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Social dialogue in the financial sector in Europe

Contribution to anticipation and restructuring

EUROSOFIN VS 2013/ 0355

Edited by

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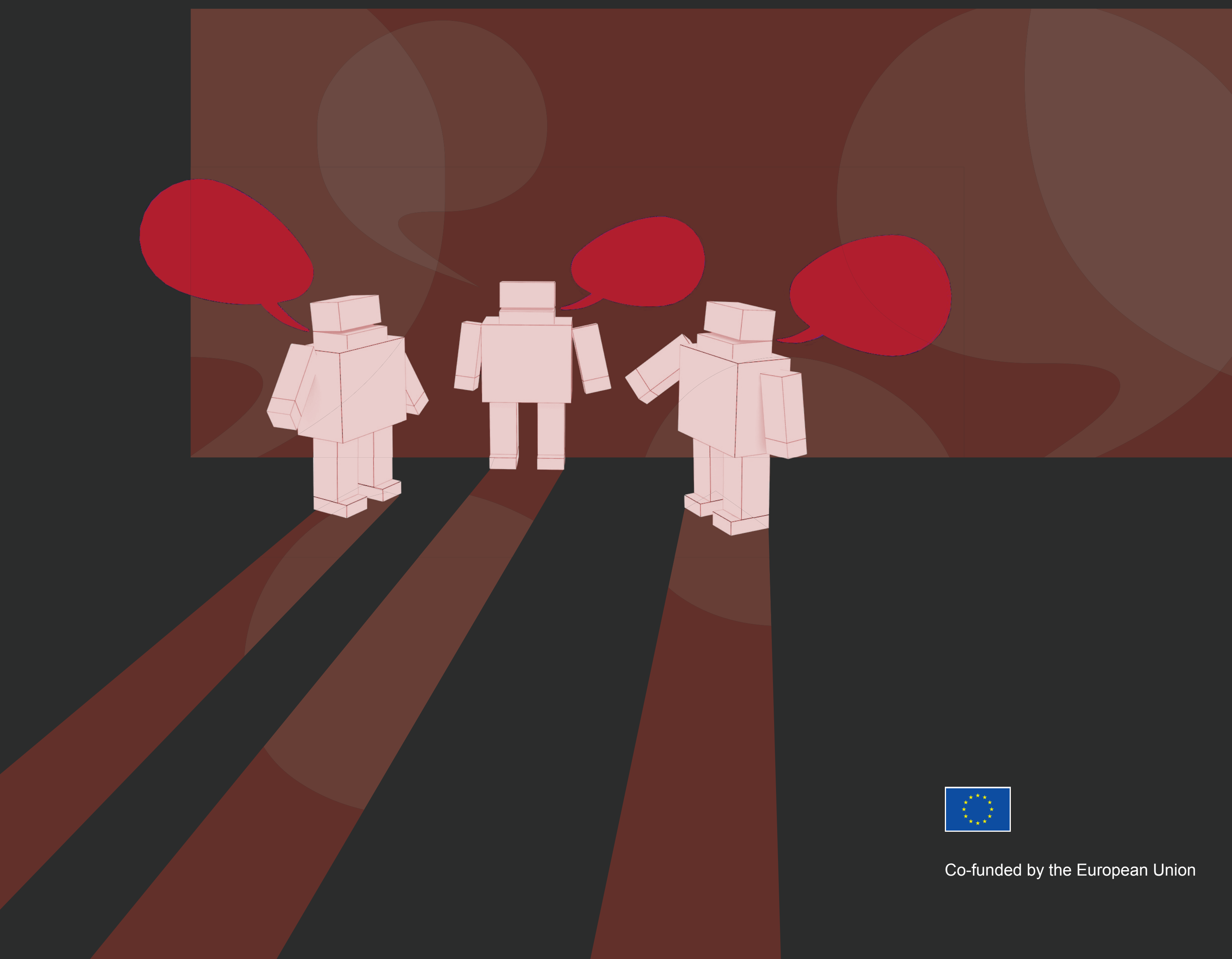

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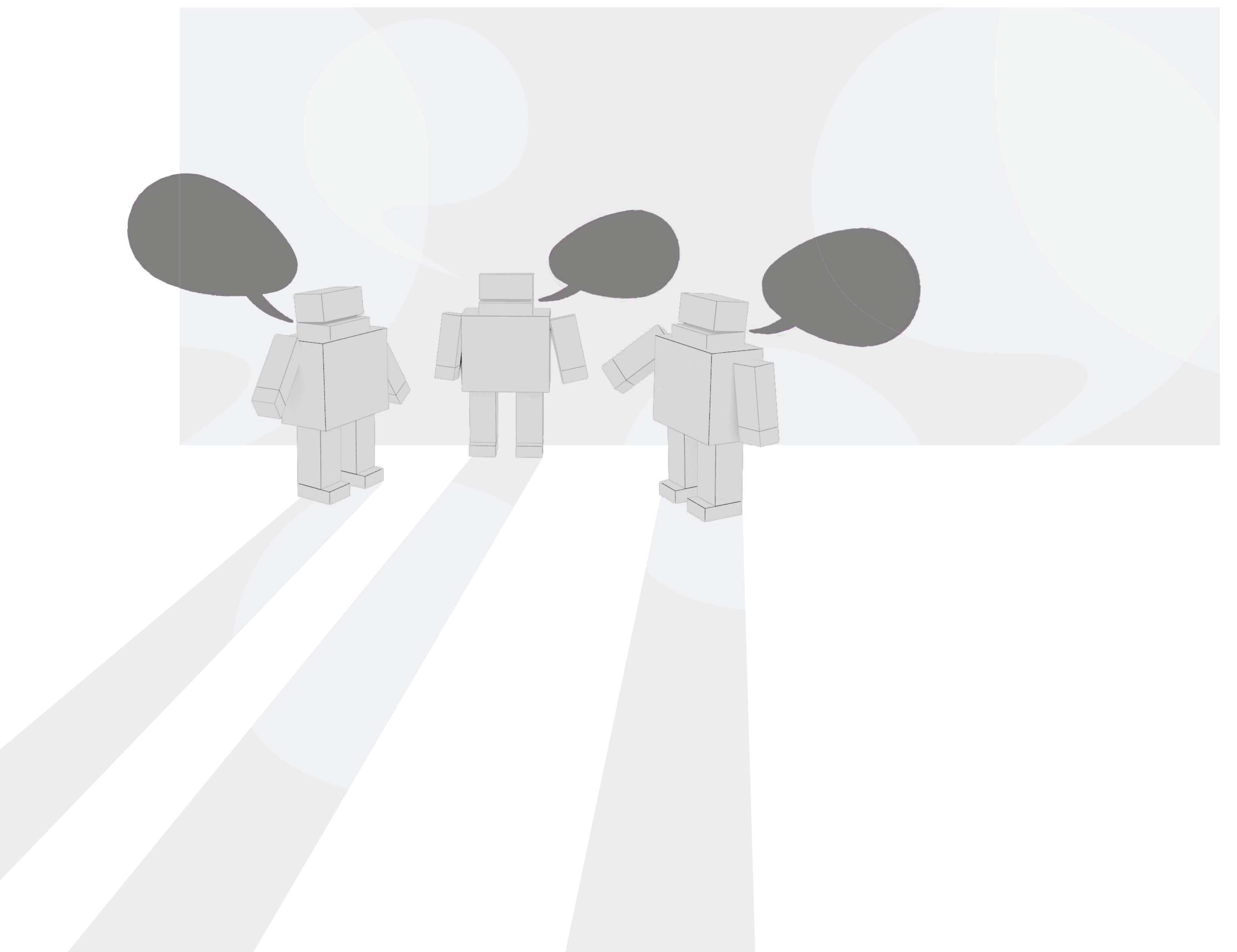
The present report is published within the framework of the project 'EUROSOFIN - Social dialogue in the financial sector in Europe: Contribution to anticipation and restructuring' (VS 2013/0355), co-financed by the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission and coordinated by the Luxembourg Institute of Socio-Economic Research LISER in Luxembourg.



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Last but not least, we would like to thank the researchers of the collective bargaining unit at LISER for their input to this report, as well as the LISER's administration team which provided invaluable expertise in supporting the communication process, the creation of the web site, and with the editing of this final report.

Preface

The present report is prepared within the framework of the project 'EUROSOFIN - Social dialogue in the financial sector in Europe: Contribution to anticipation and restructuring' (VS 2013/0355), co-financed by DG Employment, Social Affairs and Inclusion of the European Commission and coordinated by the Luxembourg Institute of Socio-Economic Research LISER in Luxembourg. The project covers employment relations in the banking sector in five European countries. The report is based on a scientific qualitative research. All participant teams guaranteed neutrality, anonymity and objectivity. The final conference of the project, organized on the 11 of February 2015 in Brussels, was an opportunity to receive additional feedback and comments from the participating stakeholders (representatives of trade union and employers' organisations at the national or European levels), academics, NGOs, experts, etc. Following this conference, the report was updated, submitted to the European Commission and disseminated to relevant stakeholders in Europe.

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General Introduction

Patrick Thill[1], Vassil Kirov[2]

Kick-off Meeting, Conseil Economique et Social, Luxembourg, 23 January 2014

National Seminar, Paris, 9 October 2014

The present report was prepared within the framework of EUROSOFIN project. This project, co-financed by the European Commission (VS 2013/0355), was conducted from the 1st December 2013 to the 28th February 2015. It was carried out by five organisations from five European countries (for more details see http://eurosofin.liser.lu).

The general introduction consists of a presentation of the background and context, the restructuring and the role social dialogue could play. It also presents the methods used and the content of the report.

Restructuring and social dialogue in Europe

One of the main features of the European Social Model (ESM) is the understanding that adaptation to economic change should be based on the joint efforts of different stakeholders: companies, trade unions, governments, local authorities, and others. This is to seek solutions on the basis of dialogue and to prevent negative consequences for people and regions.

The term restructuring has numerous definitions (Bergström 2014). For the purpose of this research, it means the modification of a company's workforce, both quantitative (number of jobs) and qualitative (skills, qualifications), following changes in a company's structure, organisation or production processes (European Commission 2008). The factors driving restructuring are various, including: changing technology, globalisation, demographic change, new regulations, climate change, the current financial and economic crisis, etc.

It is certain that restructuring is not a new phenomenon, but there is evidence that its scope and speed have increased in the European Union since the beginning of the financial and economic crisis that started in 2008–2009 (Bergström 2014). According to many observers, this crisis has been the hardest in the last 100 years. The European

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Commission and the national governments of the European Union member states have implemented different policies and measures in order to mitigate the negative consequences for employees, economies and territories. Very often, these policies and measures were and still are also the outcome of serious social dialogue, implemented in the form of collective bargaining, information, consultation, and co-determination. There is a significant literature exploring the social partners' responses and the approaches adopted at the national level (Brandl, Traxler 2005; Marginson, Sisson 2006; EUROFOUND 2009; Bergström 2014).

However, we consider that the national restructuring regimes (defined as the combination of law-based or informal adjustment mechanisms and measures controlled or adopted by a particular group of actors: see Gazier 2008 and Bergström 2014) are not able to explain all sector-level developments. Sector-level specifics interplay with these regimes in order to produce given outcomes. Moreover, social partners in particular sectors are often interested in the sector itself and are therefore trying to benchmark practices in the same sector in other countries. This leads to processes of cross-country transferability of collective bargaining instruments.

Context

The target sector of EUROSOFIN is the financial sector with a focus on banks. This sector is significant in Europe and for the countries covered here in terms of its share of GDP and employment. The banking sector in the EU28 employs more than 4 million people. It has been hit dramatically by the recent crisis and affected by new multiple regulations (such as Basel III, the bank secrecy rules, etc.). Major challenges are: the changing legislative framework, as a result of the global financial crisis and the Eurozone crisis; increased banking supervision and the implementation of compliance instruments; the image of the industry, skills needs, and the demographic change. The pace and direction of restructuring has been profoundly affected, however, by the financial crisis of 2008 and its drawn-out impact on the Eurozone crises of 2011-12 that are still having major consequences, including on the banking sector itself. Between 2008 and 2010, 250,000 jobs were lost in banking alone in the EU27: a 6% fall compared to the 2.4% fall in total employment over these two years (Eurofound 2012).

Employment reductions have been particularly significant in countries with strongly developed, dynamic and international financial centres which account for a large share of GDP like the London area, Luxembourg, Vienna, Paris, and Bucharest. Restructuring has also taken place in new Member States, such as Hungary (Eurofound 2012).

Moreover, in recent years in some European countries, many finance sector employees have seen their status and their job characteristics change considerably. Working for a bank was once a 'job for life' with high prestige, a distinct status, job security and good job prospects. The emphasis was on banks as solid reliable organizations where the lack of change was a touchstone of reliability (Jefferys 2010). Employees felt a strong company identity and the job profile was quite sophisticated. Since the early 1990s, however, the job profile has shifted considerably from an emphasis on highly sophisticated customer consultancy towards target-defined sales work, which lacks the former prestige and status. The international restructuring of value chains has shifted centres of decision-making (Flecker and Mail, 2010). Both the old and the new EU member states have been impacted by this process.

International conference, ETUI, Brussels, 11 February 2015

This intricate situation creates a challenge to the social partners in the sector and to the more traditional array of interests they have to defend. There is a need for quick answers to changes and restructuring by the representatives of employees and employers. This raises the question of how to provide answers in the context of a sector characterised by a culture of secrecy, competition between countries, and changing regulations. These new challenges have also required new answers, in countries with well-established structures of social dialogue. For example, some major French groups in the financial sector have for some time been involved in a transnational social dialogue to anticipate change (see especially the agreement on Employment Management signed in 2012, between BNP PARIBAS, UNI Finance and the FECEC, as part of the group's 'European Social Charter'). According to a recent research by Eurofound (2012), no major impacts on national or supranational industrial relations systems have been observed (perhaps with the exception of Ireland). This is despite the fact that the global financial crisis as of 2007 has badly affected the banking sector, with job cuts reported in virtually all EU Member States. This inertia buttresses the assumption of relatively robust industrial relations structures in most countries. However, even though the robustness has been confirmed, adaptation processes of industrial relation systems have been increasingly important for the sector and in particular in those countries where the sector is regarded as predominant (Luxembourg).

There is a clear objective underlying the choice of the financial centres analysed here. They are characterised by being significantly transnational, with labour forces that are internationalised and which stretch abroad, beyond decision-centres. They are also experiencing a continuing process of modernization (including technological innovation), exogenous pressures on financial systems and their respective industrial relations systems, and the requirement to remain competitive as well as innovative through the creation of new products and activities.

Broadly, the research here represents a first scientific attempt to study collective bargaining in the financial sector with a focus on the interrelated factors driving the restructuring processes.

Research objectives

Based on an analysis of the mechanisms of social dialogue in five European financial centres (London, Luxembourg, Vienna, Paris, and Bucharest), EUROSOFIN aims to produce a better understanding of social dialogue in the banking sector in terms of anticipating changes, adapting training and efficiency requirements in a competitive international sector. EUROSOFIN seeks to exchange good practices among partners, and reinforce social standards both within the financial sector and its institutions.

The main objective of the project is to serve the interests of social partners and policy makers. This is based on partnership between research centres in Luxembourg, the United Kingdom, Austria, France, and Romania, as well as with the social partners in the financial sector both at the national and European level. The aim is to share good practices for mitigating crisis effects in the participating EU countries.

The more specific objectives of EUROSOFIN are the following:

- Increase the knowledge about the concrete forms and mechanisms of social dialogue in the banking sector to better anticipate and manage cases of restructuring;
- Initiate debates in the framework of the sector challenges and the strategic priorities outlined in the EUROPE 2020 strategy and its objective to produce smart growth and reinforce the involvement of social partners in the appropriation of the strategy;
- Establish a network of experts, practitioners, social partners, working in this sector through a web-based platform for exchange, information-gathering/sharing, which will operate even once EUROSOFIN has expired;
- Design dissemination strategies to reinforce the actions of social partners in the participating countries;
- Strengthen exchanges and synergies between social partners in the participating countries of the banking sector.

Methodology and approach

EUROSOFIN is based on a methodological approach which combines three main activities: qualitative-based research centred on interviews, discussions and debates among stakeholders, as well as networking efforts with the objective of facilitating the exchange of good practices.

- Research activities on restructuring in the banking sector - with the objective of better understanding processes and challenges at EU level and in the countries examined. Research from each country produces assessment centred on desk research, archive material, face-to-face interviews with stakeholders (social partners from all levels, bank managers, representatives of EWC, etc.). Research material aims at providing ground for common reading and improvements of existing practices through an interactive, transnational, and comparative perspective. Social partners from the banking sector are associated in the discussions of case studies and relevant issues, facilitated by researchers. The research questions were adapted on the basis of consultation with social partners. The country research reports thus present general trends, practices for anticipating and managing restructuring, and concrete good practices that could be interesting in other contexts;

- Discussion and debates about socially responsible restructuring – through the dialogue of researchers with social partners and the country events. Each country seminar will involve social partners and stakeholders in general and relevant to the sector under review. On the basis of the conclusions, the debate will be focused on the identification of policies, initiatives, etc. that could contribute to socially acceptable restructuring and better anticipation.
- Networking and close partnerships between researchers and social partners from the participating countries constitutes a pivotal element of EUROSOFIN. The partnership enables information-sharing, as well as the gathering, analysis and exchange of information on best practices. The community of practice of researchers and stakeholders is supposed to be established and based on face-to-face meetings, as well as a web tool. The web tool for information sharing has been set-up by the coordinator of the project, presenting EUROSOFIN to a broader public, and contributing to the implemention of EUROSOFIN activities (http://eurosofin.liser.lu).

Nonetheless, it should be acknowledged that the project approach and methodology have some limits. First, it covers only five European countries which are important for understanding challenges arising in the banking sector in Europe, but certainly not sufficient to draw conclusions covering the EU in its entirety. However, the analysis is able to provide indispensable and focused insights that could be useful beyond specific country experiences. Second, the limited one-year time-scope of the project has been a barrier to reaching a larger number of respondents. Third, the national research teams focused on different segments of the banking sectors and on different practices, because of their importance for the respective national collective bargaining context. From this perspective, the comparative efforts have to be considered as focussing on relevant issues in the restructuring process and considering the heterogeneity of the sector. Finally, the qualitative approach helps provide an in-depth understanding of the processes for further research. However, the limited number of interviews does not allow the results to be interpreted as being ‘representative’.

Final report

The report consists of a general introduction, a comparative chapter and five national chapters based on reports drawn up by the research teams. The preparation of the report included several steps, aimed at ensuring quality. The first draft of the national reports was prepared by the respective national teams during the summer/autumn of 2014, on the basis of the research carried out. The results of the reports were presented and discussed at the national seminars, both in the country of research and in other countries (see the agendas of the national seminars, http://eurosofin.liser.lu). Then, the reports were revised with the objective of taking into account the suggestions and comments formulated. The following phase consisted of a peer review process as every report was read and commented on by at least two other national teams, the coordinator and another national team.

