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The Labour Market Impact of the Run on Northern Rock: Continuity and Evolution in an old Industrial Region

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Abstract

The Northern Rock mortgage bank was a high profile casualty of the credit crunch in 2007. A longitudinal investigation focused on the redundancy and resettlement of employees at the bank provides a case study of the labour market impact of the banking crisis on the North East of England. An evolutionary geographical political economy approach indicates that Northern Rock's growth and decline was shaped by its location in an old industrial region, and echoes the historical position of the peripheral region in the spatial division of labour. The Northern Rock case highlights the enduring occupational structure of the region's labour market, and suggests older industrial regions may suffer from a process of 'occupational disadvantage' that restricts their ability to adapt to economic change.

Financial crisis　　Northern Rock　　Labour market impact　　Evolutionary geographical political economy

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1. Introduction

This paper examines the labour market impact on the North East of England of the rapid growth and steep decline of Northern Rock, a mortgage bank involved in the 'credit crunch'. It responds to Martin's recent call (2010a; 1) for research effort focused on the economic geographies of the financial bubbles and crashes involved in the global financial crisis. Northern Rock is a critical case, one of the first high profile casualties of the 'credit crunch' and an early warning of the wider international banking crisis (Marshall et al, 2010). The company approached the Bank of England for financial support in September 2007, and following a depositor run on the bank, the first run on a major UK retail bank since 1866, was subsequently nationalised in February 2008. Northern Rock had expanded rapidly, growing by 3,500 jobs over the previous decade, and by 2007 was the 5th largest UK mortgage bank with a balance sheet of £113.5 billion (Official Journal of the European Union, 2008). The inherent fragility of its 'originate and distribute' business model, based on aggressive growth in mortgage lending, capital minimisation and excessive off-balance sheet borrowing, was exposed by the freezing of the short term money markets following the collapse in confidence in the American sub-prime mortgage market which in turn triggered a liquidity crisis in the financial system that acutely affected the Northern Rock bank. Between 2007 and 2010 approximately 2800 jobs were lost as the bank restructured to produce a smaller, more focused and financially viable mortgage savings business, and in June 2010 a further 650 redundancies were announced apparently to prepare the bank for a sale to the private sector.

Northern Rock is an "important episode in the history of bank failures" and a "much analysed case study" of what can go wrong in a bank (Bruno and Llewellyn, 2009; 11). However, neither the academic view that Northern Rock was "a bank that expanded far too fast" (Chick, 2008; 123), nor the soap opera, replete with villains, that was presented in the press and prime time national television, does full justice to the wider regional and national significance of the company. Nor does the official line of the Treasury Committee (2008) tell the full story where the demise of the company was blamed on the Board of Directors as “the principal authors” (p.3) of a “reckless” (p.3), “fatally flawed” (p.18) business strategy and an “extreme” (p.22) business model which was given insufficient attention by regulators who were “asleep on the job” (p.22). The Northern Rock episode is also distinctive because of the concentrated geographical imprint of the company’s growth and decline. Northern Rock was a dominant regional employer, and an important driver of financial services growth in North East England, an old industrial region. It became “a symbol of the North East’s renaissance” (Elliot and Atkinson, 2008; 49), an example of the post-industrial transformation of the region and its successful, albeit belated, participation in the deregulated finance-dominated UK economy. During its rapid rise, between 2000 and 2007, Northern Rock contributed a third of the North East’s growth in financial services employment and was argued by the regional development agency to be indicative of a qualitative shift towards a new path of knowledge intensive service-based growth (One North East 2006). In short, it came to represent an example of the ‘South going North (East)’ (Leyshon and Thrift 1989) and the emergence of a new provincial finance centre in the UK economy.

Drawing on evolutionary approaches to regional development (Boschma and Martin, 2010), we situate a case study of Northern Rock within a broader geographical political economy analysis which injects a novel peripheral region perspective into the geographies of finance literature emerging in the wake of the financial crisis (Lee et al, 2009). We use a study of Northern Rock to chart the evolution of an old peripheral region in the course of its participation in the ‘originate and distribute’ model of financialisation, a potential novel new growth path associated with the use of securitised credit in an apparently successful industry. We reflect on the processes of continuity and change in such economies, and the article argues for a fuller appreciation of the role of territorial divisions of labour in shaping how such places attract, branch into and develop new economic activities (Allen et al 1998; Dunford and Greco 2006; Coe et al 2004). To date, whilst the role of skills, labour mobility and divisions of labour have been acknowledged as important areas in enabling or constraining the evolution of economic landscapes, they remain understudied (Pike et al 2009; Boschma et al 2009; Henry and Pinch 2000). Evoking notions of the historical 'layering' of labour (Massey 1995) as a form of path dependency (Martin 2010b), we argue that rather than serving as an exemplar of the 'South goes North (East)', where activities associated with the City of London spread via Northern Rock to the North East, the development of the company provides a stark example of the fragile position of the North East region in the economic geography of the UK's financial services sector and highlights continuities in, and the path dependent nature of development in older industrial regions.

To develop this argument we examine the workforce dynamics associated with the 'originate and distribute' bubble in the North East of England. The short-lived nature of the expansion of Northern Rock provides a novel opportunity to focus on the creation, redundancy and resettlement of financial service jobs. Unlike the 'snapshot' approach typical of other redundancy studies, dominated by the manufacturing sector (Tomaney *et al* 1999; Finch 1999; Bailey *et al* 2008), we view the contraction of Northern Rock through the lens of the longer term evolution of the firm and its position within the North East economy. We emphasise how Northern Rock's new path of growth was shaped by a corporate strategy designed to exploit its position in a low cost region for labour-intensive mortgage production, and to overcome its peripheral location distant from the main UK housing market in the South of the country by providing mortgages remotely, grafting on to its existing Head Office and IT centre a new financial call and processing centre generating large volumes of low-cost, feminised, routine service work. Thus, despite developing in a new and high growth sector, Northern Rock's expansion echoes the historical role of the North East region in the spatial division of labour where it has relied on call centres, administrative and clerical support offices in the public and private sector to replace traditional industrial and manufacturing branch plant decline (Hudson 2000; Mackinnon et al 2009). The Northern Rock case is instructive as it highlights the enduring occupational structure of the region's labour market, and the ways in which diversification into new models of financialisation were rooted within the wider territorial divisions of labour within the region's economy. We argue this path of financial service employment growth drew heavily upon occupational 'relatedness' within the regional labour market. Since the generic clerical and sales skills involved in the subsequent large-scale redundancy were not specific to finance this produced surprisingly high levels of 'absorptive capacity' (Bluestone 1984) and re-settlement within the regional labour market, contrasting with previous blue collar redundancies (Dawley 2007a). In sum, the paper shows that financialisation was associated with continuity rather than structural change in the economy of North East England and raises the prospect that such old industrial regions may suffer from a process of 'occupational disadvantage' (Markussen 2004) limiting their ability to diversify into qualitatively new paths of growth and upgraded economic activities and employment.

Following this introduction, in section 2 we outline Northern Rock's role in the extension of financialisation to the North East of England and explore the issues that this raises for studies of regional evolution; section 3 highlights the dependence of the region on employment growth at Northern Rock, the way in which the growth and the subsequent employment impact of the run on the company was shaped by previous rounds of development. In section 4, we analyse the post-redundancy experience of employees focusing on the way in which this was shaped by the character of the regional economy and the dominance of lower skilled employment in the region. By way of conclusion, in section 5, we draw out the wider implications of our study of the regional impact of the global financial crisis.

