

Executive Summary

The FSU welcomes this Inquiry as an opportunity to take stock and gather some collective sense of where we are going and whom the industry should serve.

We believe that a combination of a clearer sense of vision for the industry, an investment in skills and customer service, and a proper balance between the needs of all stakeholders would provide the basis for a more efficient and effective financial system with the capacity to provide more meaningful job opportunities.

The effect on employment

Our central argument is that management responses to the pressures of deregulation have been oriented toward short term profit outcomes and that these responses have been detrimental to the long term interests of employees and the industry. We identify the key trends and argue that they are largely attributable to the focus on short term cost reduction strategies. These trends include retrenchments, a reduction in job security, increased labour market mobility and its implications for portability of skills, work intensification, productivity and the increase in part time work. Previous inquiries have made little or no mention of the effect on employment or employees. It is vital that this Inquiry fully considers the needs and concerns of those employed within the finance sector.

We argue that there is a clear need for greater management emphasis on building longer term productive capacity and the skills of the workforce if the industry is to serve the needs of customers in international and domestic markets. We recommend the establishment of an industry framework which will facilitate the development of a clearer vision, greater levels of investment in skill development and ensure that all stakeholders are involved in determining the future of the industry.

Recommendations

There is an urgent need for an industry wide consultative framework to be developed which will support the integration of new technologies, the development of international best practice, facilitate medium to long term planning, and enhance job security and the building of employees skills. The consultative framework should include government, industry, union and consumer participation.

There are a variety of mechanisms by which such a framework could be achieved. The Federal Government could establish a Finance Industry Consultative Council. The council, which would be constituted by industry, government, union and consumer representatives would be responsible for developing and managing a planned approach to the development of the industry.

Another potential mechanism is found in Section 133 of the Industrial Relations Act. This requires the Commission to encourage and facilitate the establishment and effective operation of consultative councils for particular industries. The Commission must encourage the participants in an industry to use the relevant consultative council to develop measures to improve efficiency and competitiveness and to address barriers

to workplace reform. This section has been used recently to form a grain industry council.

Whatever the mechanism adopted, it is vital that the following issues be addressed:

- the recognition and accreditation of skills and competencies to facilitate intra and inter industry skill mobility;¹
- medium to long term approaches to the development of the competitiveness of the industry;
- the development of a comprehensive policy approach to the problem of diminishing access to services;
- an analysis of the generic skills base required for a finance industry into the 21st century; and
- workforce planning, managing workforce diversity, and preferred employment policies.

The continuing trend of retrenchments requires that coordinated, cross industry approaches be developed in a range of areas, including:

- the social effects of retrenchments and support available to individuals affected by retrenchment;
- commitments and programs for retraining;
- the recognition and accreditation of skill and competency to improve skill mobility;
- the identification of alternative employment opportunities for displaced staff; and
- better notice of changes impacting on employment security and legally enforceable redundancy and redeployment agreements.

The FSU submits that the Committee should recommend that the Federal Government develop a transparent process for the assessment of the social impacts of any mergers/takeovers within the industry. This could be accommodated within the existing regulatory structure or within the consultative framework proposed. Such a process should consider factors such as the following:

- the impact on access to services within the community, particularly rural communities, older people, lower income consumers, and disadvantaged groups; and
- the employment effects of such a merger and the processes which the companies involved have put in place to prevent, avoid or diminish the eventual negative consequences of the merger for staff members.

Access to Services

The FSU argues that access to basic banking services is an essential part of full participation in the community. We are concerned about the trend to branch rationalisation which is having a significant impact on consumers' physical access to

¹ The Finance and Administration Industry Training Advisory Body Ltd is another industry wide forum which provides an opportunity to examine and to develop a consultative approach to the more fundamental questions of skills, training and career structures.

services. We see this trend as driven by the short term, profit oriented management approach identified in the earlier sections of this submission. The FSU argues that there is an urgent need for the Government to develop a comprehensive policy approach to the growing problem of access to privately provided essential services. The FSU also questions the extent to which branch rationalisation is even sound commercial logic.

Recommendations

The FSU recommends that this Inquiry consider and report on the social and equity implications of the current strategy of cost reduction through branch rationalisation by the major banks. There is an urgent need for the Government to develop a comprehensive policy approach to the issue of access to basic banking services. We reiterate the recommendation of the 1995 PSA Inquiry on this issue:

- Governments should directly address a comprehensive policy approach including the issue of Community Service Obligations to the problem of essential services provision to remote communities given the trends of rationalisation of privately provided services (including banking) and commercialisation and privatisation of many government services.²

The need for a competition regulator

We have previously presented evidence about the detrimental impact of mergers and takeovers on employees. In this section, we argue that the case for further concentration of the banking industry based on claims of scale economies and consumer benefit warrants careful scrutiny. A vital mechanism by which such scrutiny is applied, and should continue to be applied, is the regulatory framework provided by the application of the Trade Practices Act to financial services. The role played by the Australian Competition and Consumer Commission (ACCC) in assessing the effect on competition of mergers and takeovers is a pivotal part of this framework.

Recommendations

The FSU recommends that:

- The prohibition of anti-competitive mergers contained in the Trade Practices Act should continue to apply to financial services;
- The role which the ACCC currently performs in assessing the affect of a proposed merger on competition and in granting authorisations of anti competitive mergers based on public benefit grounds should remain a key feature of the regulatory structure of the finance sector;
- The requirement that the Treasurer approve any merger or takeover of a bank should be retained; and
- The current ‘six pillars’ policy restricting mergers between major banks and major insurance companies be retained.

² PSA, op cit, p. 256

The role of the Reserve Bank

The FSU argues that the Reserve Bank, under its current powers and obligations strikes the right balance between independence and accountability. While the FSU acknowledges the extent of convergence which has occurred in the financial services sector, we believe that there still exist sufficient differences to warrant separate supervisory institutions. The FSU argues that the most appropriate way to deal with the increased need for harmonisation and coordination across the various financial supervisors is through the enactment of formally defined powers and responsibilities for the Council of Financial Supervisors.

Recommendations

The FSU recommends that:

- The enactment of formally defined powers and responsibilities for the Council of Financial Supervisors is the most appropriate means by which to facilitate the high level of coordination needed between the various financial supervisors;
- The Reserve Bank Act should remain unchanged with respect to its independence;
- The Reserve Bank should retain its dual monetary policy and prudential supervision roles;
- The Reserve Bank provides high quality and competitive banking services to government and the provisions of the Act which support this should be retained; and
- Note Printing Australia has developed internationally recognised expertise and should therefore continue to be directly responsible for note design and production.