Section Two: Effect of Deregulation on Employment

2.1 Overview

> "Structural adjustment cannot fail to have a vast and direct impact on employment levels and, more generally, on labour market trends and developments. It affects in varying degrees the composition of the labour force, educational requirements, skill development, vocational training needs, work organisation, the location of occupational opportunity and ultimately wages and labour costs."[1]

This section examines the impact of deregulation on employees within the finance sector. It presents qualitative and quantitative evidence on the issues of concern to our members within the industry. Our members have borne the brunt of a massive industry restructure without the benefit of any industry development planning process and have a perspective which is not likely to be prominent amongst other submissions.

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.

2.2 Summary of Membership Concerns

The FSU has conducted a number of surveys of members over the last year.[2] These have consistently revealed high levels of concern about a number of issues relating to changes in the finance industry. The following points were the most commonly cited concerns:

1. decreasing staff levels and increasing pressure on remaining staff;
2. the lack of meaningful consultation by companies regarding workplace change;
3. the threat of forced retrenchments;
4. the threat of branch closures and rationalisation;
5. the negative effects of workplace changes on consumers;
6. the threat of mergers and takeovers;

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[1] Poloni, C. Structural adjustment: Biggest challenge for unions" ILO Labour Education, 1991
[2] See Appendix A for details of these surveys.

7. the increase in the amount of unpaid work;
8. shifts in job roles and responsibilities;
9. lack of adequate training especially for part time and casual employees; and
10. uncertainty of career paths and opportunities for promotions within the industry.

It is submitted that these concerns derive from the impact of particular management responses adopted by finance sector organisations to the competitive pressures arising from the deregulation of the finance sector.

2.3 Management Responses

> "The most successful business in the next 10-20 years will be those that best use the skills and talents of their staff. The most successful of these businesses will see themselves as creating the conditions in which their employees can make best use of their talents."[3]

The FSU submits that finance sector management has reacted to the pressures of increased competition, the globalisation of financial markets and deregulation by adopting strategies which are focussed on short term profitability. These strategies rely on:

- the maintenance of high levels of profitability in the short term;
- the restoration or increase of profitability through cost reductions;
- a concern with cost reduction through staffing;
- the use of technology to replace labour and reduce labour costs;
- the facilitation of flexibility in employment through the use of casual employees;
- the replacement of higher wage full time workers with lower wage part time workers;
- lower levels of investment in training, research and development;
- hierarchical organisational structures; and
- high rewards for managers relative to the general workforce.[4]

The trend to "short termism"[5] in management responses has certain negative impacts on employees within sector and these are detailed below. It is also counter productive to the aim of developing a responsive, competitive, flexible financial system which is well placed to develop services and markets into the next century. An emphasis on increasing profitability through short term strategies and cost reduction will not produce long term, sustainable benefits to employees, consumers or the broader community.

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[3] Enterprising Nation, Australian Manager of the 21st Century, 1995, p.37

[4] Hall and Harley, "The Australian Response to Globalisation: Domestic Labour Market Policy and the Case of Enterprise Bargaining", in Globalisation and its Impact on the World of Work, ACIRRT Working Paper, No. 38, November 1995

[5] This has been noted as a consequence of deregulation by Argy. He notes the narrow and short term focus of "financial market participants concerned solely with short term financial returns to investors" in the context of a discussion about the need for governments to balance this with longer term objectives.

A number of recent public statements from major institutions appear to have been made specifically for the purpose of short term improvements to share price by convincing stockmarket analysts that massive cost cutting was imminent. These imperatives are tending to reinforce the concentration on cost reduction regardless of the impact this may have on income generation and business growth.

The FSU submits that there is a need for management to adopt productivity oriented[6] responses which emphasise the long term development of the human resource capacity of finance sector organisations. Such responses would include:

- a long term focus on productive capacity;
- a tendency to restore or increase profitability through productivity development; increasing training, research and development;
- the integration of new technologies into a production process which capitalises on a highly skilled workforce;
- the maximisation of return on training and accumulated experience achieved through limiting employee turnover;
- employment security;
- improved management of workforce diversity; and
- participative structures and a collaborative approach to decision making.

