

**The impact of competitive pressures and
its effects on stakeholders in the
Brazilian banking sector**

Inequality within and among Nations: Causes, Effects, and Responses

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Summary

Management policies of large banking corporations, placed into an extremely competitive market, are guided by the predominant logic of short term rentier capital. The payment of bonuses or compensation made to senior executives involved strengthening the strategies linked with the achievement of operational results. Through variable compensation programs, that is, payments made subject to results achieved, senior executives create pressure throughout the banking productivity chain so that those results are achieved.

In this article we intend to analyze the mediations between the pressure to increase returns for the shareholders and the compensation received by the senior executives, observing the effects on other participants of the financial system, among which we cite: outsourced workers, bank employees, and customers of the financial system.

Key words: Competitive pressure, senior executive bonus, outsourcing, corporate governance, stakeholders.

1. Introduction

The transition from the Fordist-Keynesian model of capital accumulation to that of flexible accumulation in line with Harvey (1992) changed the uses and meanings of space and time, these being subject to an effect of compression reflected in political and economic practices, the balance of class power, as well as in social and cultural life.

The model of flexible production was given as a way to overcome the crisis of the 1970s. The implementation of new forms of production combined with technological innovations enabled the acceleration of the rates of capital turnover in any place on the globe in the shortest possible time, reestablishing margins of profit expected by investors. Among the changes put in practice in large corporations, Harvey (1992) cites subcontracting, the transfer of head offices, new forms of managing and controlling work related to the policies of minimum stock, and production on demand.

For the author, this new way of production drives a new way of consuming, equally as accelerated, based on created needs, grounded in the feelings and promotion of expectations. This cultural production, guided by symbols, was driven and maintained by all of the forms of media wherein advertising takes on an integrative role. Mass consumption surpassed physical goods, i.e. materials, and advanced to the most diverse services, as both can have greater and lesser ephemeral periods of use.

In terms of the implementation of strategies and relationship with the market, the temporal and spatial horizons of corporations narrowed. The banking system created the conditions by which money could circulate more quickly, in view of the technological advances

which enable their transactions in multiple forms through the increasingly widespread use of credit and debit cards and electronic banks operating online and in real time. In other words, it established the possibility of carrying out financial transactions anywhere in the world through the sophisticated data and telecommunications systems available since the end of the XX century.

On the world scene, during the 1980s and 90s, various countries went through processes of productive restructuring, substantially changing labor relations while concurrently adjusting the form of State intervention in society, giving rise in the politico-economic field to that which was described as neoliberalism. Simply put, neoliberalism means a contemporary reinterpretation of so-called liberalism, a political form in which the capitalist economic paradigm is less regulated, allowing the market to act more freely similarly to what prevailed during the end of the nineteenth century and the beginning of the twentieth.

With the financial crisis that began in 2007, the countries at the center of capitalism enacted new adjustments to their economic policies. In the Eurozone the changes directly hit workers who saw reductions in their labor earnings. Many rights related to essential public services, such as health and education, have since then been eroded, tearing down the achievements stemming from the post WWII social pact. Economic bailout programs led by the Troika (European Commission, European Central Bank, and the IMF – the International Monetary Fund) are branded by the mark of austerity. They intended to discipline the macroeconomic models, especially in the peripheral countries such as Greece, Portugal, Spain, and Ireland, imposing conditions prior to any form of financial aid (Bieler, 2013).

The productivity design in Europe serves as a reference for understanding competitive pressures. In the last twenty years, Germany has gained the highest relevant indicators of productivity while observing a fall in the participation of wages in the product (Bieler apud Lapavitsas, 2013). German firms, with their huge profits, sought other investment opportunities, among them stand out those carried out through the purchase of public debt securities and transactions carried out in the real estate market of peripheral countries.

According to Carneiro (2007:12) the “opportunity cost,” basically anchored in the attractive interest rates of new financial operations, favors “rentier” type capital to the detriment of productive capital, confirming a predominant financial plutocracy in contemporary capitalism.

2. The logic of short termism and competitive pressures

The predominance of the financial sphere in a less regulated capitalism, when compared to the Fordist-Keynesian period, directly influences the process of accumulation via production, imposing a new form of organization and valorization of capital which comes to have as its objective function the maximization of a firm’s shareholder value while searching for greater liquidity. These characteristics seek to bring together two forms of investment, financial and productive, reducing them “to a peculiar cash flow” with similar models of profitability, which cannot always be achieved (Carneiro, 2010a:39).

The international financial system is anchored in new instruments of profitability, among them we highlight those which provide high liquidity: the securitization of receivables funds and derivatives operations. Both operations under elevated risks serve the logic of short termism (Grün, 2004b; Carneiro & Marcolino, 2010b).

In this context of competitive pressures, productive capital promotes a major integration of the group called BRICS, which amounts to those countries considered emergent: Brazil, Russia, India, China, and South Africa. These countries have as a base indicator low production costs and an expectation of high rates of return desired by the investors.

