financial services union

STRONGER TOGETHER

BUILDING STAKEHOLDER BANKING IN IRELAND

Financial services workers and customers should be given a greater stake in the future of banking in Ireland

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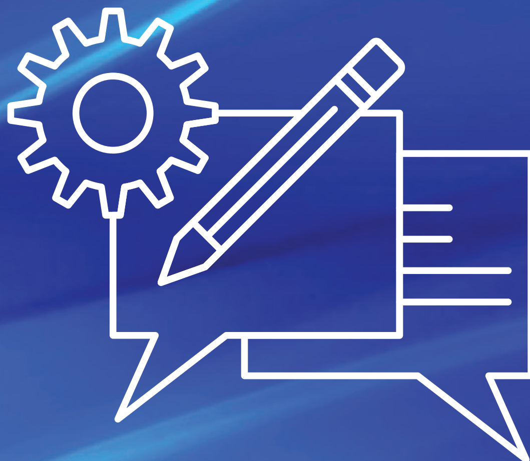

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FOREWORD:
BUILDING STAKEHOLDER BANKING IN IRELAND

The Financial Services Union is publishing this discussion paper as part of our contribution to the debate on the future of banking and as an invitation for all stakeholders to get involved.

The Financial Services Union has called on the Government of Ireland and the Northern Ireland Executive to convene open and transparent public debates on the future of banking and financial services in Ireland and Northern Ireland respectively.[1] We are delighted that roundtable discussions have taken place in Northern Ireland with a commitment for a continuation of the project and that a Banking Review has been initiated in the Republic of Ireland. We hope the review will lead to a longer term structured debate between all stakeholders in the retail Banking sector.

As part of any debate, more attention needs to be paid to the wide range of stakeholders, including customers and workers, who rely on banking services in their daily lives and for their livelihoods. The concept of stakeholder banking is well-established, and empirical studies show the benefit of stakeholder involvement to bank's long-term stability and success.

Other jurisdictions have enhanced the role of employees and customers as stakeholders in the banking sector through the election of representatives as non-executive directors on the boards of management of banks, as well as through share-ownership schemes that give employees a greater stake in the long-term success of their place of employment. This discussion paper makes the case for the introduction of these approaches in Ireland.

The emerging importance of ESG to organisations cannot be overstated. Ethical decision making is now central to how organisations are expected to function with appropriate checks and balances to ensure adherence to best practice. One area the Banking sector struggles in is on achieving balance on gender pay. With the publication of organisations gender pay figures showing the sector as a negative outlier only highlights that this is an area that requires urgent attention. In this paper we set out how we believe the sector can ensure a just transition for workers and consumers through the transformational change occurring in banking.

John O'Connell
General Secretary

STAKEHOLDER BANKING

There is no shared "normal" when it comes to banking across Europe. Some European countries' banking systems are dominated by banks governed by social as well as financial objectives. The common characteristic of these "stakeholder banks" is that they seek to create value for all stakeholders, not just shareholders. Examples of stakeholder banks include cooperative banks, credit unions, community development finance institutions and public interest savings banks.[2] Even in commercial banks, there is a widely held view that greater engagement with stakeholders is required.[3]

In France, the majority (55%) of financial institutions are co-operatives, credit unions or mutuals, and in Germany state-owned financial institutions have a larger market share (40%) than commercial banks (36%), while co-operatives and other stakeholder banks have nearly a quarter of the market (24%).[4]

> "Most other developed economies have a significantly larger 'stakeholder banking' sector – institutions owned and run for the public benefit rather than for private profit, from Germany's co-operative banks and public savings banks (Sparkassen) to the Swiss cantonal banks. There is good evidence that such banks cushioned the impact of the 2008 crisis in these countries, maintaining lending to households and small businesses while big banks' lending froze."[5]

In contrast, the banking system in Ireland is more similar to the UK, where a small number of commercial banks dominate the financial services sector. In the UK, commercial banks hold more than 80% of the market.[6] In Ireland, the withdrawal of Ulster Bank and KBC from the market leaves AIB and Bank of Ireland as the two main pillars of the banking system, both operating as commercial banks, despite the state's majority shareholding of AIB. While stakeholder financial institutions such as credit unions and An Post are important in many localities, with credit unions claiming a membership of 3.6 million people,[7] their market share is not enough to challenge the dominance of the two main commercial banks which control well over half of the lending market between them.