In the Inquiry's consideration of the future direction and competitiveness of the finance sector, it is essential that management responses to the new operating environment are taken into account. We have witnessed a disproportionate focus on cost cutting, via substantial reductions in staff numbers through retrenchment and branch rationalisation strategies which reduce equity in community access to services. Adherence to a limited number of efficiency indicators, particularly the cost to income ratio, which has emerged as a predominant measure of efficiency despite its crudeness[7], has encouraged this shift. With costs more closely within the control of management, there has been a tendency to pursue unrelenting cost cutting even at the expense of income generation. As will be discussed later in this submission, some industry analysts have warned that some cost cutting strategies, such as branch closures, may not deliver savings and could well impact negatively on profitability.

The FSU submits that there is considerable cause for concern in this trend for the longer term interests of key stakeholders in the industry, including employees and the broader community. All of the key trends identified below can be traced to the adoption of profit oriented responses which sacrifice long term interests, and the interests of industry stakeholders to short term outcomes. This clearly demonstrates

[6] Hall and Harley, op cit. These authors argue that management responses in Australia can generally be categorised as profitability oriented or productivity oriented. At a national level, they categorise Japan, Germany, Austria and Sweden as productivity oriented and the US, UK, New Zealand and Australia as being profitability oriented.

[7] The cost to income ratio is critiqued in a paper by Harris. He points to (among other items) the cyclical nature of bank profits, the lack of a logical link between cost ratios and profitability and the difficulties of calculation. Harris, P. "The Lean Bank: Changes in the Structure and Organisation of Banks", Paper given to FIET World Bank Conference, Geneva, July, 1996

the need for a more coordinated, longer term and industry wide approach to these issues.

2.4 The finance sector in a deregulated environment

2.4.1 Employment trends

The trend in labour force size over the last five years has been one of decline. Between 1991 and 1996, there has been a -8.8 per cent decline in the size of the finance sector labour force.[8] Table 1 shows the relevant figures. While there was a period of growth between 1986 and 1991, the industry failures and rationalisation of 1991 set the tone for the next five years and has reduced the labour force size to its 1986 level or lower. With further rationalisation predicted, it is submitted that this decline will continue.

Table 1: Finance Industry Employment levels 1986-1996 (,000)

Industry	**1986**	**1991**	**1996**
Finance	208.6	224.4	190.7
Insurance	60.7	77.2	60.9
Services to Finance & Insurance	32.9	51.3	69.9
Finance and Insurance	**302.2**	**352.8**	**321.6**

Source: Australian Bureau of Statistics - Monthly Labour Force Survey (unpublished data)

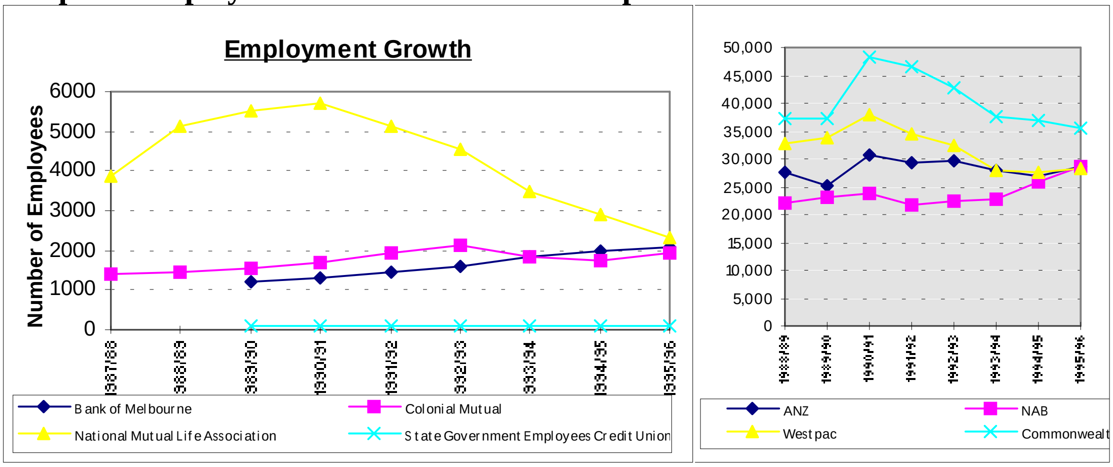
The classification 'finance' includes those employed in the various categories; central bank, deposit taking financiers, other financiers, and financial asset investors. There has been a decline of -8.5 per cent in the size of the labour force in this classification between 1986 and 1996.

