

# HBOS Takeover, The Government's Rescue Package & Lloyds TSB's 'Jobs To India' Policy

Since Lloyds TSB's Board first announced its plans to takeover HBOS, it has made statements representing two entirely different positions on the future of its Offshoring Strategy.

In an interview broadcast live on Radio 4's PM Programme shortly after plans for the HBOS Takeover were first announced, there was the following exchange between the BBC Interviewer (BBC) and Eric Daniels (ED):

BBC *There will be job losses - tens of thousands - do we have a sense of the magnitude over - I mean they won't happen immediately - but over a period of years, do you have a sense of that?*

ED ***No, there is absolutely no sense and - but what I would tell you is that - it is not a straightforward answer, that for example - we do some outsourcing today that may no longer be sensible - that we would rather give those jobs to our own employees.***

BBC *Right, so Lloyds TSB currently does some outsourcing - but it might be sensible to just transfer over to what HBOS - if there is a HBOS facility for example?*

ED ***Right, it could very easily be - so there are those types of considerations to think about.***

The message from Eric Daniels seemed to be absolutely clear: that Top Management

**acknowledged that tens of thousands less staff would be required following the takeover, but that it accepted it had a responsibility to mitigate the impact upon existing employees through abandoning its policy of offshoring jobs abroad.**

## A Different Message To The City

Despite these reassuring noises from the Lloyds TSB Board, a very different message was being given at the same time to Institutional Shareholders.

In Lloyds TSB's initial 'Recommended Acquisition' document issued to Investors - in which the Board sets out its case for the Takeover, one section on improving productivity in the 'Operations' of the new Super Bank, refers to "**centralisation and combination of back-office operations and outsourcing**".

**LTU has insisted that Top Management clear up this confusion. It should either confirm it genuinely is committed to halting and reversing its Offshoring Strategy, or else it must admit that despite all the circumstances, it remains committed to ignoring its Corporate Social responsibility through continuing its policy of offshoring existing jobs to India.**

# Companies Beginning To Reject Offshoring 'Benefits'

Over recent months there have been clear signs within the business community of the tide turning against the perceived 'benefits' of offshoring jobs to India.

Examples of this growing tide against offshoring include:

- **Research carried out by consultants, ReThink, found that of 47 IT Directors questioned, 6% who already had worked based overseas were considering repatriating work to the UK over the next 12 months.**

In interpreting the results, ReThink suggested that:

*"A lot of organisations saw offshoring purely as a way to cut costs, but spiralling wage inflation in offshore locations, combined with the project management cost of co-ordinating teams across international time zones, can eat into any cost savings"*

And concerning the offshoring of IT functions, ReThink claimed that:

*"Handing over vital IT functions to an independent third party entails significantly greater risks"*

Against this background, it is difficult to understand why the Bank is continuing to blindly press ahead with transferring 470 IT jobs to India by the end of this year, with HBOS just recently reported in the national media to be considering transferring up to 2,000 IT jobs there too.

- **According to leading analysts, Mercers, wage inflation in India is expected to remain at around 15% a year for Offshore Staff until 2011, with high staff turnover in India also contributing to growing labour costs.**
- **Accountancy Age, in an article 'Outsourcing Fails To deliver Cost Savings', reported about Lehman Brothers, which was declared bankrupt last month:**

*"It was widely speculated that Lehman's top management partly blamed the \$2.8bn net loss reported in its second trading quarter on data processing work one in India"*

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## Time To Display Corporate Social Responsibility

*"It is in the government and country's interest keeping economic activity going in the economic headwinds before us"* - Eric Daniels

This is another of statement made by Eric Daniels, reported in the Financial Times on 14th October, with which we also agree completely.

After all:

- Earlier this month, the level of unemployment in the UK suffered the biggest jump in 17 years, increasing to 1.79 million

- Financial analysts and commentators are predicting that the UK is entering the severest recession it has faced for many years.

Against this background, the Government has played a critical role in clearing the way for Lloyds TSB's takeover of HBOS to proceed and it has also responded positively to requests from Eric Daniels and other Bank Chief Executives by using billions

of pounds of tax payers money to support and recapitalise the Bank.