Large transnational corporations, in search of so-called competitive efficiency, promote a greater integration of productive processes on a global scale. In this search for profits, direct investments concerned with the exploration of cheaper production factors and the expansion of new consumer markets are undertaken. Countries connected with the BRICS are among those which receive the most international investment, given the potential for the expansion of productivity, especially when associated with other factors such as infrastructure or the prospect of improving infrastructure, technology, labor force, regulatory framework, and a favorable institutional environment. (Porchman, 2010; Hawksworth & Chan, 2013, Ribeiro & Filho, 2013).

In this internationalization of companies in contemporary capitalism the BRICS count on “relevant stocks of skilled labor at lower costs than in advanced countries” where, not only for this reason, but fundamentally, they become a part of the global value chain (Ribeiro & Filho, 2013).

Having overcome the spatial barriers, it is the ephemerality of time together with its practical meanings that seems to us the strongest aspect of the new style of contemporary life. Volatility becomes an outstanding cultural characteristic in our societies. In this way, it isn't difficult to understand why ideas linked to long term planning are not predominant.

At the banking level there occurs a financialization of balances, an expansion of the liquidity of the mass of resources associated with technological innovation, which end up creating difficulties in carrying out long term investments. Ultimately these collide with the dominant notion based on the logic of short termism, typical of this new governance (Carneiro, 2010b).

The power of finances in contemporary capitalism is culturally crystallized through diverse modes in society. Thus, terms which characterize “market behavior” become normal and forms of subordination become acceptable, such as bearing the excesses derived from speculation, under fear that a financial crisis become a systemic crisis. For Grün (2005) it is a tendency of the cultural climate of production which, once appropriated in cognitive spaces, “guides apprehension and the interpretation of social reality (Idem:896)

The precepts of so-called “corporate governance” arise to bolster the economic politics in the historical context marked by the capitalist reorganization after the crisis of the 1970s, a setting which on its own is unstable, tied to the volatility and ephemerality already mentioned in this text.

The “good practices of corporate governance” aim to create an environment of greater security through the institution of transparency of information and respect for minority shareholders (Grün, 2004a). This way the opportunist interests of the administrators or particular interests of the controlling families of large companies would be removed (Grinblatt & Titman, 2005).

The economic doctrine which has predominated in the financial environment, practiced by its direct and indirect representatives, is founded in structural theories such as austerity and self-regulation. To this end, when an elevation in public deficit is observed, rigorous policies of spending controls are defended, which normally falls on public services, combined with a defense of market self-regulation. This model of regulation adopts a premise of transparency and maintains free competition, opening a space for the promising forms of accompaniment and control on the involved parties, the stakeholders in the fullest sense.

3. Brazilian economic and social growth and the offensive of outsourcing

Brazil is going through a social and economic context out of keeping with the various nations in crisis on the international scene, given its recent path of growth. It is ranked fifth among nations in terms of territorial area and population. It is estimated that it will recover its position as 6th major economy and according to projections will reach a position of 5th in the world ranking of GDP in 2015.

According to Schutte (2012) the country has also become known for a relative political protagonism in the world institutional architecture observable through its positions in international forums. An example of this is the case of the UN and the G20. After the world financial crisis of 2008 the world came to recognize in Brazil the capacity to deal with systemic adversity and at the same time implement convergent proposals in the expansionist interests of capital. All this while maintaining itself in a position of good standing according to the dictates of international organizations, such as the IMF and World Bank, observed by the occasion of the adoption of various of its macro economic policies.

Mean Brazilian growth in the last two decades of the last century was at 2.2%. In a subsequent period, between 2004 and 2011, it rose to 4.3% per year ¹, a time when the federal government was led by the ex-unionist and then president Lula. In 2011 president Dilma Rouseff assumed the highest office in the land, also from the same party as the ex-president. The arguments for maintaining the economic policies in force and their consequent approval at the polls were supported by a reduction in social inequality, as highlighted by a reduction in extreme poverty (Singer, 2012).

In the mid 2000s the Brazilian State took on the role of driver of the development process, mobilizing and regrouping state enterprises and public banks while at the same time seeking a new positioning on the international scene (Schutte, 2012). This new positioning, stimulated by president Lula, had as its perspective to make Brazil a country less dependent on the United States, thereby polarizing even such political positions as the war in Iraq and the

¹ According to material on: www.oglobo.globo.com/economia, publicized on 28.07.2012. Accessed in Nov. 2013.

FTAA – the Free Trade Area of the Americas. Such a position did not by itself signify any anti-americanism, but clearly indicated a repositioning on the international scene.

During the time of Lula and Dilma, even considering the oscillations of the international market, domestic and foreign investments grew and the commodities which Brazil offers for market increased in value. Public banks were strong drivers in the offer of credit. The Central Bank determined, on several occasions, the lowering of the elevated basic Brazilian interest rate and the government implemented a series of social policies which, along with other measures, lead to an increase in consumption in the domestic market. Growth with a distribution of income lead to a reduction in inequality among the regions of a country with continental dimensions. Rates of unemployment reached the lowest levels in the recent history of the country while other social indicators maintained an ascendant line (CESIT, 2010; IPEA, 2013; Sader, 2013).