In the classification 'insurance' which includes life insurance, superannuation funds and other insurance, there was growth between 1986 and 1991 (21.1 per cent). The labour force is this category is now very near its 1986 level after a -21 per cent reduction in labour force size between 1991 and 1996.

A substantial amount of the growth has occurred in the classification 'services to finance and insurance'. This category includes broking services, and other services not classified elsewhere such as trustee, nominee and advisory services. Over the period 1986 to 1996, there was a 112 per cent increase in the size of the labour force in this category.

[8] The finance sector for statistical purposes includes finance, insurance and services to finance and insurance.

Graph 1: Employment trends in selected companies



Source: Affirmative Action Statistics

The above graphs show the employment trends in selected banks and insurance companies. For the major banks, except NAB, it can be seen that employment levels peaked in 1990-91 and have since declined sharply. Westpac had 32,829 staff in 1988-89, peaked at 37,886 in 1990-91 and has now dropped to 28,164 in 1995-96. The Commonwealth had 48,345 staff in 1990-91 immediately after the takeover of the State Bank of Victoria. It has now reduced its workforce by -26 per cent to 35,623 staff.

The employment figures for the National Mutual Life Association fit the overall insurance trend of a peak in 1991-92 followed by a steady reduction over the last five years. The credit union shown, the State Government Employees Credit Union, has grown by a number of indicators[9] but has not increased the size of its workforce. This trend of asset and membership growth, without employment growth appears to be typical for credit unions over the past five years.

Predictions for the future of the sector vary. DEET (now DETYA) predicts an annual average percentage growth rate in finance and insurance of 2.5 percent in the ten years to the year 2005.[10] The National Institute of Labour Studies however, places finance and insurance within the category of industries now experiencing extended employment decline.

2.4.2 Retrenchments and Job Security

The International Social Science Survey 1995 found that the proportion of Australians feeling secure in their jobs fell from 73 per cent in 1990 to 57 per cent in 1994. This trend is also evident in the finance sector where membership surveys now consistently show a growing sense of insecurity. Whereas once the sector provided secure lifelong employment, there is a sense that "there is now no job security at all".[11] A study of employment relations changes in the retail banking sector showed that not only did staff no longer feel secure, but that senior executives were aware of the difficulties of

[9] Such as 9.4% increase in total assets, and 5,000 more members between 1995 and 1996, (KPMG, 1996 Financial Institutions Performance Survey)
[10] DEET, Australia's Workforce 2005, 1995. Note that this is predicated on assumption of five per cent unemployment.
[11] Comment from FSU survey conducted August 1996

building a strong sales and service culture in an environment where employees are fearful for their jobs.[12]

This insecurity is the result of the downsizing which has been underway in the finance sector since the early 1990s. This has been driven by management responses to increased domestic and international competitive pressures, deregulation and advances in technology. Many of these reductions in workforce size have been achieved by forced retrenchments. The graph below (Graph 3) shows the numbers of employees retrenched from the major banks between 1990 and 1996. The human costs of this for the people retrenched and their families cannot be over emphasised.