In recent years, there has been a vibrant debate about the need for a reformed banking system, including proposals for a public bank as an

additional "pillar" in the Irish banking system.[8] This would undoubtedly benefit society and the economy by meeting a range of needs that are currently unmet, however it is also worth considering whether the market dominance by commercial banks is the right course of action for Ireland as a small open economy entering a new phase of economic development. The example of other small economies in Europe would suggest that a more diverse banking sector with a greater focus on stakeholders could provide a more sustainable and robust foundation for the economy.

TIME FOR A MORE EUROPEAN BANKING SYSTEM IN IRELAND?

A recent report by the Banking and Payments Federation Ireland and EY on the future of the Irish banking system identifies that "the primary challenge for Ireland's retail banking system is to run its core functions effectively whilst meeting a diverse set of competing stakeholder needs."[9]

Following the 2008 economic crisis, the Irish banking system was rightly criticised heavily and there was a great deal of soul-searching about the need to construct a more socially conscious banking system out of the ashes of the old regime.[10] To date, this has not occurred, despite the range of potential models for banking systems that exist across Europe and further afield. Not only has a more socially conscious banking model not emerged, a series of post-2008 scandals led to the creation of the Irish Banking Culture Board in April 2019, which has the sole mission "To work with our member banks to build trustworthiness in order to assist the industry in regaining public trust". [11] Put differently, eleven years after one of the costliest bank collapses in history with a likely final net cost of €42.9 billion, [12] the Irish banks had still failed to recover the trust of the public who bailed them out. It may now be time to accept that the Irish public will never believe its commercial banks capable of "changing their stripes" because the current model of commercial banking retains the same fundamental flaws that it manifested during the Celtic Tiger era. Evidence for this includes the recent survey finding that only 40% of people in Ireland trust banks, the third lowest score out of 26 countries surveyed. [13]

Rather than trying to persuade a jaded public to trust commercial banks, it may be time to consider a much more fundamental and far-reaching change to Ireland's banking system, in favour of the kind of stakeholder banking that is much more common across European Union member states. While commercial banks are pushing for caps on pay to be removed to allow multi-million annual remuneration of top executives, the public interest is in the development of a banking system that will benefit all of society not just some sections of the economy. If existing banks cannot gain the trust of the public, or even of their own employees in some respects, [14] then wholesale reform may be required to regain widespread public confidence in Ireland's banking system. Possible approaches to improving stakeholder involvement in Irish banking would be to increase the market share of stakeholder banks, including through the creation of a public bank, and to import characteristics of stakeholder banks into commercial banks. In 2016, a similar discussion was launched in Scotland to promote consideration of stakeholder banking. [15]

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) IN FINANCE

ESG issues are becoming more relevant and important for financial institutions. This is a positive development and one that requires the Banks to embed ESG into their culture and future organisational plans. It is flagged by Forbes as a shift from a preoccupation with profits to a people and planet first mindset.

Risk management, ESG target setting and taking cognisance of the environmental, social and governance obligations are now expected by stakeholders, regulators, and policy makers. Importantly, investors, millennials and staff including potential employees are seen as the three strategic cohorts that are driving the setting of standards in ESG.

Issues like ensuring suppliers are environmentally compliant, increasing awareness of social inequality and adherence to human rights while ensuring proper corporate governance cannot be properly embedded into the fabric of an organisation without the participation and involvement of all stakeholders including staff and consumers.

A recent report from KPMG on accessing ESG risks to Banks found Banks needs to respond to ESG risks with the following actions:

- Revision of their business strategies in relation to their target customers, new products, etc.
- Sharpening of brands and creation of sustainability strategies.
- Implementation of updated regulatory frameworks along their entire value chains.