National Seminar, Vienna, 9 June 2014

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Chapter 1

Comparative Analysis of Social Dialogue on Restructuring in the Selected Countries

Vassil Kirov, Patrick Thill

INTRODUCTION

This comparative chapter provides an overview of several important questions:

- What is the framework for the comparative analysis and what are the strengths and focus of this comparison?
- How is the financial sector currently characterized in terms of economic indicators and what is its role in the overall economy, employment and employment models?
- What are the main restructuring drivers and trends identified in the five countries and how they impact on jobs and skills?
- What is the social partnership in the respective countries and how does the social dialogue contribute to more responsible restructuring?

1. THE COMPARATIVE EXERCISE: STRENGTHS AND FOCUS

The first objective of the project was to put national experiences in a comparative perspective, in order to provide a better understanding of the restructuring processes, social dialogue, institutional mechanisms and practices, as well as to support the discussion and exchange of good practices beyond the national context. Of course, in social sciences, there is a clear understanding that workplace or social dialogue practices are embedded in the institutional history of a country and its long term social partnerships. It is therefore risky to consider that a successful strategy in one context can be simply transferred and function in another context. However, good practices in one country could be informative for the social partners elsewhere, in order to address better challenges and innovation.

In addition, the detailed analysis of the national experiences leads to a number of considerations about the comparative issues. How should sectors be compared? Right at the beginning of the EUROSOFIN project, participating experts had a debate within the project consortium as whether to focus on the banking sector itself or, more generally on the financial sector (including insurance, investment funds, etc.). The decision to focus only on the banking sector was taken in order to obtain a clearer picture of the sector and to achieve more consistency because the factors driving restructuring and its processes are not always similar to those operating within the larger financial sector. Furthermore, the constituency of the social partners differs among the countries examined. In some of them, employers' or trade union organizations cover only the banking sector. Consequently, the social partners argued that there are sectoral specificities which can only be outlined by focusing on banking.

However, in other countries, the overall financial sector is covered by social partners in the collective bargaining process, as for instance by trade unions in Luxembourg or France. As they also represent the employees of the insurance sector and investment funds, the social partners from these countries argued, in seminars and interviews, that the research of the project should be conducted more broadly, for two reasons at least. First, there is the argument that there are some cases of responsible restructuring, as in the insurance sector, which could be of interest for the overall financial sector. Second, in the context of restructuring, there could be mobility of personnel between different segments of the financial sector. This is, for example, the case in Luxembourg where employees losing their jobs in the private banking have found new positions in the fund industry. However, the final decision of the project consortium was to focus only on the banking sector, but to provide data beyond banking activities, where necessary.

At the outset of the comparison of banking in the five countries covered, it came as a surprise to discover that its sub-sectors differ across countries. In France, Romania or even Austria, the leading activity is commercial banking. In Luxembourg, private banking is still the biggest employer and accounts for a large share of GDP. In the UK, investment banking takes the leading position. Given these differences, it was decided to let national researchers be autonomous in setting their specific areas of focus, taking into account national circumstances and the feedback of social partners mobilised nationally within the sector.

Moreover, restructuring processes also differ in the context of path dependency, a sectoral constituency and the weight of different transnational trends, as highlighted by the national reports. For example, in a transition country such as Romania, the banking sector has been almost entirely acquired by foreign capital – by banks from France, Austria, Greece, Italy, etc. – and these multinationals have invested a lot in the optimization of labour use, leading to job losses. As far as the crisis is concerned, it has had a differentiated impact across countries, for example, hitting the banking sector in France less than those in Romania or even in the UK. New regulations have been identified which play an important role in all the participating countries. But their consequences are mediated by the national institutional context, the political willingness to mobilise collective bargaining instruments and national workforce characteristics, etc.

In terms of quality and professions, jobs in the banking sector are also changing and this change presents elements of both convergence and divergence within the EU. The developments related to the crisis and the company strategies impact banking sector employment in various ways. However, the hypothesis of a drastic change in the sector, as highlighted by Jefferys (2010) for the UK, where jobs in the banks already are not for life and no longer stable, is not confirmed in the other countries examined. Recruitment continues to be mainly on the basis of open-ended contracts in France, Luxembourg or Romania and atypical forms of employment such as temporary agency work are rare. However, there are other changes affecting the working lives of banking employees. The research highlights the fact that employers expect their workforces to be more mobile, willing to learn and adapt their competences. Employees have to be ready to change jobs when required. Qualification requirements for jobs in the sector have gradually increased and are product and activity-related. This constitutes a challenge to skills anticipation both at the national and sectoral level. But, whatever the country examined, the research confirms broader dimension of the crisis, with particular groups of employees who are more vulnerable to restructuring, such as persons with lower levels of qualifications or narrow specialisations in activities that are declining, due to changing business strategies. These groups of banking employees will be examined further in this report. They have greater chances of losing their jobs, and they experience more difficulties in finding new jobs (at least in the same sector), or of upgrading their skills to enhance their employability.

In the countries selected, experts have implicitly included elements of the European employment and industrial relations (IR) models (for the models see for example, Esping-Andersen 1990; Hall and Soskice 2001). From this perspective, the UK represents the Anglo-Saxon model; France, the Mediterranean countries; Austria and Luxembourg, Continental Europe; and Romania, the new Member States, modelled as transition countries. The IR landscape in the sector is shaped by these national models and their interplay with sectoral particularities. Our analysis is able to provide some insights into changing IR and their impact on how restructuring is addressed. These configurations also shape the social partners' answers to how restructuring is being managed, the tools introduced, their use and effectiveness to render the process more socially responsible.

Finally, the origin of banking capital in the countries included in the project is an element of differentiation. In some of the countries, the banks covered are owned by foreign capital, as in the cases of in Romania and Luxembourg for instance. In contrast, national capital still predominates in other countries such as Austria or France.

Closeness to decision-making centres affects the restructuring processes, as well as the abilities and approaches of social partners in addressing them.

2. CONTINUOUS CHANGES IN THE BANKING SECTORS OF THE EUROPEAN COUNTRIES STUDIED

As the national reports emphasise, the European banking sector has specific national histories that still affect its present development. For the purpose of this research, a brief overview of these histories helps in situating current events in the sector. A second section then examines data on the economic importance of the sector, followed by trends in employment.

2.1 History matters

The analysis of the developments in the banking sector in the five countries shows that an understanding of historical developments is required to explain the dimensions identified in the restructuring of the sector. This history is related to forms of ownership, banks' operating framework which favours specialization or ambitions to cover all activities, internationalization and foreign direct investment (FDI). In the context of the liberalisation and integration of the European Single Market, the overall development of the sector has led to expansion and consolidation strategies, as well as to product and geographical diversification (Goddard et al. 2007).

In the case of France, Teissier and Bussat (2014) emphasise the nationalisation of the large banking groups in 1945 and the resulting trend in the development of the so-called 'universal banks', covering all banking activities. This logic has led to the continuous concentration of the banking sector in France: the number of banks has recorded a steady decrease to 390 in 2013. In the 1980s, the sector experienced privatization and nowadays most of the large groups are privately owned (*see Table 1*).

In Austria, the banking sector has experienced a drastic transfer from being largely publicly-owned (by local, regional and national governments), to operating mainly in the private sector since the early 1990s (Hermann 2014). The historical path can also be identified in the diversity of the sector: e.g., in parallel to the commercial banks, there is a large *Raiffeisen* sector and a savings bank sector. The second important trend is related to the major investments and operations of the Austrian banks outside the country, following their expansion into Central and Eastern Europe since the 1990s.

The Romanian case is illustrative for the changes that occurred in the post-communist transition period in the Central and Eastern European Countries (CEECs). The former state-owned banks were privatized during the 1990s, and since the 2000s the sector has been almost entirely privatized. It is dominated by foreign capital (as in most of the CEECs), mainly originating from Austria, France and Greece.

In Luxembourg, the financial sector is one of the largest contributors to GDP, as well as being the largest employer. Within the financial sector, banking has experienced a spectacular development since the 1980s when the country focussed on diversifying its economy to compensate for the crisis of industry and especially the decline of the steel industry. In terms of collective bargaining, the sector could go back to an already-in-place and functioning collective bargaining framework at the national level, and a legal framework for intra-company social dialogue (i.e. staff delegations).

In the UK, the deregulation of the financial sector since 1986 has led to rapid growth that was much faster than for the overall economy, until the beginning of the crisis. The financial sector's percentage share of total UK output rose significantly: up from 5.4 per cent in 1985, prior to the Big Bang, to 7.9 per cent in 2007 (Jefferys 2010). In 2008, three of the top five European banks were British: *RBS, Barclays and HSBC* (Eurofound 2012). Over the last years, repeated scandals have had a significant effect on the performance of the leading banks (Clark 2015). According to accountancy firm KPMG, since 2011, the top five UK banks have spent 64% of their cumulative profits (totalling £28.5 billion) on fines, litigation and 'customer redress'.

Table 1. Summary table of banking developments

Processes	Austria	France	Romania	Luxembourg	UK
Changes	Privatization in the 1980s and 1990s	Permanent change	Privatization in the 1990s	Rapid internationalisation during the 1980s and 1990s	The 27th October 1986: the 'Big Bang' - a massive deregulation of financial markets, rapid growth of the financial sector since then
Concentration	809 (40% decrease, compared to the 1980s)	390 banks in 2013 (1556 banks in 1984)	40 banks in 2013 (40 in 2004)	Decrease of the banks in recent years, partial stabilization of their number due to the entry of new players (China, South America)	332 in 2010 (595 in 1986)
Processes related	Domestic employment relatively stable and employment in the subsidiaries in decline after period of strong growth	Relatively stable employment, Retiring population in France – a buffer to job preservation	Significant employment decrease since 2008 - 2009	Job losses in the banking sector partially compensated by the development of professionals in financial services (PSF) and the fund industry	Significant job losses since the crisis

Source: EUROSOFIN, national reports.

2.2 The banking sector today

The banking sector at the European level is a major employer and contributor to GDP. However, in recent years, the sector in Europe has experienced serious difficulties, notably as banks' assets have decreased. Their stock in 2013 amounted to €42.5 trillion, which constitutes a drop of 6.6% compared to 2012. According to the European Banking Federation (EBF), the trend to concentration in European banking has continued during the last decade (EBF, 2014: 12). In some countries, the decrease in the number of banks is more pronounced, especially in Germany, Spain and even Cyprus. In the countries examined, the following data based on national expert reports identifies major trends in the sector.

In Austria, the number of credit institutions has decreased significantly – up 40% - since 1980 and today there are 809 independent credit institutions. They are divided among several sub-sectors: the *Raiffeisen* sector (30.2%); the joint-stock banks (26.3%), including *Uni Credit Bank Austria, Erste Bank Group* and *BAWAG-PSK*; the saving banks (17.5%); the mortgage banks (8.7%), etc. According to Hermann (2014), the top 10 banks have a market share of 50.2%. As a result of the international expansion, the ratio of banking assets to GDP rose from close to 200% in 1991 to close to 400% in 2008. The Austrian banking sector has been hit by the financial crisis.

In France, the banking activity generates about 3.5% of GDP. The sector consists of 390 banks, but is dominated by six banking groups: *BNP PARIBAS, Société Générale, BPCE, Crédit Agricole, Crédit mutuel-CIC* and the *Banque Postale*.

According to Andronic (2014), the banking system in Romania at present includes 40 banks. Their overall assets are more than €80 billion, or about 60% of the GDP. Market concentration is important, as the top five banks share 54% of the market.

In Luxembourg, the financial sector contributes to one third of GDP and managed assets of €713 billion in 2013. Being highly internationalised, there are currently 149 banks operating in the country, with a small proportion of Luxembourg origin. The number of banks has decreased since the 1990s with 221 banks in 1996.

According to EBF, the UK is the fourth largest banking sector in the world, and there were 357 financial institutions in the UK, in 2013. In 2012, the sector accounted for 8.1% of the UK's gross value added (Clark 2015).

2.3 Employment models in the banking sector in Europe

For a long time, working in the banking sector was associated with secure employment for life. However, the crisis has had a strong quantitative and qualitative impact on sectoral employment in Europe. Between 2008 and 2010 alone, 250,000 jobs were lost just in the banking sector, in the EU27 (Eurofound 2012). Employment in the sector has been impacted by the decrease in the size of banks: in 2013, banks in the EU-28 employed 2,940,121 people, 3.9% less than in 2012. The employment decrease has also been affected by the rationalisation of branches, a process that started before the crisis but has accelerated since: in EU as a whole, the total number of branches fell by 4% in 2013, down from 219,715 to 211,002.

In spite of the economic difficulties, employment in the Austrian banking sector has been fairly stable in the last ten years. Employment increased between 2003 and 2008 from 75,245 to 80,293 employees, and then decreased slightly to 79,110 employees in 2012.

In France, the banking sector is one of the largest employers in the private sector. At the end of 2013, it employed 367,000 people. Most of them belong to France's large banking groups. Following continuous employment growth from 2000 to 2007, the sector has entered a phase of uneven performance in terms of employment. However, even in the crisis years, the workforce has remained relatively stable. The existing slight decreases could be explained by the massive retirement of banking employees since 2007, which has not been fully compensated by new recruitment. Another trend observed is the rise in qualified labour, as the share of managers (*cadres*) is increasing, while that of 'technicians' is falling.

In Luxembourg, after years of growth, since 2008, employment rates in the banking sector have registered small but continuous decreases (though the most recent data indicates a rise in recruitment). Studies identify that this decrease will probably continue in the years ahead (Adam 2014), especially in the face of new legislation affecting the sector. The banking sector represents about 8% of the overall domestic employment, which currently corresponds to more than 26,000 employees. In Romania, the number of employees fell from 72,000 to 60,000 over the same period.

In the UK, the sector employed some 440,000 employees in 2013 (one-third being based in London). Job losses since the start of the crisis have been very important (Jefferys 2010). According to Clark (2015), the 2008 crisis has affected women's employment more.

3. RESTRUCTURING PROCESSES

The analysis conducted by the national teams reveals multiple factors that are driving the restructuring process in their countries. The report does not examine all these underlying factors, but highlights some of the most important one, on the basis of interviews analyzed, with the aim of assessing their consequences on collective bargaining. The research for EUROSOFIN has identified strong links between the various factors that socially-responsible restructuring in collective bargaining has to take into account (*see Table 2*).

3.1 The effects of the crisis

Considering the above analysis, we would expect to pinpoint the negative effects of the crisis on the banking sector in the participating countries. However, the empirical data is more nuanced. In some countries, authors do indeed stress the negative effects of the crisis and their consequences on employment. But in others, its manifestations have not been so dramatic because of different reasons outlined here.

In the case of Romania, the household income has decreased and the decreased activities of companies have led to lower demand for banking services. That is why banks have decided to downsize their business and close a number of subsidiaries in some areas with 'low economic potential and optimizing the personnel structures' (Andronic 2014). As a result, the number of employees in the sector decreased by 16% from 2008 to 2013. As Andronic (2014) reports, the large banks have carried out restructuring plans, leading to the lay-off of thousands of employees. We only mention here the Romanian subsidiaries of Austria's Raiffeisen Bank has cut its staff by 30%.

Table 2. Restructuring processes and factors driving change

Processes and drivers	Austria	France	Romania	Luxembourg	UK
Effects of the crisis	++ decrease of activity, risk of the operations in CEEC, state support	+ minor impacts	++ decrease of activity	++some impact of the crisis (e.g. financial support+++)	+++ serious job losses
New regulations	++ impact on the compliance	++ impact on current and future restructuring	+ impacts	++ especially the automatic exchange and the abolition of the banking secrecy	+++
New technologies	+++	+++ online banking and specialised platforms	++ Romania benefits from in-sourcing	+ yes, but still a smooth change	++ continuous change
Outsourcing and in-sourcing	+++ strong impact on non-core and core activities	+ some outsourcing is taking place	+ some outsourcing is taking place	+++ strong impacts, but no concrete estimations	++

Note: +++ strong impact; ++ moderate impact; + low impact

Source: EUROSOFIN national reports.

In the case of Austria, the financial crisis has affected the banking sector, especially the operations of Austrian banks in Central and Eastern Europe, which are perceived at present as a major risk after having been a source of growth for a long time. It is probable that the internationalization of the Austrian banking sector in this region allowed a buffer to be set up and, as can be seen, domestic employment has not been impacted significantly (Hermann 2014). However, employment in the subsidiaries of the Austrian banks in CEECs has recorded a drop since 2008, following significant increases in the preceding years.

In France, the banking sector has less suffered from the crisis when compared to other large economies (Teissier et Bussat 2014). There are several reasons for this limited impact, especially the risk adverse behaviour of the French banks, the high level of savings in France.

In Luxembourg, the banking sector has been seriously hit by the current financial and economic crisis. Many large or small banks have been required to revise and adapt their business model and operations since then. The cost pressure on banks has increased and the processes of optimization, outsourcing and off-shoring have been speeded up, as the national report illustrates.

In the UK, the crisis had an worrying impact, as Jefferys (2010) reports: five of the nine FTSE 100 banks listed separately on the London Stock Exchange (LSE) in March 2007 passed partly or wholly into public ownership by May 2009. Eurofound (2012) asserts that the banking sector in the UK was particularly badly hit in terms of profitability and employment. The crisis had a marked impact on the financial sector as a whole, as GDP experienced a sharp contraction, which after a brief recovery in 2009 was followed by economic 'flat-lining' (Clark 2015).

3.2 International and national regulation

As a direct result of the crisis, many new regulations have been implemented in the banking sector, contributing also to the sector's greater transparency. Examples identified in the context of this research are the Basel III agreements, implemented through the EU's Capital Requirements Directive, etc. The Basel III agreements aim to ensure the stability of the banking system, and were transposed in Europe by the new CRDIV Directive and the CCR rules, adopted in 2013. Moreover, European Banking Supervision began in 2014, and more than 80 requirements and regulations have been enforced in recent years, or are still to be enforced (see Thomas Feld's presentation at the Luxembourg national seminar, October 2014, http://eurosofin.liser.lu). In all the countries examined, they were playing a role in the process of change in the sector: however, their impact is not the same, according to the social partners interviewed for the project.

In Austria, Hermann (2014) reports growing administrative costs caused by a series of new banking regulations, as for example, the higher equity-to-asset ratio (also required by new banking regulations). In France, these new regulations were highlighted by all the interviewees as a central factor driving the present and future restructuring processes in the sector. In Luxembourg, the new regulations also have a strong but difficult role in re-shaping the banking sector: this is notably the case with the Directive for the Automatic exchange of information. In Romania, the research report shows that professionals working in banking ranks implementing Basel III and CRD IV as a significant developpment. In the UK, a new regulatory institution was created as a result of the crisis, namely the Prudential Regulation Authority (PRA). It is supposed to deliver authorisation to banks and other financial institutions operating in the UK to accept deposits.

However, according to national experts, these new regulations have not always had direct consequences on restructuring in the banking sector. The banks have higher administrative costs and, as the Luxembourg case shows, personnel recruitment linked to compliance has become increasingly important. This has left banks having to choose what jobs to suppress in order to compensate the higher profiles and greater personnel costs involved with compliance. There is similar evidence for Austria, where banks have more recently recruited additional staff with skills in risk management and compliance.