In the time of Lula-Dilma, public policies were implemented which increased the net of social protection and the promotion of social well-being. Among the most demonstrative we can cite: An increase in the national minimum wage, an increase in unemployment insurance, the income transfer program “Bolsa Família” (Family Fund), the public housing program “Minha Casa Minha Vida” (My Home My Life), and the increase in workers’ rights for domestic workers. (CESIT, 2010).

However, despite the various projects and more favorable economic and social indicators, the country continued to be permeated by the influences of the financial hegemony and by the reflexes of the contemporary capitalist restructuring in progress.

In the last two decades, concomitantly with a developmentalist management of these governments of a democratic and popular nature, the country underwent continuous pressure to increase its competitiveness. The “Brazilian Cost,” a generic term related to the difficulties with infrastructure, the weight of the income tax, and work force costs (workers’ rights and responsibilities), was frequently negatively highlighted by companies’ representatives. Such criticisms were frequent cited in the most diverse economic areas, as much urban as rural, as a central aspect of the loss of competitiveness relative to the other world players.

The new strategies of management, as much of the companies as of the banks, has been characterized by an expansion of markets. This occurs when a reduction in the scope of direct production tends to happen at the same time, dividing operational costs with other firms which may or not be with the same conglomerate. The aim is thereby to keep the principal firm or bank, acting in what is defined as core, the coordination of its activities, while subcontracting other companies for the fulfillment of various stages of work.

Subcontracting, if observed in broad terms, has reoriented the international division of labor on the globe, promoting a "downward equalization" in which workers are pressured from all sides and a decline in wages and working conditions can be seen. (Palley, 2009 : 30). At the Brazilian national level the practice of subcontracting, known as outsourcing, obeys the same established world capital standards of the relentless pursuit of extracting more value.

Outsourcing consists in passing on activities, previously executed by workers directly contracted, to those workers hired through an intermediate firm. Thus, a triangulation is formed in the relationship between capital-labor which invariably promotes a deterioration of collective

labor agreements, enjoyed by the more organized professional classes, through a diminished labor income, a reduction in rights, and the weakening of unions (Sanches, 2006).

According to the DIEESE/CUT (2011a), it is estimated that in Brazil there are more than eight million outsourced workers. Many of these have become a legal threat, as there is no specific law which regulates the practice of outsourcing in the country. In addition, there are several irregularities present in these labor relationships.

In the scenario of Brazilian economic growth, the counter-attack of capital on work was organized in an emblematic form around a bill on outsourcing; it aims to legalize the practice, widespread in the labor and civil context, considering the fact that it has on many occasions been seen by the Justice of Labor as illegal.

Bill 4330/2004, which aims to regulate outsourcing, is making its way through the Federal House of Representatives. Its justification is grounded in the corporate argument of broadening competitiveness, reducing operational costs, and making the relations between capital and labor more modern. Added to it are other projects with similar content which were targets of policy dispute among the different social segments throughout the last few years. In 2013, House Bill 4330 came up for its last opportunity for approval. On that occasion, the labor movement, linked particularly to CUT - Unified Workers' Central, together with the Labor Magistrates Association - ANAMATRA and the academic community, were able to bar it approval, temporarily, through a strong process of social mobilization.

The pressure to reduce the costs related to the workforce in Brazil is involved in the dispute around bills characterized by flexibility of rights. Such projects are presented independently or on their own, as there was no consensus to carry out widespread labor reforms of this type in Brazil. The most aggressive measures in the country in terms of flexibility of labor relations were made during the 1990s in the government of Fernando Henrique Cardoso, prior to the government of Lula, the most significant measure being those which regulate: banking hours, profit sharing, working on Sundays, and partial contracts with lesser responsibilities (Krein, 2001).

4. The case of public banks in the face of economic turbulence

In Brazil public banks played an important role in the period of the financial crisis of 2008. The federal government, through these institutions, implemented anti-cyclic policies which made maintaining the flows of credit possible while the private banking sector contracted (Lodi, 2011). Interest rates and spreads were reduced through a sequence of falls which favored the economic dynamic. Added to these policies were the equally important wide-reaching social programs such as those linked with the construction of public housing. On the other hand, a model of labor process management was propagated in public banks quite similar to that of the private sector. In these institutions as well, human resources policies strongly anchored in processes of subcontracting/outsourcing in order to lower fixed costs were used. Allied to this, a small team of workers and heavy pressure on banking product sales drain into an internal environment of dispute and disintegration, typical of the private sector.

The payments of bonuses or salaries given to senior executives, also known as administrators², involved the strengthening of strategies linked to the achievement of operational outcomes. The maximization of shareholder return, in times of increasing tightening, interferes with the dynamics of labor within these companies. In order to achieve the expected results, high goals for the sale of financial products and services are stipulated, as will be analyzed in the next topic.

Countries of the G20, with an aim to reducing operational risks in the financial sector, set forth guidelines on the control of bonuses for senior executives. Such guidelines take into account that executives could take on positions of greater risk with the aim of increasing their own compensation since it is subject to “satisfactory” short-term results.