There is a growing body of evidence about the cost to organisations of downsizing. A prominent, previously fervent supporter of downsizing has recently stated “If you compete by building, you have a future, if you compete by cutting you don’t.”[13] An example from New Zealand shows that although staff numbers were reduced by half, labour costs were reduced by only 16 per cent.[14] The costs of training and severance payouts must be weighed against any ultimate cost reduction. A recent study found that while cuts had reduced labour costs and increased productivity, the benefits in these areas were not as great as had been anticipated. In addition, there was a price to be paid in the effect on morale and the commitment levels and motivation of remaining staff.[15] Over half of the companies involved in the survey reported lower morale, lower staff commitment and heightened concern over job security.

Graph 3: Retrenchments in major banks* 1990-1996

Source: Statistics collected by FSU from information provided by major banks
* Total retrenchments: 14,878
* Australian wide figures for ANZ, NAB and Westpac and Victoria only figures for Commonwealth

The FSU believes that the high levels of retrenchments and reduction of staff numbers through the early 1990s resulted in a deficit of key skills and competencies within a number of major institutions. Retrenchment programs were often overwhelmingly driven by a perceived need to remove as many staff as possible, rather than by effective analysis of the balance of skills required to effectively compete and respond to change in the future. Our observations suggest that it has subsequently proved necessary for a range of companies to rehire staff in exactly those areas affected by major retrenchment programs in order to regain those essential skills held by staff retrenched. For example, following the ANZ's "Project Core" retrenchment program in head office management and support areas, clear deficiencies developed in human resource, change management and other strategic capacities. The Bank has subsequently found it necessary to rebuild capacity in these areas through external recruitment.

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[12] Kitay J. and Rimmer M. “Australian Retail Banking: Negotiating Employment Relations Change” p. 21

[13] Stephen S. Roach, quoted in article cited above.

[14] Harris, P. “The Lean Bank: Changes in the Structure and Organisation of Banks”, op cit.

[15] Bi-national survey of companies in Australia and New Zealand, as quoted in The Age, 17 June 1996

The FSU submits that the employment effects of structural adjustment must be more effectively managed within the industry. The impact since deregulation has been managed on an adhoc basis to the detriment of the workforce, the community and the long term efficiency of the industry. 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 to programs for retraining;
- the recognition and accreditation of skill and competency to improve skill mobility; and
- the identification of alternative employment opportunities for displaced staff.

Case Study:
Sale of the State Bank Victoria to the Commonwealth Bank

The Commonwealth Bank purchased the State Bank of Victoria on 1 January 1991. At this time, the combined staffing total for Victoria was approximately 18,100 with 35 per cent employed in the Commonwealth Bank and 65 per cent employed in the State Bank. The Victorian retail network comprised 200 CBA branches, 60 services centres and 526 State Bank branches. The combined total was 786 and there were around 220 dual points of representation. In the period 1991-2, there were 1297 retrenchments.

The Continuous Improvement Program (CIP), a total restructure of CBA operations, commenced in 1993. This included the centralisation of back office work to operations centre and the establishment of loan processing, telephone customer service and business banking centres.

CIP implementation was delayed in Victoria to permit more time for the SBV integration exercise. The CIP commenced in Victoria in 1994 and concluded in August 1995.

The CIP resulted in an 18 per cent reduction in staff Australia wide. In Victoria, as a combined result of the sale and the restructuring, 301 branches closed, there were 3757 retrenchments and 7172 jobs were lost. At least 80 per cent of those who were retrenched were from the State Bank.

Retrenchments: Commonwealth Bank / State Bank Victoria
1991-1996

Total: 3757 (Victoria only)
***Combined result of sale of SBV to CBA and restructuring program**

For FSU members employed in the State Bank the main issues at the time were:

- concern about the rationalisation of operations and branch closures;
- fear of job losses, particularly forced retrenchments;
- fewer career and promotional opportunities available;
- a reduction in banking services in the community;
- a greater concentration of power in the hands of fewer banks; and
- a diminution of role which the SBV had played in the provision of housing funds to Victorians.

The extent of concern was reflected in the number of members who attended stop work meetings, being upwards of 5,000. There was considerable anger at the CBA’s failure to honour commitments that there would be no compulsory retrenchments resulting from the sale.