3.3 New technologies and client preferences

The role of new technologies and changing client expectations are further shaping the business and restructuring strategies of banks in Europe. E-banking users have increased substantially over the last 10 years. According to Eurofound (2012), if this trend continues, the average take up rate could be 50–60% in the EU15 by 2020, a level already reached by Denmark and Sweden. There is ample testament to the impact of IT and the automation of banking jobs, as well as banks' respective security systems. As a recent publication points out, the Dutch bank ING is cutting 1,700 full-time employees and reducing the number of contractors it employs by 1,075[1]. It is not an isolated example.

Some reports have stressed that this technological change is far from being the first wave in the sector. However, for a long time, the bulk of banking operations for businesses or individuals were carried out within high street branches. Now, in all the countries covered, there is clear shift to distance banking and its attendant changes in client services.

In some of the countries covered, these changes have led to important modifications of jobs and skills. In Austria, Hermann (2014) reports that banks are promoting internet and video banking. As a consequence, rather than visiting a local branch, customers prefer internet transfers and consult their account managers via video conferences. These developments have even led to the existence of pure online banks. Decreased customer traffic in branches has led to branches being downsized or even closed, notably at the local level. Several banks in Austria have announced plans to cut back their branch networks. In France, Teissier and Bussat (2014) analyse similar developments, which have caused not only branch closures, but changes in professional requirements over the next 10 to 15 years. In addition, data from France shows that there are particular territorial impacts due to this technological change: while in some regions banking employment is decreasing, there has also been an increase in the new platforms for distance banking, mainly situated in the greater Paris region (Ile de France). In Romania, streamlining and automating processes are top priorities for banks, being mentioned by 85% of the participants to ARB&EY barometer (Andronic 2014). In the UK, technological change has contributed to the gradual decline of jobs in financial services since 2003 (Clark 2015).

3.4 The outsourcing and in-sourcing of banking activities

Although the relocation of banking activities is not an entirely new phenomenon, the restructuring of value chains has reached a new level in recent years (Huws et al. 2009; Flecker 2012). As studies show, the financial industry plays a key role when it comes to outsourcing and the relocation of jobs (Pujals 2005). Increasingly, banks and insurance companies rely on third party suppliers to carry out different activities (Deloitte 2012). Besides IT services, outsourcing is now affecting other back office functions, including: customer and card processing services, payroll processing

[1] http://www.computerweekly.com/news/2240235384/Technology-makes-thousands-of-front-and-back-office-bank-jobs-extinct

or mortgage servicing. Outsourcing and the relocation of tasks usually aim at reducing costs, but there are other motives as well. In the context of the global division of labour, the banking sectors in particular countries could suffer or benefit from the outsourcing or in-sourcing, as relocation affects the quality of services and products, for example.

In Austria, outsourcing is identified as a major cause for restructuring. On the basis of a recent study of the Austrian trade union for private-sector employees, Hermann (2014) argues that while outsourcing initially mainly concerned support activities such as IT, facility management, cleaning, catering, call-centre communications and tasks, banks are now increasingly contracting out core activities. These include bond processing, credit processing, payment transactions, account management and risk management. In half of all cases, outsourced activities are transferred to another company. Otherwise, they are carried out within the banking group (holding) or in companies established for this purpose.

For Luxembourg, Kirov and Thill (2014) identify three main trends in outsourcing: i) local outsourcing within the country to providers that belong to other sectors not covered by the collective labour agreement (CLA) of the banking sector; ii) abroad, but still within the same multinational bank; or iii) abroad to low-wage destinations, mainly in Central Europe and Asia. In the last case, jobs along with acquired experience and skills are lost and not transferred to new recruits. However, even if social partners at the sector level in Luxembourg are aware of these outsourcing trends, there is no research which allows estimation of both the width and importance for the economy and the labour market. It has further been highlighted that the requirement for delivering quality products and services has led to the repatriation of services in the context of in-sourcing processes.

The French report (2014) suggests that the issue of outsourcing is not high on the agenda. As Teissier and Bussat emphasise, the externalization of activities exists in France, but there is no precise data about the scope of this process and the interviewed respondents do not develop this point further. In the UK, there already was massive use of outsourcing at the beginning of the crisis, as described by Jefferys (2010), who illustrates this point with the examples of *Lloyds Banking Group* or *RBS*. In the case of *RBS*, while before the crisis only low-skilled activities used to be outsourced, once it began high skills activities also started to be outsourced. In the case of *Lloyds Banking Group*, 80% of the contracted work in some areas is ultimately destined to be purchased from India. In the UK, Clark (2015) also identifies outsourcing/offshoring as one of the principal processes leading to redundancies.

In contrast to the West-European countries studied, outsourcing processes conducted in the old member states of the EU have been beneficial for employment in Romania and its banking sector in particular (and in the CEECs in general). According to Andronic (2014), service centres for processing, human resources and IT in banking have recently been established in Romania. They employ young, highly-qualified and trained employees. Usually, these centres are separate legal entities directly linked to the headquarters of West-European banks, independent from banks' subsidiaries in Romania. The main reasons for this development are that the country offers a well-trained and flexible workforce and lower wages compared to other EU member states.

4. SOCIAL PARTNERS TACKLING RESTRUCTURING: ELEMENTS FOR ANTICIPATION AND MANAGEMENT

This part of the report presents the structures and actors in the social dialogue in order then to address some practices of anticipation and good management practices, developed at the national level.

4.1 The social partners and structures of social dialogue in the countries examined

It is not surprising that social partnership in the countries examined by EUROSOFIN varies considerably, due to the different industrial relation systems at play.

In Austria, centralized collective bargaining takes place between sector organizations of employers and trade union federations. In banking, segmented dialogue is organized within five differentiated branches of the sector. However, there is coordination of collective bargaining and the differences among sub-sector CLAs are minimal (Hermann 2014). Restructuring issues are typically negotiated at the company level, between management and works councils, with negotiations often leading to company-specific agreements.

BOX 1: The European social dialogue in the banking sector

At sectoral level, the social dialogue in the European Union underwent an important development in 1998 when the European Commission decided to establish sectoral dialogue committees promoting the dialogue between social partners within sectors, at European level (Commission decision of 20 May 1998 – 98/500/EC). The social dialogue in the banking sector includes three partners on the employers' side (the European Banking Federation's Banking Committee for European Social Affairs: the EBF-BCESA's European Savings Banks Group; and European Association of Co-operative Banks) and one partner on the trade union side (UNI Europa). The sector covers financial service activities other than insurance and pension funds. Major challenges are the changing legislative framework as a result of the global financial crisis and the Eurozone crisis, bank supervision, the image of the industry, skills needs and demographic change. The Committee is currently focusing on: training and lifelong learning, corporate social responsibility and the integration of Social Partners from newer EU countries into the committee. The main achievements of the social dialogue committee include: the Analysis of demographic change in the banking sector – best practices (2006); the Joint statement on 'Employment and social affairs in the European banking sector – some aspects related to CSR' (2005); and the Joint declaration on lifelong learning in the banking sector – guidelines (2003). However, according to a recent report by Degryse (2015), the banking sector is one of the least 'productive' in terms of adopting joint texts. Nevertheless, the EU level social partners have also jointly implemented several projects in the fields of lifelong learning, enlargement and CSR.

Source: European Commission.

In Luxembourg, the social dialogue is strongly embedded in a law-based framework. At sector the level, three trade union federations and one employers' association have the right to sign CLAs. The CLA for the finance sector covers the entire workforce, and it can be extended. Sector level collective bargaining is gradually addressing issues related to restructuring (see Thill and Kirov 2014). In addition, some activities of sectoral partners target the consequences of restructuring, as for example updating skills or reintegrating employees back into the labour market. At company level, restructuring is negotiated between the employees' representative (supported by the sector's union) and management (*see Table 3*).

In France, social dialogue in the sector is well-developed. However, Teissier and Bussat (2014) report that there have been some trends to decentralisation in recent years. Trade union density is relatively low from an international perspective. There is also trade union pluralism, as several trade union federations represent the employees of the sector. As shown in the next part, important instruments have been developed at the sector level, such as the Observatory of professions or agreements on anticipation. At company level, arenas of comprehensive social dialogue exist, especially within the large banking groups, some of which employ thousands of employees. Social dialogue at company level is characterised as 'constructive' and peaceful. Some concrete examples of the promotion of prospective and internal mobility are developed by Teissier and Bussat (2014).

In the UK finance industry, multi-employer bargaining with the trade unions ended in the 1970s, when the employers withdrew from national collective bargaining (Jefferys 2010). Thus, at present, there is no sectoral social dialogue, except within the framework of the skills council. The sector skills council for the finance, accountancy and financial services industry is the Financial Skills Partnership. However, collective bargaining takes place at the level of individual banks. The two industry-wide bodies that exist are the trade organisations, the British Bankers' Association (BBA), representing 220 member banks from 60 different countries, and the much smaller Building Societies Association (BSA) with all 49 UK building societies as members (Jefferys 2010). In 2012, trade union density was already about 15% (Clark 2015). As with most of the private sector in UK, there is no formal sectoral dialogue, even of a consultative nature. Yet, as Clark (2015) has stressed, there are some informal arrangements in the sector: for example exchanges of views and information.

In Romania, social dialogue at the sectoral level is almost non-existent, as lately there has been no employers' association. The only topic discussed at this level concerns skills, via the skills council, which has been established recently. At enterprise level, the company trade unions assisted or represented by the FSAB negotiate with banks' management. The company trade unions and FSAB are important social dialogue partners for the banks' management. The negotiation at company level is very important with 40% of the employees being covered by a CLA. Despite this, the general environment of social dialogue, the involvement of trade unions in the anticipation and management of restructuring is rather limited, except concerning the process of internal reorientation and dismissals, and the solutions for social cases.

In conclusion, the research for EUROSOFIN emphasises that there are different configurations of collective bargaining, present in the different countries. Transferability of collective bargaining instruments has been identified. At the EU level, the sectoral social dialogue has important achievements to its credit (*see Box 1*), but the issue of restructuring as well as the importance of the inter-relatedness between the factors driving restructuring are not priority issues. The sectoral level social dialogue, where developed at the national level, is identified as a good basis for the anticipation of jobs and skills. Sectoral level CLAs also envisage measures related to restructuring, as is the case in France or Luxembourg for training. The management of restructuring is moreover dealt with at enterprise level. Common instruments are mobilised, such as the involvement of the employees' representatives, and take different forms: employees are informed and consulted, or take part in decisions or they negotiate agreements internally and in the context of social plans. The research has emphasised that this framework depends on national legislation and to what extent collective bargaining is assumed by law, but also on the culture and traditions of social dialogue. As can be demonstrated in some countries, the framework could change and be reinforced, as for example, because of the implementation of the European acquis through a process of Europeanization, as has been the case in Luxembourg.

Table 3. The social partnership in the banking sector in the selected countries

Social dialogue	Austria	France	Romania	Luxembourg	UK
Trade unions	GPA-DJP, union of white-collar employees	Several unions present, CFDT, CFE CGC, CGT, CGT FO, CFTC	FSAB (Cartel-Alfa)	ALEBA LCGB OGBL	Unite the Union, LTU, Accord, Advance and CWU
Trade union density	About 25%, lower than the average	9%, higher than the average	About 15% of the employees working in the insurance and banking industry	38 – 39% trade union density of ALEBA, no data about the two other unions	15% (2012)
Employers' organisations	Five different employer organizations	Association Française des Banques (AFB) (Commercial banks) and the Fédération Bancaire Française (FBF - the whole banking sector)	Council of the Banking Employers in Romania (CPBR), since April 2014	ABBL	British Banking Association (BBA).
Sector level dialogue	Yes, 5 sub-branch agreements are negotiated	Yes	No, except skills - institutionalized dialogue in the field of professional training	Yes	No
Company level dialogue	Yes, in most banks	Yes, in most banks	Yes, in most banks	Yes, in most banks	Yes, in major banks
Collective bargaining coverage	Almost 100%	98.7 % of the employees covered (estimation 2007)	40% of the employees are covered by the CLA	100%, extension of the sectoral collective agreement	38,1%

Source: EUROSOFIN national reports.

4.2 The contribution of social dialogue in the anticipation and management of restructuring

The research for EUROSOFIN highlights that it is generally difficult to distinguish between the anticipation of restructuring on the one hand, and its management on the other, as some measures could refer to both processes. In a number of cases, social dialogue at the sectoral and company level can interact, e.g., sectoral level federations would support employees' representation in cases of restructuring-related negotiations at company level.

For different reasons, motivations and traditions, the actors in the five countries argue that anticipation is either manageable or a difficult exercise. In some countries, the culture of anticipation is more developed and tools for anticipation have been developed, e.g., in France. In others, the development of the sector is dependent on the international environment, for instance on the strategies that international banks design to preserve or not their subsidiaries. This has been the case for example in Luxembourg or with Austrian banking investments in the CEECs. In these cases, social partners claim that the predictability is limited and anticipation is therefore rather difficult.

Finally, the management of restructuring is subject to legal frameworks and specific economic situations. A common fact is that in the countries examined, banks are trying to find solutions internally and avoid massive lay-offs, as these could lead to negative reactions in the media. Internal mobility, training, and early retirement are among the often-used formulas in bargaining as the research stresses. However, the report also shows that, even if responsible and social restructuring represents an asset for competitiveness in the market in the context of crisis, it is not always possible to strive for 'win-win' solutions.

The following examples of anticipation are identified in the context of the EUROSOFIN research project:

Table 4. Selected measures and practices to address restructuring

Measures and practices	Austria	France	Luxembourg	Romania	UK
Anticipation at sector level	No	Observatory of professions; CLA for the commercial bank sector	IFBL analysis on future skills	No	No
Anticipation at company level	No	GPEC agreements	The case of the large French bank BNP - Paribas	Some company plans that envisage downsizing – however the speed of restructuring is high (BRD)	No
Support to transitions	New development – e.g. work foundations; Early retirement schemes		Some internal measures in the big groups (e.g. BNP-Paribas), projects such as Fit for Finance	Rare, e.g. in the case of BCR Erste	Selection pools in LGB

Source: EUROSOFIN national reports.

Observatory of professions in France

The *Observatory of professions*, qualifications *and professional equality between women and men* in banking was established in 2005, following a collective agreement (see Teissier and Bussat 2014). This bipartite body carries out a monitoring of quantitative and qualitative trends of professions in this sector in France. It attempts to evaluate the potential or risks related to particular professional groups. Even if the evaluations of this body are not unanimous among the French social partners, it has contributed to outlining the main professions in the field.

Collective agreements on anticipation in France

According to Teissier and Bussat (2014), there are major collective bargaining outcomes in France in terms of anticipation. The *Agreement on non-discrimination by age and sex and the employment of older workers in the banking sector* was signed in July 2008. The Agreement is evaluated as important because the share of the over 50 year-olds in employment is large. It envisages creating accompaniment for their career development (through career interviews, better access to training, etc.). However, according to the interviewees, the extent of its application remains unknown. The second important agreement was signed in 2011. The *Anticipatory management of jobs and skills* (GPEC) is a practice that was already developed in France during the 1980s and 1990s. The application of this agreement follows several concrete steps (see Teissier and Bussat 2014). Professions are divided in classes. An evaluation was conducted on age pyramids, professional categories, etc. According to the authors of the French report, this agreement was particularly relevant for the small banks, where the HR function was not comprehensively developed.

The development of internal mobility in France

In French bank groups, the anticipation of change is a subject of social dialogue as a result of legal requirements. Anticipating and managing change is based on the promotion of internal mobility. This is also true for the results of collective agreements at various levels (including at the European level), as with the Agreements described in the large banking groups. These agreements seem to be a formalization of already-existing HR practices. The concrete aspects of the internal mobility boost the establishment of internal labour markets. It seems that these measures have strongly impacted on mobility, even if French interviewees mention several barriers: for example, some employees feel they are losing their professional roots and identity.

Outplacement rights in Luxembourg

Within collective bargaining agreements in Luxembourg, some new clauses were introduced in the latest CLA in 2014. A clause for instance concerns the commitment of employers to provide outplacement services. The CLA stipulates that in order 'to facilitate the search for a new job, the employee who is notified of termination for economic reasons, is entitled, at his request for an outplacement measure. The demand of the employee must occur no later than within one month of notification of dismissal for economic reasons. The terms and criteria should be established between the employer and the staff representatives of the company concerned. In case of a lack of staff representation, terms and criteria should be established between the employer and the employee concerned. The employees concerned are encouraged to seek advice from the signatory unions of this Agreement'. For employees affected by a redundancy plan, outplacement measures will be negotiated within the framework of the plan. There is evidence that such negotiations take place in the case of redundancy plans, as in the case of *LBLux S.A.* which ceased operation.

FitforFinance in Luxembourg

The *Institute for Training in the Finance Centre* (IFBL) promotes sectoral training initiatives for the reintegration of unemployed persons in the sector. It does this through its five-year 'Fit for Financial markets' project, which is supported by the national public employment service ADEM and the European Social Fund. The project consists of several procedures applied to those jobseekers who wish to re-enter the financial sector. The first part is a diagnosis of the jobseeker's professional skills. This is followed by an individual interview to detect the leanings and positioning of the candidate, before a personal development plan is established. Participants then follow the necessary training modules and pass tests and exams. The project has allowed a number of jobseekers to upgrade their skills, so that they get back to work or re-direct their careers to other sectors.

Box 2: The European works councils in the banking sector

In recent years, European works councils (EWCs) have become a key element of EU level industrial relations. The discussions at the final conference of EUROSOFIN concluded that this bargaining instrument is still under-used in the banking sector. According to the participants, many of the existing EWCs are new or have been very active recently (about 60 EWCs are active in this sector overall). However, they underlined the importance of EWC as a tool for anticipation in the large EU banks. Some effective examples have been provided by participants from Austria, France and Luxembourg.

Source: EUROSOFIN Final conference.

Supporting transitions: work foundations in Austria

As Hermann argues (2014), *work foundations* have been a common labour market instrument in Austria since the mid-1980s. Being already widely used in other sectors, they have recently been used in of the banking sector too. Employees made redundant due of economic restructuring are admitted to specifically-created work foundations in which they receive individual support and specific training, in order to help them to find new employment. Support usually lasts for three years; for participants older than 50, it can be extended to four years instead of the six months of regular unemployment benefit granted by law. The social partners play an important role in the establishment of work foundations: traditionally these foundations are approved by the Public Employment Service only if there is consent by social partners. Costs are shared between the Public Employment Service paying participants' unemployment benefit, and former employers who cover a share of the training expenses. Work foundations can be set up for a particular region that is affected by economic restructuring, specific sectors and individual companies. In the case of the banking sector, there are at least two work foundations set up for specific companies. The GPA-DJP trade union welcomes the use of works foundations because of the emphasis on training, and has even urged employers to set up a sector-wide foundation (Hermann 2014). However, many employers prefer individual layoffs rather than mass layoffs because these tend to be cheaper while attracting no public attention.

