

CARNEGIE COUNCIL *for Ethics in International Affairs*

Driving Competitive Advantage through Values-Based Leadership

Public Affairs

Antony Jenkins, Joel H. Rosenthal

Transcript Introduction

JOEL ROSENTHAL: Welcome. It's my honor, and it's indeed a high honor, to introduce our guest today, Mr. Antony Jenkins, group chief executive of Barclays PLC. For an organization mobilized around the phrase "ethics matter," I cannot think of a more appropriate, important, and timely guest.

I should, straightaway, thank [Kathleen Cheek-Milby](#), our fellow Carnegie Council trustee, for making this opportunity possible.

Now, a lot of people study ethics and a lot of people talk about ethics, but few people actually do something transformative about ethics, especially if they are challenged by strong countervailing pressures in the most competitive parts of society. As the chief executive of one of the world's largest banks, Antony Jenkins has not only recognized a great opportunity to be transformative, he has embraced it with energy and vision.

We are all familiar with the recent abuses and lapses in financial institutions. They are well chronicled. To its credit, Barclays has responded with a strong message and a clear plan.

The values-based leadership program instituted under Mr. Jenkins's direction is fundamental to the bank's present and future. The program is, itself, a leading voice in business ethics. Mr. Jenkins has generously agreed to share his thoughts about the impact of the values-based leadership program with us this afternoon.

Now, before turning the floor over to our speaker, just two thoughts, very briefly, if not cryptically, to help frame the discussion.

First, as some of you may know, in 2012 the British government directed a [Parliamentary Commission on Banking Standards](#) to make proposals for reform that would restore public trust in banking. In its [final report](#), issued in 2013, the commission concluded that "the challenge facing the banking sector is both individual and collective, and it is also broadly cultural."

According to the report, "Individual responsibility must be made a reality, especially at senior executive levels within the banks. But so, too, must the collective responsibilities of regulators, government officials, and shareholders. The challenge is nothing short of steering the banking profession back to its role as one of the most trusted institutions in a free society. And in doing so, we should recognize that there is no single solution or magic formula. Genuine reform will require leaders willing to set different and higher standards and expect the same from others."

This leads to my second thought. Single individuals and life experiences matter. Antony Jenkins has made financial services his life's work. His career has encompassed many facets of the business, and so his leadership is based on firsthand knowledge and the understanding that comes with years of hands-on, practical experience. Mr. Jenkins also brings the global perspective so essential for understanding the financial systems of today.

Most important, through his experience, Mr. Jenkins sees the power of banking to do good. He understands the need to have strong, trustworthy financial services as the backbone of a vibrant, free society.

So it's a great privilege to have him here with us today. Please join me in giving a warm Carnegie Council welcome to Antony Jenkins.

Remarks

ANTONY JENKINS: Good afternoon, everybody, and thank you very much for that incredibly generous and warm welcome. I feel totally undeserving of it. It'll try not to let you down in my remarks.

Firstly, it's a great pleasure to be addressing you all today and to talk to you about something that I believe is very important, not just for the banking industry but for societies around the world.

It's also a great pleasure for me to be back in New York. This really is my second home. I lived here from 1993 to 2006. As you can see, I never quite mastered the accent. But our apartment is 20 blocks north of this very building. So it feels like home every time I come here.

What I want to talk to you today about is the approach that we are taking at Barclays to manage the business. It's based on a long-term belief of mine, that in the long term values-driven leadership will drive competitive advantage.

Now, why do I believe this? Last week, I went to a place called Wythenshawe. It's south of Manchester in the UK. It's a rather uninspiring industrial warehouse.

In there are contained all of the archives of the Barclays Group. The first piece that we have goes back to 1567, a letter from Queen [Elizabeth I](#) to one of our founders. It includes the accounts of [Benjamin Franklin](#), who was a Barclays customer.

As I always like to remind my American friends, Barclays is older than the United States. We are 324 years old. You don't get to be 324 years old without having to deal with the ups and downs of technological change, political upheaval, economic crises, and so on. You can only survive when you have strong values at its core.

If you want a more current example of why values really matter, when I joined Barclays in 2006, the stock price was about £6. It peaked at about £8 before the [crisis](#). At the trough, post the crisis, the stock price was 47 pence. So if you ever need an example of why doing the right thing is also financially productive and constructive, that's the example.