The measure was a response to international events which showed the fragility of certain financial operations, in particular those derived from subprimes in the United States in 2008. The National Monetary Council — CMN in Portuguese, an organization linked to the Central Bank of Brazil, established in 2012 the following parameters on the implementation of the policy on compensation for administrators³:

- a) compensation must be compatible with the policy of risk management and be formulated so as not to encourage behavior which increases exposure to risk above those levels considered prudent in the short, medium, and long term strategies adopted by the institution.
- b) the compensation of administrators in the area of internal control and risk management must be adequate to attract qualified and experienced professionals and be determined independent of the performance of the business areas so as not to create a conflict of interest.

The following criteria must still be considered in the payment of administrators' compensation:

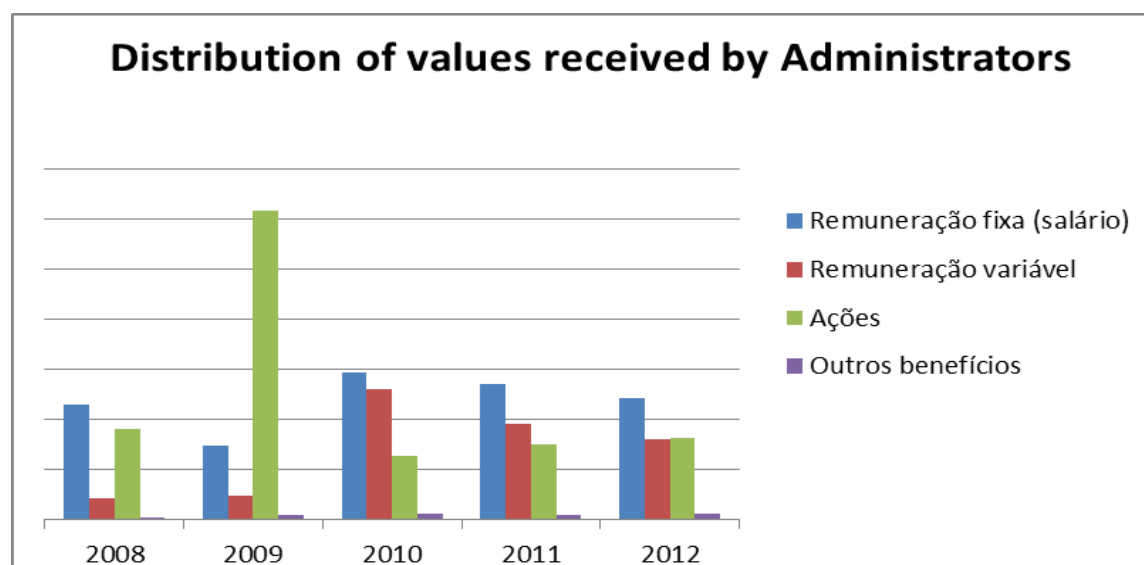
- a) individual performance, the business unit linked to the administrator, and the performance of the institution as a whole, being as all these criteria are related to the risks assumed;
- b) compensation can be paid in cash, shares, instruments based in shares or other assets, respecting the following form of distribution:
 - at least 50% of the compensation must be paid in shares or share-based instruments, compatible with the creation of long term value and the time horizon of the risk;
 - at least 40% of the variable compensation must be deferred for future payment, delimiting the space of at least 3 years made in proportional shares and incrementally.

² Administrators are considered the Statutory Officers and Board of Directors, in accordance with the managerial reports consulted.

³ Resolution CMN N° 3.921 addresses the risk management policy regarding the Variable Compensation of administrators

The graph shows the distribution of Total Compensation received by the senior executives of a large national bank. Forms of distribution of Total Compensation were shown as more balanced, considering the fixed and variable values and those distributed in the form of shares in 2012. The variable part is still found to have a significant weight over the fixed income, or rather, the form of payment which has a greater weight and reward to the work developed by these agents is related to the performance obtained in the market. It is worth noting that shares by their variable character can also be considered variable compensation; only its form of payment, deferred in time, is what can establish a lesser pressure in the short term, since as in the case of Brazilian law its redemption is concluded in a period of three years as per the new rules adopted by the country.

Table 1



Source: Form 20-F, filed with the SEC (*Securities and Exchange Commission*), 2012.

Translated label:

Fixed Compensation (salary)