2. Financialisation and Regional Evolution

"[T]he evolution of place is conditioned within wider territorial divisions of labour, and path dependence can be seen as a product of the succession of roles that a place has played" (Mackinnon et al 2009; 139).

It is self-evident that the global financial crisis has drawn attention to the integral role of finance in local economies (Lee et al, 2009). Northern Rock is an exemplar of this financialisation, a "shorthand for the growing influence of capital markets their intermediaries and processes in contemporary economic and political life" (Pike and Pollard, 2010; 30). Analysis of financialisation brings the geography of finance centre stage in studies of regional development (Clark, 2006), and draws attention to the way in which financial institutions draw communities and nations more directly into an intense commoditization that reaches all the "nooks and crannies of social life" (Lee et al, 2009; 728). Over-hyped notions of the 'end of geography', linked to deregulation and the increasing use of electronic communications in finance (O'Brien, 1992), have been effectively demolished (Dymski, 2009), but it is still necessary to resist being mesmerized by the sheer speed, complexity and scale of change in finance (Lee et al, 2009; 735), and to guard against the "geographical detachment" (Pike and Pollard, 2010; 36) that is conjured up by the abstract and placeless world depicted in both the popular media and official publications dealing with finance (Treasury Committee, 2008). According to French et al (2009; 299) the credit crunch is a "very geographical crisis" that has arisen from "an active use of space at a range of scales and along networks of varying length which connect individuals and institutions to, and enrol them within the financial system. The crisis has been a map of financial flows, of differentiated wealth effects, of areas hardest hit and of crises of actors of various kinds" (French et al, 2009; 299). Several inter-linked and geographically-rooted explanations of the financial crisis have developed linking it to over-exploitation in sub-prime housing markets in the US (Wyly et al, 2010; Langley, 2009), and the long standing deregulatory competition between major financial centres, especially London and New York, and the insular everyday geographies of finance that underpin them (French et al, 2009; Martin 2010a). Other studies have focused on global financial centres as the "portals through which monetary fluctuations, perturbations and shocks originating elsewhere are transmitted down through their domestic systems and economies, with highly geographically differentiated effects on the economies of different regions and cities" (Garretsen et al, 2009; 144).

The paper contributes to such economic geography understandings of the global financial crisis by analysing the growth and decline of new forms of finance associated with the 'originate and distribute' boom in the North East of England, an old industrial region peripheral to the City of London. Studies of regional development have focused on such regional evolution (see Cambridge Journal of Regions, Economy and Society, 2010; Economic Geography, 2009 and Journal of Economic Geography, 2007) as part of a project to develop "a plural, contextual, and institutionally sensitive geographical political economy that … aims to bring together the study of institutions and uneven development" (Mackinnon et al, 2009; 131). In this approach 'history matters' as successive rounds of development are influenced by both local context and the legacies of previous development in a "never-ending interplay of path dependence, path creation and path destruction that occurs as actors in different arenas reproduce, mindfully deviate from and transform existing socioeconomic-technological structures, practices and development paths" (Martin and Sunley, 2006; 408; see also Martin, 2010b). An evolutionary perspective is valuable because it provides concepts and approaches that seek to explain how and why:

> [E]conomic transformation proceeds differently in different places, and the mechanisms involved neither originate nor operate evenly across space. The emphasis is on understanding the processes and mechanisms that make for or hinder the adaptation of the economic landscape, and how spatial and historical contingency interact with systemic necessity (Boschma and Martin 2010; 6).

Whilst much progress has been made in understanding the dynamic nature of path dependency, creation and branching, according to Boschma and Martin (2010; 8) it remains a challenge to identify what exactly within a region's economy "follows a path dependent trajectory of development – the region's firms, its industries or the regional economy as a whole." We respond to this challenge by attempting to broaden both the analytical lens and empirical field of existing evolutionary work. First, studying the growth and decline of Northern Rock provides an opportunity to broaden analyses beyond manufacturing industries and instead use the development of a new and apparently successful activity in the service sector to reflect on processes of continuity and change in old industrial economies. Second, rather than focus on the rapid flow and circulation of money popular in early academic depictions of finance, which does not fully capture the attachment of finance to places (Pryke, 2006), we focus on the territorially rooted nature of an important institution involved in the financial crisis arguing that Northern Rock's particular attachment to place shaped its development path.

To develop this argument we examine the workforce dynamics of the growth and decline of Northern Rock. Labour and labour market considerations have, to date, been - to varying degrees – woven into analytical frameworks that focus on the regional path trajectories of firms, technologies, sectors, clusters, networks and innovation systems (Boschma and van der Knaap 1999; Boschma et al 2009). There remains, however, a tendency within regional evolutionary approaches to see labour and local labour market contexts as a relatively passive, even subordinate, factor shaping the geographical evolution of the local and regional landscape (Mackinnon et al, 2009). In particular, we argue analyses need to better understand how labour and labour markets are causally involved in the processes and mechanisms of regional economic evolution. Given the historically embedded and geographically differentiated dimensions of labour market processes (Peck 1996; Martin 2000), we seek a better connection and integration of labour and labour market characteristics within existing approaches which evoke notions of 'historical layering' in explaining how the recombination and conversion of place-dependent factors – technologies, socio-institutional structures etc – shape change and adaptation (Martin 2010b; Martin and Sunley 2008). In so doing, we draw on the long tradition of enquiry which explores the role of skills and labour as location factors in investment decisions in corporations and sectors, resonating with traditional conceptualisations of rounds of investment and evolution of the spatial division of labour and spatial circuits of value (Massey, 1995; Peck 1996; Smith et al 2002). Building on this work, through a study of Northern Rock, we argue that the agency of labour and the structure of labour market geographies play a key role in shaping, conditioning and inflecting evolutionary processes across time and space, and this connection needs to be made more explicit in evolutionary perspectives towards regional economic development. In much the same way that recent studies have suggested that processes of regional branching occur through related industrial variety (Neffke 2009), occupations can perform a similar role enabling and constraining diversification opportunities, and places can become specialised and tied to particular roles, reflecting spatial concentrations of either high or low value added activities (Boschma, 2009).

Connections can be made to the work of Markusen (2004) and Markusen and Schrock (2001; 11) who argue that regions can develop ``occupational advantage'' around strengths in particular occupational functions which can be ``cross-fertilised'' across a variety of industries and establishments. This approach can be extended to consider the implications for localities or regions with concentrations, even strengths, around low-skilled occupations. Might this imply a process of what we could term `occupational disadvantage' whereby the occupational profile or relatedness of a locality conditions and mediates the qualitative nature of industrial diversification such as the new financialisation path creation associated with Northern Rock? In other words, can the path dependencies shaped by histories of labour skills and specialisation enable or constrain path branching and new path creation? We develop this insight by drawing upon the concept of regional skills equilibriums brought about by the dynamic interrelations between the demand-side of the labour market (industrial structure; skill requirements of firms) and the way this shapes, and is shaped by, the supply-side (low or high skilled labour; education, training etc) (Finegold and Soskice 1988; Finegold 1999; Wilson and Hogarth 2003). In peripheral regions such as the North East of

