

2. BASIC DEVELOPMENTS IN THE BANKING SYSTEM

2.1. General Developments

For a long time the financial system has been before a crucial crossroads with regard to strategic choices, rapid changes and extensive rearrangements.

International trends, new facts and subsequent changes are seen and have an impact on multiple levels.

The most significant of these are outlined in TABLE 1.

TABLE 1

BASIC DEVELOPMENTS IN THE BANKING SYSTEM

| SECTOR OF DEVELOPMENTS | THE MOST SIGNIFICANT TRENDS |
|--|---|
| Economic and technical organisational framework, strategic choices | <ul style="list-style-type: none"> • Intensification in competition also on the basis of new elements of competitiveness. • Re-examination of the geographical layout and of the manner in which the financial markets can develop-expand. • Gradual deregulation through a fading away of the state restrictive arrangements, liberalisation of the international movement of capital, consumer credit et al. • Increasing desintermediation, where the role of the Banks is gradually by-passed or complemented by the capital market and off-banking enterprises which are now in a position to offer financial and investment products. • Strategies for a fragmentation of markets, for specialisation and for a selective management in products and customers. • Continuously expanding new technologies applications in the sector (automation in transactions, information integration, electronic money etc.). • Reengineering, restructuring, mergers, outsourcing. • Adopting integrated policies at Group levels. • Concern with regard to the optimum form and suitable size of "flexible banks" under modern conditions (a small and selective one or a "financial Super Market?"). |
| Relations with customers | <ul style="list-style-type: none"> • Intense competition in order to attract and overall develop customers who are less loyal and standardised but more demanding in relation to the past. • A new approach to banking services the axis of which will be the customers, where there will be a hierarchy and classification of customers and an aim for a correspondingly adapted-personalised satisfaction of their needs. • A competition in innovations with regard to the proposed banking products and services. • A changing in profile, relocating and general restructuring of the points of sale. • A changing in the labour model, where the emphasis will be laid on more independent, innovative and creative |

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| | <p>employees-associates consultants-salesper sons; it will be a model incompatible to a traditionally bureaucratic, profoundly hierarchical, administrative culture and practice.</p> |
| <p>Ways to enhance/develop</p> | <ul style="list-style-type: none"> • Fragmentation-formation of selective Human Resources impermeable areas in the “internal labour market”. • Creation of obstacles in the traditionally unobstructed upward (usually on the basis of seniority) evolution of employees in the service hierarchy. • Abolition of traditional procedures and standardised “automation” with regard to Human Resources management. • Search for new selective incentives and conditional benefits in order to instigate employees. • Lack of correspondence between the existing competencies and the skills, knowledge and competence required under the new conditions. • Appearance of new labour and relation forms, which are connected with the development of “cybernetics” and information networks (e.g. working from a distance-“tele-travail”). • Emphasis on the oriented vocational training/education which both form an in tegral part of Human Resources Management. • A diversified and, consequently, more complex human resources management, something which requires new tools and infrastructure with regard to Administration as well as a different mentality on the part of the cadres. • A need for modern more horizontal Human Resourceshierarchical structures having integrated information, something which will promote group communication and labour. • A conflict between the established administrative mentality and labour culture, and the developing culture of collectivity and creative thinking. • An increasing importance with regard to those cadres and employees who have a capacity to develop specialised knowledge- information. • A correctly trained, instigated and polyvalent human force constitutes a fundamental comparative advantage for the Bank. |
| <p>Labour relations in the sector</p> | <ul style="list-style-type: none"> • Labour relations were marked by significant social conquests, a great institutional coverage and an effectiveness in collective mobilisation. • Now both sides (employers-trade unions) are called upon to represent diversified interests and to deal with: • complex problems requiring immediate, documented and as far as possible jointly acceptable solutions, particularly in the sectors of preventive Human Resources management, protection of employment, training and re-training, development of polyvalence- |

qualitative flexibility of employees etc.;

- a profound uncertainty with regard to developments and to the consequences caused by the choices made by them.

The continuous challenges on the type, extent, direction and consequences of the changes already under way or those expected to occur in the future, place the Administrations in the Banks as well as the collective representation of employees in the sector before new and complex problems and tasks.

A significant number of these pertains to employment and its evolution from a quantitative as well as qualitative aspect, as we shall see furtherdown.