Working time flexibility in Austria

As Hermann reports (2014), negotiations between employees' representatives and management have recently taken place in Austria, in order to preserve employment in the banks. Some of the measures agreed include reduced working time but, as an incentive, salaries are not reduced during the first year. Different flexible solutions have been introduced – 4-day weeks or (non-paid) sabbaticals. As a matter of fact, the short-working time schemes have been a very common instrument in Europe during the recent crisis (Bergström 2014): however, there is less evidence of their use in the financial sector.

Restructuring in Romania: negotiation and the use of the corporate social responsibility (CSR)

In the case of Romania, several major restructuring plans have been carried out recently. An example of good practice in terms of socially sensitive restructuring is the *BCR NEXT* program envisaging the reorganization of the retail network. The restructuring process was implemented by means of a close co-operation with the trade union organisations, which represented an important communication channel with the employees and helped in the identification and implementation of the most appropriate solutions for the social cases (employees with particular health problems, or having in charge persons with health issues, or difficult family situation). *BCR* supported those employees affected by collective lay-offs by involving them in the Career Transition Programme, which came on top of the benefits specified in the CLA, and the Labour Code. The participation in this programme was optional and free. Under this programme, employees dismissed received pre-termination services by means of the public agency for workforce occupation and by means of employment and retraining services implemented by external suppliers. In Romania, however, there is the possibility of union action in order to benefit further from CSR attitudes by banks.

Voluntary departures in the UK

As described by Clark (2015), the most usual redundancy consultation outcomes relate to the severance pay in the UK. There is a high proportion of volunteers. Job security agreements have wide scope for volunteering across organizations.

Approximate levels of compensation – one month pay per year of service – are reported to be common, plus occasional pay in the case of notice. In the UK, the first £30,000 of redundancy pay is tax free.

5. CONCLUSION: KEY POINTS FOR IMPLEMENTING SOCIALLY-RESPONSIBLE AND ANTICIPATIVE RESTRUCTURING

As assessed in the previous sections, social dialogue in the banking sector is heterogeneously organized, although that the national studies illustrate that transferability and the search for local solutions through the exchange of good practices and networking is possible and welcome. A series of key policy points that underpin the good practice of socially responsible restructuring in terms of ethics and avoidance of mass unemployment are identified in this concluding section. These have been drawn from the interaction and exchange between researchers and practitioners during the various activities in the project (in particular during the national seminars), as well as from input received from the international conference, during which wide-ranging discussions took place.

In the case when restructuring is deemed to be unavoidable, socially responsible implementation entails three phases (*see Fig.1*): i) the anticipation of restructuring, ii) the management of restructuring, and iii) impact management. The different national examples studied in the project have emphasised that social partners' participation in restructuring processes is more focussed on one or more of these three phases. However, it is argued here that dealing efficiently with these three phases is important to the success of managing restructuring in a more socially-responsible way.

Anticipation is perceived here as a twofold process. First, it accounts for the fact that information, the exchange of good practices between social partners and consultation are organized with the aim of developing solutions for the next phases, and already act to prepare managing the process. Second, anticipation is reinforced through the implementation of *monitoring instruments and joint tools for predictability* at the sectoral level (i.e. observatories, surveys and studies) and at enterprise level (agreements). The research has shown that this process can be accompanied by the organization of tools which favour interaction and exchange (i.e. seminars).

The management of restructuring is enhanced through the mobilization of collective bargaining instruments (i.e. CLAs, sector agreements) at the national and sector level. A particular focus in this phase is laid on raising the significance of *tailor-made certified and officially recognised training and validation of experience strategies* which facilitate job transitions and the internal mobility of employees. The impact management of restructuring is geared towards developing *transition support instruments* (i.e. work foundations), whose accompaniment as a good practice could help facilitate the reintegration of employees back into employment.

An important element of the managing process is also the support provided to redundant employees. There are large debates about the responsibilities and roles of the different stakeholders in this process – such as the employers, public employment services, the employees' representatives, regional authorities, etc. In some countries, such as Luxembourg and France, unemployment packages are generally regarded as important. Combined with additional packages (i.e. severance pay), they provide a certain security for redundant employees when combined with tailor-made training strategies. In other countries, such as Romania, unemployment benefits are rather low and this constitutes a stimulus for negotiated outcomes. Particular practices observed in the countries under study can be considered as a starting point for social dialogue, as they share the potential of transferability. Such identified practices are not easily transferable, but they may serve to stimulate the search for more local solutions.

Figure 1. The three phases of socially-responsible restructuring

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Chapter 2

Restructuring and Social Dialogue in the Banking Sector in Luxembourg

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INTRODUCTION

The financial sector in Luxembourg includes the banking sector with currently 149 banks, the insurance sector with 92 branches, as well as the booming fund industry with a total of 3,881 investment funds. As the most fundamental economic sector in Luxembourg in terms of its share in GDP and employment, the financial sector has contributed substantially to preserving high employment and creating high-skilled jobs since the 1970s, through the development of niche products. The research for this project with a focus mainly on banks outlines three interacting dimensions at play in the financial sector in Luxembourg.

First, the banking sector in Luxembourg is characterized by a well-established collective bargaining system embedded both in the legal framework with consultative tripartite instruments at the national level, and framed in a law-based collective labour market agreement (CLA), as well as in company-level bargaining arenas such as the joint committees (*comités mixtes*) which date back to the 1970s and 1980s. In the sector, a smaller negotiation unit, the joint committee (*commission paritaire*) further monitors the development of the CLA. Developments in industrial relations (IR) in the financial sector have occurred against the background of de-industrialisation (Trausch 2012), as Luxembourg has undergone the structural shift out of the steel sector as a prime economic activity and into the development of an internationally-recognized financial sector.

This *financialization (Finanzialisierung)* process has increasingly resulted in the expansion of activities, while also boosting adjacent sectors. These include expertise, technology and know-how, which specialised international law and consulting firms provide the financial sector (Dörry 2014, Dörry 2015; Klagge, Dörry 2015). Moreover, the importance of the financial sector has been reinforced by a process of liberalization and internationalization of capital markets, and this is well-reflected in the development of private banking activities (Pieretti, Bourgain, and Courtin 2007). As this research shows, the process of internationalization is not limited to international transactions and decision-making conducted mainly in parent companies. Instead, it is rather cross-cutting with international regulatory pressures, new skills requirements and changes in professions, client preferences or restructuring on an international scale.

Second, the financial sector has experienced increasing pressure from international and EU regulation in response to the financial crisis in Europe. This process has put a strain on its functioning, as well as on the negotiation dynamics and strategies of collective bargaining without, however, losing sight of common objectives shared by the social partners: as one interviewee stressed, Luxembourg '*is an interesting, secure and stable financial centre with the objective that the main foreign branches continue to invest here*' (Interview with an employer representative).

In the face of the intra-European and international mobility of jobs and capital, and despite increasing pressure for the adaptation and niche-finding of products, the research confirms that the strong participation of Luxembourg in the European integration process has been beneficial to Luxembourg's financial system, especially when its role as a *pace-setter* is considered (Börzel 2001). But, it has also challenged the sector's room for manoeuvre due to increasing competition within the EU. Interviewees in the project have moreover emphasized that the momentum of change is degrading the socio-economic environment through restructuring, outsourcing, and mass redundancies, since the onset of the crisis in 2008. This has created challenges for the social partners in the sector. The need for quick answers and solutions to changes, adaptations and restructuring by the representatives of employees and employers of the sector has become more apparent than ever. Yet examining responses to changes is not easy given that the sector is characterised by a culture of secrecy, competition between countries at the international level, while decisions are mainly taken abroad in banks' main branches or headquarters. At the same time, the international and EU regulatory framework is changing constantly. The challenges for Luxembourg are not new, but the crisis has reaffirmed the volatility of the sector, and the potential negative impact on the overall economy if it were to fail in delivering tax revenues and creating employment.

Third, the research underlines that an array of informal instruments of social dialogue is mobilised and interact with the aim of helping to cushion volatility in the sector. Informal instruments are borrowed from Luxembourg's model of social relations which is based on consensus, the defence of shared interests, as well as on the perception of limited resources and a limited room for manoeuvre of a small country (Thorhallsson 2000; Falkner, Leiber 2004). Applied informal instruments include, for instance, the consensus-seeking dialogue which often takes place within banks and negotiation arenas between the actors at the national, sector and bank level.

1. METHODOLOGY AND DATA COLLECTION

The methodology of the research in Luxembourg is based on qualitative analysis combining three levels of work: after desk research to identify existing studies at the national and European levels, 14 semi-structured interviews were anonymously conducted with representatives of unions and employers in the sector, company-level unions, HR managers, along with experts from the sector. These were transcribed and analysed according to the qualitative method. A final dimension of the research consisted in conducting exchanges between experts of social dialogue and practitioners, during seminars in which mutual learning as well as good practices were presented. Preliminary results, integrated into the report, were discussed at a national seminar held in Luxembourg in October 2014, involving stakeholders from the sector as well as experts from the project.

2. THE IMPORTANCE OF THE FINANCIAL SECTOR IN LUXEMBOURG

Since the crisis in the steel industry in the 1970s, the financial sector has been considered as the most crucial economic sector in Luxembourg. The development of the sector has been the result of a long process. Historically it dates back to the 1960s with the emergence of the Eurodollar market and the growing presence of American, German and Scandinavian banks. Nationally, the sector has been nurtured with the introduction of simple legal frameworks that reinforce the status of private banking activities. Internationally, Luxembourg's position as a financial centre has drawn on the presence of major international banking institutions, such as the European Investment Bank (Michaux 2013).

The motivations put forward by international banks to move their headquarters to Luxembourg have been contested in the international press. But Schultz and Walther (2010) identify several general factors driving the development of the sector, including the simple and favourable legal and regulatory environment, easy access to the European market, and access to a skilled labour supply.

Broadly speaking, the financial sector contributes one third of Luxembourg's GDP and one third of government revenues. 17% of national employment, or more than 65,000 jobs are attributed to the financial sector. Added to the employment of the financial sector are the related supporting activities defined by the law (known as *PSF, professionnels du secteur financier*), as well as consulting firms operating in the sector and acting as promoters of the sector and providers of expertise. Employment in finance is also highly international with more than 77% of employees being cross-border workers and foreign residents.

The international financial crisis had a strong immediate impact on Luxembourg as a financial centre (OECD 2010). Indeed, the impact first became tangible in Luxembourg with the near-collapse in the autumn 2008 of the DEXIA, ING and FORTIS banks. Their demise was avoided by a considerable injection of government capital by Luxembourg and its neighbouring countries, followed by internal restructuring. Their collapse could have been disastrous and was illustrative of the volatility of the sector in terms of potential, rapid revenue losses and mass redundancies. Nonetheless, the sector has been hit less by the crisis than other European financial sectors and has recovered more quickly. As current data for the banking sector illustrates (*see Table 1*), the crisis led to assets dropping from €931 billion in 2008 to €791 billion in 2009. Assets have been on the increase again since 2013, as has the number of banks, which remained stable throughout the crisis. This is notably because new banks have been attracted (i.e. from China). The sector contributes to more than 17% of overall employment in Luxembourg, while its share of GDP stood at 38% in 2012 (Deloitte 2012).

In terms of employment, the sector remains the most important generator of jobs in Luxembourg, even if the number of redundancy schemes increased during the crisis (25 in 2009-2010, according to ALEBA data). As a result, mass redundancies affecting other European financial sectors were avoided. The banking sector in Luxembourg embodies the paradox that it is both creating new jobs while it is restructuring and so too destroying jobs. The number of jobs in the economy or in the sector increased constantly prior to the crisis for both managers and wage earners, from 1996 up to 2008. In the latter year, there were 27,205 jobs in the banking sector, a total which then decreased to 26,254 in 2010 and to 26,151 in 2014. At the same time, recent data by the National Supervision Committee of the Financial Sector (*Commission de Surveillance du Secteur Financier CSSF*) indicates a return to job creation in 2014.

Table 1. The banking sector in Luxembourg

	Number of banks	Total assets (€billion)	Total staff
2003	169	656	22,529
2004	162	695	22,554
2005	155	791	23,227
2006	156	840	24,752
2007	156	915	26,139
2008	152	931	27,205
2009	149	793	26,420
2010	147	762	26,254
2011	143	793	26,695
2012	141	735	26,537
2013	147	713	26,237
2014	148	753 (November 2014)	26,151

Source: CSSF (2014), KPMG (2014), compiled by authors

Table 2. The internationalization of the banking sector

Country of origin	Number of banks
Germany	33
France	15
Switzerland	12
Italy	10
UK	9
Belgium, Sweden	7
China, USA	6
Brazil, Japan	5
Luxembourg	5
Spain, Israel, Netherlands, Qatar	5

Source: CSSF, 2014

3. SOCIAL DIALOGUE IN LUXEMBOURG'S FINANCIAL SECTOR

Restructuring at the sectoral level has been managed by a strong culture of collective bargaining, which reflects the bargaining tradition at the national level. The sectoral level social dialogue is conducted by the three representative trade unions and an employers' organisation. On the union side, the main actor is the independent ALEBA. The other two unions are branches of the national OGB-L and LCGB confederations. On the employers' side, ABBL represents more than 70% of the banks in the country (Castegnaro and Claverie 2011). A law passed in 2004 gives these three representative unions the right to sign sector CLAs, and to discuss areas of bargaining as defined by law, such as training schemes.

Moreover, the results of the social elections organized on a five-year basis for seats in the Chamber of Wage Earners (*Chambre des salariés*) indicate the relative strengths of the unions in the sector: ALEBA took half of the seats in the Chamber of Wage Earners in 2013, followed by OGB-L and LCGB (*see table 3*).

Table 3. Results from the union elections in the financial services sector, 2013

List 1	**OGB-L**	60,665	32,33 %	= 3 seats
List 2	**LCGB**	32,425	17,28 %	= 1 seat
List 3	**ALEBA**	94,553	50,39 %	= 4 seat
Total:		187,643	100,00 %	= 8 seat

Source: Chamber of Wage Earners, 2013

As in many other EU countries, collective bargaining coverage in the banking and insurance sector is high, about 39%, and less than the overall national coverage of 59% (Ries 2011). In May 2014, a new collective labour agreement was signed and constitutes the main result of social dialogue in the sector. There is a practice in the sector of extending the CLA to the entire workforce. In addition to collective bargaining, tripartite meetings are held if necessary, as for example in 2008 when the social partners met government officials with the objective of tackling the crisis and because there are no exclusively permanent sector-related tripartite or other social dialogue bodies. Tailor-made tripartite meetings sought to encourage a more forward-looking social dialogue whereby social partners would be better-placed to anticipate the impact of potential future downturns in employment (*see table 4*).

However, law-based sectoral dialogue coexists and is complemented with more informal instruments and practices of social dialogue. In the context of this research, interviewees identified a coexisting culture of informal dialogue (contacts, meetings, internal agreements, etc.) which contributes to facilitating consensus when problems occur and which often takes place prior to larger meetings related to collective bargaining. As emphasized by an interviewee, informal 'soft' instruments of social dialogue in the sector are facilitated by the size of the country and close relations between the actors, as well as by a common agenda of interests and national preferences. This has been particularly favourable when tackling the crisis. As a trade union official stressed, it is in the interests of social partners to '*(...) always try with some solidarity at the national level to keep some added value here in Luxembourg because we all know that as unions or as employers, or as the legislature on the other hand, we can only survive if we maintain a more or less respectful dialogue with one another. And we have the advantage that in Luxembourg the paths between different persons are much smaller, much shorter than in other countries. What finally made us strong? And then there is an inherent social dialogue without necessarily having to have ... greatly advertised meetings' (Interview with a trade union official)*. In the face of the growing internationalization of the sector, there is a concern to develop the sector continuously and to emphasise the potential for doing business and carrying out investment, as is stressed by an employer representative: '*We must show that the Luxembourg financial centre is attractive, safe, and stable, so that the parent companies continue to invest here*'.

According to interviewees, the new 2014 CLA is a compromise and wage levels have been frozen as this has this could cushion a negative impact on jobs. Moreover, sectoral trade unions often participate in the negotiations at company level about restructuring and have also contributed to formulating the agenda of the 2004 law on collective labour agreements (involving training). They have a comprehensive knowledge of the sector and the non-written 'standards' of what can be negotiated and what could be regarded as potentially conflictual. At the national level, social partners have therefore been able to lobby for legislative changes through their affiliation with national organisations. This is well illustrated for example by the fact that trade unions examining some of the terms of negotiation over job maintenance, for which they consider the existing law-based negotiations and consultation period to be too short.

Table 4. National tripartite instruments and their functions

	Joint Discussion	Consultation	Supervision	Transit	Accompaniment	Negotiation	Monitoring
Conseil économique et social (1966)	X	X		X	X		
Comité de conjoncture (1975)		X	X				
Commission nationale de l'emploi (1976)		X					
Comité de coordination tripartite (1977)	X	X	X			X	
Comité du travail féminin (1984)		X					
Comité permanent de l'emploi			X				X
Comité permanent du travail et de l'emploi (2007)		X	X				
Observatoire permanent des relations professionnelles et de l'emploi	Specific activities						

Source: (Clément 2008), adapted by authors, 2015

4. FACTORS DRIVING RESTRUCTURING, PROCESSES AND TRENDS

The research for EUROSOFIN has identified some of the main factors driving restructuring in the banking sector in Luxembourg. Some of these factors had already existed prior to the financial crisis, but their role and in particular their inter-relatedness have been exacerbated. They constitute potential bottlenecks for the sound development of the sector in the future. From a methodological perspective, the drivers identified result from a categorization process and the related analysis of the project interviews.

International and national regulation

International and European regulations in the banking sector in Europe are numerous: as a recent study by KPMG has underlined, dozens of global, European or national rules have entered or will enter into force between 2013 and 2019 (KPMG 2014). Some of them are based on European Union regulations (i.e. the automatic exchange of data). Others stem from different contexts such as Basel III on bank capital adequacy, stress testing and market liquidity risk, or the American FATCA to detect US tax evasion. Luxembourg's social partners are aware of this changing and intricate legal framework, but as the interviews reveal, their implementation is confined to the banks and does not figure on the negotiation agenda. Although indirect, however, their impact on employment in the sector is tangible and a matter of concern in the bargaining process. The dynamics underlying the transformation of employment in the sector was highlighted by an expert, who emphasized that '*step by step, all these directives, all these structures are falling apart. So now it must be justified why there is staff in Luxembourg, with the result that jobs are being transformed. Everything that is operational is moving towards something that is more like management' (Interview with an expert)*.

As it is difficult for both employers and trade unions to respond efficiently to increased international regulation at the national level, social partners have been pooling forces and resources at the European level to share expertise and to influence the design of regulation implementation and management strategies. As national social partners are collaborating at the European level through their respective European representatives, collective bargaining in the financial sector, as elsewhere, is being permeated by a process of Europeanization. The latter is marked by pushing up national interests and preferences to the European level.