Consumer anger and discontent at the loss of their regional bank was evident in the closure of up to 10,000 accounts a month. An examination of Victorian market share statistics shows that prior to the sale, the Commonwealth had 10 per cent and SBV, 30 per cent.[16] In August 1991, the CBA had 29.8 per cent of the lending market in Victoria. The Bank’s market share has been steadily declining since then and it is currently at 23.3 per cent.[17]

2.4.3 Future Takeover or Mergers

The threat of future mergers or takeovers was high on the list of issues of importance to our members. Comments such as “If the major companies can merge and takeover, forced retrenchments will be inevitable” were common, indicating the level of concern and sense of insecurity which employees in the industry are feeling. Employment in

[16] “State Bank branches face closure” The Sunday Age, 1 December, 1996
[17] source: Victorian Lending Marketshare, figures obtained from McIntosh Baring, September 1996

the industry is concentrated in the major banks and the leading life offices. Research[18] suggests that 35,000 jobs would be lost as a result of an amalgamation process which created only two major banks.

While mergers and takeovers are driven largely by financial considerations, it is actually the human resource aspects which are important in determining the success or otherwise of the merger. Case studies of mergers in Europe[19] show that the development of a social plan and the guarantee of no forced departures can be a vital element of the process. In one of the mergers[20] studied, the objective of the social plan was explicitly to "prevent, avoid or diminish the eventual negative consequences of the merger for staff members."[21]

The case study of the sale of the State Bank of Victoria to the Commonwealth Bank (see previous page) shows clearly that the negative consequences for staff were the nearly 4,000 retrenchments over a five year period, the loss of job and career development opportunities and the concern about reduction of banking services for the community. The market share statistics suggest the sale did not necessarily deliver to the Commonwealth Bank the market share they might have expected. In the process a great deal of the skill and expertise of staff was lost.

A recently conducted survey[22] of members previously employed in the Bank SA (which has merged to become part of the Advance Bank Group) shows very high levels of concern about the impact on staff of new developments and restructuring. A total of 80 per cent of staff were concerned about the security of their employment, 89 per cent were concerned about branch closures, 95 per cent about staff reductions, 88 per cent about reduced job opportunities and 93 per cent about the impact on staff morale.

This submission will later present evidence casting substantial doubts on the capacity of mergers to achieve greater efficiency through scale economies, to contribute to profitability or to provide benefits to consumers. The evidence that there are no clearly definable benefits to be derived from mergers, combines with the evidence of significant potential for job losses and employee uncertainty. The FSU is extremely sceptical of the assertion that there is any public benefit to be gained from mergers and takeovers. We therefore support the retention of the current 'six pillars' policy.

If the Inquiry is to pay due regard to the human as well as economic consequences of it recommendations, it must give full consideration to the social implications of yet another massive reduction in the finance sector workforce. and reduction in consumer access to services.

2.4.4 The changing finance sector workforce

[18] McIntosh Baring, Australian Banks A ready reckoner, July 1996
[19] European Commission: Survey on the impact of bank mergers at a European level on the management of human resources, Sema Group, Belgium, 1996
[20] ABN-AMRO
[21] Ibid, p. 16
[22] FSU Survey of Advance Bank Group, August 1996. Total number of responses was 916.

One of the most significant changes in workforce participation has been the increase in women's participation which has risen from 51 per cent to 62 per cent in the last 15 years.[23] This trend can be expected to continue. There are currently more women than men employed in the finance industry. Table 2 provides a breakdown of the industry by occupation, gender and full time or part time status. The under representation of women in the managerial and professional occupations is apparent.