2.2. General trends in employment in the Banking sector

TABLE 2

EMPLOYMENT IN BASIC EUROPEAN COUNTRIES (data from the research effected by OTOE-HBA in trade union and employers organisations, 1996)

| COUNTRY | NUMBER OF BANKS IN THE SECTOR (1995) | EMPLOYED IN THE SECTOR (1995) | EVOLUTION IN EMPLOYMENT - 1990-1995 |
|----------------|---|--|-------------------------------------|
| GERMANY | 300 commercial 3,500 savings banks & co-operative banks | 760,000 (235,000 comm. 340,000 saving 185,000 co-op.) | +11.78% (includes total country) |
| FRANCE | 611 400 (trade union) | 385,000 250,000 (trade union) | -6.28% (1990-94) |
| SWEDEN | 92 114 (trade union) | 45,000 | -20% |
| IRELAND | 6 (commercial) | 23,000 (25,000 trade union) | +7.94% |
| UNITED KINGDOM | 300 | N.A.?? | -9.6%(OECD data) |
| BELGIUM | 145 146 (trade union) | 76,133 76,500 (trade union) | -3.42% (1990-93) |
| SPAIN | 307 219 (trade union (52 savings banks 167 other) | 145,250 (1996) -147,452 (except savings banks) -82,000 savings banks (trade union) | -12% |
| NETHERLANDS | 86 85 (trade union) | 105,500 102,000 (trade union) | -9.33% |
| SWITZERLAND | 410 | 110,000 | -4.94 (1990-94) |
| AUSTRIA | 1,041 | 72,963 | +3.69% |
| ITALY | 1,501 (900-950 according to trade unions) | 348,100 325-330,000 (trade unions) | +4.21% (1990-94) |
| PORTUGAL | 46 57 (trade union) | 59,065 59,614 (trade union) | -1.01% (1990-94) |
| NORWAY | 153 | 24,000 | -25% |
| CYPRUS | 11 | 1,000 | N.A.?? |
| GREECE | 67 (including the 18 co-operative banks) | 52,000(excluding estimated at over the co- operative + 12%, banks) | |
| DENMARK | 202 | 54,000 | -14,8% |
| LUXEMBURG | 223 | 15,756 | +12.27% |

According to the developments in most European countries, the re-organisation of the Banks produces trends for:

- a reduction in employment in supporting jobs and back-offices in the Banks and an increase in the jobs of direct transactions with customers (front-offices). This strengthens the need to have a polyvalent-flexible labour force, which, however, should have a high time availability and a qualitative and

geographical flexibility;

- assigning-outsourcing works of maintenance, security, cleaning, handling of securities, material and money to other enterprises; also developing new forms of working from a distance (telebanking, phone banking) which raise serious problems with regard to conditions of work and institutional coverage-protection of labour rights regarding those employed in them.

- increasing the number of medium cadres and specialised cadres (experts on Information, Personnel Administration, Financial management, enterprise designers etc.); and this, in parallel with the effort made by Banks to improve their computerisation and organisational structures and to rely on new products and services suitably diversified-adjusted to the needs of the customer;

- an increase in employment in the Banks' affiliated companies which are connected with banking business, especially in new sectors where financial services are rendered (mutual funds, portfolio investments, insurance, leasing, factoring etc.). Partly, this increase is a result of outsourcing activities and shifting-relocating of personnel, especially cadres, employed in the Bank leading the Group, but also of hiring new personnel. This trend puts on the table the need for an effective and uniform collective labour coverage also for these employees.

The aforementioned shows that, in addition to the need to secure jobs from the standpoint of quantity, the problem of protecting employment in the sector is mainly raised in terms of quality.

Namely, it is raised in relation to:

- the suitability of knowledge, labour skills and experiences in the continuous development that banking works and skills undergo;
- the requirements raised in modern banking jobs with regard to knowledge, desirable professional conceptions, initiatives and behaviours.

It is raised, also, in relation to the more general status, the institutional provisions and stability of employment in view of the new forms of "flexible employment" which characterise the international experience in the sector (tele-travail, part-time employment, temporary employment, employment in satellite enterprises etc.).

The basic evolution factors in banking employment and the role they have played until now are presented briefly in Table 3.

TABLE 3

EVOLUTION FACTORS IN BANKING EMPLOYMENT*

FACTORS

ROLE - SIGNIFICANCE

| SECTOR OF DEVELOPMENTS | THE MOST SIGNIFICANT TRENDS |
|--|--|
| Institutional liberalisation in the banking market | <ul style="list-style-type: none"> • Positive with regard to employment for as long as the market is developing. However, under conditions of institutional liberalisation of Banks, employment becomes particularly vulnerable to speculative attacks, credit crises and instability in the banking system. • When seen from a long-term standpoint, liberalisation plays a negative role, particularly among commercial and housing Banks. |
| Globalisation | <ul style="list-style-type: none"> • In countries where there is a developed banking system and an upward course in development, it plays a positive role. • In the other countries there is a small impact, particularly among commercial Banks where the role of national factors and conditions remains the most significant factor |
| New Technologies | <ul style="list-style-type: none"> • A highly negative impact (labour is substituted by capital) in most countries. |
| Labour Cost | <ul style="list-style-type: none"> • A negative, but not statistically significant impact |