Integration of ESG and governance frameworks is the first major step that institutions are advised to undertake.

This work should be conducted in a collegiate manner across all sectors of the Banks and should be worked out in discussion with Union representatives. It is in everyone's interests to see that ESG risks are minimised and the change in the sector is managed professionally and with proper consultation.

The formal involvement of workers and consumers in the governance structures is a key step in developing a stakeholder system that can support the move to an ESG centric finance sector.

THE BENEFITS OF STAKEHOLDER BANKING

In a study of 65 countries, the UK's New Economics Foundation (NEF) identified four characteristics associated with stakeholder banks:

- Greater focus on the needs of customers, including more competitive products, better service, and longer term lending.
- Explicit aim to provide for customers who are underserved by commercial banks.
- Positive impact on local economic development through lending to small and medium businesses, preventing capital drain from regions, and maintaining branch networks.
- Positive impact on financial stability through less volatile returns, higher levels of capital, prudent balance sheets, and expansion of credit provision after the financial crash.

Importantly, the NEF study also found that "Criticisms that stakeholder banks are inefficient and distort competition are found to be unconvincing."[16]

Generally, stakeholder banks have been credited with stabilising the financial market. [17] One study published by the ILO (International Labour Office) found that co-operatives outperformed commercial banks in the aftermath of the 2008 crisis. [18] Another recent study found that banks whose directors are legally required to consider stakeholders and long-term issues significantly reduce their risk-taking behaviours. Banks with such a mandate also had significantly better outcomes following the financial crisis. [19] In the case of Norwegian savings banks, data shows that social capital improved the viability of these stakeholder-oriented firms (governed by local depositors, employees and government councils) despite competition from profit-maximising commercial banks. [20]

According to the Banking and Payments Federation Ireland and EY:

> "Companies across the world are seeking to run their businesses in a more holistic way which considers their impact on the full range of stakeholders. This is at least in part a response to the increasing calls from individuals, shareholders, regulators and the public, for businesses of all types, including banks, to commit to a purpose that advances the wellbeing of consumers and society as well as of shareholders. There are also sound business reasons for the move. Research carried out by Harvard Business Review Analytic Services in association with EY has found that organisations that operate with a clear and driving sense of purpose, beyond the singular goal of generating profits, outperformed the S&P 500 by a factor of 10 over a ten-year time frame as a result of increased customer loyalty, employee retention and investor confidence." [21]

STATE OWNERSHIP OF BANK SHARES

In June, 2021 the Minister for Finance announced his intention to sell part of the State's shareholding in Bank of Ireland.[22] This sale continues a policy of systematically unwinding public ownership in the banking sector, which is effectively a return to private ownership or privatisation of the sector.

As of April 2022, the State has an equity stake of below 5% in Bank of Ireland, 70.97% in Allied Irish Banks (AIB) and 74.9% of Permanent TSB. As part of the Ulster Bank deal Nat West, parent company of Ulster Bank will take a 16.66% stake in PTSB.

This context is important, because the privatisation or part-privatisation of state-owned companies has significant implications for all stakeholders. The ending of public ownership of Bank of Ireland would return it to being a fully commercial entity, but there remains a lot of scope for the Minister for Finance (and subsequent Ministers) to shape a new direction for the banking sector, whether that is through the creation of a public bank as an equally important "pillar" of the banking sector and/or through incentives for a greater role for stakeholder banks and for stakeholder involvement in commercial banks. Given the continued lack of public trust in the banking system and the series of scandals that have undermined public confidence in bank reform processes, the Government should carefully consider whether the public is willing to countenance a return to anything like the banking regime that existed prior to the 2008 financial crisis.

STAKEHOLDER GOVERNANCE

Research has found poor evidence of quality stakeholder engagement by banks across Europe despite the importance of this concept in their corporate social responsibility statements.[23] A similar criticism could be made of the proposals to meet stakeholder needs suggested by the Banking and Payments Federation Ireland and EY, which are at best vague.[24]

Stakeholder engagement remains an important goal for commercial banks, but the lack of evidence for quality engagement to date suggests that more structural inclusion of stakeholders in commercial banks may be required to realise the potential benefits of long-term planning and stability from stakeholder involvement.

