



Open Forum regional event, Birmingham, 11 November 2015

Background

Nicola Smith (Head of Economic and Social Affairs, Trades Union Congress) hosted a morning meeting in Birmingham on 11 November 2015, to complement and provide a live feed of questions and commentary into the morning plenary session of the Open Forum at London's Guildhall.

The session focussed on the role of financial markets in the economy.

Main messages

Financial markets were recognised as vital for businesses and individuals across the UK. But attendees noted that many firms and households were still dealing with the severe consequences of the 2008 financial crisis on employment, rates of pay and cuts to public services.

Attendees were not convinced that the risks in financial markets, revealed by the crisis, had truly gone away. There was a lack of confidence in the room that financial markets were fulfilling their full potential to benefit the wider economy and society. And little confidence that another crisis would be averted by new regulatory structures.

Attendees urged financial markets to become more transparent to end users to rebuild that confidence.

Employee representatives felt that it was central to the effectiveness of financial markets that they serve society. For example, by helping to secure regional development and supporting equitable distribution of growth across the country.

They noted certain evidence that little had changed in the structure of financial markets since the crisis. For example, wage levels in financial services remained elevated relative to many sectors: corporate governance remained focussed on shareholder return rather than wider stakeholders: lending continued to circulate largely within financial services, rather than extending to the wider economy.

The core business tension at the heart of financial markets – balancing the needs of both savers and borrowers – was highlighted. Keeping that balance as steady as possible was felt to be vital. Attendees welcomed the arrival of new, diverse business models and challengers into the financial sector to promote that balance. There was also support voiced for mutuality as one sensible corporate structure to deliver that balance.

Attendees also suggested it was time to move on from “bank bashing” and re-engage with banks' expertise to support businesses.

It was noted that the post-crisis regulatory pressure on banks and financial markets to optimise financial return and reduce risk taking was constraining their ability to provide debt to certain households. For example, older and self-certified mortgage holders were struggling to re-mortgage and/or move home.

Finance for small firms was similarly constrained by post-crisis risk-aversion. Without such risk taking, regional economy and SME growth would suffer. One answer was for the public sector to share some of that risk: for example, successful local Community Development Finance Initiatives have been supported with public money. And half a dozen EU-backed funds are being launched in the West Midlands with both an economic and financial objective.