Now, I could almost finish there and take questions, but I expect you want a bit more from me.

I believe that values-driven leadership is good for business in the long term, but getting there is not without its challenges in the short term.

As I said, next year we will celebrate our 325 years of being a bank. Our history can be traced back to two Quakers, [John Freame](#) and Thomas Gould, who established themselves as Goldsmith Bankers in London in 1690. Now, in those days, goldsmithing and banking were inherently the same thing.

We are also a very international business. Our roots in the United States can be traced back to [David Barclay](#), who became a partner in the bank in 1776. If I remember, that's the [start](#) of the great nation of the United States. He used his influence to persuade other Quakers to take a strong stance on things like the abolition of slavery.

Now, because of a debt that he assumed, he found himself the owner of a plantation in Jamaica, which was run by slaves. He took a decision to free these slaves and transport them to Philadelphia at a cost of £3,000, a small fortune in those days. But it also meant that they could build a new life in a community with a strong commitment to emancipation.

The Quakers relied on their own moral code and hard work to become trusted and respected figures within their communities. The business they started and built is what I am responsible for today—a global bank operating in 50 countries with 140,000 employees.

What I love about the Quakers is they did the right thing, but they were hard-nosed businesspeople as well and they struck the right balance between doing the right thing and being good at business.

Now, it's true to say that recent events have been extremely damaging for the financial system and have shook confidence in it. This is a big problem, because banking is not like other industries. Banking sits at the heart of the societies where we do business. You cannot have a vibrant economy without a vibrant banking system, and without a vibrant economy you can't have vibrant societies. So you have to have a vibrant and functioning banking system.

But in the past banks were too aggressive, they were too self-serving and too short-term-focused. I have seen this in my own career of 30 years within the banking industry.

Now, post the crisis a lot has changed for the better. Banks now have safer balance sheets, better risk management, and improved governance and supervision.

But the culture of short-termism that permeates the industry can't be fixed solely by regulatory reform and harsh words. It's got to be rooted in people's behavior. The quote that you gave from the Parliamentary Commission on Banking Standards is very much in that vein.

The real cure for short-term thinking lies in changing the way that people think and behave. There can be no choice between doing well financially and behaving responsibly in business. The last half-dozen years make it obvious that you cannot have long-term success without behaving responsibly. This has to be integral to how you operate a company.

The mistakes of the past have been very costly. I gave you the shareholder impact. But it is also devastating for the people who work inside banks to be pilloried all the time in the media. People come to work wanting to do a good job, wanting to make a difference, wanting to be part of something that's bigger than themselves. And of course, our customers and clients want to feel that they are doing business with an institution that they can trust, that has honor at its heart, that has ethics at its heart.

So this damage of not running the business in the right way is profound and, as I said, devastating

not just for the banking industry but for the societies where we do business.

Almost 100 years ago, a former Barclays director, Sir William Carruthers, delivered a [speech](#) on the responsibility of everyone, governments and businesses, to rebuild society following the [First World War](#). One of the great things about having an archive is you can dig out speeches like this one.

It also reminds you that, grave though the problems we face today, our forbears have faced equally grave challenges. The Britain post the First World War was one that was devastated by the economic impact of funding the war, of servicemen returning with no jobs and no work, and a general sense of hopelessness, which in many ways parallels some of the challenges we face today.

In that speech my predecessor said, "Responsibility differs in degree but not in essence. Each one is under some obligation, and the extent to which he falls short, the whole community must suffer."

That point is very true today. It's the responsibility of leaders to set the benchmark for how people are expected to behave and hold them to account against this benchmark.

I often think that ethics in my own rather simple definition is about doing the right thing in the right way. That's what leaders have to do if they are to drive the culture inside their organizations.

Now, in a large organization—or, for that matter, in a small one—you can't just expect culture to miraculously happen. In fact, a better way of saying this is if you don't do anything, culture will miraculously happen, but it may not be the culture that you want. So you have to define that culture.

We have done that through a common set of values, which we feel are fundamental to our long-term success. We did not commission a firm of consultants to write these for us. We did not buy them off the Internet. We did not steal them from somebody else. We had a big effort, starting with me and my management team, involving thousands of people across the organization.