One of the features of traditional stakeholder banks is the recruitment of stakeholders – consumer or employees – as members of their boards. For example, consumers elect non-executive directors to the board of credit unions and have the opportunity to put themselves forward for election. In co-operative banks, workers are directly involved in governance.

The inclusion of consumer representatives to the boards of retail banks should provide a wider perspective on issues of acute public concern such as branch closures, the loss of ATM facilities and the relentless push for all consumers to go online, despite the continued digital exclusion of hundreds of thousands of citizens.[24] Consumer representation on boards would also bolster relatively weak regulation of banks with respect to their consumer-facing practices. For example, the Communications Regulator (ComReg) has fined a number of mobile telephone companies for poor conduct in relation to contract changes or even for failing to provide customers with a satisfactory complaints mechanism.[26] Customer representation could help ensure that financial institutions hold themselves to equally high standards of customer service.

The inclusion of stakeholders at board governance level would complement and strengthen policies such as the general scheme of the Central Bank (Individual Accountability Framework) Bill, which will include the Senior Executive Accountability Regime which was published in July 2021. The framework is likely to be in force within the next 12 to 18 months.

Clear accountability of senior executives to stakeholder representatives at board level would provide a valuable safeguard and would orient banks towards longer-term development and away from short-termism.

There are many arguments in favour of greater inclusion and participation of employees in a bank's management structures and governance. By involving customer representatives, a financial institution can ensure that it is alert to consumer preferences, especially where it has a strong relationship to a particular industry or sector of the economy. By involving employees, a bank can enhance employee motivation and retention, improve information flows, prevent and reduce conflict or disputes, and ensure that companies have long-term, sustainable orientations.

THE PARTICIPATION OF WORKERS AS STAKEHOLDERS

The participation of employees in the governance of a company is not a new idea. In Germany, the European Union's economic powerhouse, works councils involving employees and management have existed in some form since the 1920s, and it is standard for private sector companies in Germany to have a works council to represent the interests of its workforce to the management of the company.[27] Internationally, whereas collective bargaining by trade unions on behalf of workers was well understood before the Second World War, workers participation became a major topic from the 1960s.[28]

A review by the International Labour Organisation (ILO) found examples including Australian operation of employee share ownership schemes since the 1950s, employee representation at board level in Austria since 1919, work councils introduced in Belgian law in 1948, the election of employee board representatives in all companies with over 50 employees in Denmark since 1973, and so on.[29] In 1988, a European Commission memorandum stated "workers' participation is essential not just as a matter of social rights but as an instrument for promoting the smooth running and success of the enterprise through promoting stable relationships between managers and employees in the workplace".[30]

The idea of employee directors was seriously discussed by Ireland's Minister for Labour in 1977.[31] In Ireland, up to a third of directors on the boards of commercial semi-state companies are elected by workers, as required by the Worker Participation Acts 1977-1988.[32]

EU Directive 2002/14, which has been transposed into law in Ireland, establishes a general framework for informing and consulting employees in the European Community. The Directive is grounded in the objective of the European Treaty to promote social dialogue between management and labour as well as the Charter of Fundamental Social Rights of Workers, which provides for information, consultation and participation of workers.[33]

EMPLOYEE-ELECTED DIRECTORS - WORKERS PARTICIPATION

An employee-elected director (or worker director) is a non-executive member of the board of directors, who is both an employee in the enterprise and is directly elected by all employees. As a non-executive board member, the worker director has the same duties, loyalty and involvement in the strategic oversight of the enterprise as every other non-executive director.