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| | on employment. |
| Increase in profitability | • A positive, but not statistically significant impact on employment. Labour appears as a relatively fixed factor in relation to the high variability in the profitability attained by Banks. |
| Production (Added Value in fixed prices) | • A positive and statistically significant impact on employment. |
| Productivity (Added Value per employee) | • A negative and statistically significant ratio. Perhaps it is the more significant negative factor with regard to the evolution in banking employment under modern conditions. |

The above analysis clearly shows that, in the immediate future, serious pressures are imminent to also reduce the labour force already employed due to:

a) re-arrangements in activities, restructuring-mergers, reductions in operating cost as well as a speeding-up in the application of automation and integrated systems of information; all these increase the substitution of labour by capital and the overall productivity in the Banking Sector.

b) the EMU which is expected to have significant (and directly the greatest possible) repercussions in terms of cost, internationalisation - conditions of competition, employment and pressures upon the existing status in labour relations.

With regard to employment, at first a temporary increase in labour needs is expected, in order to adapt the administrative-transaction systems in the banks to the Single European Currency, the Euro. During the next phase in the application of the Euro, a serious restriction is anticipated in the needs for personnel (mainly in the sectors of exchange-portfolio management, investment and foreign transactions), but also in the personnel employed in Central Banks.

In general lines, it is considered that the expected intensification in restructuring, in attempting to cutback wage costs and in making the existing labour relations flexible and deregulated in the field of Banks will cause serious problems and frictions in labour relations.

2.3. Content of labour, terms for professional evolution

and development

In general lines, we can say that the "classic labour model" dominant until now is gradually but steadily changing.

A greater significance is attributed to the polyvalence, continuous updating, renewal of knowledge, labour independence and initiative, high negotiating ability and to the adaptability of employees to the continuously changing conditions of production and labour.

At present, innovative, creative and independent associates/consultants/talented salespersons for modern banking products and services are sought rather than administrative clerks and cadres who will be obedient, officially formal but of "limited liability and initiative".

This new labour model

- will nourish new inequalities or polarisation between the different categories of Bank employees;
- will create competition between the bank cadres who develop in a classic manner on the basis of seniority and experience, and their new degree-holder colleagues who are specialised and eager to develop;
- will intensify the lack of correspondence between the standard centralised bureaucratic-hierarchical structures in the older Banks and the requirements of modernisation and the characteristics of the new labour model which the Banks themselves state that they need;
- will lead to new conflicts with established interests and antiquated practices which should be overcome in order to achieve the necessary business and administrative flexibility, decentralisation, horizontal co-operation, collectivity, incitement and participation;
- will lend particular significance to modern systems for the diagnosis of educational needs, training, enrichment of labour, systematic planning regarding vocational mobility and careers.

The pressures caused by the technical-organisational changes are expected to intensify in the immediate future. They will create significant quantitative and primarily qualitative problems with regard to rearrangements and protection of banking employment. Therefore, they command to promptly elaborate and negotiation on the basis of documented policies on all the dimensions of labour relations.

Among them, protection of employment constitutes already and will continue to constitute in the future an issue of particular significance and immediate priority to the social interlocutors; this will enable them to deal with labour developments, in their quantitative and qualitative dimensions, in a documented and systematic way.

If we accept that the most significant trends, concerns and developments in the sector are as outlined above, under the present conditions we can only accept also the particular usefulness of the following:

- the development of integrated information systems and methods for a preventive Human Resources management;
- the adoption of modern methods for predicting quantitative and qualitative developments in employment;
- the formation of suitable sectoral infrastructures nationally and internationally documented with regard to labour developments, training and diagnosis of educational needs;
- the search for jointly acceptable facts, points of reference and documented applications in order to promote social dialogue in the sector on issues of protection of employment, education and training.

At present, what is required more than ever before is initiative, creative thinking, ability to have an essential communication and dialogue with employees, familiarisation with modern technology, modern information and administration techniques.

The social interlocutors (employers-trade unions) are called upon to play an essential role in handling changes; to act jointly in elaborating integrated policies, and to creatively incorporate the "human factor" into the overall strategic planning effected by the Banks, into the institutions and practices which are in force in every country regarding collective bargaining in the sector and in every enterprise.