These values are respect, integrity, service, excellence, and stewardship.

Now, respect, integrity, service, and excellence you might say are pretty standard. Stewardship is different, though. Stewardship is really about the notion that all of us who work at Barclays have an obligation to leave the institution fundamentally stronger through our work than when we joined. Now, it's a subtle concept, but it is actually profound in shifting the thinking towards long term.

As I said, we operate in many different countries, and I travel to these countries and talk to our colleagues often in large groups. I was in Italy, in a lift in Italy. Anybody here who has been to Italy knows that lifts are really small because they have old buildings and you're crammed in with five colleagues.

On the wall in the lift was the values. The first four values were in Italian and the fifth one was "stewardship" in English. [Laughter]

Not long after, I went to Japan, and I was at a big town hall in Japan, and somebody asked, "What is stewardship?" Thankfully, I had the previous British ambassador to Japan, Sir [David Wright](#), who now works for us, who is fluent in Japanese. He was able to translate the concept.

It's not that stewardship doesn't exist in other cultures; it absolutely exists. It's just that it's a subtler concept to convey.

The point about these values is it's no good just putting them on a piece of paper, on a mouse pad,

or a Lucite. That's not going to change behavior.

People need to live them day in and day out. So all of my 140,000 colleagues have been to a half-day workshop on what the values mean delivered by 1,500 values leaders across the group, and we have programs for new joiners that will essentially expose them to these concepts and what it means to live them day in and day out at Barclays.

Now, inevitably, we have our cynics and skeptics, we have our critics. When you have a job like mine, you just can't be dissuaded by that. There are people who think that this is just self-serving twaddle, as we say in English. They have called me "Saint Antony" in the media in the UK because they think that I am hypocritically clothing myself in these values as a way to distract attention from what's going on at Barclays.

But nothing could be further from the truth. We will succeed, not least because the overwhelming number of people that I work with at Barclays want to do things in the right way. These are the people who are engaging positively with the program and making a difference.

For example, more than 70,000 colleagues around the world last year invested their time, skills, or money to help the communities where they live and work; 447,000 hours were spent volunteering by colleagues globally; our people helped 59,000 small businesses grow through seminars, tools, and training; and £35 million was donated by Barclays in matched funding to colleagues' fundraising activities.

Now, I recognize that what matters is not public commitment to change but, rather, demonstrating change over time and to earn the trust and permission to be believed—and we will do that. But it also falls to leaders to show resolve and stick to their principles in the face of difficult moments, including taking tough short-term decisions for longer-term benefit. This is really the heart of our value of stewardship.

But let's also be clear, everything I'm talking about is also about winning in business, being better than our competition. It's about how we drive business performance, but drive it in the right way.

I believe that the case for behaving responsibly in the long term is compelling. The strength of our brand is incredibly important when customers and clients make decisions to do business with us.

But it's also true that sometimes the decisions we take will be controversial, and sometimes they won't always be understood. The one thing I've learned in the last 18 months of doing this job is that you can't make everybody happy all the time. In fact, if you are making some people happy some of the time, you're probably doing better than most.

And there will certainly be bumps in the road, times when our resolve is tested. You have to look to leadership and resilience to persevere. And we have to recognize that deep-rooted cultural change of the type I'm talking about at Barclays will take time—in my view, somewhere between five and ten years.

There will be times as a leader when you are faced with moments that are incredibly difficult, and that is when you have to show resolve and commitment. You have to turn to the values and say, "What's the right thing to do in this circumstance?" You have to make decisions and be accountable for them, and you have to model for the team the behaviors that you expect of them.

The one thing that we all know is that you can't guarantee that things will remain the same in life. Life

changes and you have to change with it, but always with the values as the guiding star.

Now, the world is experiencing a historical inflection point, driven in my view by technology. Design and engineering are delivering technology that powers mobile- and user-driven access to services anytime, anywhere.

The financial services sector is naturally digital. In our business, we see a massive opportunity through technology, but also significant competitive threat. Last year PayPal, for example, moved \$350 million every day, Amazon transacted \$24 billion of payments for other sellers inside its ecosystem, and these retailers have integrated the shopping process into their own transaction systems, potentially disintermediating us as banks.