Table 2: Finance and Insurance Workforce Demographics (,000)

Occupation	Male F/T	Male P/T	Female F/T	Female P/T	Persons F/T	Persons P/T	Total
Manag/Admin	**29.3**	**0.8**	**9.1**	**0**	**38.4**	**0.8**	**39.2**
Prof/Para Prof	**24.7**	**1.2**	**13.2**	**1.1**	**37.9**	**2.3**	**40.2**
Clerks	**40.6**	**2.2**	**77.8**	**22.1**	**118.4**	**24.3**	**142.7**
Sales/Personal Service	**38.6**	**3.5**	**28.3**	**23.3**	**66.9**	**26.8**	**93.8**
Trade/Plant and Labourers*	**3.5**	**0**	**0.7**	**1.6**	**4.1**	**1.6**	**5.7**
Total	**136.7**	**7.7**	**129.1**	**48.1**	**265.8**	**55.8**	**321.6**

Source: ABS - Monthly Labour Force Survey (unpublished data) May Quarter 1996

* ASCO classifications 'Tradepersons', 'Plant and Machine Operators and Drivers', 'Labourers and Related Workers'

The following table (Table 3) shows the growth in part time employment in finance and insurance between 1986 and 1996. In finance, the proportion of part time to full time has grown from 9.5 per cent in 1986 to almost double that figure (18.3 per cent) in 1996. The proportion of part time employees who are women remains fairly constant between 87.3 per cent in 1986 and 92 per cent in 1996. For insurance, the proportion of part time employees is lower but still increases over the period and again, women account for over 80 per cent of part time workers.

[23] ACOSS, A future that Works for All of Us, The Final Report, Commission for the Future of Work, May 1996, p.22

Table 3: The growth in part time employment in finance and insurance (,000)

Part Time Employment	1986	1991	1996
Finance	(,000)	(,000)	(,000)
Males	2.5	2.3	2.8
Females	17.4	25.4	32.2
Total part time	19.9	27.1	35.0
Part time as % of total employment	**9.5 %**	**12.0 %**	**18.3 %**
Female as % of part time	**87.3 %**	**93.7 %**	**92.0 %**
Part time female as % of lower grades*	figures not available	**93.3%**	**94.4%**
Insurance	(,000)	(,000)	(,000)
Males	0.7	0.7	1.2
Females	3.9	6.8	7.3
Total part time	4.6	7.6	8.5
Part time as % of total employment	**7.5 %**	**9.8 %**	**13.9 %**
Female as % of part time	**84.7 %**	**89.4 %**	**85.8 %**
Part time female as % of lower grades*	figures not available	**80.8%**	**94.5%**

Source: Australian Bureau of Statistics - Monthly Labour Force Survey (unpublished data)
* ASCO classifications ‘clerks’ and ‘ salespersons and personal service workers’

There is considerable debate about the extent to which part time employment is supply or demand driven.[24] It is clear, however, that on the supply side, the use of part time employees in growing numbers is part of a management strategy to reduce costs and to enhance narrow, numerical flexibility. This has been pursued at the expense of genuine reciprocal flexibility in hours and skill development. On the demand side, many employees embrace part time work as a means by which work may be balanced with other, often family, responsibilities only to find that by so doing, they are sacrificing status and career opportunities.

There is considerable dissatisfaction among FSU members with aspects of part time work within the finance sector. Recent surveys[25] of part time employees found that 40 per cent were dissatisfied with their current contracted hours (the majority working too few hours), 66 per cent were concerned about the adequacy of their training and 57 per cent were dissatisfied with the career prospects available to part time employees. A 1990 study found that part timers resignation rate was almost double that of full time employees.[26] This does not seem to have changed. Resignation figures[27] for the