**Of course, the takeover of HBOS will put at risk tens of thousands more jobs across the combined 'Super Bank', once Top Management sets about removing overlaps and duplication.**

**LTU believes that it is only right that, just as the UK has been supporting the Bank at its time of need - which is something we wholeheartedly support - the Lloyds TSB Board should recognise that it has a responsibility to the UK Economy and UK Tax Payers.**

**This must involve the Lloyds TSB Board reconnecting with its commitment to act with Corporate Social Responsibility.**

In practical terms, this should involve:

- 1. Wherever an ongoing need for jobs remains, these jobs should be retained in the UK ... rather than making redundant the very UK Tax Payers - its Staff - whom the Bank (and the Economy) is so dependant upon for its income.**
- 2. Immediately freezing all ongoing offshoring programmes that involve transferring yet more jobs to India.**
- 3. Commencing plans to return to the UK all of the thousands of jobs that have already been transferred to India, in order to safeguard existing UK jobs that would otherwise be lost as Lloyds TSB and Halifax operations merge.**

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# Political Pressure

**LTU has been assembling a political coalition in order to maximise pressurise upon the Lloyds TSB Board to abandon its Offshoring Strategy and therefore mitigate the impact of job reductions once the takeover of HBOS is complete.**

In other words, LTU is pressing the Bank to deliver to the commitment made by Eric Daniels when he was interviewed by the BBC

The Union lobbied the recent Labour Party Conference in Manchester, handing out over 2,300 leaflets to Ministers, MP's, Delegates and Journalists attending. We handed a personal copy to the Chancellor of the Exchequer, Alistair Darling.

Furthermore, the Union has already successfully lobbied the Scottish Parliament and is shortly to write to all MP's and Welsh Assembly Members, as well as local Councils where large operations that could be at risk of closure are based.

The Union is insisting that the *quid pro quo* for the political support and Tax Payers money being given to the Bank, must be on condition that it agrees to abandon its Offshoring Strategy and works closely with LTU on measures to remove the risk of large-scale compulsory redundancies.

## Lobbying Against The Dividend Freeze

In parallel to LTU's campaign to pressurise the Lloyds TSB Board into abandoning once and for all its Offshoring Strategy, the Union is also engaged in further political lobbying to press the Government to drop its restriction on future Share Dividends for small Shareholders.

The Union is pointing out to the Government that many staff - past and present - will suffer real financial hardship if the Government continues to insist upon no Share Dividends being paid for a period of five years. Many have come to rely on Dividends - from shares accumulated over their time working for Lloyds TSB - to make ends meet.

LTU's proposal to the Government is that it adopts a 'Small Shareholders Plan', under which small shareholders in Lloyds TSB would be allowed to receive their twice-yearly cash dividend payments on up to the first 100,000 shares of their holdings.

This would cover the vast majority of staff shareholdings completely and almost all other staff holdings very substantially.

# All UK Jobs Matter

LTU does not oppose the Bank striving to operate more efficiently; so long as Customer Service does not suffer and the Staff affected are treated fairly.

But we cannot - and never will - accept that companies like Lloyds TSB should be able to ditch the jobs of existing staff in the UK, not because less staff are required but rather because they can be replaced by cheap labour in another country.

**We are also concerned that the Government and Bank have until now appeared to concentrate only on safeguarding jobs in Scotland - and for that matter only HBOS jobs - through insertion on page one of the formal takeover document of a clause that “the**

**management focus is to keep jobs in Scotland”.**

**Both parties should instead direct their attention to retaining jobs across the whole of the UK: whether in Scotland, South Wales, Southend, Bristol, Brighton, Gloucester, Birmingham, Greater Manchester, London or for that matter any other parts of the UK where there are large concentrations of staff with jobs at risk in the newly merged Bank.**

**Again, this genuinely is possible if Lloyds TSB agrees to abandon plans to offshore thousands more jobs to India and return back to the UK the thousands of jobs that have already been sent there.**

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## Union Representation - The Need For No Divided Loyalties

In circumstances like these, as Lloyds TSB and HBOS set out to merge their respective operations, it is essential that Lloyds TSB Staff can count on the support of a professional trade union that has an exclusive focus upon meeting their needs ... and their needs alone.

Of course, because LTU only represents Lloyds TSB Staff, we can concentrate upon representing staff and are certainly under no pressure whatsoever to compromise the needs of Lloyds TSB Staff with those of staff working in other banks.

### **Unite’s Dilemma**

**In contrast to LTU’s dedication to representing the needs and concerns of Lloyds TSB Staff, Unite has to try to reconcile these with those of its members working in other companies ... such as HBOS.**

Compared to its membership of under 3,000 within the Lloyds TSB Group, we understand that Unite has around 6,000 members in HBOS (most in Scotland).

**So for Unite, conflicts of interest will inevitably arise regularly over what and who are its real priorities.** We have already seen this over the past month since the takeover was first announced, with Unite appearing to be concentrating almost entirely on protecting HBOS jobs in Scotland. The pressure will always be on Unite to put the interests of its larger HBOS membership ahead of those working in Lloyds TSB and C&G.

### **Not Yet A Member?**

If you are not already an LTU member, you really should join straightaway using the Application Form enclosed.

**STEVE TATLOW**  
**Assistant General Secretary**