England, the structural characteristics of the economy – for example, a high proportion of branch plant operations, relatively limited high-technology, knowledge-based and R&D activities – act as a powerful influence on the character of skills demanded, and subsequently produced, within the region and may result in low-skill equilibrium (Dawley and Jones 2009; OECD 2008). There are clear parallels here with notions of path-dependence, and current debates around lock-ins (Hassink 2010; Martin 2010) where the interplay between labour, labour markets and industrial structure, and especially the qualitative functions performed within sectors and the wider territorial divisions of labour are recognised as important in shaping the evolution of new activities in a regional economy (Dunford and Greco 2006; Smith et al 2004). For example, Dawley's (2007a) research into a previous attempt in the North East to create a new path of FDI-led growth in semiconductor fabrication exposed its lack of embeddedness within the region's labour market. With little history of semiconductor fabrication within the region, one incoming TNCs was forced to recruit over two thirds of its high-skilled engineering workforce from outside the region and following its subsequent closure, similar levels of engineers migrated out of the region due the limited `qualitative absorptive capacity' of the local labour market (Bluestone, 1984). Whilst the region lacked sufficient occupational relatedness, or transferability, to absorb the specialist semiconductor skills, it was more able to absorb the operative and technical skills within the redundant workforce, which offered sufficient related variety with the region's broader manufacturing and engineering sectors. This example chimes well with the recent focus on resilience (Pike et al, 2009), exploring the ability of regions to respond to shocks, such as the credit crunch, and making a distinction between adaption as a move further along an established or preconceived path where self reinforcing processes of lock-in may set in, and adaptability where regions display a dynamic capacity to effect new or multiple trajectories and are more readily able to cope with unforeseen change (Grabher and Stark, 1997). For old industrial regions cases of adaptability are rare, more typical are weaker adaptation where entrenched path dependent change unfolds shaped through historically inherited patterns of decline. This raises questions about the impact of the large-scale redundancies at Northern Rock on the regional economy and the ability of the regional labour market to respond.

We extend these arguments in a longitudinal analysis of Northern Rock's history and evolution. It is rare to have an opportunity to study truly significant events as they unfold, but in this case, the authors are able to analyse key events at Northern Rock based on a range of previous and contemporary evidence collected as they developed. In 1996, Northern Rock was interviewed as part of research on the building society industry (Marshall et al 1997); the company was again included in further research on the demutualisation of building societies in 1998-9 (Marshall et al, 2003) and as part of a survey of labour market trends in North East England (CURDS and GHK Consulting, 2004). The main empirical findings of the research are based on a longitudinal study commissioned by the Northern Rock Response Group formed at the time of the Northern Rock Restructuring Plan announcement in March 2008. This involved a Northern Rock Skills Tracking Survey (NRSTS) to research the resettlement outcomes of the redundant workers at periods of 3, 6 and 12 months after the bulk of redundancies in August 2008. From a target population of 1,127 traceable former workers, the telephone-survey interviewed a total of 612 individuals at some point over the 12 months – equivalent to 54% of redundant workers resident in the North East (Table 1). Though inevitably the response rate declines over time, the final survey wave conducted at 12 months achieved a relatively high (29% - 322) response rate when compared with similar studies (compare Gripaios and Gripaios, 1994; Tomaney et al, 1999; Dawley 2007; Weller 2008; Bailey et al 2008). The achieved survey sample was representative of the actual population of Northern Rock employees involved in the redundancy in terms of gender and occupation but differed slightly by age in the final survey wave, thus requiring a small weighting factor to be applied to the inter-wave analysis. This research was supported by 25 in-depth interviews with former Northern Rock workers, selected to match the broader profile of management, technical and general clerical grades affected by the redundancy, and three semi-structured interviews with Northern Rock Senior Managers engaged in the restructuring and resettlement process. Finally, the survey and interviews were complemented by a range of secondary materials, including corporate literature (some confidential), government reports and labour market data and local and national newspaper reports.

> Insert Table 1 about here >

3. The ‘originate and distribute’ boom in North East England

A regional perspective on the growth of Northern Rock

Leyshon and Thrift (1989) in their work on ‘South goes North? The Rise of the British Provincial Financial Centre’ speculated on the extent to which Northern Britain would participate in the London-dominated, finance-based growth that followed the ‘Big Bang’ deregulation of financial services in the UK in the mid-1980s. Augar suggests (2009; 149) in his graphic account of the City of London’s role in the global financial crisis, that superficially the rapid growth of Northern Rock looked like an example of the South moving North (East):

> If you had been asked in the spring of 2007 to nominate one company that summed up Britain’s successful transformation from a manufacturing to a service economy, Northern Rock would have been a reasonable choice. Originating as a self-help movement for artisans in the heavy industrial heartland of north-east England, it became an IT-enabled finance house, filling the vacuum left by that region’s industrial decline and offering well-paid jobs in modern air-conditioned offices to 6,000 employees. These children and grandchildren of miners and shipyard workers had learned new skills as members of Britain’s financial services army, an industry at the cutting edge of the country's new knowledge economy.

As Augar indicates, Northern Rock was an established local mutual building society dating back to 1850, which following the merger of the Northern Counties and Rock Building Societies in 1965 became a prominent regional employer. It was run by a deeply regionally-embedded business elite with relatively limited experience of the wider financial sector, working with executive directors close to the City of London, that were sucked, following the de-mutualisation of the company in 1997, into the wider processes of financialisation as markets were liberalised and regulatory barriers between them reduced (Marshall et al, 2010). Within this context, Northern Rock became a prominent exponent of the novel financial innovations associated with the 'originate and distribute' form of mortgage lending, which replaced traditional 'buy and hold' where mortgage assets were held on the balance sheet by the use of new highly complex and opaque forms of off-balance sheet securitised credit that were implicated in the credit crunch and wider international banking crisis. Through its subsequent rapid growth it became a potent symbol of the ability of North East England to participate in the deregulated, finance-driven form of growth fuelled by high levels of consumer debt and the use of housing as an investment stimulating consumer demand (Gamble, 2009; Crouch, 2009).

Northern Rock's development was shaped by its location in North East England, a classic example of an old industrial region that had experienced substantial economic and social change. Recognised as a 'problem region' since the inter-war period of the 20th century when the traditional heavy industries established in the 19th century began their protracted decline, branch plants attracted to the region by regional policy incentives in the post war period, in turn, proved vulnerable to rationalisation. Not surprisingly, then, growth in finance, and the service sector more generally, in the North East has lagged national growth rates (Buchanan et al, 2009), indeed, it was only in the 1990s that the North East's service sector growth outstripped losses in manufacturing and stimulated significant net employment growth for the region (Dawley and Jones 2009). The poor relative performance of the manufacturing sector and the absence of locally headquartered firms restricted the demand for professional financial and business services (Marshall, 1979; 1982). The supply of finance and business services was also constrained by the geographical remoteness of the region, too far from London to benefit from either international inward investment or relocation from the capital (Daniels, 1995), and the development of other provincial cities such as Leeds, Manchester and Edinburgh as centres for regional offices to serve the North East (Marshall, 1983), the latter intensified by the rationalisation of the branch networks of professional financial and business service firms (Gripaios and Munday, 2000). Consumer services were restricted by low incomes and sluggish regional growth, and the North East, thus, became a 'public sector region', acting especially as an administrative and clerical support centre for a number of central government civil service departments (Marshall et al, 1999; Buchanan et al, 2009). This role, in turn, made it attractive for call centres in the private and public sector, recreating many of the features of the manufacturing branch plant economy by providing routine forms of service employment only loosely rooted in the region (Richardson et al, 2000). This dependence of the North East region on routine service labour had a significant influence on Northern Rock's development.