Variable Compensation

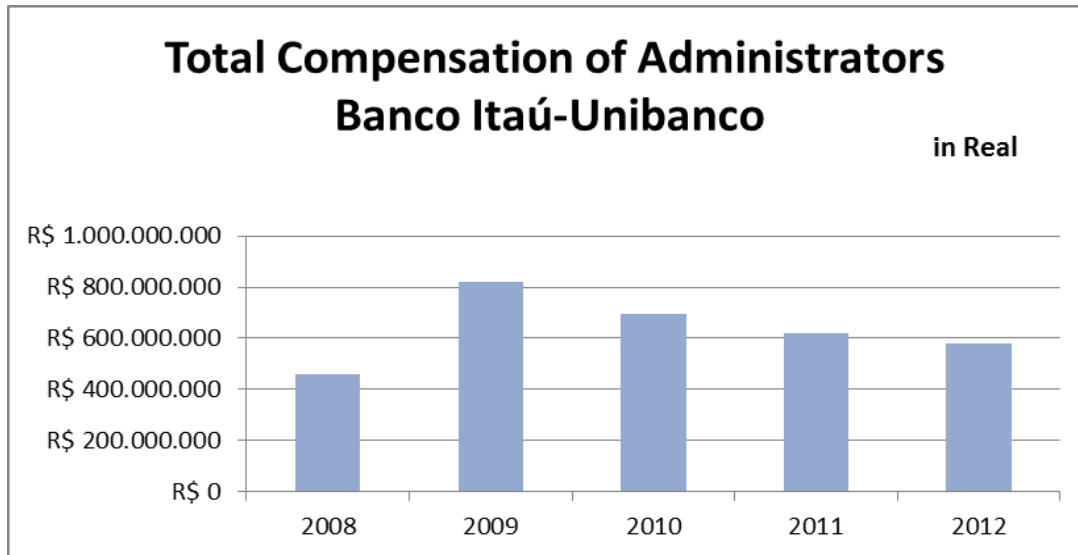
Shares

Other benefits

According to the management report⁴ of one of the largest Brazilian national banks, total compensation (annualized) received by 24 executives reached a peak level in 2009, adding up to values surpassing 800 million reais. In the following years, values declined, but still reach a figure of 550 million reais.

⁴ Form 20-F, filed with the SEC (*Securities and Exchange Commission*).

Table 2



Source: Form 20-F, filed with the SEC (*Securities and Exchange Commission*), 2012.

Note: The Total Compensation of Administrators includes: Fixed Salary, Variable Compensation, Shares, Retirement Plan, and other Benefits (Medical and Odontological Care, Education, and Private Pension Plan).

In order to measure the asymmetry between the Administrators' group and the workers' group in the sector, we will analyze their annual earnings. A banking worker, at the beginning of his career, receives R\$37 thousand per year, including the total of direct compensation (salary, other cash funds), indirect compensation (vouchers for lunch and market basket), and the variable compensation collectively contracted by the labor union (values paid according to profit and the achievement of work goals). However, comparing the annual compensation of bank executives highlighted, it is seen that they receive on average 594 times more than workers at the base of the pyramid of positions and wages of these institutions⁵.

5. Everyday banking and references to the logic of the short-term

Changes in the Brazilian financial system, as of the 1990s, influenced by the pattern of financialized capitalist accumulation, reflected decisions and priorities oriented under the principle of the creation of greater value and returns to its shareholders in the short term.

In this sense, the financial system has adjusted its way of acting by carrying out mergers and acquisitions, expanding national and international markets, adopting strategies linked to the

⁵ According to information found in the CBA – Collective Bargaining Agreement and in the managerial reports das instituições of those institutions which possess open capital. Available at <http://www.contrafcut.org.br/convencaoacordo.asp> Consulted in January/2014.

segmentation of clients, developing and implementing technological changes in the productive process, including the outsourcing of various activities. These management strategies as a whole have changed the dynamic of the relationship with distinct social groups such as direct employees, outsourced workers, and clients linked to these institutions.

The new work environment in financial institutions confirms the dissolution of the idea of the verticalized company in the Fordist-Keynesian tradition, a locus of character formation, in the reflection formulated by Sennett (2002). This character relates to values acquired and consolidated over time. The individual possesses the means to forge his character through the experience of regular work with the possibility of constructing a professional career; that is, from established relationships based on mutual commitments, in which one seeks self-worth and recognition by the other.

The notion of short termism permeates and absorbs more and more the current definition of career leaving workers exposed to the compression of time and space. The idea of staying in one company for a long time may lead one to believe the individual has settled in and does not have the potential for new ventures. The turnover of the banking sector confirms this tendency of faster movement through the institution.

Present turnover rates⁶ in the banking sector reach the mark of 7.6%. According to DIEESE (2012) this result is related to the reduction of workforce costs, considering that the newly hired employee enters at a lower salary than the previous employee for the same function. In our research we find that turnover is also related to the strict control of productivity implemented by the banks through programs of goals, directly linked to the payment of variable compensation. This way, grounds for a worker's termination, on most occasions, are justified by the financial institutions due to low worker productivity.

By way of example of what Sennett observed (2002) on the widespread idealization of teamwork, in Brazilian banks it turns out that in spite of the relative distribution of responsibilities presupposed by teamwork, there is in general a superficial environment of cooperation. Such an ambiguous environment leads the very components of the group to pressure others to meet work targets.

The lack of purpose in relation to present and future prospects was systematized by Sennett (2002) as the experience of individuals with "drift time." In the new spirit of capitalism, the more the worker takes risks the more he inscribes his name in the book of virtues. These are the perceptions related to the experience of work in the financial field. The constant idea of overcoming is disseminated by the administrators as a way to escape from "economic drift." The man forged to perform his job in the flexible production is one who understands the value of living under constant risk, without settling, making this practice a virtue in itself.