The cross-cutting internationalisation of the sector

An important driver of restructuring is related to the internationalisation of the sector. As the research for this project illustrates, internationalization is perceived as cross-cutting through for example the mostly international character of banks with decision-centres residing abroad. It is also cross-cutting through the requirement of tailor-made skills and 'skills shopping' on an international scale, as the national employment market has been unable to provide high skilled employees with competences in niche products such as Islamic finance for instance. Interviewees emphasised that banks in Luxembourg are largely subsidiaries of foreign banks, so that decisions on restructuring are taken abroad. This has an impact on bargaining processes in Luxembourg. In the framework of their international strategies, international banks can leave the country, downsize, or change the character of their activities in Luxembourg.

Accordingly, the impact of internationalization has changed. During the 1980s and 1990s, internationalization was mainly an opportunity. Today, it is both an opportunity for attracting new capital and a threat to the sector's stability, as risks are more volatile. That said, for the moment, closures, mergers, and downsizing by established banks are being partially compensated by the arrival of Chinese and Latin American banks, pointing to the fact that the sector is recovering from the crisis and attracting new players.

Processes of outsourcing and in-sourcing

Since the beginning of the crisis, cost pressure on banks has increased and processes of outsourcing and offshoring have speeded up. According to the interviewees for the research, three types of outsourcing define processes of restructuring in the sector.

The first type of outsourcing consists of offshoring activities relocated to countries with lower labour costs, mainly to Asia (India) or Central and Eastern Europe (Poland). IT services are identified as often being relocated. The second type of outsourcing concerns the transfer of activities towards mainly private companies located in the country: this type of outsourcing affects an increasing number of employees who are not covered by the branch collective agreement. This risks leading to a segmentation of employment in the sector. A third type of outsourcing in the sector concerns the relocation of jobs elsewhere within the same banking groups but to other countries. While jobs risk being lost in the country in the first outsourcing process, there are opportunities for them to remain in the country in the last two cases. If jobs remain in the same banking group for example, then they are covered by the CLA.

Interviewees' comments lead to the further conclusion that outsourced activities have suffered losses in quality of service and communication between clients and banks, as well as between banks and companies managing the outsourced activities abroad. As a new and less-studied process, in-sourcing is considered as a cheaper option and jobs are again relocated back to the home labour market

Difficulties of anticipating restructuring and lack of evaluation instruments

The current economic and financial situation is complex as different indicators could be contradictory (KPMG 2014). From this perspective, interviewees point out that forecasting represents a difficult task for the social partners. In addition, the restructuring process is subject to specific characteristics and challenges. The culture of the banking sector (and more generally of finance) is related to the need for stability, secrecy, and reputation. As a matter of fact, many announcements of lay-offs, mergers, etc. are done according to the legal requirements, but are communicated to the public at the last possible moment. The research has illustrated that social partners have difficulties in anticipating restructuring. Moreover, as suggested in this report as a key point, further monitoring, evaluation and networking instruments at the national level (i.e. observatories) and at the sector level (i.e. exchanges, seminars and surveys) would enhance anticipation.

Adaptation of training and skills

The research has stressed that restructuring has led to skills adaptation and competences. Such skills adaptation is in fact the most fundamental aspect of restructuring in the sector, as interviews have emphasized, notably because skills mismatches are perceived as a motivation for outsourcing activities. The objective of adapting skills is twofold. First, the panoply of regulations impacting on managing banks has required a high level of compliance, which drives banks to recruit specialised and high-skilled labour to the detriment of less-skilled employees. They in turn are having to upgrade skills and redirect their careers. Second, the design of new and mostly niche products as a result of adaptation processes to pressures impinging on the sector have also imposed the requirement of recruiting highly-skilled employees, as well as the implementation of new training strategies.

As interviewees noted, prior to regulation, 'small' clients of private banks were mainly individuals from neighbouring France, Germany, and Belgium. In the future, information about their accounts and related capital will be communicated to the tax authorities of the respective countries, as a result of new regulation. This poses a threat to banks as clients are deciding to shift their capital to more attractive financial centres. Attracting new capital and clients is a challenge and requires an overhaul of the management-client relationship in banks: employees are required to be more competent in supporting and advising new clients and products in the context of international competition with other financial centres. While management was previously mostly conducted in-house, now it is increasingly outsourced and pooled internally. In this way, professions in the back-office are affected in the following way: before their work could be described as '*I can do*', now it relates more to '*I can guide*' with the aim of preparing outsourcing.

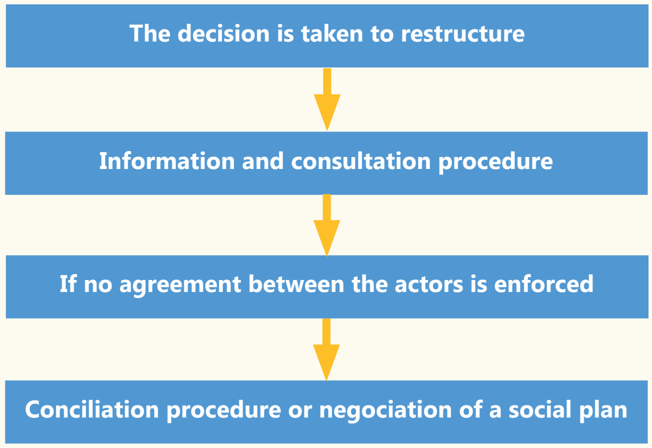
The research has illustrated that two processes are at play in the sector: on the one hand, training schemes for skills adaptations and mismatches are organized internally, with banks required to spend at least 1% of their budget on training, according to the 2014 CLA; on the other, as outlined in the introductory section of the EUROSOFIN report, re-skilling schemes are vital components of the restructuring process, in terms of getting vulnerable employees back into permanent jobs.

5. PRACTICES AT THE ENTERPRISE LEVEL: THE PROCESSES OF *JURIDIZATION* AND INFORMAL DIALOGUE

Company-level social dialogue in Luxembourg is conducted through a number of bargaining structures that are defined by the institutionalised legal framework enforced in the 1970s. Company-level bargaining involves different configurations of actors. On the employees' side, there is the employees' representation (*délégation du personnel*) and the joint committee (*comité mixte*) for companies with more than 150 employees[3]. In banks with more than 1,000 employees, the personnel is entitled to have representatives on the board. The process of restructuring includes the decision by banks that when restructuring occurs, the information and consultation phase based on law, as well as negotiations between employers and employee representatives that could lead to: internal company agreements, voluntary agreements between the two parties (*convention d'entreprise or Betriebsvereinbarung*), and the maintenance of employment plans in accordance with legislation. If no agreement is reached, negotiations fail and the conciliation procedure may be mobilised to produce a final agreement. If the conciliation procedure fails, redundancy schemes are negotiated between the social partners or employees risk becoming redundant (*see Figure 1*).

[3] New draft legislation on social dialogue at the company level includes the suppression of the joint commitees.

Figure 1. The restructuring process in Luxembourg



Source: Authors' presentation

Interviewees agreed that the negotiation of restructuring has become increasingly difficult, notably as a result of the crisis, as agreements between the social partners in the sector could have been – and often were – negotiated internally. In this context, an expert stressed that *'(...) in the financial sector in Luxembourg, redundancy schemes were still rare up until 3-4 years ago, because banks chose other measures to reduce the wage bill rather than redundancies, including early retirement and other incentives encouraging employees to resign with severance, voluntary severance especially for young people who may want to change careers or take a sabbatical. So we tried to ... [but] when there is no market, these measures become insufficient; and the only way left finally is to use layoffs' (Interview with legal expert)*.

As employment maintenance schemes[4] are rarely negotiated in the sector, the preferred solution to avoid redundancies is based on consensual internal, company-level agreements. As one expert noted: '*There are initial schemes, but they are often negotiated internally with the staff delegation. So often, in terms of job retention something much more formal is decided. Again it is necessary to work with the unions, which is sometimes preferred in the financial sector, where we prefer to negotiate directly with employees' representatives than with sectoral unions' (Interview with a legal expert)*.

The procedure within the field of collective bargaining in the sector is regarded as less formal because informal instruments are mobilised. These are also more discrete for the employer because such agreements are not communicated to the public or discussed in the media, compared to job maintenance plans which are viewed as negative by the media and the public.

In some cases during the restructuring negotiation process, bank agreements are the preferred solution because employers negotiate directly with employee representatives, while sectoral unions are less involved. In the particular case of negotiations over redundancy scheme, the bargaining agenda in practice mostly includes severance pay, the terms of departure, the redundancy package including, for example, bonuses for families, as well measures for outplacement and training allowances.

The participation of sector unions in support of staff delegations at the company level is perceived as leading to potential clashes of interest between the staff delegations and the sector union, because the latter have their own agenda and objectives they want respected and applied at the level of the bank. This was highlighted by a trade union official, who stressed that '*Because at times, the staff delegation sees only its context... So it's*

[4] Employment maintenance schemes are a combination of various instruments to adjust the number of staff in companies with difficulties, while maintaining employees in jobs.

social, its involvement in the company (...). They do not always get the big picture. So sometimes there are things we would like as delegates to see in a redundancy scheme - that seems a priori - but could also be a big problem if we begin to accept such principles (...) we are here to help delegates too, we are not there to control, but we are here to help and we are also there to sometimes put discussions into the broader framework of sectoral policy or national policy' (Interview with a trade union official).

According to the interviewees, preferences for more formalized agreements are further related to the bank's own culture. Some banks apply 'hire and fire' policies, giving less bargaining flexibility and room for manoeuvre with legal principles that are strictly enforced. Others respect the tradition of collective bargaining by seeking "win-win" solutions for both employers and employees. As the sector is highly internationalized, instruments of social dialogue on restructuring are permeated by national 'cultures'. As a legal expert noted: '*So banks from the UK, the US or Japan and Germany, when they sometimes have a problem, they prefer, how can I say this, to negotiate directly with the internal representatives and so with the internal staff delegations, and with the employees of the bank. They find it sometimes bizarre to have to negotiate with representatives who are external to the company' (Interview with a legal expert)*.

As analysed above, the factors driving the underlying processes of restructuring, such as increased international regulation and cross-cutting internationalization, confront social partners with the mobilization of expertise in the negotiation process. For trade unions, expertise in collective bargaining has been mainly provided by delegates working in the banks, as they are familiar with the bank's culture and internal dynamics. Nonetheless, the various bargaining phases, according to the interviewees, imply what can be referred to as a process of *juridization* (i.e., the overall process of implementing the existing legal framework running from the application of the law through to the potential conciliation procedure, and including the mobilization of specific external expertise). Social partners are accompanied by external lawyers and legal experts in their negotiations and this already at the information and consultation phase when points of discontent are eliminated. As a legal expert emphasized '*There are customers who from the beginning are present, assisted and advised by experts, legal experts, lawyers. And this is more and more the case. Why? Because unions are also experts in social matters [supporting] employee representatives within companies. Unions are also increasingly assisted by lawyers, especially in the banking sector' (Interview with a legal expert)*.

This process of getting legal experts into the negotiations contrasts with the mobilisation of more consensus-driven informal dialogue instruments related to Luxembourg's traditional model of managing social relations (Adam, Zahlen 1999; Wey 2003; Thill, Thomas 2011). Its appliance has guaranteed the achievement of socially-responsible restructuring in most cases, but its limits have become tangible in the face of the underlying drivers of restructuring identified before. Expertise required to appropriate changes in the legal framework according to international and European norms is conceived as a challenging hurdle in the restructuring process. In the words of a trade union representative: '*(...) We do not follow all as the regulatory framework is a big deal (...) there are European standards, national standards, which are imposed on us by the US, as FATCA (...) we have an overview of all these constraints, but these are not things that fall directly into the discussion at the level social dialogue.' (Interview with a trade union official)*.

CONCLUSION

This chapter has analysed the main factors driving the underlying processes of restructuring in the banking sector in Luxembourg, as well as trends and factors encountered by practitioners in the various negotiation units. Collective bargaining in the sector focuses on cases of restructuring according to law-based subjects to be negotiated in the context of CLA, with the objective conducting socially-responsible management of restructuring. This research has also underlined however that exogenous developments, such as the pressure from international regulation or outsourcing strategies, have an impact on collective bargaining practices.

It has also been stressed that the well-structured and multi-level system of collective bargaining in the sector, the negotiation and implementation of the CLA, the representation of employees at the bank level, combined with applied informal instruments from the existing model of managing social relations in Luxembourg, have all meant that a major negative shock to the sector and the economy overall was avoided. Nonetheless, the management model of restructuring remains under pressure from the strategies by multinational banks, cost pressures, and increasing regulation. From this perspective, the outcome is an increasing process of what is termed *juridization*, with external expertise at the heart of the process, aimed at responding more efficiently and rapidly to cases of restructuring. It operates in parallel to the traditional informal dialogue and the existing legal framework. Solutions outside the formalised and legal pathways are preferred by many banks, such as company-level agreements. This research has thus confirmed the general tendency of collective bargaining to be increasingly at risk of giving way to fragmented social dialogue in cases of restructuring.

In terms of anticipation, social partners at the sector level have a sound understanding of future challenges. Nonetheless, it is difficult to translate economic and business forecasts into expectations about future employment developments, even if larger banks are much more able to plan in the longer run. These problems are further exacerbated by the specific culture of secrecy which is perceived to act as a barrier against 'early warning' signals.

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ANNEX 1: TABLE OF ABBREVIATIONS

ABBL – Association des Banques et Banquiers Luxembourg

CLA – Collective Labour Agreement

CSSF – Commission de Surveillance du Secteur Financier

ALEBA – Association Luxembourgeoise des Employés de Banque et Assurance

ETUI – European Trade Union Institute

IFBL – Institut de Formation Bancaire Luxembourg

LCGB – Letzebuerge Chreschtleche Gewerkschaftsbond

LISER – Luxembourg Institute for Socio-Economic Research

OGB-L – Onofhängege Gewerkschaftsbond Letzebuerg

Chapter 3

Restructuring and Social Dialogue in the Banking Sector - Austrian Experiences

Christoph Hermann[1]

INTRODUCTION

The Austrian banking sector underwent major changes in the past 25 years. It developed from a sector that was to a large extent publicly owned and almost exclusively served national customers to a primarily private business sector with major investments and operations outside Austria. For a number of years the Austrian headquarters benefited from profits made in countries in Central and Eastern Europe (CEE). However, since the financial crisis the sector has come under growing pressure and CEE operations are increasingly seen as liabilities instead of assets. Confronted with declining profitability, the banks have started to outsource various operations inside and outside Austria while at the same time promoting internet and video banking as alternative to using local branches. Accordingly, outsourcing and the reduction of personnel has become major issues for negotiations between works councils and management[2].

The report starts with a short overview of the Austrian banking sector, including the structure of the sector, recent changes such as the expansion into CEE and the impact of the financial crisis. The next section then presents the main forms of social dialogue in the Austrian banking sector, followed by a presentation of major restructuring processes such as outsourcing. The last section deals with the role of social dialogue in mitigating the effects of restructuring. The paper ends with a brief conclusion.

The report uses existing literature and reports as well as draws on six qualitative expert interviews with representatives of the social partners, including works council representatives (for the full list of interviews see Annex 1).

1. THE AUSTRIAN BANKING SECTOR

In 2014, the Austrian banking sector encompassed 809 independent credit institutions. This is still a relatively high number given the small size of the country, but the number has decreased by more than 40% since 1980 and about 7% since 2007. The sector, furthermore, compromises a number of subsectors related to different ownership structures and business models. The largest subsector is the Raiffeisen sector (30.2%), which was initially a network of semi-independent cooperative banks mainly catering farmers and rural populations, but now includes major investments banks such as Raiffeisen International which are active outside of Austria. The second

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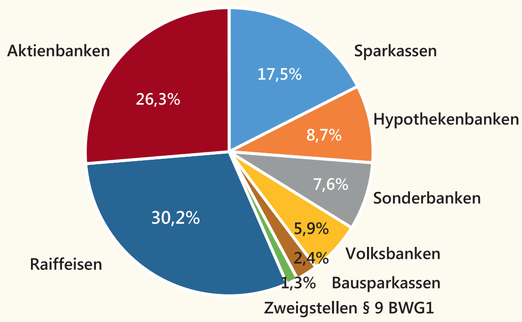
[2] Austria has a so-called dual system of industrial relations. Collective agreements are negotiated on an annual base between employer organisations (mostly the Chamber of Economy) and trade unions and typically cover pay and working hours. In addition management and works council can negotiate company agreements covering issues such as the terms of mass layoffs (Sozialplan). In some cases collective agreements include clauses that explicitly encourage the social partners on the company level to negotiate company agreements. However, in general company agreements only have an effect if the conditions are better for the employees than the collective agreements (favourability principle).

largest subsector consists of joint stock banks (Aktienbanken; 26.3%). This sector represents the largest Austrian banks outside the Raiffeisen sector including Uni Credit Bank Austria, Erste Bank Group and BAWAG-PSK. Further subsectors include the saving banks (Sparkassen; 17.5%), mortgage banks (Hypothekenbanken; 8.7%) as well as special purpose banks (Sonderbanken; 7.6%).

Figure 1. The Austrian banking sector, 2012



Source: Arbeiterkammer, 2014
http://media.arbeiterkammer.at/PDF/Branchenanalyse_Banken_2014.pdf

In 2013 the largest individual Bank was Unicredit BA with a market share of 12.92%, followed by Erste Group with 8.79%, Raiffeisen International with 7.48% and BAWG-PSK with 4.19%. The top-ten banks together achieve a market share of 50.2% (Arbeiterkammer 2014: 32-33).

The Austrian banking sector has changed quite dramatically in the past 25 years. Up until the 1990s the Austrian banking sector was to a large extent publicly owned – by local, regional and national governments. In addition one major bank – Bank für Arbeit und Wirtschaft – was owned by the Federal Trade Union Organization. In the 1990s the sector experienced a number of mergers, followed by a wave of privatizations. A telling example is the story of Unicredit BA. In 1990, Länderbank and Creditanstalt merged to form Bank Austria. Eight years later, Bank Austria acquired the majority shares of Creditanstalt to form BA-CA as the largest Austrian Bank. In 2000, the majority of public shares of BA-CA were sold to German Hypovereinbsbank, which in 2005 was taken over by the Italian Unicredit Group. As a result, Bank Austria became Unicredit BA. BAWAG-PSK, the fourth largest bank, also has a turbulent recent history. The former trade union bank BAWAG acquired the state-owned PSK in 2000. The bank, subsequently, faced major economic difficulties after a series of failed overseas investment and in 2006 was sold to an American investment fund.

