CHAPTER 5: IN SEARCH OF BEST PRACTICE

5.1. Overview and National Cases

This chapter aims to compare the national social dialogue practices in the banking sector restructuring that are presented in the previous chapters. It should be noticed that the comparative analysis and evaluation could only be completed after the analysis and evaluation of the questionnaires results. However, the presentation of social dialogue practices that were introduced during the restructuring processes in the banking sector of the countries under examination allows to draw some preliminary conclusions on similarities and dissimilarities that provide the framework for social dialogue practices.

First of all, it appears that the consolidation of national banking sectors through mergers and privatisations has been identified in processes that have developed in parallel trends in most of the EU countries and the two candidate countries. The Dutch and Spanish banking markets, have undergone radical consolidation and may be considered as the frontrunners in this process. The Italian banking market follows and then come the Greek and Portuguese markets with lower degrees of consolidation but with important mergers of publicly controlled banks along with privatisations. The smaller markets of Cyprus and Malta also follow the trend of restructuring and consolidation and it is noteworthy that they are both dominated by private banks. As the major Dutch mergers have occurred early in the 1990s, the most important cases of M&A activity in European banking of the countries under examination for the period since 1998 are those of the Banco Bilbao Vizcaya that acquired Argentaria Caja Posal y Banco Hipotecario in Spain, and the take over of the Banca Commerciale Italiana by the Banca Intesa in Italy. It is also noteworthy that in the majority of the countries under examination the restructuring process is mainly due to within-country mergers. Cross-border merger and consolidation remain rare, with the exception of the takeover of a Portuguese bank by the second Spanish bank and the increasing Dutch presence in Belgium. If the developments in the Nordic countries banking system can be considered as indicative of forthcoming trends in the EU banking sector, then there are signs that cross-border mergers are in the way. In September of 1999, Sweden's Sparbanken attempted acquire Denmark's FIH and Enskilda Securities of Sweden announced an alliance with Drueker & Co. of Germany.

The analysis of the social dialogue practices identified national candidates for best practice that should be evaluated also against the employees views.

In Spain the established procedure for regulation of the employment relations impact of mergers and restructuring, summarised in the practice of social protocols that lead to collective agreements, and the resulting harmonisation through improvements in employment relations towards the better denominator can be considered a case of best practice.

In Italy the case for best practice based on social dialogue can be traced in the formation and operation of the redundancy fund that assists banking sector employees to early retirement through voluntary redundancies and the remaining banking sector employees to secure adaptability and employability through the provision of training.

In the Netherlands the employability agreement at ABN Amro is an important case of best practice of regulation of banking sector restructuring through social dialogue.

In Portugal it has been a difficult task to identify clear cases of best practice as the social dialogue practices are rather weak and at the national-sectoral level are literraly missing. Hoever, the continouity of collective bargaining at the company level at the Central bank and at the BNP can be considered as best practices of transition from sectoral to company collective bargaining, in the sense that social dialogue practices maintained a sound company practice for the development of joint regulation of fortcoming restructuring.

In the Greek case, despite the tradition of adversarial industrial relations in most cases of mergers and acquisitions, the case of the National Bank of Greece, which incorporated a set of minor banks such as the Mortgage Bank, and embarked in a major restructuring plan which included a wide voluntary redundancy scheme, in cooperation with the company trade-union can be considered a case of best practice for social dialogue in Greece.

In Malta a case of best practice can be drawn from the HSBC and MUBE experience as the Bank returned to collective bargaining and social dialogue with the trade-union after the acquisition and in the process of implementing the restructuring plan.

Finally, in the Cyprus case the operation of ETYK as an encompassing trade-union in the banking sector with rather realistic attitudes towards banking sector restructuring and the recognition of this by the employers' can also be considered as best practice in the case of the Elliniki Trapeza restructuring plan after the acquisition of Barclays Bank in Cyprus.

The findings of the questionnaire analysis may further indicate the extent to which this candidates arising from national banking sector experiences can be considered as best practice by the banking sector employees and the specific reasons and attitudes towards them. Survey results may also highlight the extent to which these cases represent a broader climate in national banking sector industrial relations, or whether they are rather exceptional cases.

After the identification, analysis and evaluation of these candidates best practices, a further question which calls for discussion refers to the preconditions of social dialogue and especially of the preconditions of the best practices. Apart from general economic conditions, including the broader institutional, social policy and labour market preconditions in each country which should be examined, an interesting point for further research may be the the extent to which the social dialogue practices e.g. in the Italian banking sector is facilitated by Fiscal aid to Italian banks[1]? Or, for instance, the extent to which the employability agreement in ABN Amro is facilitated by the overall good performance in the Dutch labour market.

Although tradition of cooperation and understanding in national industrial relations plays an important role in shaping social dialogue practices in the context of banking sector restructuring, conjectural factors may also act as barrier or enhancement to the evolution of social dialogue practices at the sectoral or company level. However, the driving force may be considered to lie within the employees and trade unions attitude (and resources) to adopt a positive stance towards change. For the moment the major findings can be summarised as follows:

Banks in the countries of our sample (Cyprus, Greece, Italy, Malta, Netherlands, Spain, Portugal) have been heavily involved in restructuring mainly through Mergers and Acquisitions and although they are not in majority decreasing their employment (and moving towards the reduction of the banking network), they have introduced major changes by adopting new ICT and attempted the restructuring of their human capital (and its cost) by introducing early retirement by relying on natural wastage and on voluntary redundancy schemes coupled with early retirement and by adopting working time flexible reduction. A phase difference can be identified, with Netherlands, Italy and Spain leading the process, Greece and Portugal following and Malta and Cyprus joining later the trend.