Harvey (1992) points out that the periods of mandates of company directors have fallen and companies increasingly seek short term gains. With this aim, they resort to mergers, acquisitions, or operations in the financial and currency markets. This environment leads the author to state that the tension derived from managerial performance creates every kind of collateral effect.

⁶ Brazil is not a signatory of Convention 158 of the International Labor Organization which guarantees the prohibition of dismissal without just cause.. Data on turnover released 01.10.2013 on the site: www1.folha.uol.com.br/mercado. Accessed in November, 2013.

As we saw before, the “good” corporate governance aims, ultimately, to align its interests between administrators and shareholders (GRÜN, 2007) since there are risks associated with the short term logic predominant in free markets. However, the various stakeholders of an institution are socially made up asymmetrically and are defined by sectorialized interests, it not being possible to control all the effects of competitive pressures along the productive chain. Within financial institutions, internal agents, both high and medium level employees, seek greater efficiency in the actions of their subordinates, driving them at a stressful and riskier work pace.

Through variable compensation programs, that is, payments subject to being made according to results achieved, senior executives exert pressure throughout the banking productive chain in order for these results to be achieved.

Variable compensation for workers was regulated in Brazil in 1994. At the corporate level it comes up directed by the discussion of promotion and valorization of skilled individuals, that which is expressed by the concept of meritocracy. But it doesn't come up for this reason alone. After all, the corporate sector also made explicit its search to reduce fixed costs through a set of implemented policies on flexibility in the working world (DIEESE, 2011b).

The total variable compensation that each worker can reach is differentiated according to the position held by him, the higher the position the higher the role in the established hierarchy. According to companies, this occurs in order to contemplate the different degrees of responsibility in creating results. On the other hand, subordinate employees are exposed to greater pressure by the most blatant demands for positive results.

This type of compensation made in short and determined periods, without any guaranteed regularity, that surrounds the banking work environment is a relevant aspect of flexibility related to short termism. Thus, in the context of markets oriented by finances and volatile results, this type of compensation allows a reduction in costs in a crisis situation to be less sluggish.

It should be made clear that variable compensation programs, tied to the achievement of goals, serve first and foremost as forms of control of the work process. A rigorous control of productivity is made through them, serving as instruments for evaluating employees who are kept under constant tension. In the end, it isn't just about one's variable compensation but one's tenure with the company. In other words, one's job is directly tied to one's score in the very real internal championships established within corporations.

Results are evaluated based on meeting product and service sales targets/goals unilaterally established by the financial institutions. The targets delimit the performance of the employee and are utilized in their professional evaluations permitting the justification of dismissals.

6. The impact of competitive pressure on stakeholders

Sennett (2002) emphasizes that vulnerability leads to physical and mental exhaustion creating once again the conditions for the corrosion of character. The author's analysis questions the position of current managers of capital to classify uncertainty as a promising aspect in the workplace.

In the banking sector, the demands and threats related to the completion of goals have been severely criticized by workers' union representatives. This criticism, above all, is justified by the scene of turnover and workforce reduction which directly influences the mental and physical wellbeing of those involved.

According to data made available by the National Social Security Institute - INSS, the number of work related illnesses has increased in the professional banking category. In 2011 there were 20,714 people out due to treatment. In 2012, the number rose to 21,144 registered cases. Both present repetitive stress injury (RSI) as the principal cause as well as mental and behavioral disturbances, such as stress, depression, and panic syndrome which affect 26% of the people on leave⁷.

The Banking Union of São Paulo has reported that "bankers work more to compensate shareholders."⁸ The conclusion of the class entity is that the shareholders are getting an increasingly greater share of the distribution of added value while the workers' share is increasingly smaller. In spite of wage readjustments won in the unified national campaigns since 2004, the share of workers' wages in the Value Added Statement - DVA disclosed by the financial sector has fallen.

Through the DVA it is possible to visualize the wealth generated by banks. After deducting operational expenses and with financial intermediation, the remaining value is distributed among shareholders, the government, and workers. According to the Bankers Union⁹ :

Between 1999 and 2005, on average, shareholders kept 25.9% of this distribution of value added (DVA), taxes consumed 24%, and 50.1% was directed to workers. In the last few years, between 2006 and 2012, there has been an inversion: while the government continues in the area of 23%, shareholders came to receive on average almost 40% and to the workers went the remaining 37%.