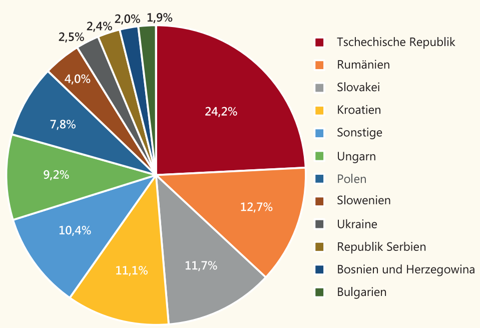
Table 1. The largest Austrian credit institutions, 2012

Credit institutions	Turnover (in million euro)	Market percentage (%)
Uni Credit-BA	123,097,716	12.92
Erste Group Bank	83,792,512	8.79
RBI	71,250,132	7.48
BAWAG/PSK	39,905,754	4.19
RLB-OÖ	32,366,183	3.40
RLB-NOE-Wien	29,679,824	3.11
Kontrollbank	27,566,488	2.89
ÖVAG	27,178,924	2.85
RZB Oberösterreich	26,343,850	2.76
Erste Bank	23,381,661	2.45
Top 10 of Austrian credit institutions	484,563,044	50.2

Source: Arbeiterkammer, 2014 http://media.arbeiterkammer.at/PDF/Branchenanalyse_Banken_2014.pdf

In addition to mergers and privatizations, several Austrian banks also transformed themselves into major international investors. After the fall of the communist regimes in Central and Eastern Europe in the late 1980s, Austrian banks quickly became active in the region, acquired existing institutions and opened up new branches. Especially Unicredit-BA, Erste Group and Raiffeisen International are highly present in CEE countries such as the Czech Republic, Romania, Slovakia, Croatia and Hungary.

Figure 2. Austrian banks in Central Eastern Europe, 2012



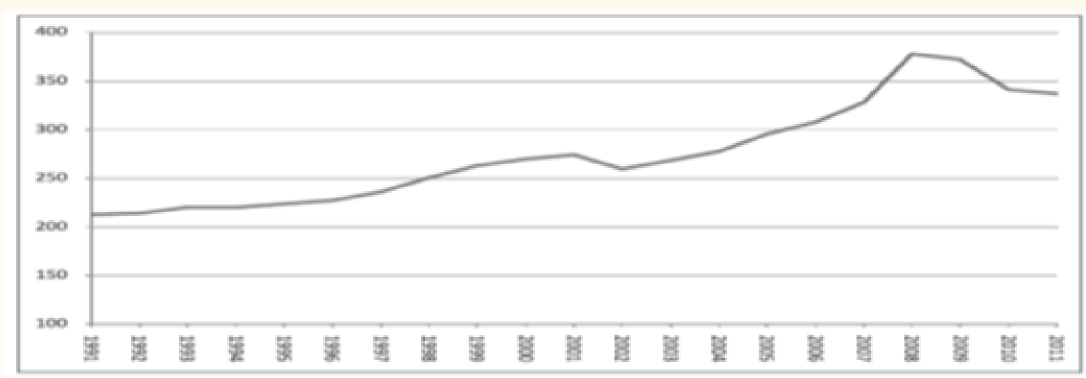
From top to the bottom: Czech Republic, Romania, Slovakia, Croatia, Others, Hungary, Poland, Slovenia, Ukraine, Republic of Serbia, Bosnia Herzegovina, Bulgaria.

Source: Arbeiterkammer, 2014
http://media.arbeiterkammer.at/PDF/Branchenanalyse_Bank-en_2014.pdf

As a result of the eastward expansion, the rate of Austrian bank assets to GDP increased from close to 200% in 1991 to close to 400% in 2008 (Zotter 2012: 675). During this period Austrian banks made major profits in the regions, some of which were repatriated to Austria and benefited the Austrian economy. However, since the financial crisis and the following economic turbulences in some CEE countries, the bank activities in the region are increasingly seen as an economic liability, which according to the IMF and others pose a major risk for the Austrian budget.

The financial crisis, shaking the world economy in 2008-2009, also threatened the Austrian banking sector. Given that several Austrian banks struggled with financial distress, the government stepped in and adopted a 100-billion-euro strong bank rescue package. However, this did not prevent some banks from defaulting. The most spectacular case is Hypo-Alpe-Adria which registered major losses in Croatia and other places on the Balkans and after an emergency nationalization in 2009 may cost the tax payer up to 10 billion euro. However, even those banks which are not immediately threatened by bankruptcy operate in an increasingly difficult business environment. Profitability suffers from a number of developments including a special bank tax, introduced to regain some of the expenses for the support of the banking sector during the crisis. In addition the banks struggle with declining business volumes, especially in investment banking, low interest rates, growing administrative costs caused by a series of new banking regulations, higher equity-to-asset ratio (also required by new banking regulations), as well as in some cases credit defaults in CEE. As a result, net profits of Austrian banks have decreased from 7.5 billion in 2006 to 3 billion in 2012 (Österreichsiche Nationalbank 2014: 20).

Figure 3. Austrian bank assets as proportion of GDP



Source: Zotter, 2012

Table 2. Aggregated profit and loss account of Austrian banks (in billion euro)

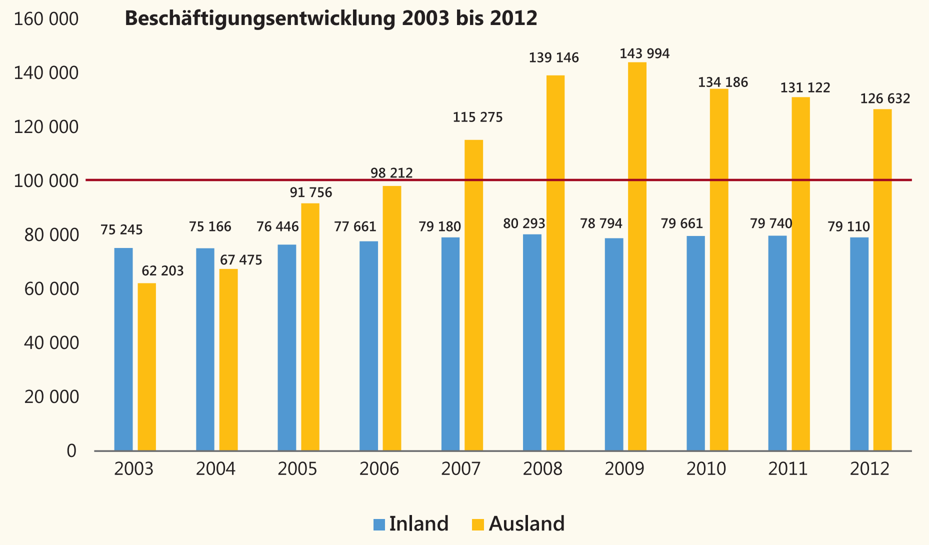
	2006	2007	2008	2009	2010	2011	2012
Net interest income	14.9	18.0	19.3	19.5	20.4	20.4	19.3
Fee and commission income	6.8	8.2	8.5	7.2	7.7	7.6	7.3
Trading income	1.2	0.9	-2.1	2.6	1.0	0.8	1.1
Operating profit	9.2	11.1	7.9	15.6	13.5	10.4	12.1
Net result after tax	7.5	6.8	0.6	1.5	4.5	0.7	3.0

Source: Österreichische Nationalbank, 2014.

In spite of the economic difficulties, employment in the Austrian banking sector has been fairly stable in the last ten years. Employment increased between 2003 and 2008 from 75,245 to 80,293 individuals and then has decreased slightly 79,110 individuals in 2012 (Arbeiterkammer 2014: 38). However, as described below several banks are currently planning major redundancy programmes. Furthermore, while employment was rather stable in Austria, the number of workers employed by Austrian banks outside Austria has changed quite a bit, increasing from 62,203 in 2003 to 143,994 in 2009 and then falling back to 126,632 in 2012 (ibid). This development also underlines the growing importance of the CEE activities.

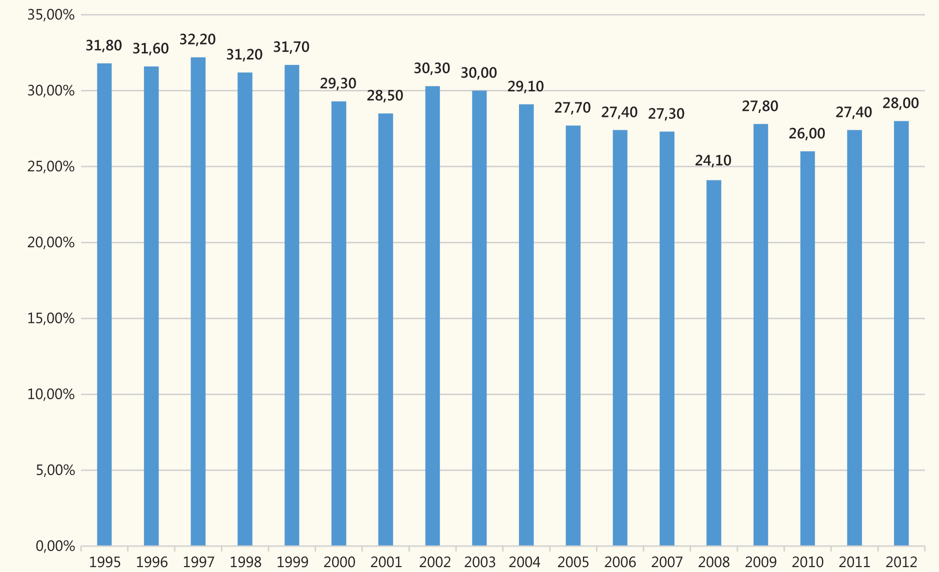
Furthermore, while employment numbers have remained fairly stable the introduction of new technology, organizational reforms (including outsourcing) and growing pressure on wages have reduced labour costs quite substantially. Labour costs as percentage of operating revenues declined from 32.2% in 1997 to 24.1% in 2008. They started to increase again in the light of declining revenues during the crisis to reach 28% in 2012.

Figure 4. Development of employment



Blue column inside Austria, yellow column outside Austria
Source: Arbeiterkammer, 2014 http://media.arbeiterkammer.at/PDF/Branchenanalyse_Banken_2014.pdf

Figure 5. Development of labour costs



Source: Arbeiterkammer, 2014 http://media.arbeiterkammer.at/PDF/Branchenanalyse_Banken_2014.pdf

2. SOCIAL DIALOGUE IN THE AUSTRIAN BANKING SECTOR

Generally, Austria has a high coverage rate of collective bargaining and bargaining mainly takes place between highly centralized employer organizations and trade unions on the sector level (trade union leadership is elected according to political affiliation, but trade unions themselves do not affiliate with political parties). In addition works council representatives are elected on the company level who can conclude additional company agreements (Betriebsvereinbarungen) with management (company agreements only have an effect if they contain better conditions from the perspective of workers than sector-wide agreements). Traditionally company agreements concern secondary issues such as social plans (in the case of mass layoffs) but not wages and work hours (yet company agreements increasingly deal with flexible work hours and with the distribution of wage increases in cases where sector agreements explicitly encourage social partners on the company level to make use of the possibility to award wage groups differently).

The banking sector is insofar as an exception as the employer side is divided into five different employer organizations – one for the Raiffeisen sector, for the joint stock banks, for the saving banks, for the mortgage banks and for the Volksbanken. The Chamber of the Economy which usually concludes collective agreements for the employer side in Austria has also a department that represents the interests of employers in the banking sector, but does not participate in the collective negotiations. On the side of the employees the interests are represented by GPA-DJP, the white-collar workers trade union (Gewerkschaft der Privatangestellten, Druck, Journalismus, Papier). About 25% of employees in the sector are trade union members, which is slightly lower than the average of Austrian trade union density.

Even though there are five employer organizations and five collective agreements, there is still a high degree of coordination. Yearly bargaining usually starts with a 'global round' in which major issues such as the yearly wage increases are negotiated. The 'global round' is followed by separate negotiations with the five employer organizations in which specific issues of the respective subsectors are discussed and decisions made. Given the difficult economic environment, negotiations have been tough in the last years but as typical for Austria a compromise has been reached in the end.

In addition all of the major banks have elected works council representatives which in banks that are organized as joint stock companies have a seat in the advisory board and which negotiate company agreements on a number of issues including mass layoffs and outsourcing. The works council representatives are often also active in the trade union and some of them even participate in the collective negotiations.

3. RESTRUCTURING IN THE AUSTRIAN BANKING SECTOR

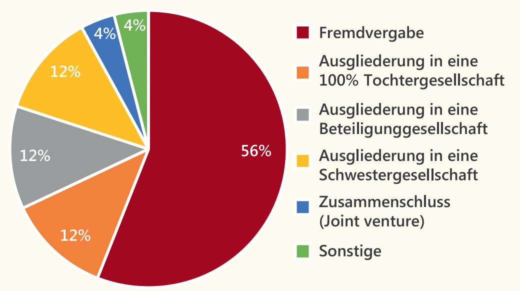
Recent restructuring in the banking sector takes several forms: New technology has enabled banks to promote new forms of banking such as internet and video banking. Rather than visiting a local branch, customers transfer money via internet banking account or consult bank staff via internet-based video conferences. Most banks have introduced special internet banking and conferencing programmes and some banks only exist online. The major effect of these changes is that customer frequency in branches is decreasing causing banks to close down branches and thereby saving costs. Several banks have announced plans to cut back their branch network.

In connection with the introduction of new technology and the adoption of new bank regulations skill profiles have also changed: In the past banks have hired staff with IT skills to expand their IT departments, more recently they have added personnel with training in risk management and compliance. The Raiffeisen sector, which is made up by a large number of semi-independent banks, has seen some movement towards centralization as management wants to reduce costs by making greater use of economies of scale. However, the most important form of restructuring that took place in the Austrian banking sector in recent years was the outsourcing of various departments and activities. Outsourcing is also intended to reduce costs.

While initially outsourcing mainly concerned support activities such as IT, facility management, cleaning, catering, call centre communication and others, the banks meanwhile contract out core activities such as bond processing credit processing, payment transactions, account management and risk management. According to a study conducted by the GPA-DJP among bank sector works council representatives, in more than 50% of the outsourcing cases activities are outsourced to a different company. In 12% of each category activities are outsourced to a 100% subsidiary, a sister company and a holding company (Fichtinger 2014).

The same study also shows the slightly more than 50% of the activities are outsourced to another country, especially to Poland, Romania and the Czech Republic (Fichtinger 2014).

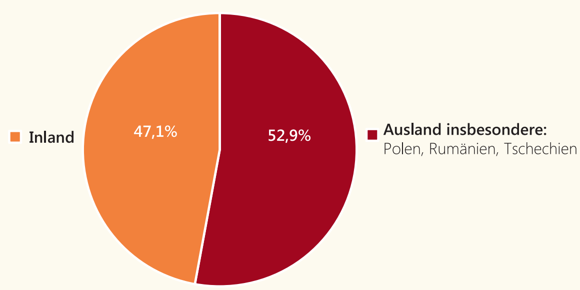
Figure 6. Outsourcing - company boundaries



From top to bottom: external, 100% subsidiary, joint subsidiary, sister company, joint venture, others

Source: Fichtinger, 2014

Figure 7. Outsourcing - national boundaries



From right to left: Outside Austria (especially Poland, Romania, Czech Republic), inside Austria

Source: Fichtinger, 2014

4. RESTRUCTURING AND SOCIAL DIALOGUE

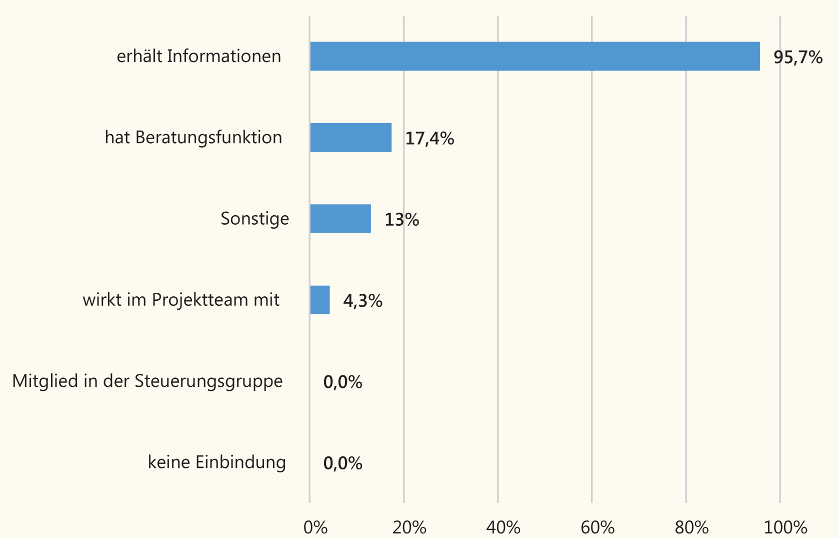
According to the Work Constitution Act (Arbeitsverfassungsgesetz) employers in Austria are obliged to inform works councils about planned restructurings. The information has to include the reasons for the measures, the number and the occupation of the affected employees, their qualification, their period of employment as well as the criteria for the selection of these employees. In the case of mass redundancies, employers are also required to negotiate about a social plan for the affected employees with the works council[3]. However, there is no obligation to come to an agreement.

According to the GPA-DJP study cited above, works councils are usually informed about planned outsourcing projects. However, only in 17.4% of cases they are invited to present their views on the planned measures and only in a very small minority of cases (4.9%) they are included in the project team (Fichtinger 2014).

Employees are affected by outsourcing in different ways: They can be delegated with the effect that their employment conditions do not change at all. They can also be transferred with the effect that their employment conditions change – e.g. through the application of a new collective agreement with less favourable employment conditions. However, there are also cases where the negative consequences are partly compensated by one-time payments or temporary benefits. Yet there are also transfers where workers are not compensated for the losses accompanying the shift to a new collective agreement. While works councils prefer the delegation rather than transfer of staff, they have increasingly been involved in negotiating compensation packages with management.

According to the GPA-DJP survey, in about a third of outsourcing cases staff is still delegated; in 16.7% staff move from the rather generous banking sector agreement to the less generous but still comfortable agreement for the IT sector. However, in 20.8% of the cases staff moves to the significantly less generous general service sector agreement. In any case, newly hired employees always fall under the new agreement (Fichtinger 2014).

Figure 8. Outsourcing and works council involvement

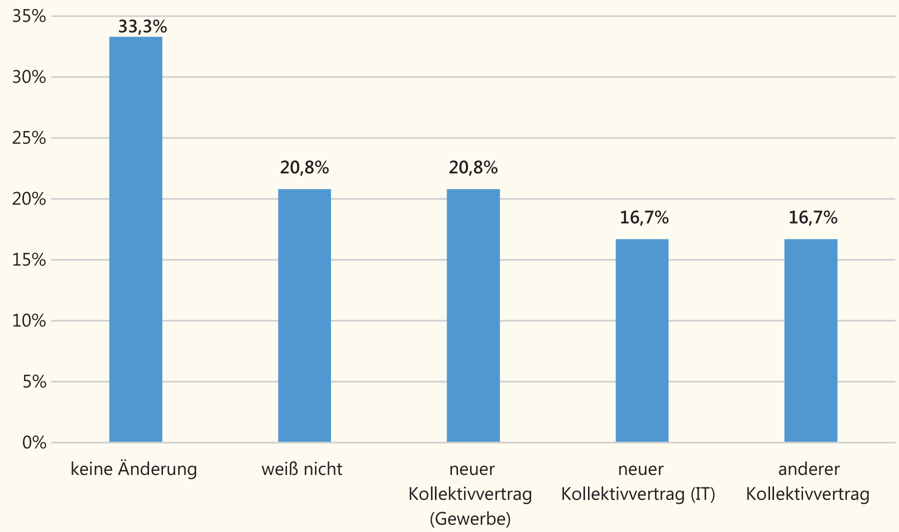


From top to bottom: informed, consulted, other form of invlvement, part of the project team, part of the steering group, no involvement (several responses possible)

Source: Fichtinger, 2014

[3] Mass redundancies are defined as follows: At least five employees in companies with between 20 and 99 workers; at least five percent of the staff in companies between 100 and 600 workers; at least 30 employees in companies with 600 and more workers; if at least five employees are affected who are older than 50.

