobs.

Where formal redundancy programmes haven’t been introduced, firms have reduced head count by natural attrition, not renewing those on contracts, and not replacing departing staff. Bank of Ireland for example, has shaved 1,700 employees off its pay-roll, bringing total headcount down to about 15,000. With significant rationalisations expected to be on the cards at both AIB and Bank of Ireland, the cull is set to continue.

ARE THERE ANY OPPORTUNITIES?

For those unfortunate enough to be out of a job, prospects remain very limited. Although recruitment is slowly starting to pick up – “our job, from six to seven months ago is a different job, thank God”, asserts Des Goldrick, manager of financial services with Hays Recruitment – activity levels remain low nonetheless and are restricted to certain niches.

“Experienced candidates operating in the areas of quantitatively driven credit risk analytics, compliance, treasury (market risk) and financial accounting are quite marketable and will remain attractive to prospective employers,” says Hayes. “One area which has stood up better than most is actuarial,” adds Goldrick.

However, elsewhere, prospects are limited. Where once there weren’t enough accountants to meet the demand in the Irish financial sector, leading to the introduction of a so-called “Green Card” visa to enable skilled foreign professionals work in Ireland, now there are simply too many. According to Goldrick, the situation is such that his firm now has “top quality candidates sitting idle for eight to 12 months”. Where firms are recruiting, it is frequently on one to two year

contract, with a “short-fall on permanent positions”, notes Goldrick.

For some, an extra burden in finding a new job is how their old employer is now perceived. With the reputation of banks such as Anglo Irish, Sachsen LB and Depfa now severely tarnished, recruitment experts say senior candidates, previously holding positions of significant authority, will face “certain challenges” when seeking new employment.

Those lower down the seniority chain, at junior and mid-level outside of the areas of business development, are likely to find it slightly easier to compete for existing vacancies. For employees working in a less skilled, retail financial services environment the challenges are likely to be greater, given the increased number of candidates entering the employment market and the reduction across the board of branch networks. “They’re struggling,” says Goldrick.

For those seeking new employment, Hayes says that many financial services professionals have had to accept salary levels of 15-20 per cent less than they were previously accustomed to. This is particularly the case at senior levels. “In some instances senior candidates have had to accept greater reductions in remuneration levels, in the short to medium term, as the availability of opportunities at the senior level remains in particularly short supply,” he says. For example, a corporate banking relationship manager with over five years experience could expect to earn €34,000 less in 2010 than in 2009.

For graduates, whereas once a job in financial services was pretty much guaranteed, now a fall-off in supply means there has been a sharp spike in competition. According to Caroline Kennedy, careers officer for the National College of Ireland and PR officer for Graduate Careers Ireland, just under a third of companies did not recruit graduates this year, although some have been taking advantage of the Labour Market Activation Schemes – IBEC Gradlink and the Fás work placement programme – as a means of recruiting graduates on work placement initiatives.

Salaries have also fallen, dropping from €24,000 in 2008 to a projected €23,000 in 2009, but the big change for graduates is the disappearance of the bonus – the number of companies offering bonuses dropped from 60 per cent in 2008 to only 11.5 per cent in 2009.

However, Kennedy notes that there are signs that the banks are coming back to graduate recruitment, with Ulster Bank, for example, which had stopped its hiring activities, having already pre-booked to attend the gradireland Graduate Careers Fair next October.

DO IT YOURSELF

With opportunities thin on the ground, particularly at a senior level, many banking executives are pushing ahead themselves. For Jim Ryan and Michael Cummins, an uncertain future for Depfa Bank meant an opportunity presented itself to establish their own business. Along with Fergal O’Leary, formerly of Citi, they set up Glas Securities, a fixed income boutique firm.

According to Ryan, he had toyed with the idea of setting up his own firm for some time. Since the trio set up in the middle of November, the workforce has expanded to six, with Ryan expecting a total of 10 people to be hired by the end of the year.