Consumers are comfortable transacting business directly with retailers over the Internet, and they feel no fear in moving their banking business to whoever the best provider is. Can we compete with a Google or an Apple or an Amazon? We have to.

Fully utilized digital channels offer customers fundamental advantages of quality of service and convenience. We are adapting our services to this in the UK. For example, in the UK there are more mobile phones than people—quite astonishing. Unless we grasp this fact, our business is not going to survive. Equally, mobile banking can offer new opportunities to deliver new services.

So we have a duty, not just to provide the status quo, but also to anticipate what our customers want, what they are thinking about, and how we manage change in our business.

The reason why I cite these technology changes is because they are profound for the banking industry. In my view, the banking industry has not really been impacted by technology. If you think about how you buy books, music, travel today, we all do it virtually.

How do you do banking? Basically exactly the same way as you did it 20 years ago, with the fact that you can go on the Internet occasionally and check your balance. It hasn't fundamentally changed banking. But it will.

The reason why this is important in the context of a discussion about ethics is because the way you respond to that change has to be in line with the core values of the organization.

What this fundamentally means is that we will be running Barclays with significantly fewer numbers of people over time. Job losses are always controversial, but necessary to preserve the organization in line with our value of stewardship. But the way those job losses are handled has to be done in line with our values of integrity and respect when change is communicated and how our colleagues are handled through the process of transition. As I said before, these are the guiding principles, the guiding star, of what we are doing at Barclays.

There is a saying that great companies change everything except their values. If you have a value system that can stand the test of time, through thick and thin, that keeps people grounded and focused on what they are doing, then I believe you will succeed.

As I said, successful, vibrant economies need strong banks and strong businesses. But they also need values-driven businesses. It is not good enough to sit around and wish and hope that this will change, that the world will get better. You have to act in a fundamentally different way.

Now, let me finish these remarks by saying that none of this is about being soft or fluffy, about

fulfilling a moral obligation. There are elements, clearly, of morality in what I have been talking about. But for me it's as much about winning—winning in the long term for our customers and clients, because they can trust us; for society, because society can trust us; for our shareholders, because they can count on us for long-term, sustainable returns because of the way we run the business.

This is about being better than the rest, about achieving a commercial edge, and about making Barclays a better bank in every sense, driving long-term, sustainable competitive advantage. We certainly will not get everything right all the time, but ultimately I'm convinced we will prevail, and our values will play a crucial role in getting there.

Thank you all very much. I'm happy to take your questions.

Questions

QUESTION: Robert James. I'm a businessman. I borrow from banks.

So I got up this morning and, lo and behold, I got a letter saying "buy Barclays stock, we are recommending it," because it's no longer a hold, they want to buy it. I thought that really changed my mind, I'm going to come out here today to hear about this.

ANTONY JENKINS: I didn't know I was giving investment advice.

JOEL ROSENTHAL: Your stock is going up.

QUESTIONER: You think I'm going to ask you whether I should buy this stock, but I'm not, because that would be unethical, I think.

ANTONY JENKINS: Quite right.

QUESTIONER: I can ask you: Does ethics raise the value of Barclays stock? And to say that, because you're in competition with other banks, you must imply that you are more ethical than—well, I'll say Morgan Chase, which the government doesn't think is very ethical, or Goldman Sachs, which I guess a lot of people wonder how ethical they are.

So I just wonder specifically, though, can you give me a couple of examples of ethics in banks and how you will handle it, really what they are? Maybe one of the companies I just mentioned isn't as ethical as you are. You don't have to name them.

ANTONY JENKINS: Well, I do stand here with a certain amount of humility. I'm not here to claim that Barclays is in any way the values-driven organization that I want it to be. We are at the start of what I regard as a five-to-ten-year journey to get there.

But I do believe that the decisions that will be taken by an ethical organization will ultimately result in greater value being created and, therefore, a higher value on the organization. Now, why do I think that?

Firstly, because all businesses depend on trust, but banking depends on trust more than any other business. You give me your money and you expect me to give it back to you at some point in time. There is no greater trust in the commercial sense than that. So if you have a strong level of trust within the organization, then you are likely to win more business from your customers and clients. You can see that driving revenue.