Figure 9. Outsourcing and employment conditions



From left to right: no changes, don't know, new agreement commerce, new agreement IT, other new agreement (several responses possible)

Source: Fichtinger, 2014

In addition to outsourcing, social dialogue on restructuring often deals with redundancies. As described above, employment numbers have been fairly stable, but several banks currently plan major redundancies programmes (as a result of new technology, branch closures and outsourcing). As also mentioned earlier, in the case of mass layoffs management is obliged to negotiate a social plan with the works council. Typically social plans include two measures to mediate the effects of redundancies: Banks offer early retirement schemes to employees aged 55 and older. In addition to the statutory regulations, which allow for a part-time retirement up to five years ahead of the regular retirement age, some banks offer the possibility to retire up to seven years earlier than foreseen by the statutory regulations. For those employees that are too young to retire, social plans usually offer 'golden handshakes' of up to 12 monthly salaries or 2.5 times of the legal entitlement. Increasingly, banks also take advantage of the possibility to set up so-called work foundations to support workers that have been made redundant.

Work foundations are a common labour market instrument in Austria. They have existed since the mid 1980s and were initially introduced to cope with staff redundancies in the former nationalized industries. The basic idea is that workers who are made redundant because of economic restructuring are admitted to specifically created work foundations where they receive individual support and specific training in order to help them to find new employment. Support usually lasts for three years; for participants older than 50, it can be extended to four years (instead of the six months regular unemployment benefit granted by law). The social partners play an important role in the establishment of work foundations: traditionally these foundations are approved by the Labour Market Service only if there is social partner consent. Costs are shared by the Labour Market Service which pays participants unemployment benefit and former employers who cover some of the training expenses. Work foundations can be set up for a particular region that is affected by economic restructuring, specific sectors and individual companies. In the case of the banking sector, there are at least two work foundations set up for specific companies. The GPA-DJP trade union welcomes the use of works foundations because of the emphasis on training and has even urged employers to set up a sector-wide foundation. However, many employers prefer individual layoffs (rather than mass layoffs) because they tend to be cheaper and do not attract publicity (in contrast to other companies, banks seem to be reluctant to announce job cuts in the public).

More recently there have also been joint initiatives by management and works councils to avoid layoffs. In a major bank, the social partners are encouraging employees to voluntarily reduce work hours in order to avoid letting experience staff go. Employees can reduce work hours by between 20 and 50%. As an incentive, salaries are not reduced in the first year. In addition the company offers compensations for negative impacts on pensions for workers that are 50 years and older. The shorter work hours can be taken as 4-day-work week or as flexible vacation (flexi days). The plan is currently implemented and all the participants hope that it will have the anticipated effect. Another bank has introduced sabbaticals to avoid layoffs. Instead of shortening the work week, work hours are banked on a working time account. Employees can then take a leave of absence of between 1 and six months consuming their banked hours. However, the regulation also allows workers to take a sabbatical as a credit beforehand and fill up the gap on their working time account afterwards.

5. CONCLUSION

Austria is a country where social dialogue traditionally plays an important role. This is also true for the banking sector. Even though the sector is covered by five separate collective agreements, the process of collective bargaining makes sure that major issues such as wage increases are similar across the sector and differences mainly occur in details. Issues related to restructuring are usually negotiated on the company level between an elected works council and management. So far such negotiations mainly concern the impact of outsourcing on employment conditions and mass redundancies. In both cases company agreements attempt to mitigate the effects of the changes for workers. With regard to outsourcing, such agreements attempt to protect the employment conditions of outsourced staff or at least compensate workers who fall under a new collective agreement with less generous conditions. In the case of mass layoffs, agreements include early retirement schemes, golden handshakes and sometimes the creation of works foundations. However, social dialogue does not directly deal with skill formation and training (except for as part of work foundations) and there is no sector-wide platform to discuss the impact of restructuring and anticipate change. So far the employers have also rejected the trade union demand of setting-up a sector-wide works foundation that would provide extensive training for bank sector workers who were made redundant.

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ANNEX 1: LIST OF INTERVIEWS

Helga Fichtinger, White-Collar Workers' Union, GPA, 4 February 2014.

Thomas Zotter, Chamber of Labour, 4 March 2014.

Bernhard Kainz, Works Council Representative, Erste Bank, 7 March 2014.

Ingrid Streibel-Zarfl, Works Council Representative, BAWAGPSK, 13 March 2014.

Friedlich Schiller, Works Council Representative, Raiffeisen Capital Management, 18 March 2014.

Peter Kelis, Works Council Representative, Raiffeissen Informatik, 27 March 2014.

Franz Rudorfer, Chamber of the Economy, 4 April 2014.

ANNEX 2: DEVELOPMENT OF BANKS AND EMPLOYEES

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of banks	883	880	871	870	867	855	843	824	809
Number of employees	75,166	76,446	77,661	79,180	80,293	78,794	79,661	79,740	79,110

Source: Österreichische Nationalbank und Arbeiterkammer, 2014.

Chapter 4

Social Dialogue and Anticipation of Restructuring in French Banks

Virginie Bussat, Christophe Teissier [1]

INTRODUCTION[2]

The EUROSOFIN project (Social Dialogue in the Financial Sector in Europe: Contribution to Anticipation and Restructuring) aimed to analyse the role of social dialogue in the context of the current restructuring of the financial and banking sector of five countries (Austria, Luxembourg, France, UK, and Rumania). The project has been managed by LISER - Luxebourg Institute of Socio-Economic Research and co-financed by the European Commission (DG Employment, Social Affairs and Inclusion) under the budget line for 'Industrial Relations and Social Dialogue'. In this framework, the project envisaged that each country included in it would, on one hand, prepare a synthesis of the respective national situation and, on the other hand, would organise a national workshop at which a panel of stakeholders, particularly social partners in the sector concerned (branches and enterprises), would discuss the project topic.

As a result of this work, a national report was to be prepared for each country, based on analyses derived from a study of academic and professional literature, from a qualitative survey, and from the respective national workshop.

The present text is the French national report for the EUROSOFIN project. Its aim is to give a brief outline of the project's range of questions, which will provide a basis for synthesis and especially for a common European reflection on the matter. Thus, the report is intentionally short and means to show the aspects believed to be essential with regard to the general goals of the EUROSOFIN project.

In keeping with the project scope statement, the report is based on three types of sources:

- A selection of documentary sources directly relevant to our topic ;

- Information and analyses drawn from a dozen interviews conducted with about fifteen respondents in all, selected from among the social partners in this sector[3]. The respondents belong, on the one hand, to professional organisations dealing, or associated, with

1 Christophe Teissier is a researcher and head of the EUROSOFIN project for ASTREES. Dr Virginie Bussat is a project manager at ASTREES and assistant professor at University Picardie Jules Verne. This report was prepared by Christophe Teissier (parts 1 and 3) and Virginie Bussat (part 2). Formatting of the report was provided by Jacqueline Carlino.

2 The authors, Christophe Teissier and Virginie Bussat, wish to thank all the persons and organisations that were willing to meet with us and devote valuable time in order to take part in the qualitative interviews that are the prime data source of this report. A national workshop dealing with the impact of restructuring in the French banking sector was held in Paris on October 9, 2014. We wish to thank the participants from Luxembourg, Vassil Kirov and Patrick Thill of CEPS/ INSTEAD, and from the United Kingdom, Nick Clark of the Working Lives Research Institute (London Metropolitan University), for their contributions to the discussions and, specifically, for the broader European perspective they provided for all the French participants. Finally, we express our appreciation for his contribution to the project to Philippe Sans, who agreed to take part in the national workshop in Luxembourg.

3 cf. the list provided in the annex to this document.

collective bargaining at branch level and, on the other hand, to two French banking groups within the sector. In conformity with the logic of the project, the interviews enabled us to gather the different viewpoints of managers and trade unions. The interviews were conducted in the brief period from April until July 2014. It soon became evident it would be impossible in such a limited time to meet with all the actors targeted by the project. The fact that time was so short soon led to focusing the interviews on a single branch – merchant banks – and on two merchant banks in particular. Similarly, the circle of trade union organisations to be interviewed also had to be narrowed down. That is why the present report has no pretension to be representative of all banks in France. Nevertheless, it should be pointed out that part of the interviewed trade union organisations covered the other branches of the French banking sector as well. Moreover, as stated by several of the respondents themselves, the observations presented below prove to be certainly valid for cooperative and mutualist banks. What remains to be studied is the variety of enterprises in the banking sector as well as the trade union organisations in the conventional branches and in the companies;

- The data obtained from the discussion organised on October 9, 2014 in the framework of the French workshop of the EUROSOFIN project.

The report deals with three separate general subject areas:

- The general context in which restructuring of the sector occurs (1);
- The impact of restructuring upon employment in this sector (2);
- Social dialogue in branches and companies, and its role with respect to anticipation of changes (3).

The frames presented below include examples of practices that were judged to be interesting for the purpose of international comparison, as well as points of view and analyses drawn from the national workshop.

1. A CHANGING BANKING SECTOR

1.1 Constant restructuring of the banking sector

The banking sector in France has been marked by constant reorganisation ever since the rapid expansion of French banks in the 19th century[4]. The cause of this probably lies in the very specific nature of the banking profession. Banks give loans and are hence a motor of economic activity; they are therefore the object of very particular attention on the part of the public authorities, which are anxious to exercise direct control over, or to organise, such a vitally important sector. We see very telling signs of this concern in the decisions made after 1945 to expand government control over banking. In nationalising the large deposit banks, including Crédit Lyonnais and Société Générale, or in exercising control over the large merchant banks, what the public authorities are doing is to categorise and specialise French banks (drawing a distinction between merchant banks, deposit banks and short-term or long-term credit banks). Later on, this concern for restructuring the banking sector, so that it might meet the funding needs of the economy, continued consistently and led to a series of restructurings of the banking system, this time, in the direction of de-specialisation of banks, which opened the way for a so-called universal bank.

These 'multi-purpose banks' can play their expected role only by attaining a sufficient size. That was probably the initial reason for the intense course of concentration that followed, which was oftentimes desired or driven by the State, but was also pursued by the private sector itself. Thus, the shift from public to private sector or vice versa (1945, 1982), the de-specialisation of banks, and economic concentration, have formed the background of the development of this sector over time. Amidst this picture, the banking law of January 24, 1984, related to the activity or control

[3] see J-M. Thiveaud, « Les évolutions du système bancaire français de l'entre-deux-guerres à nos jours : Spécialisation, déspécialisation, concentration, concurrence », Revue d'Economie Financière, n° 39, 1997, pp. 27-74. [The evolution of the French banking system since the interwar period until today : Specialisation, de-specialisation, concentration, competition (in French)].

over credit institutions, was of fundamental importance inasmuch as it set the foundation of a large share of the current regulations. Its goal was to ensure the stability of the banking system while also providing for the freedom of competition between different actors. This law, which has been amended several times and is now incorporated in the Code monétaire et financier [Monetary and Financial Code], establishes a universal legal framework that applies to all credit institutions.

Thus, while defining various categories of credit institutions, the law also provides the possibility of conducting banking operations (as defined by it) for the credit institutions that are currently part of the Fédération Bancaire Française [French Banking Federation] and that circumscribe the concept of 'bank' within the scope applied in this report. Considering all the privatisations that have been carried out since 1986, it is understandable that today's banking sector is very predominantly private, very competitive and open to the world. This situation opens the way for constant reorganisations, especially such as are oriented towards the concentration of credit institutions. Thus, in 1984 there were as yet 1,556 banks in France, though twice fewer than at the beginning of that century; by 1998 there were only 1,000[5], and the trend has continued since then: in 2013, the number was reduced three times, to 302 banks[6]. It is true that the restructuring trend in the banking sector is a very complex one. Indeed, the great number of operations conducted by the different actors is the result of strategic measures on the part of those intervening. These measures may consist in recentring or discontinuing activities, subsidiarisation of activities, merger-acquisitions, minority or majority participation in the capital of a given credit institution, joint operations or cooperation agreements, but also, compression of wage expenditures (in order to save costs), the setting up of joint ventures, etc.

The question of outsourcing and of BPO[7], which in other countries is considered an important issue, did not provoke specific remarks on the part of the respondents in the course of the interviews. As a matter of fact, there are few available synthetic data on outsourcing related to the large French credit institutions. Even if outsourcing does occur, especially for information services, it does not seem to have led to large-scale operations so far. Nevertheless, different sources underline the growing importance of the strategic stakes involved in outsourcing[8], especially with regard to the partnerships that banks have been observed to form between themselves[9].

1.2 A sector of major economic and social importance

Banking has proven to be a particularly weighty sector of the national economy. The sector includes, on the one hand, the so-called merchant banks and, on the other, cooperative and mutualist banks. These two categories of credit institutions are organised and function under different principles, but they all include a variety of activities that repeat the prevailing universal bank model – that of the retail bank and the funding and investment bank. According to the FBF, banking activity in France generated about 3,5% of the national GDP in 2013. Moreover, in June 2014, the banking sector declared 1,002 billion Euros of loans given to households, 819 billion given to enterprises, and 819 billion Euros of outstanding housing loans. Also, again according to FBF, the own accrued funds of the different French banking groups increased by 30 % between the end of 2008 and the end of 2013.

There are 390 banks listed in France, but the sector is dominated by 6 large groups that have resulted from a strong concentration trend: BNP PARIBAS, Société Générale, the BPCE group, the Crédit Agricole group, the Crédit mutuel-CIC group, and Banque Postale.

The banking sector continues to be one of the largest employers in the private sector: by the end of 2013, a total of 367,000 employees were working in the merchant and mutualist banks,

5 For more details, see, for example, A. Plessis, Une nouvelle révolution bancaire, 2003, Fédération Bancaire Française [A new banking institution].
6 Source: INSEE, établissements de crédit agréés en 2013.
7 Business Process Outsourcing [externalisation métier].
8 http://score-advisor.com/realites-de-loutsourcing-bancaire.
9 see 'L'externalisation des activités bancaires en France et en Europe', Bulletin de la Commission Bancaire n°31 , November 2004 https://acpr.banque-france.fr/fileadmin/user_upload/banque_de_france/archipel/publications/cb_bul/etudes_cb_bul/cb_bul_31_etu_02.pdf and an article in the English-language journal Global Services, published in July 2011 and reproduced online: http://blog.maturitysourcing.com/post/2012/04/20/Externalisation-BPO-dans-le-secteur-bancaire-fran %C3 %A7ais- %3A- %C3 %A9tat-des-lieux.

of which 200,000 were in the merchant bank category. Employment is concentrated in the large banking groups. The majority of the employees (nearly 70%) are occupied in the retail bank activities of their institutions. The workforce in the sector grew consistently between the years 2000 and 2007. An inversion took place from the end of 2007 until 2011, and then another one, starting from 2012. However, the number of employees in banking has overall remained relatively stable at the mass level. Decreases in number are due notably to retirement of people since 2007, which has not been fully compensated for by recruitment of new staff. Thus, in 2013, the total workforce in the French banking sector was smaller by 1,6% compared with 2012. While the executive staff grew continuously from 2003 to 2011 and has remained at a stable level since, the share of technical staff has diminished since 2003.

Recruitment increased on a regular basis from 2003 to 2007 and then started to decrease, especially perceptibly since 2011. In 2013, the AFB banks hired 12,650 people, which represented a slight increase compared with 2012, and the merchant and mutualist banks together hired a total of 24,000 persons. Six out of ten recruitments were on a permanent contract (PC) basis, as compared with 2 out of 10 at the national level; young university graduates (Master's level 1 and 2) amounted to 40% of the recruits. Nearly all the employees in the sector work under PC.

1.3 A constantly evolving sector

Summing up the recent and future determinants of restructuring in the sector, we may no doubt distinguish three types of factors:

Factors related to the economic climate: limited direct impact of the financial crisis

In our interviews, we generally found that the French banking sector is considered to have suffered less from the crisis than other countries, particularly other European countries. According to the IMF, from July 2007 to July 2009, the losses and asset impairment registered by the French banks amounted to only 3% of the world total, as compared with 55% for the US, 12% for the UK, and 9% for Germany[10]. Even though considerable disparities are evident between banking groups, the results indicated by French banks remain overall positive, even though inferior to results in the years before the crisis. According to the respondents interviewed for our survey, this capacity of resistance displayed by French banks can be explained by several factors, in particular:

- A less direct exposure to the crisis, due to a lesser rate of use of high-profit financial products, which also involve high risk (lesser compared with the Anglo-Saxon countries);
- A universal bank-centered model of organisation of the banking sector that allows the institutions to diversify their risks and to have more resources at their disposal;
- Their large amount of deposits, made possible by the great concentration of the sector, reduces the banks' dependence on markets for their refinancing needs;
- A large amount of savings in France;
- Relatively low degree of household indebtedness.

It is true that the staff of the Financing and Investment Bank (BFI) has undergone the direct impact of the crisis, as evident from several plans for job cuts within the large institutions: BNPP, Société Générale, Natixis, and Crédit Agricole. After a period of decreasing staff numbers, banking activity has, nevertheless, remained stable[11].

Changes in the regulation context: a consequence of the crisis with lasting effects

Understandably, all the actors we interviewed stressed the developments in international banking regulations as being a crucial determinant for current and future restructuring in the sector. The Basel III Accord, which was translated into the EU through the Capital Requirements Directive IV (CRD IV) and by a CCR regulation adopted in June 2013, aims to ensure the stability of the financial system. To this end, regulations are devised, which follow a gradual implementation schedule regarding the management of the funds and cash flow of the credit institutions. In order to meet the designated objectives stemming from these changes, the banks have initiated changes in

[10] Y. Xiao, French Banks Amid the Global Financial Crisis, IMF Working Paper, WP/09/201, 2009 : https://www.imf.org/external/pubs/ft/wp/2009/wp09201.pdf

[11] Interview with HR executive of a bank group, July 16, 2014.

their mechanisms of functioning. In general, '*the search for funds of their own and for profitability involves adjustment measures that affect the whole set of functions*'[12]. More specifically, the change of regulations has a negative effect on employment in the investment bank, while simultaneously justifying the intensification of control-related occupations. At the same time, these developments once again assign a central role to the retail bank 'in its function as raiser' of amounts of funds that will make it possible to respond to the Basel III requirements concerning liquidity[13]. But the retail bank in question is nevertheless a version that has been remodeled in view of the preponderant importance of the client, and this feature has strong impacts on occupations in retail banks (see below, section 2).