Table 3

Distribution of Added Value in Banks

workers • government • shareholders

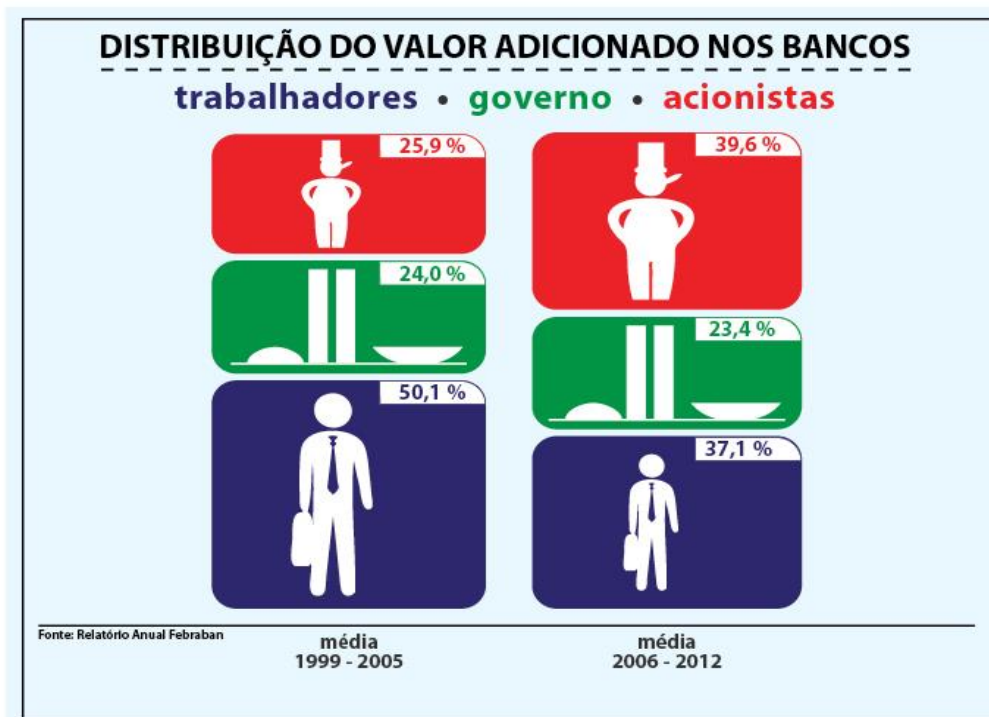
average 1999 - 2005

average 2006 - 2012

⁷ According to information in the trade journal Folha Bancária in August and September, 2013.

⁸ According to information available on the site of the Bankers Union of São Paulo, Osasco and region, www.spbancarios.com.br. Accessed in December, 2013.

⁹ Idem



Reproduced from material on the site: www.spbancarios.com.br - FEBRABAN's Annual Report (Bank's Federation)

Banking employment has fluctuated between movements of expansion and decline at the national level. The movement of expansion is directly related to the economic growth of the country in the last decade and to the role taken on by public banks in recent years. The movement of decline is explained by the restructuring processes implemented by the banking sector strongly anchored in mergers and acquisitions, technological innovations, and outsourcing.

According to the DIEESE, the balance sheet data of the six largest banks in Brazil (Banco do Brasil, Caixa Econômica Federal, Bradesco, Itaú, Santander, HSBC): in a comparison between the first six months of 2013 with the same period in 2012, earnings generated per worker rose 19.4%. Each bank increased by 13.6% revenues from fees and by 19.8% its credit portfolio. The number of banking accounts under the responsibility of each one increased 6.9%. Only the number of employees per agency fell: - 5%.

Despite an increase in the indicators of profitability and productivity, the number of direct workers in the sector, on a national level, fluctuated between a reduction or a slight increase. Therefore, the rate of employment did not accompany the corresponding growth of the workload in the same periods analyzed. It is worth emphasizing that the slight curve indicating an increase in the professional category of banking is explained by new admissions made in the public sector. Caixa Econômica Federal and Banco do Brasil expanded their operations according to guidelines regarding the role of public banks in the national economy, in accordance with federal government policies in recent years (DIEESE, 2012).

In the recent national campaigns of workers in the financial sector, union leaders expressed a relationship between the loss of jobs, overwork, and sickness when concurrently very favorable results in the sector in terms of profitability are observed¹⁰. In this context, the search for a solution to the problem of “abusive targets” gains relevance.

According to the resolutions from the National Conference of Bankers which took place in 2011, the decision to expect banks to sign with signing the Declaration on Responsible Sales of Financial Products was approved, a document prepared by UNI Finanças¹¹, which provides, among other things, for an end to abusive targeting and the guarantee of an “internal culture of negotiations and operating procedures that lead to the responsible sales of products.”.

7. Customers pay more for less quality of services

Currently, the main objective of the majority of banking workers is to achieve financial product sales goals, with differing degrees of sophistication, but always preformatted for specialized areas and blatantly offered to customers as the “financial solutions” to their needs. These needs, however, are generally poorly evaluated. In practice, the priority is to make sales in a particular period even under adverse conditions, considering the number of workers is insufficient and the pressure for short term results is constant.

The Brazilian Institute for Consumer Protection, in a study conducted in 2013, analyzed the behavior of fees paid by banking customers in the last five years, demonstrating that the fee packages underwent readjustments of up to 83%, compared with inflation of 32%¹². In addition to high fees, clients have faced high interest rates on credit transactions. However, services offered are increasingly computerized and automated, resulting the customers themselves performing some of the work, thereby in effect excluding several job positions.

With the segmentation of customers, banking activities offered to the lower income population has largely been outsourced through so called Correspondent Banking.

