

Finance Sector Union of Australia
Submission to Inquiry Into The Australian Financial System
September 1996

Section One: Overview

The Finance Sector Union represents the interests of employees in the finance industry. There are 110,000 FSU members employed in banking, insurance, building societies, credit unions, trustees and woolbrokers.

Our knowledge of the industry and the experience of our membership provides FSU with a perspective that is not likely to be prominent amongst other submissions to this Inquiry.

Our contribution is fuelled by a commitment to the ongoing viability of a robust finance industry that builds on the skills of its workforce to effectively serve the needs of customers in domestic and international markets.

The Union makes its submission, in particular, to the following Terms of Reference:

- the efficiency of the financial system including its international and domestic competitiveness; and
- the economic effects of deregulation on growth, employment and savings.

Many Stakeholders

The underlying theme of our submission is that consideration of the governance of the finance industry must take account of the needs of all stakeholders.

As representatives of employees in the industry, the FSU is acutely aware of the need to improve the productivity and profitability of our industry. As providers of service, FSU members are also well placed to take account of the needs of customers and the community more broadly.

Our hope is that the needs of employees as the potential source of productivity improvements and as providers of service are not neglected by this Inquiry.

Outline of the FSU's Position

- Our submission records our observations about the impact of deregulation of the finance industry during a period of globalisation and increased competition. We provide a profile of the employment changes that have occurred since deregulation and contend that much of the impact is yet to be felt. We argue that most participants in the industry have no clear view about the future “shape” of the industry or the appropriate technological platform to serve customers needs.
- We document the considerable pain experienced by FSU members as a consequence of widespread retrenchments and downsizing since 1991 and reflect on the impact of the dramatic shift in the mode of employment across the industry from full-time to part-time

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and casual. We argue that the productivity improvements to which are members have contributed have been significant and are ongoing.

- We characterise the mood of management across the industry as having a disproportionate focus on short term cost reduction, at times at the expense of the capacity to generate income. In particular, we contend that the often proclaimed commitment to customer service is often not matched by an investment in skills or a recognition of the value of the various distribution channels.
- We believe that the debate in the lead up to the Inquiry has been hijacked by a focus on the industry's cost structure at the expense of commitments to either improved customer service or to the workforce.
- In considering banking services, in particular, we argue that access to basic banking services is essential for full participation as a member of the community. While not arguing that banks form part of the welfare system, we believe that access has a geographic, physical and price component, and that any changes in the system that impact upon these must pay proper regard to the need for universal access.
- In relation to the consolidation of ownership across the industry we believe an adequate case has not been made. From the perspective of the community and FSU members, it would appear to be a case of the potential for a great deal of pain with no certainty of gain. This is particularly the case among the major four banks and AMP and National Mutual. We present evidence which illustrates some of the likely impacts of a "mega-merger" and which casts doubt on the benefits to be gained. The FSU supports the retention of the current 'six pillars' policy, as well as the current application of the Trade Practice Act to financial services. We argue that the retention of a strong, independent competition regulator is vital.
- The impact of takeovers on pricing and service levels particularly in rural areas is yet to be tested. The impact on employment will be devastating. FSU therefore believes any consideration of a greater concentration of ownership in the finance industry must be able to withstand scrutiny by consumers, the community and employees in order to be considered viable and worthwhile.
- With regard to the broader regulatory and prudential requirements of the system, the FSU can identify no alternative to the current arrangements which would justify the substantial risks associated with a change in the short term. In particular, the roles of the Reserve Bank and ACCC should not be diminished. Clearly this position will require ongoing consideration given that the industry is evolving in ways in which none of us can currently predict.

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.

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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.