In the early 2000s, the region's service employment growth gathered pace and registered above national average growth rates in most service sector activities (Dawley and Jones, 2009). Whilst this partly reflected the national expansion of the public sector upon which the North East continued to depend heavily (equivalent to 36% of employment and 28% output in 2006), financial and business services also emerged as significant drivers of employment and productivity growth (LSC 2007; Stone and Braidford 2008). Between 2000 and 2007 employment in the region's professional, financial and business services grew by 41% (49,000) compared to 16% across Great Britain, and financial intermediation (broadly banking and related services) employment grew by 37% (8,000) in the North East between 2000 and 2007 (Regeneris *et al* 2009). Though in absolute numbers the employment impact was relatively modest, these aggregate patterns of financial and business service sector growth were taken by regional commentators as marking a qualitative shift to a more advanced service sector-led growth in an old industrial region (One NorthEast 2006; Tighe 2007). Northern Rock was at the heart of this growth; by 2007, it had 77 branches and approximately 6,600 staff, and was one of the few large corporations with a headquarters in the North East (Official Journal of the

European Union, 2008. Approximately 90% (5,980) of its 2007 peak-employment was located in the North East England, predominantly at its headquarters in Newcastle upon Tyne and computer centre at Doxford Park in Sunderland. Given the under-developed nature of the rest of the financial sector, the North East was heavily dependent upon its 'flagship' employer. When Northern Rock's employment increased by almost 3,000 employees between 2000 and 2006 (Figure 1), this was equivalent to 1 in 3 of all jobs created in the region's financial intermediation sector. By 2007, Northern Rock's business activities were estimated to generate direct Gross Value Added (GVA) of around £850 million, equivalent to 2.2% of the North East's total regional GVA in 2006 (Regeneris *et al* 2009). This dominant role of Northern Rock reflects an extension into the service sector of the region's historical dependency upon a small base of large employers to generate growth (Tomaney 2006).

- Figure 1 about here

Other aspects of the growth of Northern Rock also revealed continuity with the long term development of the North East rather than the structural change associated with financialisation. Northern Rock's high growth business model, viewed the company as a manufacturer of mortgages in an established North Eastern tradition (Marshall et al, 2010). The company viewed mortgage production in factory terms and sought to capitalise on the company's location in a low cost region, which they marketed in their publicity as a key competitive advantage:

> Northern Rock is the lowest cost producer in the banking industry in Europe. A key advantage over rivals is that its head office and key operational units are located in the North East of England where wages are, on average, lower than in the rest of the UK. The cost of living is much lower in this area, so people are able to enjoy a high standard of living even though income may be lower. Northern Rock is then able to pass this advantage of low costs to its customers (http://companyinfo.northernrock.co.uk/downloads/results/NorthernRockFinalV2.pdf)

At the Merrill Lynch European Banking and Insurance Conference in 2003, Adam Applegarth (2003; 14), Chief Executive of Northern Rock, highlighted that the company had adopted the innovative 'originate and distribute' approach to mortgage lending to produce a "unique and successful business model" focused on delivering high returns for investors via "a virtuous circle" of rapid high quality asset growth, competitive products and tight cost control, based on a "well-balanced funding platform" of wholesale, securitised notes and retail funds "to succeed on narrow margins". The company sought to overcome the perceived disadvantage of their location in a peripheral region remote from the main focus of the growth in the housing market in the South of the country by becoming a "creator and trader of mortgage assets" (Knight, 2006; 14), broadening the mortgage market through simplification of the mortgage selling process via self-certification, selling mortgages remotely via Northern Rock Direct and purchasing near sub-prime mortgages from intermediaries such as Lehman Brothers. This meant the rapid growth of Northern Rock generated only a relatively modest increase in demand for skilled posts in areas such as treasury, audit, accounts, personnel, technical support and general management, and the firm mainly looked beyond the region to 'buy-in' these more qualified staff. The overwhelming majority of workforce expansion was in relatively low-skilled sales and clerical functions. By 2004, approximately one third of the expanding workforce operated as call centre staff (e.g. telesales and data processing), one third retail and commercial banking staff and the remainder in administration, processing, and general management to support the expanding telebanking operations (CURDS and GHK, 2004). At its peak in 2007, 54% (3631) of Northern Rock's 6,600 workers occupied clerical grades (Figure 2), thus reinforcing the high dependency of the area on such labour. At this time, Tyne and Wear, the location of Northern Rock's headquarters and main offices, possessed the third and ninth highest concentrations of sales and secretarial/clerical related occupations of England's 47 sub-regions (LSC, 2007).

Rapid growth and high demand for sales, processing, call and contact skills resulted in Northern Rock being affected by considerable labour market 'churn', which is frequently associated with lower-skilled segments of local labour markets (Peck 1996; Fitzgerald 2006). By the early to mid 2000s, staff turnover levels were equivalent to 10-15% of the workforce per annum (NR Personnel Manager, Authors' Interview 2008). To address low levels of staff retention, the company began to hire based on experience rather than more youthful recruits with few qualifications:

> [W]e were now looking for 'second jobbers' really. That was one of the big changes in recruitment in the last 5-10 years when previously we were recruiting at the bottom end of the market place. Then we increased salaries considerably and we started looking for second jobbers (NR Personnel Manager, Authors' Interview 2008).

Even so, Northern Rock's salary levels served only to restate the position of the North East as a low wage economy. Despite year on year salary rises pegged above inflation in the mid 2000s, the company's wages continued to be perceived as "middle quartile for the sector" and "middle rung for the region", having moved from "bottom quartile" (Northern Rock HR Manager, Authors' Interview 2008). In summary, though the growth of Northern Rock, and the resulting rise of financial services, contributed to employment growth in the North East during the late 1990s and early 2000s, this growth appears to reflect continuity rather than change in the role played by the region in the spatial division of labour, clearly questioning both the extent to which structural change was associated with financialisation, and that the 'South was going North (East)'.

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Restructuring at Northern Rock

The credit crunch and subsequent global banking crisis was a complex, multi-causal mix of common elements from previous crises, including macroeconomic imbalances which facilitated an extended global credit boom and in turn accelerated rising asset prices (especially housing); excessive risk taking resulting from irrational exuberance, greed and fraud, and new elements associated with securitisation, where complex packages of credit were used to extend credit for mortgages, and combined with credit derivatives to hedge risk via so called shadow banking vehicles (see Llewylyn, 2010; Brunnermeier, 2008; Bank for International Settlements, 2009; Davies, 2010; Bank of England, 2008 for an overview). Ultimately the growth at Northern Rock proved unsustainable when increased vulnerabilities introduced into the system by the increased reliance on the market for funds for liquidity were exposed by a realisation that, the lack of transparency in many off-balance sheet vehicles had disguised the fact that the 'originate and distribute' model of mortgage lending based on securitisation had in fact morphed into 'acquire and arbitrage' as banks bought and sold credit to each other. When house prices in the US declined and companies specialising in sub-prime lending got into trouble, this resulted in a wider loss of confidence because those banks exposed hoarded liquidity, and other banks were reluctant to lend because it was unclear which other institutions might be involved.