Other jurisdictions have had extensive experience of employee directors in financial institutions. For example, French law requires director seats for employees and also allows employee-shareholders to elect a director when they hold at least 3% of shares.[34] The participation of salaried employees in shareholding of banks has been a Government aim in France since 1986, as part of privatisation. Salaried employees' shareholding of BNP Parisbas was 6.5% in 2011, and it was 7.6% of Société Générale Group and up to 4.8% in Crédit Agricole. In each case, employee-elected directors were part of the makeup of the bank's boards.[35]

The two main arguments for having worker directors are "democratic", viewing "workers as citizens in the workplace, and worker director provision as part of a wider industrial democracy agenda" and "instrumentalist", holding "that involving workers in the decision-making process enhances a company's performance and helps mitigate industrial relations conflict".[36]

The UK Corporate Governance Code, which applies in Ireland, states that "to succeed in the long-term, directors and the companies they lead need to build and maintain successful relationships with a wide range of stakeholders. These relationships will be successful and enduring if they are based on respect, trust and mutual benefit. Accordingly, a company's culture should promote integrity and openness, value diversity and be responsive to the views of shareholders and wider stakeholders." Specifically in relation to boards of directors, "to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties". The Code suggests that one of several possible methods that should be used is a director appointed from the workforce.[37]

As part of her campaign for election as UK Prime Minister, Teresa May pledged to support worker representation on company boards, and she repeated this pledge on the steps of Downing Street when newly elected as Prime Minister. This pledge became diluted, but nonetheless a consultation process launched by the UK Government explored “three options for strengthening the voice of employees at boardroom level” including “stakeholder advisory panels”, “the designation of existing non-executive directors to ensure that the voices of key interested groups, especially employees, are being heard at board level” and “the appointment of individual stakeholder representatives to company boards.”[38]

Elections for worker directors are usually organised logistically by trade unions, but all workers have an equal vote regardless of trade union affiliation and candidates do not need to be union members.

Ireland’s experience of employee-elected directors was researched by TASC, using interviews and focus groups, and they found that:

- Worker directors were felt to be loyal to the company, trustworthy and diligent in their duties; their contribution was viewed as positive and unique by over three- quarters of respondents; in particular, their intimate operational knowledge of the enterprise was highlighted by respondents. Almost all respondents stated that they had never heard of a breach of confidentiality or conflict of interest in relation to worker directors.

- Over half the interviewees mentioned the importance of having a contrary voice on the board in conjunction with the need to avoid groupthink and promote diversity.

- Interviewees felt that the contribution made by worker directors in the area of industrial relations was extremely positive, primarily because they act as a two-way conduit for information in times of conflict.[39]

The Institute of Chartered Accountants in England and Wales (ICAEW) have identified five ways that employee directors add value to an enterprise:

1. Making hierarchies work better, for example through employees providing information about business opportunities and threats, and employees being a rich source of ideas and practice knowledge
2. Supporting long-term thinking
3. Helping wider stakeholder engagement
4. Improving board behaviour
5. Enhancing board credibility [40]

EMPLOYEE FINANCIAL PARTICIPATION

Profit-sharing is a basic part of how most enterprises function. At a basic level, salary reviews and bonus payments are often based on how well a company is doing in terms of market share, efficiency, profitability, productivity and other metrics. Performance-related pay is expected to act as an incentive for employees to care about whether or not an enterprise is being successful.

As part of the conditionality underpinning the State's investment in Bank of Ireland (BOI) and Allied Irish Banks (AIB) during the global financial crisis, pay restrictions were imposed including reductions in aggregate remuneration and a prohibition on the payment of bonuses.

Subsequently, in the 2011 Finance Act, the Government introduced the "excess bank remuneration charge" – in effect an 89% tax on annual incentives of more than €20,000 paid to employees in the relevant banks.

The policy on remuneration was subsequently tightened as further state investment was required in December 2010 (AIB) and in the summer of 2011 (AIB, BoI and Irish Life & Permanent). Government policy, which remains unchanged since the financial crisis, provides that no director, senior executive, employee, or service provider, may receive annual aggregate remuneration (excluding pension contributions) of more than €500,000.

Furthermore, no new or additional benefits can be provided, and no cash allowances can be paid, except with the consent of the Minister for Finance. Restrictions were also put in place around certain pension matters including no pension improvement and limits on contractual payments for any compensation on termination, except with the prior consent of the Minister.