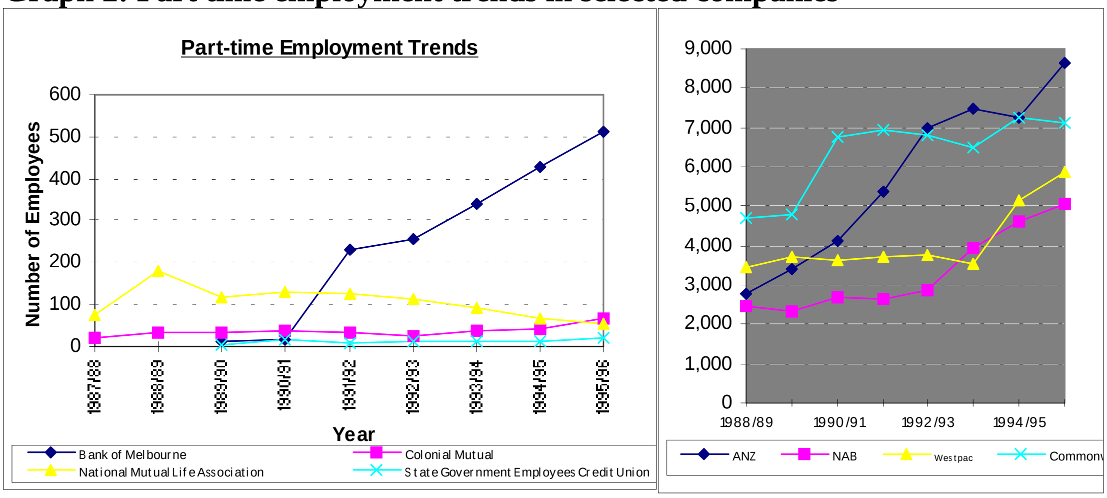
[24] see for example Future Labour Market Issues for Australia, EPAC, Paper no. 12, July 1996
[25] Surveys undertaken by the FSU in Westpac in August 1995 and ANZ in April 1996
[26] Alexander and Frank, “Award Restructuring and Part-time Work in Banking”, DEET, 1990
[27] Statistics obtained as part of monthly reports from ANZ to FSU - July and August 1996

retail banking division of a major bank show that 107 full time employees and 214 part time employees resigned over a two month period in 1996.

Part time work in the industry is almost exclusively low status, involves minimal staff training and development and no career path or progression beyond the lowest grades. Table 2 shows that in finance in 1996, 94.4 per cent of women part time workers are employed as clerks or sales and personal service workers. For insurance, again in 1996, the percentage of part time women in these lower grades is 94.5 per cent.

This is despite various enterprise bargaining agreements in which the FSU has addressed the issue and won employer agreement to introduce initiatives aimed at ensuring adequate training and opportunities for career progression for part time staff. At the same time there is minimal commitment in the majority of finance sector organisation to meeting flexible work needs of full time staff. The result is that finance sector staff seeking to balance work and family demands (predominantly women) via flexible work arrangements must sacrifice status and career progression to achieve it.

Graph 2: Part time employment trends in selected companies



Source: Affirmative Action Statistics

In the face of the future demographics of the labour force in Australia this failure of the industry to develop work arrangements to meet the needs of the workforce while also investing in their training and development to ensure that a pool of talent is available for the future, points to major strategic deficiencies resulting from the current short term cost focussed approach to management of finance sector organisations. These deficiencies have significant implications for the future international competitiveness of the industry.

The FSU has also observed increasing interest from employers in the industry in substituting permanent part time and full time employment arrangements with more precarious forms of employment. Increasing numbers of casual and agency staff are being utilised. The Union is concerned that staff employed under such arrangements may have less access to training and skill development and face less predictability in hours and income security. If such employment arrangements expand significantly, this may have a detrimental impact upon customer service and the ability of the industry to effectively adapt and manage change, as well as reducing the opportunities available for permanent staff

2.4.5 Employee Turnover/Labour Mobility

The shift from the use of internal labour markets in which skills and knowledge may be developed over time to a more mobile labour force within the finance sector demonstrates a need for the industry to adopt a different approach to training and skills development. The usual figure cited as standard employee turnover for the insurance industry is currently around 20 per cent and a similar figure is standard for banking. The graph below (Graph 3) shows that 24 per cent of employees in the finance sector had been in their current job for less than one year. A further 8.5 per cent had been in their current job for between one and two years.

High levels of staff turnover and mobility have a number of costs. These are[28] a reduced value in providing training, an undermining of the accumulation of experience, and a reduction in the commitment and motivation of employees if the employment relationship is seen as transient. There may be significant costs (such as appointment and training processes) for both employees and employers.