This meant that institutions such as Northern Rock, which was highly exposed to wholesale money markets (accounting for 75% of its lending), could not rollover their short-term borrowings or sell their assets except at fire-sale prices. On 14th September 2007, in response to the rapidly tightening credit crunch, the company sought and received a liquidity support facility from the Bank of England, and following a protracted period in which the government sought a private sector buyer, the Chancellor of the Exchequer announced the company would be taken into temporary public ownership from February 2008. The Northern Rock Restructuring plan published in March 2008, focused on three core objectives: to repay the financial support provided by the Bank of England (c.£27bn); to re-organise the company to produce a smaller financially viable mortgage operation; and to move towards a more sustainable funding and capital position (Northern Rock, 2008). Given the geographical concentration of Northern Rock's activities, the scale of the restructuring programme had significant implications for the workforce in the North East of England.

Alongside its broader objective of a 20% reduction in underlying costs, Northern Rock sought a one-third reduction in staff levels, from around 6,000 employees in mid-2008 to 4,000 by 2011. Given the scale of the contraction, compulsory redundancies (62%) predominated, the vast majority (1,152 or 89%) occurring in August 2007, with a further 127 staff being made redundant in the subsequent two months. Reflecting their dominant share of the Northern Rock workforce (62%), the majority of redundant workers (61%) were female. Even so, female workers were more likely to be made compulsorily redundant than their male counterparts (65% versus 50%) indicating the concentration of women in the business functions associated with the bubble and crash and ensuing retrenchment (Lee et al 2009; Sutherland 2009).

In terms of understanding the workforce implications of the restructuring programme, several other aspects of the contraction at Northern Rock are distinctive. First, whilst other UK banks underwent similar – even larger – restructuring and redundancy programmes in the wake of the crisis, none impacted on their UK workforces as severely as Northern Rock - with 1 in 4 jobs being lost by 2009 (Table 2). Second, none of the other bank's restructuring programmes had such a concentrated local and regional impact as Northern Rock. Some 1,136 (88%) of the workers made redundant at Northern Rock between November 2007 and June 2009 were located in the North East region, and the restructuring programme led to a 33% (1,930) fall in Northern Rock's North East workforce. Given the company's dominance in the region's financial services, this reduction was equivalent to a quarter (24%) of all the job growth witnessed in the North East's Financial Intermediation sector between 2000 and 2007. The geographical reach of the redundancy footprint within the North East region involved redundant workers resident in 21 out of the North East 22 local authority districts (Regeneris *et al* 2009), however, the focus was also highly localised with 73% of the redundant employees living within the boundaries of the five neighbouring local authorities surrounding the company's Newcastle and Sunderland operations (see Figure 3). More specifically, the Sunderland District (25.4%) and Newcastle District (18.9%) alone, accounted for just under a half of all residents in the Northern Rock redundancies.

- Insert Figure 3 about here -

- Insert Table 2 about here -

By integrating the episodes of workforce growth and restructuring across the bubble and crash, our analysis reveals that the redundancies were concentrated in the functions that grew rapidly as part of Northern Rock's particular business model. The short-term nature of the employment provided is evidenced by the fact that 1 in 5 of redundant workers had worked for Northern Rock for less than two years; three fifths (60%) less than five and the vast the majority had worked for less than 10 years (81%). As Table 3 indicates, the redundancies were heavily concentrated within the mortgage sales (37%), processing (32%) and related IT functions (13%), and in terms of the broad occupational groups, redundancies concentrated on clerical grades and sales (64%), lower and middle management (16%) and technical grades (13%) involved in the earlier growth.

- Insert Table 3 around here -

In summary, then, taking a peripheral region perspective towards the economic geography of the 'originate and distribute' financial boom and crash highlights the continuity in the North East region's development. The growth and subsequent crisis at Northern Rock was produced by a corporate strategy designed to exploit its location in a low cost region for labour-intensive mortgage production. Given the scale of Northern Rock's dominance of financial services employment in the North East, it would be reasonable to assume there may be a limited 'absorptive capacity' to reemploy the redundant workers within the region's remaining financial sector. However, this is counterbalanced by the fact that the vast majority of redundancies were neither highly-skilled nor specific to the financial sector. The following section draws upon our extensive labour market tracking study to trace the labour market outcomes of workers made redundant at Northern Rock.

3. Redundancy and resettlement

Labour market outcomes

Studies of large scale redundancies and plant closures suggest that the patterns and process of resettlement are mediated by the demand conditions within and beyond the local and regional labour market (Weller 2008; Pinch and Mason 1991; Dawley 2007a). The Northern Rock redundancies occurred as the UK entered recession in the third quarter of 2008 and in the context of a rapidly rising rate of national unemployment. Between October and December 2008, the North East registered the highest rate of unemployment within the UK at 8.4%, For the North East this represented a 0.4 percentage increase on the previous quarter and a 2.6% year-on-year change – the latter being the highest percentage change of any region. (LFS 2009; Dawley and Jones 2009). The Banking, Finance & Insurance sector was central to the falling demand for labour, with 7,800 jobs lost in Tyne and Wear between 2007 and 2008 and as a consequence, the Banking, Finance and Insurance sector grouping witnessed the biggest fall in vacancies posted with Job Centre Plus in Tyne and Wear from January to July 2009 (a 17% fall - 6,300 vacancies) (Regeneris *et al* 2009).

Given the dominance of manufacturing and engineering case studies in the plant-closure and redundancy literature, the Northern Rock analysis offers novel insights into the extent to which financial sector redundancies processes and outcomes compare with their historical predecessors (Shuttleworth *et al* 2005; Tomaney *et al* 1999). Looking across the 3 survey waves, the gradual increase in reemployment broadly follows the pattern found in the existing literature (Bailey *et al* 2008). Between 3, 6 and 12 months, employment rates (including self-employment) of respondents rose from 36% (173) to 52% (181) and eventually reached 61% (196) respectively with employment rates for men (62%) and women (60%) being broadly similar. Conversely, respondents claiming to be unemployed fell by 23 percentage points from 49% (239) to 26% (83) between the 3 and 12 month surveys, and again this was similar for both men and women, albeit with a slightly lower unemployment rate for males (23%) than females (28%). Therefore, over the course of a year the percentage point rise in employment (25%) broadly mirrored the reduction in unemployment (23%). However, whilst unemployment rates had fallen to 1 in 4 respondents, the inter-wave analysis suggests an emerging, sizable, minority of long-term unemployed moving further away from the labour market. Only 15% of those unemployed at 12 months had undertaken any work since leaving Northern Rock, with almost 90% of the cohort accumulating over 40 weeks of unemployment. Similar to previous studies in manufacturing sectors, the NRSTS revealed that former workers aged 55 years or over contributed disproportionately to this category (Shuttleworth *et al* 2005; Armstrong 2006). Nevertheless, given the depressed state of the local and regional labour market at the time, the findings illustrate a relatively high (61%, 196) level of post-redundancy employment at 12 months compared to previous studies of largely blue collar redundancies (e.g. Tomaney et al 1999; Bailey et al 2008). By unpacking the spatial, occupational and sectoral dynamics of reemployment, we can better understand the relatively high-levels of reemployment at a time of rising unemployment in the regional labour market.