Likewise, Bank of Scotland's reduction of its Irish presence has led several of its senior executives to set up their own businesses. While Mark Duffy, former chief executive, has teamed up with Kevin Warren to form Asset Resolution Corporation, the former head of banking, Paul Cunningham, and the bank's former head of retail, Antoinette Dunne, have set up a consultancy called Business Partner which will advise companies on negotiating performing and distressed commercial debts.

FUTURE OUTLOOK

Although new jobs in the sector are on the way – according to Fás/ESRI employment forecasts an additional 8,000 people will be working in financial services by 2015, bringing the total up to 101,000 from 93,000 in 2008 – the outlook nonetheless remains uncertain. The domestic banking sector is set to remain in a state of retrenchment for some time, while consolidation at a global level means that job reductions in the IFSC will also continue.

Given the current over-supply in candidates across all levels of banking, Goldrick would be hesitant to recommend a career in the sector. “Would I feel comfortable encouraging a younger sibling into a career in banking? Probably not,” he says.

Real-life Story The People

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THE EMPLOYEE

John O'Riordan worked in a number of sectors before settling on financial services, largely due to the security it offered. “I thought there would always be banks,” he says. “Traditionally, working in a bank was seen as a ‘job for life’, a sort of quasi civil service job.”

Times have changed however, and in John's firm, an IFSC bank, there have already been redundancies. While a lot of people left the bank voluntarily, many returning home overseas, he says that morale has nonetheless been affected.

The level of lay-offs means that Dublin's financial district has become less busy. “It's ironic that the Luas is now going to the IFSC as all the staff are leaving,” says John, adding that the area has gotten “noticeably quieter”.

“You don't have to queue for lunch any more and no-one goes out for a drink after work.”

Like most firms in the sector, cost-cutting plans have also been implemented in John's bank and, although salaries have not been cut, bonuses aren't being paid out. Moreover, little perks such as free fruit and biscuits, which used to be customary for employees, have long since disappeared.

Working as an in-house solicitor at a bank which has had its reputation tarnished in the crisis,

John is nonetheless sanguine about future job opportunities. “Companies look at your skills, rather than the quality of the bank you worked for. They can make a distinction between bad board based decisions and everyday employees.”

THE JOB HUNTER

For Wan-Ching Leong, a qualified accountant, the Irish dream is slowly turning sour. Having worked in financial services for the past three years, she has been made redundant twice in the past six months, and now spends her days checking job sites and talking to recruitment agencies.

Since she qualified in 2008, Wan-Ching had been working with a firm in Dublin, but its exposure to the construction sector meant it announced a round of lay-offs last June.

She found a new job with another IFSC firm during her two-month notice period. However, this company then took the decision to close its Dublin branch in December, due to turmoil in the global financial markets.

Now, she is finding the market much tighter. “Now it’s worse. It’s been really quiet. I’ve had very few phone calls, although it has picked up a little bit.” In February, she had interviews with the Dublin operations of two leading global financial names but these both proved unsuccessful. “They were looking for more experience than I have. They were looking for experience in specific areas – an exact fit. Companies don’t want to train people any more,” she says.

Moreover, just one of these positions was full-time, pointing to the growing trend for contract workers in the sector.

A Chinese native, Wan-Ching doesn’t have the additional challenge of having to get work sponsorship as she is married to an EU national. For most of her Chinese job-searching college friends however, the lack of a work visa means that they are finding the process extremely difficult. “They couldn’t even get a phone-call at all. No company wants to take sponsorship. It’s really, really hard for them,” she says, adding that she thinks about 50 per cent of Chinese students are now heading home once they have completed their qualifications in Ireland.

She is finding the job hunt very demoralising. “I have a qualification, I have three years experience, but no job.”

Wan-Ching is open to pursuing additional qualifications while she waits to find a job, but is not sure which area would stand her in the best stead to find employment.

While she has spoken to employment agency Fás, she feels they couldn’t help her as she is too qualified, and she rues the fact that there is “nothing in the market to assist professionals”.

* Names have been changed

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