These restrictions affect around 23,000 workers across the three banks in which the State has a shareholding. The policy dictates that variable pay including bonuses and any other benefits including health insurance and childcare cannot be paid to any staff members from the most junior to the most senior levels.

The Banking and Payments Federation Ireland and EY have identified that "Irish retail bank employees and potential recruits are subject to some of the most restrictive variable pay remuneration conditions in the EU and are clear outliers when compared with graduates and employees". [41] Bank of Ireland has also identified that some within the Irish banking sector remain at a "competitive disadvantage" due to remuneration restrictions affecting competition for talent. In its 2020 Annual Report Bank of Ireland proposes a scheme to promote share ownership by all employees.[42]

Structured profit-sharing takes this one step further by putting in place a transparent and predicable system, so that employees know in advance what level of company-level success will translate into extra pay or benefits to them. Many companies give their managers an extra incentive by linking their remuneration to performance indicators, and one way in which this is done is by giving them shares in the company. Extending share ownership to more employees is widely recognised as an incentive to encourage long-term loyalty, engagement and productivity within an enterprise.

When certain state enterprises were privatised or part-privatised in the past, structured profit-sharing has been set up as a compensation to workers whose terms and conditions of employment had been affected by the sale.[43] This represents a tax efficient way for employees to acquire and hold shares in the company. In the case of the ESB, the option was widely available to staff at all levels. A trust acquires shares on behalf of participants, holds them collectively and then passes them to another trust to be distributed to participants in a tax efficient manner. A trustee organisation manages and administers the process.[44]

Profit-sharing arrangements are not limited to state-owned enterprise and any company can set one up under the same rules.[45] For example, the Keep Employee Engagement Programme (KEEP) was established to support small and medium enterprises to extend this option to employees.[46] The private sector Davy Group, recently acquired by Bank of Ireland,[47] operates an Employee Share Option Plan service to assist enterprises establishing these schemes.[48]

Promoting the development of employee share ownership has been a European Union policy for nearly thirty years. It was initiated by the European Commission through the publication of its "Pepper Report" in 1991, stating that "there is a general political consensus that employee participation in profits and enterprise results schemes ought to be supported through government policies to assist their further spread.

In 2014, the Commission suggested it would come forward with a legislative proposal for a Common European Regime on employee financial participation. This would enable employers and employees in all EU Member States to operate employee financial participation plans under one single European regulatory framework. To date this proposal has not progressed further.

More recently, the 2020 Report of the High-Level Forum on a Capital Markets Union made the following recommendations to broaden employees share ownership (ESO) and employee financial participation (EFP):

- The Commission is invited to promote together with Member States the use of Employee share ownership across the EU
- To this end, the Commission should explore which EU funds could be used to support this objective
- In addition, Member States should promote ESO and EFP by providing adequate tax incentives. Moreover, the Commission should discuss in relevant expert groups to which extent Member States promote ESO and adequate ways to increase the uptake of ESO
- ESO in the EU is still only a small fraction of its size in the US and is a powerful tool to: develop direct equity investments by citizens, while not preventing the necessary diversification of households' financial assets; educate adult citizens about equity investments
- The Commission should explore by 2022 which EU funds could be used to promote together with Member States the use of ESO across the EU

- Member States should promote ESO and EFP by providing adequate tax incentives by 2024
- The Commission should discuss in relevant expert groups to which extent Member States promote ESO and adequate ways to increase the uptake of ESO by 2023

The Capital Markets Union comes within the remit of the Department of Finance and as such it would be responsible for exploring with the Commission the EU funds that could be used to support broader employee share ownership in Ireland.

The Banking system is changing at a remarkable pace. Legislation and regulation need to keep pace with that change. It is the stakeholders that either implement change or feel the consequences of change. Involving all stakeholders in the decision making process and in the rewards structure will benefit both the employer and the employee equally.