It is generally agreed within the existing literature focused on blue-collar redundancies that reemployment rates are highest amongst workers drawn from higher-level occupations (Dawley 2007). However, while occupational categories are influential in shaping labour market outcomes in the case of Northern Rock, they do so in a significantly different manner. Given the occupational composition of the former Northern Rock workforce, the aggregate data reveals that General Clerical, Clerical Sales and associated grades make up the majority of both employed (60%; 89) and unemployed (31%; 26) categories at 12 months post-redundancy. However, when analysed as a proportion of each former occupation, Clerical Sales, General Clerical and Customer Services exhibit a higher employment rate (68%; 92) than former Management grade respondents (55%; 47). Even taking into the account the higher post-redundancy retirement rates among former Management grades, unemployment rates of former Management grades respondents (28%; 24) remain higher than General Clerical, Clerical Sales and associated grades (19%; 26). Here, the occupational evidence also offers insights into the gender dimensions of resettlement. At the aggregate level, 63% of respondents were female, mirroring closely the gender profile of all redundancies made (61%) and overall composition of the former Northern Rock workforce (62%). Therefore the majority of redundancies in the large volume occupations were filled by women, including 66% (169) of general clerical and sales respondents. However, given the absolute and relative composition of females in the redundant workforce, women also comprise the majority of respondents in former Technical and Management grade occupations (54%; 109), indicating a more balanced but still pervasive role in the former Northern Rock workforce (Sutherland 2009). Similarly, when we analyse re-employment by the qualification profile of respondents, the highest rates of employment were achieved by respondents with intermediate level qualifications, NVQ/GNVQ (76%), HNC/HND (67%) or A-Level (65%). In contrast, the employment rate of those with a university degree or above (49%) is lower than respondents with a highest level of school leaver qualification of GCSE (59%). In fact, the employment rates of the highest qualified increased the least of all categories during the 12 month survey period. There are clearly numerous supply and demand-side influences on the resettlement experience of redundant workers (Pinch and Mason 1991; Peck 1996; Weller 2008), but taken together the roles of occupations and qualifications provide important insights into the 'absorptive capacity' and labour demand within the North East labour market (Bluestone 1984). On the supply-side, elements of the explanation include workers aspirations, social networks, the relative reservation wages of higher-skilled respondents, a longer and more specific job search and, of course, all shaped in face of tightening of labour demand in more specialist fields during the recession (Authors' Interviews 2009; see also Bailey *et al* 2008; Weller 2008). But part of the explanation also reflects the nature of the demand side in the North East labour market, which we have suggested is situated in a low-skills equilibrium (Dawley and Jones 2009; One NorthEast 2006) resulting in labour demand being greatest at lower and intermediate levels. As a result, the labour market dynamics associated with the Northern Rock redundancy suggests that such labour market trends, established previously associated with the region's manufacturing branch plant, public sector and call centre economy, have continued to influence the nature of the financial service sector redundancies (Phelps *et al* 2003).

A more detailed examination of the sectoral dimensions of reemployment allows us to extend our understanding of the impacts of Northern Rock's growth and decline on the North East's labour market. Several redundancy and plant closure studies have revealed that workers seek reemployment within related sectors to better utilise and valorise their skills and experiences through comparable wages (Armstrong 2006; Bailey *et al* 2008). Studies also indicate that in the face of reduced demand in local and regional labour markets, workers from high-skilled occupations may look to migrate to follow their chosen career again facilitating sectoral continuity. In the case of Northern Rock, not only did the overwhelming majority of workers (98.5%) in the NRSTS survey remain within the North East labour market but they transferred into other sectors to secure reemployment. Twelve months after redundancy, our analysis reveals that only 14% of respondents claimed to have found new employment in Financial Intermediation activities. In contrast, the largest single sector of reemployment was Health and Social work (27%), followed by Public Administration (13%); Real Estate, Renting and Business Activities (12%) and Retail (10%). Whilst many workers experienced sectoral change, there was nevertheless a strong degree of functional and occupational continuity. More fine grained analysis of the survey data reveals that many workers found reemployment in the call-centre operations of employers in areas as varied as Health (National Health Service), Telecommunications and Energy. As such, the findings not only illustrate the strength of labour demand within these fields, even during times of recession, but also the non-financially specific skills recruited and developed at Northern Rock prior to restructuring:

> [T]o be perfectly honest I think our redundant staff complimented firms operating in shared services and call centre activities, such as Orange, Sage, Convergis, Fusion. The companies that we have been working with to resettle the workers are mostly looking for sales, customers service advisors or telephone skills (NR HR Manager, Authors' Interview 2008).

As well as call centres, functional continuity is also displayed in the large numbers of workers reemployed in the data-processing operations of the region's civil service operations, along with the clerical and administrative functions of many local authorities. Both these sectors are, of course, currently under threat from the coalition government's deficit reduction plans which require significant reductions in public expenditure.

Over half of respondents to the 12 month survey classified their reemployment to be either Administrative or Secretarial (34%) and Sales and Customer Service (23%) occupations. Northern Rock's very dominance in the financial sector in the North East, and the severity of its reduced labour demand, coupled with job losses across the region's banking sector more broadly, help explain the low levels of reemployment in Financial Intermediation. This restates the vulnerability of sectoral employment given the dominance of one key employer, and echoes previous tendencies in the region's manufacturing sector (Checkland 1975; Hudson 2000). However, it also exposes the relative underdevelopment of the financial services sector in the North East, especially when compared to the case of MG Rover plant closure and the subsequent resettlement of engineering skills within the region's broader and deeper manufacturing sector (Bailey *et al* 2008).

The NRSTS also examined the nature of reemployment outcomes. Full-time employment was attained by 76% of respondents, with part-time employment most prevalent amongst former General Clerical and Customer Service staff. As a measure of the stability of resettlement outcomes, almost 1 in 4 respondents had held more than one job in the 12 months since redundancy, encompassing relatively equal proportions of former Management grade workers as General Clerical and Sales. Moreover, at 12 months just under half of all those in employment (45%) perceived their current job to be long-term (2 years or more). Even so, in the aftermath of the redundancies, a significant minority of redundant workers were involved in processes of labour market churning. Indeed, 12 months after redundancy 1 in 3 respondents in employment (34%) claimed they were actively seeking an alternative job, whilst 20% of respondents perceived their current position as only short-term (6 months or less). There are several reasons for this instability, on the demand side we can look to the enhanced flexibility of employment opportunities in a segment of the labour market already characterised by high-rates of job turnover and churn (Peck 1996; Green and Turok 2000). On the supply side, our interviews with redundant workers revealed the degree to which former workers sought 'stop-gap' employment opportunities in the absence of longer term solutions (Weller 2008). Indeed, as a potential driver of ongoing movements between jobs, our analysis revealed widespread reductions in post-redundancy salary levels. This trend was particularly pronounced in lower-skilled categories, reflecting lower reservation wages and levels of post-redundancy financial security and perhaps going someway to explaining higher employment rates relative to former Management grade workers. Overall, 70% of respondents perceived their current salaries to be lower than at Northern Rock, compared to 13% equivalent and 17% higher. The most severe slippages were concentrated at the lowest- salary levels, with over half of those earning £15,000-24,999 at Northern Rock now earning below £15,000. This evidence helps place the relatively high levels of reemployment in a richer labour market context.

Finally, it has been argued that the institutional support packages serve as an important regulatory intermediary shaping the interface of labour demand and supply in the post-redundancy context (Bailey *et al* 2008). Following a series of closures and large scale redundancies witnessed during the late 1990s, the North East region arguably pioneered the rapid-response multi-agency institutional Task Force in response to plant closure and large scale redundancies (Pike 2002; Bailey *et al* 2008). Indeed, the effectiveness of Taskforces and Response Groups in resettling redundant workers has been much studied in recent years, including central government audits around high-profile closures, such as MG Rover (National Audit Office 2006; Bailey and MacNeill 2008). Given the scale and profile of the Northern Rock restructuring programme, on the request of the Chancellor of the Exchequer, the North East's regional development agency (One NorthEast) formed the Northern Rock Response Group involving Northern Rock, Job Centre Plus, Learning and Skills Council, Business Link North East, North East Chamber of Commerce, CBI, Newcastle City Council and Sunderland City

Council. In coordination with the Response Group, Northern Rock developed a range of outplacement support packages in addition to broader support made available through Jobs Fairs, vacancy websites, benefits advice and one-to-one careers advice and training.