But there is also a sense in which an organization that has to solve for a more complex objective than just maximizing short-term profit, has to be a more capable organization. One of the things that we have done, which is unusual, is we have published a list of eight commitments for Barclays out to 2018, eight commitments with hard targets. Only two of them are financial. Two of them measure the strength of our relationships with our clients in the institutional sector; two measure our relationship with our customers in the retail sector; two are about our colleagues and their level of engagement and diversity within the organization; and two are about how society regards us. I believe that if we deliver those commitments in 2018 we'll have a much stronger, more capable organization, and therefore the financial performance will naturally rise as a result of that and the valuation of the organization will rise as a result of that.

But I would be the first to admit that this is a work in progress. So perhaps you should ask me the question again in 2019, when I hope—and do not take this as investment advice—that this will be reflected in the stock price of Barclays. But I do believe this is possible, and I want to make sure we prove it.

QUESTION: Thank you for your fascinating remarks.

If you allow me, however, perhaps to be among the cynics and to ask you the following point: considering that Barclays has been directly involved in the LIBOR (London Interbank Offered Rate) rate manipulation [scandal](#), how do you see—this is the first part—the applicability of some of the standards you have mentioned going forward and, hopefully, avoiding a recurrence of these kinds of incidents?

A second point that feeds into this is we are right now in the middle of major regulatory changes. If you could address how, particularly in the UK, the [Vickers reform](#), how the impact of the [Volcker Rule](#), and [Dodd-Frank](#), and the impact of [Basel III](#), will actually have on, in a sense, supervising and creating a sort of overarching supervision of some of your practices. And how do you see that in line with what you now would like to have be your standards?

ANTONY JENKINS: Two very good questions.

In an organization of 140,000 people, you are going to have, inevitably, some people who do not live up to the standards that we are setting. So I see the culture, as defined by the values, as being the sort of oxygen that gives people permission to do the right thing, and also the sort of antibodies that immunize it from doing the wrong thing.

But that will not always protect you from people doing bad things, the so-called "bad actor" problem. That's when you have to have very strong detective controls and very strong compliance. So there's a system here that requires a very strong culture to house the organization and detective controls to make sure that people are not doing bad things.

Everybody thinks about LIBOR. But actually, one of the issues that we have in our branch network, as all banks do, is that staff will periodically try and move money out of a customer's account and put it into their account or into their friend's account or whatever—not a very sophisticated fraud, but a fraud nonetheless.

We have very good detective controls around that in the bank, and when we find people doing that, we prosecute them and they go to prison. Frankly, that strength of detective control needs to go across the whole.

On the other hand, I find that the culture is beginning to work in Barclays—not completely, because we are just getting started. But I'll give you an example.

We announced a while back that we had eliminated all sales incentives in the branches and said, "We're just going to measure you on service levels." One manager of a group of branches had created a little competition for the person who originated the most mortgage applications. The prize was some shopping vouchers. It was a very small prize.

But the colleague who wrote to me said, "Look, I don't think this is consistent with our desire to focus on service."

Firstly, I was very happy that the colleague felt he could bring this up to me. Secondly, when I looked at it, it was clear to me that the manager was not trying to do a bad thing. In fact, they thought they were doing a good thing; they thought they were generating more business for the bank.

So there is this process of questioning and norming around what is the right thing to do there. The right thing, clearly, in line with our values of service and excellence, is not to have any sort of sales incentives. So there is this process of reprogramming the organization towards what the right thing to do is, which is the process that we are involved in right now.

On your second question about regulation, there are two broad spheres of regulation: one is around financial strength and one is around the way banks conduct business. But, increasingly, the regulators are looking beyond the pure numerical—how much capital do you have; what's your leverage ratio; what's your liquidity?—to what is your strategy and what is your culture? They are actually seeking ways to test that we have the right culture in the bank to ensure that not only is the bank running the right way, but that the customer gets the right sort of outcome.

So when I meet with my regulators now, which I do frequently, I have to be able to explain to them what we are doing and the progress that we are making, and where we are not making progress.

So I do think the progress that has been made on regulation, which is very significant, is good, because it's not just focused on the numerics, important though they are; it's also looking at these broader aspects. That's why, again, I believe that we will be a more successful institution, because we are really, I think, in advance on this stuff, and it is going to pay dividends for us.