As banks are moving towards a flatter structure the regrading has been a topic in collective bargaining agendas which has been dealt through social dialogue as in the case of Italy.

Although banks are not experiencing an overall shrinkage of the labour force, the trade-unions were faced with the need to deal with labour adjustments and bargained over voluntary redundancy schemes, early retirements schemes (in all the countries of our sample), retraining of employees and in many cases organised joint and bipartite funds institutions to assist the restructuring process, the retraining, the employability of employees and their pre-retirement stages when that was made necessary (with the Italian and the Dutch cases more prominent).

As IT skills have become crucial, in the context of cost reduction the banks aimed at changing the composition of their labour and aimed to recruit younger personnel. However, the trade-unions emphasis has been on safeguarding the interests of the mostly affected by the restructuring process employees, mainly those at the ages above 50 years.

In the restructuring process of the banking sector in many national cases the bargaining structure has moved towards decentralisation at the company level (as it happened in the Netherlands and Portugal) with sectoral agreements acting as umbrella protection. Indeed regulation diverged between major and minor banks.

There is evidence that the trend towards social dialogue practices in banking sector restructuring is related to established trade-unions with high union densities as well as to established collective bargaining procedures. Trends towards moving away of social dialogue practices have been also registered, but remain marginal. Tradition plays an important role and from this point of view the banking sector restructuring when compared with other national developments in various sectors remain a more social dialogue oriented sector because of the high unionisation and the central role of the banking sector in the economy.

There is no evidence of convergence towards homogenised structures in the representation of banking sector employees through trade-unions. Good practices can be traced even there where there is activity of multi unionised employees (Italy with 7 federations and Spain with four federations) and not only there where employees are organised in a single trade-union or Federation (Netherlands, Greece, Cyprus and Malta).

The social dialogue encounters difficulties at the sectoral European level and at the international level. However, the trend towards company level bargaining and social dialogue procedures can lead to the development of relatively homogenised structures through the European Works Councils and the information and consultation procedures at the company level. This may be enhanced by the trend to regional consolidation of banking sectors (Netherlands and Belgium, Spain and Portugal, Greece and Cyprus).

Transferability of good practice is feasible and it happened informally in the sense of trade-unions promoting mechanisms for labour adjustments through voluntary redundancies and early retirement adapted to national labour market and social security systems.

Although a successful search for best practices in social dialogue has been based upon key person questionnaires and case studies, the further analysis of the survey questionnaire to banking sector employees may highlight the extend to which social dialogue and the country specific “candidates” for best practice are considered as such by employees.

Finally, the main elements of success with regard to social dialogue practices in banking sector restructuring appear to be linked with trade-unions preparedness to accept the need for restructuring and to enter in mid term commitments with regard to managing the main dimensions of the restructuring. In a nutshell the structure and the synergies between trade-unions, along with the early diagnosis of the restructuring trends at the sectoral and the corporate level consist the basis upon which succesfull social dialogue practices can be developed. Further the willingness of trade-unions representatives to participate in the management of change and their demand to influence and to commit themselves in the restructuring process enhances the viability of social dialogue practices. Scientific support of trade-unions proposals and demands for handling the restructuring process and the comparative evaluation of international experiences through networking boost the efficiency of social dialogue practices in the banking sector. In many national cases the best practices arising from the banking sector can also become paradigms for other sectors of the economy.

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[1] Fiscal aid to Italian banks: Statement by Commissioner Mario Monti
Further to questions by the media regarding the Commission's investigation into tax incentives for the restructuring of the banking sector in Italy, EU Competition Commissioner Mario Monti has made the following statement : "At the end of their investigation into the tax measures for banks introduced by Italian Law n° 461/98 of 23 December 1998 and the related Legislative Decree n° 153/99 of 17 May 1999, the Commission's services have come to the conclusion that the aid to the banks is not compatible with the State Aid rules of the EC Treaty. I will therefore propose the adoption of a negative decision at a forthcoming Commission meeting. In the context of increasing Community-wide integration, the measures in question provide a discriminatory competitive advantage to the banks that participate in the operations that are being favoured. This will be explained in detail in the Commission's decision. Such a negative decision will also entail the recovery by the State of the amounts that the banks, benefitting from tax exemptions, avoided having to pay. In contrast, the investigation into State Aid to banking foundations (as distinct from banks themselves) continues. The status of these measures still needs to be defined.

In recent years the Commission has examined various State Aid measures to banks in different Member States with particular attention. Such measures distort competition and are obstacles to the development of a true single market in financial services which would be to the advantage of consumers, savers and companies alike. I would just mention the Commission's decisions in the Crédit Lyonnais case (three decisions, taken in 1995, 1996 and 1998 respectively), or concerning the Westdeutsche Landesbank in 1999. Last July we secured a commitment from the German Government to eliminate the guarantees to the public banks in Germany, and a decision in the case of the French bank Crédit Mutuel will be taken soon". The Italian legislative acts in question introduced a number of tax advantages for the restructuring and consolidation of the banking sector. The tax benefits concerned merger and restructuring operations carried out in the years 1998 to 2004 inclusive. On the basis of the sole operations that had taken place until 2000, the maximum theoretical benefits that all the banks concerned taken together could have derived over the entire period for which the measures were intended, is estimated at around Lire 5.400 billion (or € 2.8 billion). However, after the Commission had begun investigating these measures, the Italian authorities informed the Commission in April 2000 that they had suspended their implementation. It is therefore likely that the actual tax savings made by the banks are substantially lower than this figure. The proposal for a final decision on the fiscal aid to the banks will be presented to the Commission before the end of this year.

Source: Midday Express, European Commission, 29 October 2001