Significantly, only a small majority of Northern Rock workers engaged with the support offered, certainly less than reported in previous studies of Response Groups within the North East's manufacturing sector (Dawley 2007a; 2009). Integrated data drawn from the three NRSTS waves reveals that only 13% (40) respondents claimed to have found their new employment through the support channels offered by the Response Group. Instead, independent web searches (18%), media advertisements (16%), personal networks (15%) and recruitment agencies (12%) were cited as being the most influential ways in finding new employment opportunities. Our interviews revealed that the trend towards independent job searches and low levels of engagement reflected a pessimistic assessment of labour market opportunities especially among lower-skilled workers, and the potential contribution of institutional support in finding employment at a time of recession. Indeed, the higher levels of engagement witnessed amongst intermediate and higher level occupation groups, served to highlight the differing levels of workers aspirations and use of formal and informal regulatory structures between different segments of the workforce and the labour market (Weller 2008). The limited influence of the institutional support programme on the post-redundancy employee experience also supports our overall argument that the reemployment outcomes following the redundancies at Northern Rock reflects the absorptive capacity for low wage routine service employment of local labour markets in North East England.

4. Conclusion

This paper has responded to Martin's (2010a) call to investigate the economic geography of the bubbles and crashes involved in the ongoing global financial crisis by exploring, in a longitudinal study of Northern Rock a high profile casualty of the credit crunch, the labour market impact of the 'originate and distribute' financial bubble in the North East of England. Through an analysis of the growth and retrenchment of Northern Rock's workforce we study the evolution of an old industrial region in response to financialisation, the expansion of new forms of finance, and explore the ways in which the legacies of previous rounds of development shaped the new employment created. This evolutionary perspective avoids the geographical detachment associated with popular misconceptions of a 'placeless' financial sector, and also broadens the analytical lens of recent regional research by providing new evidence from a service sector redundancy involving routine service work rather than the manufacturing case studies that dominate in the literature.

The Northern Rock case is instructive because it highlights the enduring occupational structure of the region's labour market, and the ways in which diversification into new models of financialisation were rooted within the wider territorial divisions of labour within the region's economy. Economic geographers have strongly argued the case for the important roles played by history and place in understanding geographies of path development, suggesting that – amongst other place dependent economic and social variables – the pre-existing industrial structure, technologies and institutions in a region or a locality influence it's development path, whether a new industry develops there, and the ways in which existing industries and firms adapt to change (Martin 2010a; 6). Drawing on the long tradition of research on the evolution of spatial divisions of labour and spatial circuits of value in rounds of investment (Massey, 1995) we argue that labour, labour markets and the territorial division of labour more widely play a similar role in shaping regional evolution. In the case of Northern Rock, and its role in the rise of the financial services sector in the North East, the 'originate and distribute' business model, developed by a regionally embedded business elite, used existing patterns of uneven development and the location of the company in a low cost region for clerical labour to underpin its competitive advantage. The predominance of highly feminised routine labour in its financial call and IT processing centre model of mortgage provision further reinforced the established position of the region in the spatial division of labour as a source of routine clerical labour for the public and private sectors. Rather than an exemplar of structural change and the 'South goes North (East)', where activities associated with the City of London spread via Northern Rock to the North East, the study highlights continuities in, and the path dependent nature of, the North East region's development, and raises the prospect that such old industrial regions may suffer from a process of 'occupational disadvantage' (Markussen 2004) limiting their adaptive capacity and ability to diversify into qualitatively new paths of growth or upgrade economic activities and employment.

Reinforcing this conclusion, the NRSTS reveals that following the run on Northern Rock, the labour resettlement processes were highly localised and concentrated with the bulk of the redundant workers resettled through a localised occupational labour market for low and intermediate skilled labour closely aligned with the absorptive capacity of the North East's labour market (Bluestone, 1984). Although the resettlement of Northern Rock's workforce was arguably relatively successful in terms of the numbers finding jobs, it was characterised by widespread reductions in salary levels especially towards the bottom of the earnings profile. This conclusion can be linked to emerging debates around regional economic resilience, as a notion seeking to capture the differential and uneven ability of places to respond and cope with uncertain, volatile and rapid change (Christopherson *et al* 2010). The North East adjusted to the significant shock from the credit crunch via a 'low road' form of resilience. The evidence presented here appears to suggest that the North East region has a persistently high level of demand for low to intermediate level jobs which is embedded in the broader industrial and economic structure of the region (Dawley and Jones 2009; OECD 2008). Given that the region's absorptive capacity is situated in the very sectors and occupations which over the longer term are most vulnerable to further rounds of restructuring, the region's economic problems are deep seated notwithstanding the region's response to the financial crisis. Thus, recent analysis indicates North Eastern labour markets are among the most dependent in the country on public sector work, where many former Northern Rock employees found work, and are therefore vulnerable to public expenditure cuts stemming from the coalition government's attempts to rein in public expenditure (Local Futures, 2010).

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Table 1: Northern Rock telephone survey of redundant workers, Waves 1, 2 and 3

	All redundant workers resident in the North East#	Number of interviews completed(response rate)
Wave 1: November/December 2008	996*	487 (46%)
Wave 2: March/April 2009	1,127	350 (31%)
Wave 3: July/August 2009	1,127	322 (29%)
Waves 1, 2 and 3	1,127	612 (54%) ~

Source: Adapted from Regeneris et al 2009

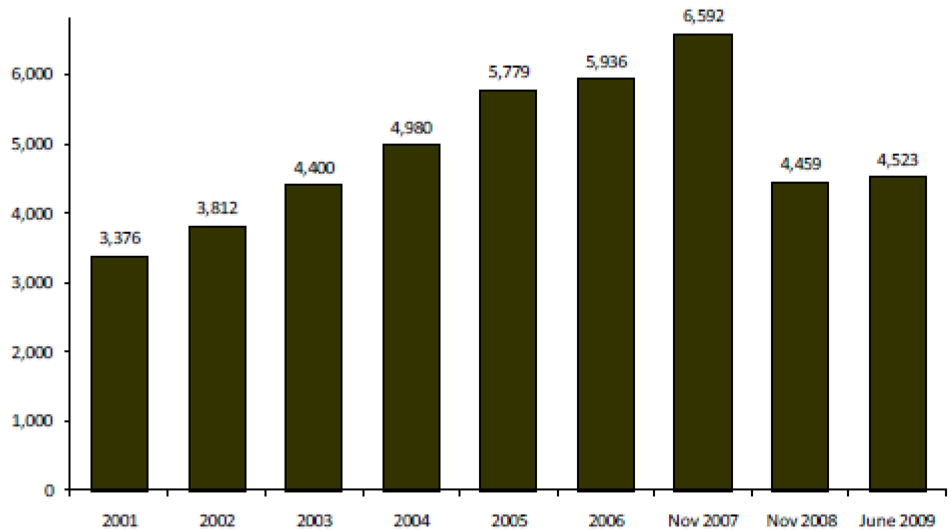
Notes: Response rate is the % of redundant workers in the North East interviewed in each wave