QUESTION: I'm Robert Shaw.

You were here, I think you said, for 13 years or so and you've been at Barclays since 2006. Looking back at the crisis that first erupted, at least, in 2008 and onwards, and thinking of economics really as an ethical discipline, in terms of what is the right allocation of resources, we hear so many different theories advanced as to what was the cause of what happened in 2008 and what are the right solutions.

We hear that some people say it's because bankers' bonuses weren't tied to long-term performance, a classical ethical question. Others say it's because banks shouldn't be both deposit-taking institutions and involved on the transactional side as traders, effectively. Others say it was because of creating products that you could then sell on and not retain a vested exposure in.

All of these things are advanced and there seems to be no real consensus on what the most identifiable major cause was, or as to, therefore, what the right prescription is. Looking at it from an ethical point of view, as well as diagnostically, what is your sense, having been a witness to these

series of events, as to what, if any, was the principal cause and, therefore, the primary thing that needs to be dealt with from a regulatory point of view, of all those things that I have mentioned?

ANTONY JENKINS: I suppose my view on this—it's my personal view, for what it's worth, and it's no better or worse, I suspect, than anybody else's.

Firstly, if you look at the banks that failed in the crisis, different types of banks failed—[Washington Mutual](#), for example; [Bear Stearns](#); in the UK, [Northern Rock](#), a building society; but also [Royal Bank of Scotland](#), a big, global, universal bank. So there were lots of different types of financial institutions that failed during the crisis. So it doesn't seem to me that the answer lies in the business model.

My personal view is that the reason why banks fail is because they misunderstand and misprice risk. As the consequences of that become apparent, the market loses confidence in banks and their funding dries up, and then the bank fails.

So if you want to avoid another crisis, banks need to understand and price their risk appropriately, and regulators need to be able to assess and hold banks accountable for that process, including a showing that they have adequate levels of capital and liquidity. If all of those things happen, then you will have a safe banking system.

But one of the things that exacerbated the crisis was the notion that we had created a form of alchemy with the risk, that we could take a group of not-very-good credits and put them all together and magically turn them into a very good credit. Now, that is patently absurd, with the benefit of hindsight. But a lot of people made a lot of money off the back of that.

One of the things I worry about is everybody in this room has been through the crisis of 2008 and everybody running banks has been through the crisis of 2008. But at some point we'll all retire and die, and the people who come after us will read this in a history book, like we read about the [Great Depression](#) or we read about the [South Sea Bubble](#). For them it will be interesting, but they will believe that their form of financial alchemy is superior.

Our ability to eliminate completely financial crises depends on our ability to tame the optimism, and in some ways greed, that is inherent in the human spirit. So I don't worry about will we have another crisis in five years' or ten years' time. The other thing that makes this complex is that the global interconnectivity of the world now means that a crisis in one part of the world spreads like wildfire, so the consequences of getting it wrong today are much greater than they were in the past.

So to bring this all back to the root of your question, I think ethics and culture has a very strong role to play alongside regulation that forces banks to properly assess risk, to properly manage that risk, to properly price for that risk, and to properly hold capital and liquidity against it.

But I would also say that I don't think there's a perfect solution to this problem. I think we should all write a letter to our grandchildren that reminds them, if they are working in financial services in 50 years' time, of what happened in 2008.

QUESTION: Thank you very much for a great talk.

Last week there was a news account that there were four men who each individually made over \$750 million in calendar year 2012, \$750 million apiece. We are now in the early moments of a new deal environment, because there is so much money out there, and so there are going to be a lot of bankers from Goldman and MorganStanley and JPMorgan Chase, and maybe even from Barclays,

making tens of millions of dollars on those deals for themselves. How do you feel about those four men and how do you feel about the banking environment now that permits people to make that kind of money on deals?

ANTONY JENKINS: I think it's a very, very difficult topic. Firstly, if you compare the period from the end of the [Second World War](#) to the financial crisis of 2008, we're basically in a period where individuals at every level of society felt that they were better off, and there was a tolerance for people being very wealthy in that environment. It is, of course, most acute in the United States, where the culture here is more individualistic than in other parts of the world, but where there was a sense that everybody had a fair shot, and if my family was feeling better off, then I was okay if somebody else's family was a lot better off.