Banking Correspondents¹³ reach the mark of 360 thousand posts spread throughout the country, involving more than 500 thousand workers (AMORIM *et al*, 2013), creating the most aggressive treatment of outsourcing implemented by the sector in recent years. The result is doubly unfavorable due to segmentation. In the case of workers, those outsourced end up having work conditions inferior to those of workers hired directly by the large banking corporations. We can also state that clients lose, especially when segmentation by income promoted by the banks aims at removing the poorest from traditional agencies.

In Correspondent Banking, employees are not trained for marketing and rendering customer service, resulting, therefore, in a loss of quality in care. Adding to the negative effects

¹⁰ According to research in the trade journal “Folha Bancária” in August, September, and October. 2013.

¹¹ A UNI Finanças é o braço para o setor financeiro da UNI Sindicato Global, entidade internacional à qual a CONTRAF-Confederação Nacional dos Trabalhadores do Ramo Financeiro/CUT-Central Única dos Trabalhadores é filiada.

¹² According to material available at: www.idec.org.br/em-acao/em-foco. Accessed in Nov.2013

¹³ Banking correspondents are companies, members of the national financial system or not, contracted by financial institutions and other institutions authorized by the Central Bank of Brazil, in order to attend customers and clients of these institutions. Among the better known correspondents are the lottery houses and postal banking. According to information made available on the Bacen website: www.bcb.gov.br. Accessed in November, 2012.

already mentioned is the fact of bankers and clients being subject to less physical security. The volume of cash money increases in these environments, given that they are the principal locations of payment and receipt of funds deriving from the social programs of the federal government. However, such commercial establishments are not subject to the requirement of having armed guards, as is a traditional banking agency.

8. Conclusion

The uncontrolled pursuit to maximize shareholder returns, allied with the neoliberal policies implemented as much in the private sector as in the public sector, doesn't go unpunished. There is a social debt that neither stops growing nor can be paid in full, be it in those countries at the center of capitalism or its periphery. The elements of the new political, economic, and cultural dynamic which we pointed out are linked to the process of flexible accumulation and to the logic of short termism inspired in rentism.

The choices of managers of financial capital directly influence social life. This occurs as much by their action in relation to workers increasingly exposed to vulnerabilities and sickness, as with their relationship with the users, the clients. In this particular case, it is because the clients suffer due to the deterioration of the offer of services rendered which puts at issue the advancement of social and economic inequalities in contemporary society.

In this dynamic inherent to the new phase of contemporary capitalist accumulation, the negative impacts of competitive pressure are undesirable to those who care about social equality. In short, they they maintain or even expand social inequality, observed even in countries experiencing a situation of economic growth, as reported in the Brazilian case.

Brazil, through the management of Lula e Dilma, experienced an unprecedented income distribution and an elevation of various social indicators favoring the poor. However, strong inequalities still remain. Attempts to depart from the script linked to economic austerity, such as the policies adopted in public banks and the decisions to lower basic interest rates through the Central Bank, quickly had to yield to inflationary pressures foreseen by financial agents and mainstream economists.

The National Monetary Council - CMN (Conselho Monetário Nacional), influenced by the federal government, was able to implement public policies to limit the risk linked to compensation of administrators. It is known that Brazil has some stricter rules of operation in its financial markets, as is the case concerning the rates of leverage as examined in the International Basel Accord. However, interests strategically positioned by representatives of the Brazilian banking sector are presented in defense of self regulation of the system. In practice, it is seen as a clear attempt to vacate the state's role in regulating a service that is in the public interest, as is the service rendered by banks.

The pattern of profitability of Brazilian banks is positioned as among the highest in the world. However, social and economic inequality persists, in spite of recent advances, even in a country which paradoxically is on its way to being the fifth ranked economy on the planet. Incongruities can, among other responses, be explained by the lowering of workforce costs in

highly lucrative sectors. This occurs to the degree in which outsourcing deteriorates, in general terms, the conditions under which work is performed. It is good to remember that we are referring to one of the countries which was the last to abolish slavery, forming a wage labor market both late and permissive as regards informality.

In this context, it is noted that the compensation (bonus) paid to senior executives of Brazilian financial institutions obeys rigorously elevated values. At the same time, banking work conditions are deteriorated and lower the standards of the hiring of workers indirectly linked through the means of outsourcing.

Attempts to control the dominance of financial capitalism and the risks linked to this dominant form are ephemeral next to the disorganization it causes in contemporary societies. Thus, competitive pressures present in the most diverse forms of the daily life of the workers, managers, consumers, and clients express, on the cultural, economic, and social plane, the dimensions of the neoliberal model by which we are strongly influenced.

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Table of Contents	pages
Summary	01
1. Introduction	01
2. The logic of short termism and competitive pressures	02
3. Brazilian economic and social growth and the offensive of outsourcing	04
4. The case of public banks in the face of economic turbulence	06
5. Everyday banking and references to the logic of the short-term	09
6. The impact of competitive pressure on stakeholders	11
7. Customers pay more for less quality of services	14
8. Conclusion	15
9. Bibliography	17
10. The Authors	19
Tables:	
Table 1	08
Table 2	09
Table 3	12