Target population excludes those redundant workers who opted out of the survey process

* Delays in obtaining up-to-date contact details limited Wave 1's target population to 996 persons

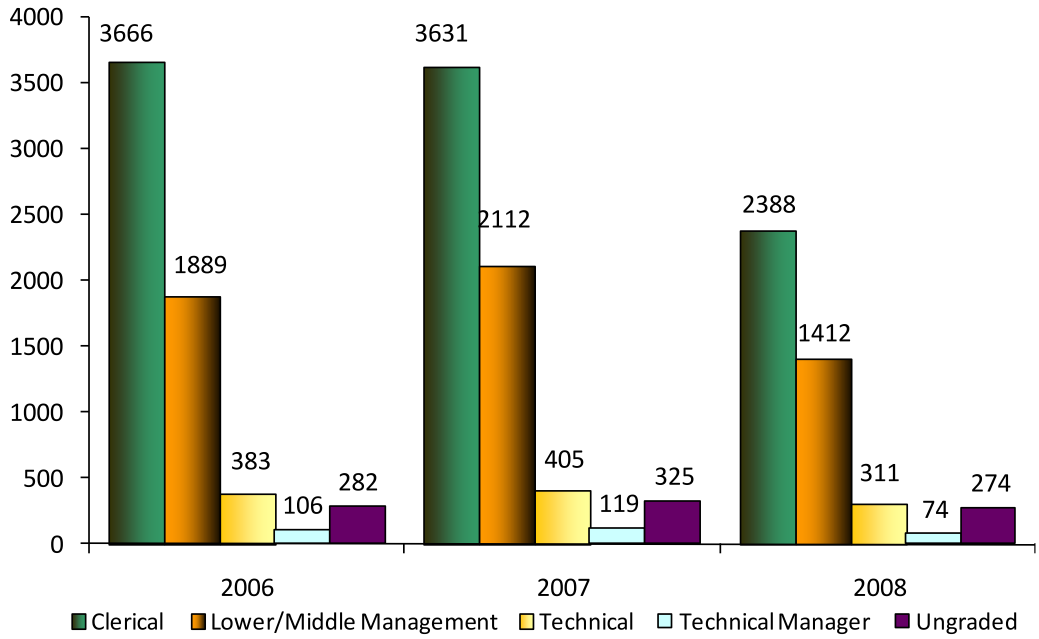
~ Total number of individuals interviewed at some point across the survey

Figure 1: Change in total Northern Rock employees, 2001 and June 2009.



Source: 2000-05 taken from annual report and accounts; 2006-08 date provided by Northern Rock; all data are annual averages, with the exception of 2008 which is the November headcount and 2009 which is the June headcount.

Figure 2: Employment growth by grade of staff

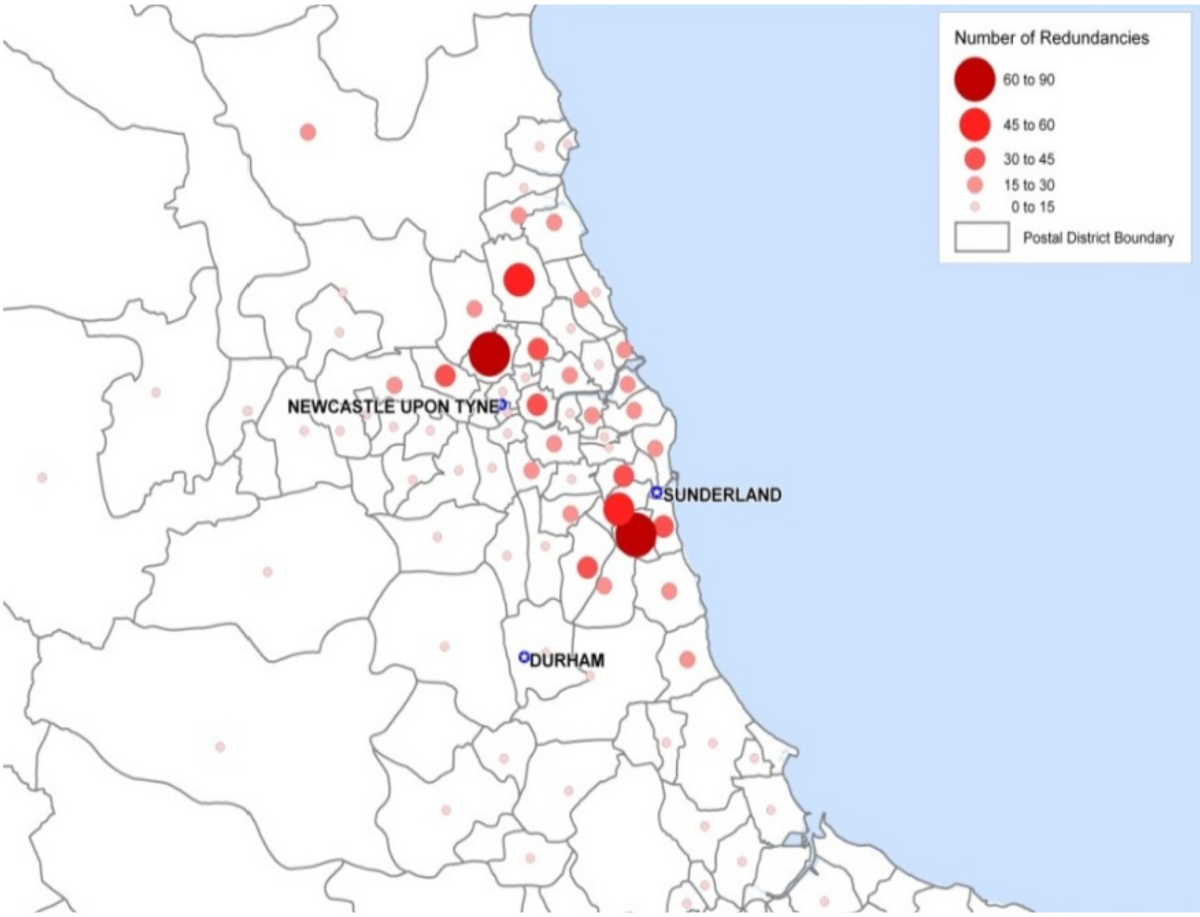


Source: Regeneris et al 2009

Table 2: UK – Banking Redundancies, July 2008 to November 2009 (Source: Regeneris et al 2009)

Bank	**Number of redundancies**	**% of All UK Staff**	**% of shares held by HM Treasury at the time of recapitalisation**
Northern Rock	1,288	25%	100%
Lloyds Banking Group	7,000	5%	43%
Royal Bank of Scotland	7,200	7%	58%
Barclays	6,000	10%	0%
HSBC	2,800	5%	0%

Figure 3: The geographical concentration of Northern Rock redundancies in North East England



(Source: Regeneris et al 2009)

Table 3: Northern Rock Redundancies by Business Function and Grade (Source: Regeneris et al 2009)

Business Function	% of Redundancies	Occupational Grade	% of Redundancies
Mortgage Operations	37	General Clerical	52
Sales	32	Lower/Middle Management	16
Information Technology	13	Technical	9
Training	6	Sales Management	9
Debt Management	2	Technical Management	4
Savings	2	Clerical Sales	3
Human Resources	2	Head Office Sales	3
Customer Services	2	Senior Management	3
Executives	1	Other	1
Others	3		
Total	100%	Total	100%