GENDER PAY IN THE FINANCE SECTOR

The FSU welcomes movement by the Government to introduce legislation to make it mandatory for companies with employees of 250 and over to publish their gender pay gap. It is a step in the right direction and one that will shed light on the gender pay gap in the financial sector. We know from CSO figures published in 2018 that on average there is a 34% Gender Pay Gap in the Financial Services sector, well above that reported in other sectors. Bank of Ireland, who are the only Irish Bank to publish their figures have a reported gender pay gap of just under 24%.

The gender pay gap can best be resolved through a willingness of employers to engage with Unions and agree a comprehensive program of works that puts this issue as a core objective of their business plan. The FSU are calling for the following:

Make Pay Ranges Public for Workers to see and End Pay Secrecy

The FSU is calling for pay ranges to be made open and transparent for workers to see. This will provide workers with important information in making choices. It will also highlight potential wage differences and pressure employers to ensure there is decent, fair pay and address the gender pay gap actively. It will highlight if roles are valued more or less in a company which is potentially creating the gender pay gap.

Make Employers Agree Annual Reduction Targets through actions agreed with Trade Unions.

While accepting and published the gender pay gap is an important step, action is also required. Employers should agree action plans and targets with FSU to reduce the gender pay gap. Listening to the voice of workers and negotiating solutions is vital to successful and sustainable outcomes supported by staff. Without plans and targets nothing will change.

Encourage part-time and flexible working arrangement for staff at all levels of the Company

We know that the vast majority of people in part time or working reduced hours are women.
Not providing for these arrangements at all levels in a company is a serious hindrance and block on many women's careers, giving men an unfair advantage and contributing to the gender pay gap. These arrangements need to be provided and encouraged for all genders and at all levels in the company.

Audit pay increase and performance ratings each year for fairness and equality

Actions to reduce the gender pay gap will fail if annual pay increases hide gendered inequality. It is important that a gender audit of annual pay increases is completed to ensure that pay increases are applied fairly. As pay and job security is now linked to performance rating it is equally important that a gender audit of performance ratings is conducted.

Ensure that collective bargaining is a right of all workers

Female dominated occupations are often low pay and non-union. Collective bargaining increase wages. It is vital that all workers have the right to collectively bargain better pay and working conditions.

In summary, the figures for the Finance Sector in Ireland require a focused approach by all stakeholders to close the gender pay gap and as a first step bring it in line with the national average. Gender pay disparity is a symptom of unequal career progression of men and women and requires a commitment to address it at the most senior levels as well as an inclusive stakeholder approach.

RECOMMENDATIONS

Change in the banking sector is happening rapidly, with major implications for the job security of employees and increasing demands on them for flexibility and adaptability. The impact of this change is also felt by consumers who have to contend with relentless digitalisation, cyber crime and reductions in physical bank branches. In this context, it makes sense for banks to increase the incentives available to their employees, to support the sustainable long-term development of the banking and financial sector, to support recruitment and retention, to encourage staff loyalty and productivity, and to compensate employees for the extra effort that they are constantly being demanded to make. It clearly makes sense to develop a stakeholders banking model in an open economy like Ireland and including consumers in the Banking organisation to ensure connectivity with its customer base.

The Financial Services Union makes the following recommendations:

- All retail banks should appoint at least two employee-elected non-executive directors to their boards of management, in line with European policy on Employee financial participation and longstanding practice in Ireland's semi-state enterprises.
- All retail banks should have a consumer representative on their boards of management, to achieve a permanent, structured inclusion of stakeholders in their governance.
- All retail banks should implement structured profit-sharing arrangements, collectively bargained with the FSU, modelled on existing best practice.
- All retail banks should negotiate actions plans with the FSU to eliminate the gender pay gap

ENDNOTES

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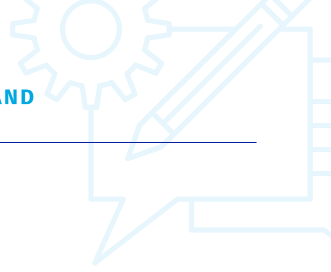

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