For me, the world has changed quite profoundly since 2008, driven in large part by economic factors which have nothing to do with the crisis.

One of the big drivers of economic growth post Second World War was the expansion of the working population with the [Baby Boomers](#). The Baby Boomers are all retiring—in this country, I think somewhat less than half of the people over the age of 56 work.

And labor productivity. In the 1990s, labor productivity increased by about 3 percent a year; today it's increasing by less than 1 percent.

Demographics also play a big part in this. Aging populations require more of society's resources to support them, and yet the working population is shrinking. This causes a sense of insecurity in people around their own economic circumstances, at the same time as you see an expansion of inequality.

Now, why has inequality expanded? It is counterintuitive in some ways. In part, it is to do with the structural changes in the economy; but it is also due to changes in the nature of work.

What we have seen in the developed world in the last 30 years is the elimination of a lot of low- and no-skill work through either automation or offshoring.

I was born in 1961. I was a teenager in the 1970s. I grew up with cars manufactured by a company called British Leyland. They were a state-owned enterprise and they made terrible cars. My dad had a series of these vehicles. They rolled off the production line, you'd park on the driveways, and bits would fall off and it would rust about five days after you bought it. So we weren't very good at making cars in the UK.

Now one of the most productive car plants in the world is in Sunderland, in the northeast of the country. It employs 5,000 people and produces 500,000 vehicles a year. Now, these vehicles have much better capability than the 1970s version, they are produced with much less resources, and in real terms they are cheaper.

So this process of automation has eliminated a lot of low- and no-skill work, and technology means that this is moving from the manufacturing sector into the service sector.

Equally, at the top end of the labor market, the educational system is not producing enough people in the STEM subjects (science, technology, engineering, math). So the demand for engineers, mathematicians, physicists, particularly for the technology industry, is not being met.

So you put these structural macroeconomic changes together with change in the nature of work and you end up with greater inequality and greater economic insecurity. This is the backdrop to your question.

I think it is going to become increasingly unsustainable for businesses to pay very large salaries. Unfortunately, however, it is a competitive market for labor. We experienced this at Barclays, and you probably have seen some press coverage if you follow Barclays at all, where last year we experienced high levels of attrition in our investment bank because there were other people willing to pay more money than us.

So the macro picture is very understandable. The micro picture is quite difficult to deal with. What I can say, though, is that this is going to become an increasingly controversial topic, even in this country, where people have been traditionally more relaxed.

There are elements of this that relate to general principles of fairness. So if I start a business from nothing, it provides a good product and service, and I sell it for a billion pounds or dollars, then a lot of people feel, "This person worked really hard. Maybe they got lucky, but they employed a lot of people, they paid a lot of tax, and so on."

If, on the other hand, I run a hedge fund, people might think, "Well, that person has just made money off the backs of everybody else. What have they created? Nothing." Now, of course, the argument is that the hedge fund has investors. Who are those investors? Probably large pension funds and so on, so maybe the end-user benefits. So you can make the argument many different ways.

I don't have an easy answer to your question, but it is a controversial topic and a topic which I think is going to become more controversial. I am personally rather gloomy about our ability to eliminate inequality. I just don't think that the things that have to happen to skilled people to be able to compete in the new world are happening fast enough. That is a big driver of inequality that has to be fixed.

QUESTION: I'm [Barbara Crossette](#). I'm a Carnegie Trustee.

I am going to shift the ground just a little bit, if you don't mind. You talked about the centrality of institutions, and banking in particular, to the economic health and growth of a nation and its politics and society and culture. Take it out in the bigger world. Since Barclays has so many branches in so many countries, particularly in the developing countries and in the emerging markets, which interests a lot of people, banking is not a strong institution in most of these places in many ways, particularly in your values system. What has been your experience, and can a big bank like this make a difference by its very presence in a society where banking institutions are not strong?

ANTONY JENKINS: I think the resounding answer to that question has to be yes. In fact, a banking system is almost a requisite for a successful and growing and vibrant economy.