[28] Future labour market issues for Australia, EPAC, p.85

Graph 3: Duration of current job

Source: Australian Bureau of Statistics, Labour Mobility, Cat. No. 6209.0

While job mobility is high, according to recent ABS figures, 71 per cent of employees within the finance sector who changed jobs during 1995 changed to another job within the same industry.[29] In the face of these figures, there is a clear need for the industry to develop infrastructure which supports the development of accredited, portable skills and competencies. Industry wide competency standards assume a fundamental importance in a mobile labour market and the interests of the industry, the workforce and the community are best served by a focus on ‘employability’. The process of developing competencies is underway in insurance but so far the major banks have been very resistant to involvement. Continued resistance will be to the detriment of employees and the industry in the long term.

2.4.6 Work Intensification

One of the most consistently reported concerns among staff employed in the finance sector is work intensification, with staffing reductions accompanied by unchanged expectations of both complexity and volumes of output. FSU membership[30] surveys conducted late last year reveal that staff shortages and inadequacy of relief for absences were endemic throughout the sector and are a particular concern for FSU members in front line customer service functions. Staff report high levels of frustration at not being able to deliver the high quality service to which they are committed. The amount of unpaid work within the sector is also increasing and has been a major concern for members.

- “ ‘Staffing for service’ should be called staffing for profit. More work, less people, less pay.”
- “Decreasing staff levels bring fatigue, stress, low morale, affects the health of workers and office morale.”
- “We work hard for customer service; it’s getting harder.”

The frustration underlying these comments is patent. The Bank SA/Advance survey discussed previously shows overwhelmingly the effects of persistent staff shortages. A total of 95 per cent of respondents agreed that staff shortages resulted in increased pressure on colleagues, 89 per cent said it compromised service delivery, 55 per cent that it increases staff turnover and 87 per cent agreed that it caused damage to morale.

It is submitted that the pressures of work intensification contribute to employee turnover and dissatisfaction, have a detrimental effect on service delivery and leave the industry as a whole ill equipped to build long term sustainable competitiveness based on innovation, service quality and functional flexibility.

2.4.7 Productivity

[29] Labour Mobility, ABS Cat. No. 6209.0
[30] See Appendix A for details of surveys

"Enhanced productivity and innovative capacity in any enterprise depend on two groups of people - employees and managers"[31]

It has long been recognised that improvements in productivity are vital to the capacity of Australian enterprises to deliver sustainable international and domestic competitiveness. Australia's productivity growth has been slower than other OECD countries and in 1995 was ranked 13th in productivity growth ratings. The difficulty of measuring productivity in the services sector, and banking and insurance in particular, has been noted. Limitations in the construction of production data mean that currently the Australian Bureau of Statistics is unable to measure labour productivity for finance and insurance.

However, research using personnel costs as a percentage of assets as a productivity measure shows that Australian banks are currently 'best practice'[32] and there has been significant productivity growth in recent years. Productivity studies show that slower adoption of innovative processes, products and services, and lower management aspirations will impact on productivity. Industries with the highest productivity tended to have the highest employment growth.[33]

At their best, productivity measures in the finance industry are crude. Over the short term, productivity can be rapidly improved by reducing staff numbers. However, this is unlikely to result in sustained productivity or profitability, especially if points of representation or levels of customer service suffer as a result.

A more durable pursuit of productivity rests in the capacity to increase the skill of the workforce and to effectively incorporate new technologies.

While successful application of this approach can be identified in some finance sector organisations, the industry's disproportionate focus on costs at the expense of investment, and the failure of organisations to articulate more effective ways of performing work, mean that these examples remain the exception.

2.5 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

[31] Enterprising Nation, Report of the Industry Task Force on Leadership and Management Skills, April 1995, xiii
[32] McIntosh Baring, Australian Banks: An International Comparison, August 1996
[33] Future Labour Market Issues for Australia, EPAC, Paper no. 12, July 1996, p. 26

representatives, would be responsible for 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;[34]
- 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

[34] 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.

- 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.