

Work & Careers

Speaking out against your employer is still risky

We praise whistleblowers in films but in reality they get little public support



Carmen Segarra, outside the New York Fed where she once worked. © Pascal Perich/FT

Alicia Clegg YESTERDAY

From *Serpico* to *Silkwood* and *All the President's Men*, we celebrate whistleblowers in movies, yet, in real life, we often shun those who speak out. Take Carmen Segarra, a former bank examiner of the Federal Reserve Bank of New York, who alleges she was fired in 2012 after criticising [Goldman Sachs](#) for its policies on managing conflicts of interest.

In 2014, Ms Segarra released conversations that she secretly recorded while still an employee of the New York Fed. The resulting storm fuelled demands for a senate hearing in which the agency's president was obliged to defend the institution against accusations that it operated a [deferential culture](#) towards regulated banks.

In October, Ms Segarra's version of the events that led to her dismissal were published in her book, *Noncompliant, A Lone Whistleblower Exposes the Giants of Wall Street*. The New York Fed said in a statement that "we continue to categorically reject Ms Segarra's allegations", and pointed out that in 2014 the [courts dismissed](#) her lawsuit. The courts also ruled that her case did not have whistleblower status within the legislation under which she filed her suit.

However, Ms Segarra's account is interesting not just for the controversies that it raises but also for the light that it sheds on the tribulations of individuals who pit themselves against an employer. In her book, Ms Segarra describes how, as her work situation became confrontational, her stomach

acquired a permanent knot, how she felt psychologically manipulated by higher-ups to mistrust her own judgment, and developed a fear of meetings.

Although she found another job — making training videos for a bank — it paid far less, and when her story became public her presence at the lender became polarising, she says, and she quit. Commenting by phone, she says: “Word starts to spread . . . you experience both people who are positive and people who start making your life a little miserable . . . It became clear that it wasn’t working for the bank and it wasn’t working for me because it was such a huge step backwards [in terms of responsibilities and salary].”

Ms Segarra is by no means an isolated example of someone who paid a price for challenging authority. Michael Potts, a senior partner at the London-based law firm Byrne and Partners, says that many employees perceive that “if you point the finger at someone higher up, you can quickly find yourself on the wrong end of a disciplinary”, and that perception may be accurate.

A [forthcoming study](#), *Post-disclosure Survival Strategies: Transforming whistleblower experiences*, conducted by Professor Marianna Fotaki of Warwick Business School and Professor Kate Kenny of Queen’s University Belfast, found that 62 per cent of whistleblowers reported being demoted or given more menial tasks and almost all were eventually dismissed or resigned.

Informal blacklisting is common, says Georgina Halford-Hall, founder of Whistleblowers UK, a not-for-profit organisation. A former whistleblower herself, she says that recruitment agencies told her: “getting a whistleblower re-employed is practically impossible”, a perception echoed by others.

Wendy Addison blew the whistle in 2000, on a fraud committed by the joint chief executives of her employer, LeisureNet, a South Africa-listed company. Eleven years later the duo were jailed and then released after serving only 19 months of their seven-year sentences.

In the meantime, Ms Addison, who now advises businesses on how to [build open cultures](#), fled to Britain and struggled to reestablish herself.

“I was told [by one recruiter] ‘I’ve googled you, and you come out as a whistleblower and I don’t want to jeopardise my relationship with my clients’,” she recalls.

There may be more than caution to people’s tendency to keep whistleblowers at arm’s length, however. [Behavioural studies](#) suggest that we judge people who take a stand more harshly than those we perceive to be passive victims of misfortune, and hold them to higher standards, meaning that whistleblowers can expect to be questioned on their motives and widely disbelieved.

Other research suggests that we [resent those](#) who call out wrongdoing when others turn a blind eye, even as we applaud the principle of speaking out.

Yet, as the #MeToo movement shows, peer pressure can also embolden people to speak out. Exposing wrongdoing enables organisations to limit harm.

Whistleblower advocates reacted angrily when UK regulators declined to [ban Barclays' chief executive](#) Jes Staley for attempting to unmask a whistleblower.

They argued that merely fining him sent entirely the wrong message — and with regard to whistleblowing it does indeed seem that the adage that leaders should “lead by example” may be true.

In experiments, researchers at Arizona State University and the University of Michigan found that volunteers praised higher-ups who raised ethical concerns but reacted more negatively towards outspoken peers, implying that leaders' actions may be decisive in shaping how [whistleblowing is perceived](#).

Whistleblowing remains hazardous, even when regulations such as the Dodd-Frank Act and [Financial Conduct Authority rules](#) promise protection. As Francesca West, chief executive of whistleblowing charity Protect, says, “The [law] can only ever compensate for damage, and most whistleblowers would rather not be damaged at all.”

The changes required to make whistleblowing safer could be reasonably simple. Shifting the burden of risk may be all the remedy that is needed, in the opinion of Ms Halford-Hall. “If the law were to include custodial penalties against [managers] guilty of retaliation, it would only need one or two such cases for [retaliation] to become a non-issue.”

The lonely life of a whistleblower

When Howard Shaw, a detective sergeant in the Metropolitan Police, reported a senior colleague for allegedly cheating in a selection process, he expected that the officer would be disciplined. Instead it was Mr Shaw who was marched from the building on a meritless disciplinary charge, by the officer he had reported.

“Had it all come to pass, I'd have lost my job and pension after 28 years' service,” Mr Shaw says.

Signed off for stress, he later returned to another unit while the allegations against him were investigated internally. It was a lonely time.

“Colleagues blanked me and when I moved to the new department there was a presumption ‘this guy is under a cloud.’ From having lots of friends, suddenly I had none.”

Mr Shaw risked his savings to pursue a lengthy action through an employment tribunal. In 2010, the tribunal found that the officer he had reported and the officer he informed had colluded against him.

Though he received substantial damages, the sum barely covered his lawyer's fees.

Asked if he would whistleblow again, Mr Shaw, now a chief compliance officer at Joule Africa, a sustainable energy business, says “probably not” – the uncertainties are too great.

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