We have some significant businesses in Africa, and I spend quite a lot of time in Africa so I have seen this firsthand. One of the things that we have done is develop a partnership with [Plan International](#) and [CARE](#), two NGOs. This is really to take the concept of a village savings and loan association, which I have seen for myself in Uganda, where members of the village will come together, mostly women actually, and they will put a small amount of money every week into a locked box which has three padlocks on it controlled by three people, and after a certain time of establishing a savings pattern, they can then borrow money to start small businesses.

So I met one woman in Uganda, called Joy. She had bought a cow, sold the milk, bought some more cows, eventually bought a small hotel (not a hotel as we would think of it but essentially a small hotel), and had ultimately been able to send her children to college as a result of that activity.

Now, the problem with these village savings and loans organizations is they are a victim of their own success, because the more successful they are, the more money there is in the box, and it becomes a security issue for them. So connecting them to the mainstream banking system, where they can open an account with one bank, an omnibus account for the money in the box, is really how they keep the growth going.

We have done this now I think in 15 different countries around the world. We are not in all the countries where we operate this program, so we work with other banks to provide that service.

So there is a big role for banks in development, and I think it is incumbent upon Barclays and others to fulfill that role—but not alone, in partnerships with governments and in partnerships with NGOs—to make this happen and to help develop an economic system that is viable.

Just as an aside, I spent a huge amount of time in places like Africa and India, and quite a lot of time in places which we would describe as slums. For all I admire the entrepreneurs in this country, there is no more entrepreneurial place on the planet than a slum, because if you don't work in a slum, you don't eat. It's as simple as that.

There are actually people fashioning lives in these places that have a degree of richness that would surprise you, and particularly in India, where for a few rupees a month people are sending their children to school and they are having an education.

I went to visit a woman in one of these slums. Her house was probably about the square footage of the tables you are sitting at. She had a little daughter. The daughter was sitting on the floor, and she had one of these books, which maybe your kids had, and the book has the English letters in dashes, and you trace the letter to learn how to write a C. She was writing Cs, this little two- or three-year-old sitting on the floor in this tiny house learning to write English.

So it's not all gloom and despair in some of these environments. But I do think the banking system can make a big difference in capitalizing growth.

QUESTION: My name is Ernest Rubenstein.

Some 45 or 50 years ago, Chief Justice [Earl Warren](#) received an honorary degree at the Jewish Theological Seminary in Manhattan. At the event he gave a memorable speech, which was reported on on the front page of *The New York Times*. In the speech he recommended the creation of a new vocation, a new profession, which he tentatively called ethics practitioner, and he recommended that each business organization have among its professional ranks a person devoted solely to the issue of ethics, being, in effect, an in-house expert and repository of the institutional history on that subject. Question: Does Barclays have such a person?

ANTONY JENKINS: Yes. It's probably me.

I think the idea has got some appeal on one level. But I also think it's a bit like quality or leadership. If you have a department of quality or a department of leadership, you take the responsibility away from everybody in the organization for living ethically.

But I do think that leadership is incredibly important in large organizations—and in small organizations, actually. Leadership sets the tone, the culture, in the organization, which then drives organizational performance.

One of the people on the Parliamentary Commission on Banking Standards, which you referred to, is somebody by the name of [Justin Welby](#). Justin Welby was at the time the Bishop of Durham, what you would call an Episcopalian bishop, but had actually spent a lot of his time working in the corporate sector before he found his faith. Justin Welby has subsequently become the Archbishop of Canterbury, the leader of the Episcopalian faith around the world.

In a [radio program](#) that we did together, Justin Welby said that "good vicars make good parishes." I suspect it's the same in any religious organization—whether it's the strength of the rabbi, the strength of the vicar, the strength of the priest—as in a large organization like Barclays. The tone, the culture, is set by the leader, and that leads the organizational performance. If you don't like the organizational performance, then you have to trace it back through that cycle.

So on one level, yes, I suppose I am fulfilling the role of chief ethics officer for Barclays, but I also expect and require all of my 140,000 colleagues around the world to act ethically in line with our values.

JOEL ROSENTHAL: Well, wonderful guests make for wonderful lunches. Thank you very much.

Thank you all for coming. Hope to see you soon.

Audio

"There can be no choice between doing well financially and behaving responsibly in business," declares Barclays Group Chief Executive Antony Jenkins. "The last half-dozen years make it obvious that you cannot have long-term success without behaving responsibly. This has to be integral to how you operate a company."

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