Structural changes at stake: changes in clients' behaviour and the impact of the new technologies

This refers to structural changes that are not directly connected with the crisis and that have 'long been spotted'[14]. Today and in the years to come, these changes have the capacity to affect retail banking. In broad outline, the development of new technologies, as applied to online banking, enables conducting ordinary banking operations from a distance. This has an influence on the amount of clients' visits to bank branches, especially as concerns the young generation of clients. In addition to this, the clients now have more precise and narrowly focused demands, which have also been reshaped by the possibility of online access to many kinds of information: in brief, the client expects that his/her project will be concretely supported. This again leads to some important developments with regard to the occupations and competencies required of retail bank employees. This is where the future of the bank branch networks lies, beyond the issue of merely shutting down branches: '*within a time horizon of 10-15 years, [retail] bank occupations will have been reinvented*'[15].

The French banking sector seems to have been facing changes constantly, ever since its beginnings, so there is nothing particularly new happening in this respect. Being organised on the principle of the universal bank, the French sector has resisted the financial crisis of 2007 better than others.

FOCUS 1: The pace of change in the banking sector

The actors involved in branch social dialogue who took part in discussions for the EUROSOFIN project did not discuss in principle the nature of the changes and the adaptations that actors in the banking sector are required to make[16]. In contrast, there was apparently no consensus among them as to the question of the pace of these changes and, hence, as to the responses these changes require on the part of actors involved in social dialogue. According to one respondent, who is head of a branch trade union, 'the bank has undergone several industrial revolutions, for instance, as a result of the bank law of 1984. But today, everyone says we are going through an exceptional moment in history, that everything is going faster. This has an impact on social dialogue, because one sees that some employers are tempted to say we are no longer capable of doing what we had in fact envisaged doing'! To the contrary, according to a representative of employers in the branch, 'though the current situation is not exceptional in a historical perspective, changes are required to be made more often, companies are expected to show greater responsiveness, in brief, things are going at a much faster pace". Considering this relative degree of "dissensus", one may assume that unanimity is not necessarily the rule when determining through social dialogue how to anticipate and limit, as best as possible, the impacts on employment coming from economic, regulation and social changes – changes that everyone has noticed.

[12] Interview, HR director of a bank group, July 15, 2014.
[13] For a detailed presentation of the observable and planned developments, see C. Cesbron, L'impact de la réglementation de Bâle III sur les métiers des salariés des banques, 2ème partie, Observatoire des métiers, des qualifications et de l'égalité professionnelle entre les hommes et les femmes dans la banque, novembre 2012 [Impact of the Basel Regulation III on the occupations of bank employees, 2nd part, Observatory for occupations, qualifications and professional equality between men and women in banks, November 2012].
[14] Interview, Fédération Banques et Assurances CFDT, April 1, 2014.
[15] Interview, HR director in a banking group, July 16, 2014.
[16] The contents of the frames were drawn from the national workshop, organised in France by ASTREES with the participation of project partners and project leaders.

Thus, changes seem to be a constant thing, yet they are happening at an accelerated pace nowadays, at least in the opinion of some of the actors of social dialogue: '*The trend at sector level is due to the slowdown on jobs. The bank used to recruit a lot in the past, so that up to the year 2007/2008 we were working within a growth-based system. In that context, the promise of employment for life and the possibility of enjoying the benefits of the social elevator were a reality. Things changed starting from 2007/2008. More than the liquidity crisis, the continuing economic crisis and the absence/ weakness of growth is the heart of the issue*'[17].

Moreover, the crisis and its effects, especially on regulations, are paired with the institutions' concern to maintain profitability in this highly competitive sector; when these combine with developments that one migh call societal (clients' expectations, impact of communication technologies), they lead to completed or on-going reorganisations that affect the amount and the profiles of jobs in the sector.

Thus, the actors in social dialogue are confronted with really complex reorganisations, which provoke a combined questioning of the perceptible changes in occupations and of the HR policies that might be capable of supporting these changes.

2. THE IMPACTS OF RESTRUCTURING ON EMPLOYMENT IN MERCHANT BANKS

Starting from the 1990s, restructurings in the banking sector have led to changes in the management of employment and occupations, and in recruitment policies; it would be appropriate to first describe and then analyse these changes in terms of the main stakes involved. While the term 'restructuring' corresponds to an objective reality (shutting down branches or job cuts, especially in the large banks), its driving force and impact on employment in banking are very different from the corresponding features evident in industrial enterprises of a comparable size.

'*Several factors are involved*', explains a former director of social affairs at the 'Association française des banques (AFB)[18], '*the regulatory and tax pressures on banks, as well as the current development in the mode of providing banking products. All the banks are currently reconsidering the model of the retail bank*'. Even the term 'restructuring' is not something self-evident for our respondents; what one sees happening in merchant banks is a '*historical process of segmentation, of competition between segments, of 'professionalisation'* of certain segments, and of '*de-professionalisation*' of other segments[19].

Through this 'change of model', which affects the enterprises as well as the clients and their suppliers, employment in the banking sector undergoes both quantitative and qualitative changes in the context analysed in the first part of the report.

In this highly competitive sector, changes in industry and commerce demand swift adaptation to the practices and usages of clients. Unlike the BFI, a representative of an enterprise indicated, '*social plans are something really new in a retail bank*'. Thus, in the institutions on which our survey was focused, practices such as providing an assistance plan for voluntary redundancy in a large banking enterprise or the refusal to resort to them in another group, began from 2012. This part of the report deals with these socio-economic realities and their impacts; we will thereby describe and analyse with greater precision the HR problems in enterprises and at branch level, and thus lay the groundwork for an assessment of the situation in the French banking sector.

There are two separate issues to be discussed in this part of the report:

- The impact of restructuring upon employment and upon the demographic indicators in the sector;
- The changes that have taken place in the occupations of the employees; this topic will require identifying the sensitive occupations and benchmark jobs at branch level.

[17] Interview, HR manager working for a bank group, July 16, 2014.
[18] Quoted in Les Echos, March 27, 2014.
[19] Menger P.-M. (2003), 'Sociologie des groupes professionnels', Les professions et leurs sociologies, Fondation maison sciences de l'homme. [Sociology of Professional Groups].

2.1 The impact of restructuring on employment and the demography in the sector[20]

In the first part of the report, we examined the employment indicators, which displayed relative stability of the workforce, but with a declining trend, and a concentration of jobs in the large banks. By the end of 2013, 367,000 employees were working in merchant banks. We recall that job decrease in this sector reached -1, 6% (Source: AFB)[21].

The general trends, however, do not make visible the occurring transformations of occupations: some are disappearing (such as the job of the *back office manager*) while at the same time the need for 'new competencies' is arising. These movements of labour force, which are not made evident by the global indicators, represent an issue according to respondents both from enterprises and from this sector. What has been taking place from 2007 until today has the characteristics both of an anticipated management undertaken by the HR directors and of a management of restructuring in the sector; this double level of intervention is specific to the French case.

The situation is characterised by two notable trends: the 'demography' of the employed population in banks is such that large-scale retirements continuously compensate for the decrease in staff; and there is a stable level of recruitments, which is an exceptional case, considering that other sectors of activity have been paralysed since 2007.

The amount of retirements until 2013

One of the characteristics of this sector is its age pyramid, which is favourable as regards managing jobs and anticipation of restructuring. The pyramid, which reflects indicators that show an ageing population, is spool-shaped, i.e., large at the base and at the top. In 2012, nearly one third of the employees were aged above 50, compared with one fourth in the private sector as a whole.

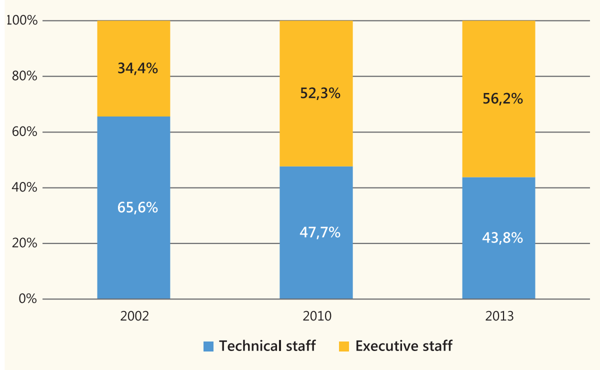
The staff category for which retirements are most relevant is the technical staff in particular (amounting to approximately one third of the whole merchant bank staff). Their average age is about 48 years. Their population went from 33,000 down to 19,000 between 2007 and 2012. It is notable that the job of *back office manager* alone accounts for 89% of the technical staff, and 35-37 % of the people with this job are in the age bracket 55 to 59. This occupation underwent a decrease between 2007 and 2012 from 33,000 employees to 19,000.

Among the executive staff, retirements are enabling the absorption of a downward trend in activities and make it possible to 'regulate' changes in occupations and the need for new and/or rejuvenated job profiles. Thus, these newly recruited managers significantly increase the share of this category in the total staff, as illustrated in the following graph (Source: AFB).

The changes taking place in staff numbers indicate a deep transformation of the population and the occupations.

Understandably, managing the end of the professional career primarily concerns those employees who have low or middle-level qualification (at entry), who were recruited in the 1970s, and who have reached retirement age after spending their career in the same sector or in the same institution.

Figure 1. Changes in the ratio of executive staff and technical staff in the manpower (%)



Source: Jobs survey, AFB

[20] This section of the report is focused on retail banks – in our opinion that is where the most prominent changes may be expected to take place in the coming period.
[21] The total staff reduction is nearly 6 424 jobs in France, in the four groups: BNPP, Société Générale, Crédit Agricole SA and BPCE.

One last thing that the merchant bank age pyramid tells us is that, in each period, the share of the female staff reaches almost double the numbers of the male staff. This feminisation is particularly the result of a strategy of awareness as regards equality in professions. According to the social database of the Branch Observatory, the share of women in the executive staff rose from 34, 8 % to 45, 4 % between 2003 and 2013.

Overall, 'departure from the sector' for retirement has been one of the main levers of job management in recent years. The turn in the staff curve, however, has not been perceived, or cannot be qualified, as abrupt, due to these job departures and this management of age groups. However, trends in the most recent period indicate that an inversion is possible to occur. Still, as we shall see in the following pages, this wave of departures represents the end of the employment model that predominated until then, in which careers and professional paths were especially linked to employment seniority; the end of the model is related to the logic of social promotion of employees on the basis of training.

Apart from the 'natural' departures, two phenomena will play a relatively effective role for compensating the effects of the crisis upon the total workforce: recruitments, in which niches are available for certain professional profiles present to a small degree in the sector (e.g. staff dealing with management of information systems, high-level staff), and the management of job mobility, which has traditionally been done for the banking staff population – a professional category in which the ages of the senior and average age groups are among the highest in the French economy.

We may therefore conclude that there is a trend towards decrease of workforce in this sector, but a trend that is managed 'softly' due to the large numbers of retirements. Another lever for preserving employment is the recruitment policy, which, though it may vary across the different enterprises, has certain common features throughout the whole sector.

Recruitments are continuing, but 'under control'

On this point, three tendencies should be highlighted:

- the level of recruitment, which remains stable in this sector;
- the distribution of hiring – by age, professional qualification, and by occupations; and
- the fact that this recruitment rate actually represents an obstacle to internal mobility.

Indeed, at the global sector population level, recruitments have been occurring almost constantly, even until now, though a distinct slowdown is evident in the last five years. Hiring reached a peak in 2011, when 17,500 people were recruited. The upward curve was reversed as hiring in 2012 and 2013 amounted approximately to 12,000 and 12,600 persons.

'*We continue to recruit significant numbers*', a HR manager working for one of the large French groups assured us: '*4000 PCs will be offered in France as a whole in 2015*'. A rival group is pursuing the following strategy: '*70 % of our job offers will be for young graduates (...) We will stake on counseling and specialised services in order to get the kind of assets that will draw clients to our counters*'.

However, the distribution of hiring by professional categories indicates a situation of mixed quality, characterised by a progressive decrease in staff numbers as well as by disparities between the occupation categories. Certain functions have been cut down or progressively sub-contracted (see the first part of the report), such as the professional category of 'support', in which the number of hires went down from 3,750 in 2007 to 2,000 in 2012 for the dozen occupations comprised under this category. The executive staff amounts to 72% of the total staff number.

One other group is consistently decreasing – recruitments in the category of 'transaction processing' have much declined: 4,690 recruitments occurred in 2007 and 1,820 in 2012. In this case as well, the steep decline indicates a qualitative change in the positions. As for the main category in terms of manpower – the 'sales force', which amounted to 108,400 people in 2012 – hiring in this category has consistently diminished: in 2007 recruitments numbered 12,000 and went down to 8,230 in 2012.

Thus, the tendency towards decrease of manpower is counterbalanced by the preservation of certain functions in which recruitment remains stable. It is noteworthy, however, that some professional categories are more affected than others by staff reduction.

With respect to qualification levels, the structure of hired staff is as follows: in 2012 (Source: Branch Observatory), only 10% were at secondary education or first-year university level; approximately 50% were at second-year university level and university degree level; 16,7% were fourth-year university level; and 23,9% were fifth-year level or above.

Recruitments are primarily in the category of young people: their share in recruitment reached approximately 70% in 2012.

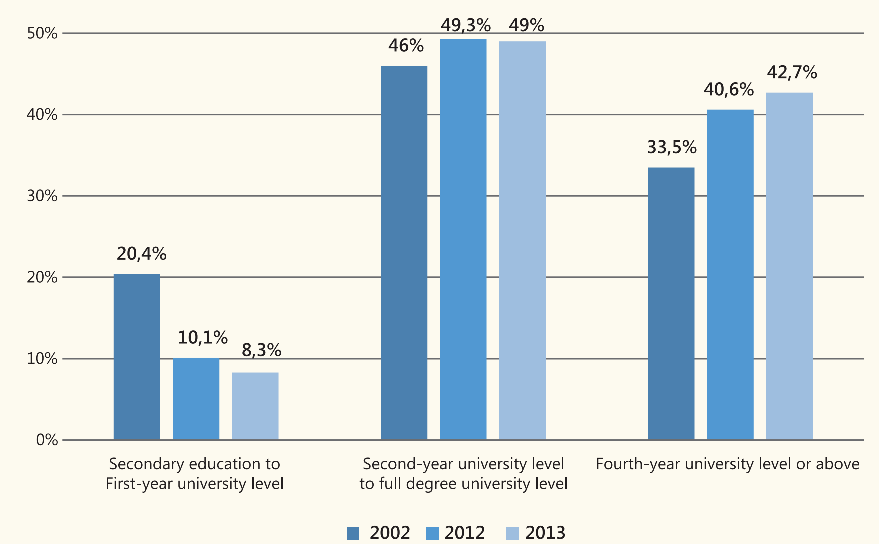
The trend is similar as regards feminisation, where the percentage of recruited women is nearly 56%.

The recruitment paths are claimed to be 'transparent': job offers are publicised more systematically, especially on the enterprise internets. Every large bank group, however, either pursues a recruitment policy that is more or less locally focused and decentralised, or, on the contrary, has a centralised management: according to one HR manager working for a large bank, '*External recruitment has been made more complicated, so as to promote internal mobility. The role of HR managers consists in a more systematic control over recruitment and paying greater attention to expressed need for human resources*'. Trade union organisations in the large merchant banks have an important stake in the issue of recruiting young people: such recruitment hence plays a facilitating role in social negotiation and serves as a token of the managers' loyalty to HR policies.

Work-study contracts and IVB jobs (international volunteers in business, i.e., internal geographic mobility provided for young graduates) have been offered in considerable numbers. Work-study is a favourable path of access to the banking sector for young people. IVB, incidentally, is used to provide upward mobility for professional profiles with low-level qualification.

The directions provide a guarantee for trade union organisations as well as credibility to the general strategy of the banking group: '*The measure related to young people is based on the 5% per year target for recruitment of young people in work-study employment*'. In terms of contracts, PC predominates over short-term or temporary contracts; in one of the banking groups the focus is on transforming work-study contracts into PC.

Figure 2. Changes in the structure of hiring of staff by education level



Source: AFB

Until 2007-2008, banking enterprises were working under a system set for growth, which encouraged employees to rely on lifetime employment; moreover, the possibility of '*benefiting from the social elevator was a fact*', as a HR director working for one banking group pointed out. The employees we met with qualified the words of this manager: they stressed that the education levels at recruitment had constantly been rising, and in the course of recruitment, potential candidates with low qualifications were being left out.

Thus, compared with other sectors facing reorganisation, the merchant bank sector is secure. Nevertheless, the changes and constraints affecting occupations and planned tasks indicate that the need to adapt will henceforth be constant.

2.2 Impacts on occupations and working conditions: reorganisation of work in branches

The shift to paperless banking operations and the change in clients' behaviour have, to a great degree, led to reorganisation of the conditions under which banking activities are carried out. This part of the report refers to two points:

The changes in banking occupations and the reorganisation of branches, which until then were characterised by the requirements of local service;

and the fact, as stressed by some of our respondents, that the work of employees in this sector is slowly but perceptibly becoming meaningless, as they face deep-going modifications of their positions, their working environment and their working conditions.

The major trend that should be discussed in detail here is the great change in the demand for jobs and competencies, the corollary of which – education offers – is essential to the understanding of the situation in this sector in France, though this aspect will be only briefly discussed in this report.

The branch model no longer functions as before; the entities and branches are constantly being reorganised. We are witnessing a resizing of the network, due to redefining of working positions and the duties they involve. Distance banking has replaced the model of local service branches, and then given way to the virtual bank and to the rival activity of *pure players* (companies whose banking activities are mostly conducted through Internet).

Though respondents from branches noted that technological innovation is not equal to systematic elimination of jobs, it is a fact that computerisation, the cutting down of back office jobs, and the reorganisation of customer service are the three main trends that influence the changes occurring in occupations and in competency demand.

The principal trend in merchant banks is toward concentration of branches. The obvious result of this is that occupations related to customer service, private portfolio management, and relations with customers in general, are decreasing in number in the course of restructuring of the main enterprises in this sector.

In view of this accelerated trend, which one trade union leader called '*inevitable*', and another described as '*a historical break with the past in the sector*', managing these changes becomes more important than analysing their causes. '*We are facing a trend towards centralisation in response to profitability objectives: for the employees, centralisation, cutting down middle office and back office jobs, amounts to a change of their living conditions, housing, transport*'[22].

As is traditional for executive staff workers, certain union representatives of this category looked upon geographic mobility as a potential source of difficulties – not to mention the tensions arising as regards combining professional and family life.

Another type of difficulty is connected with changes of positions and activity among employees whose length of service is about 20 years (as likewise among those dealing with customer service and support). Faced with these changes ensuing from the elimination of occupations, employees strongly feel '*there's no going back*'.

Further on, trade union organisations point out problems relevant to health at work; these include: the stress and fears among employees

[22] Interview, National trade union representative.

facing uncertainty as to their professional future, loss of perspective and demotivation, and the intensification of labour, which, after all, results from the fact that one retiring employee out of four is not replaced by a new recruitment.

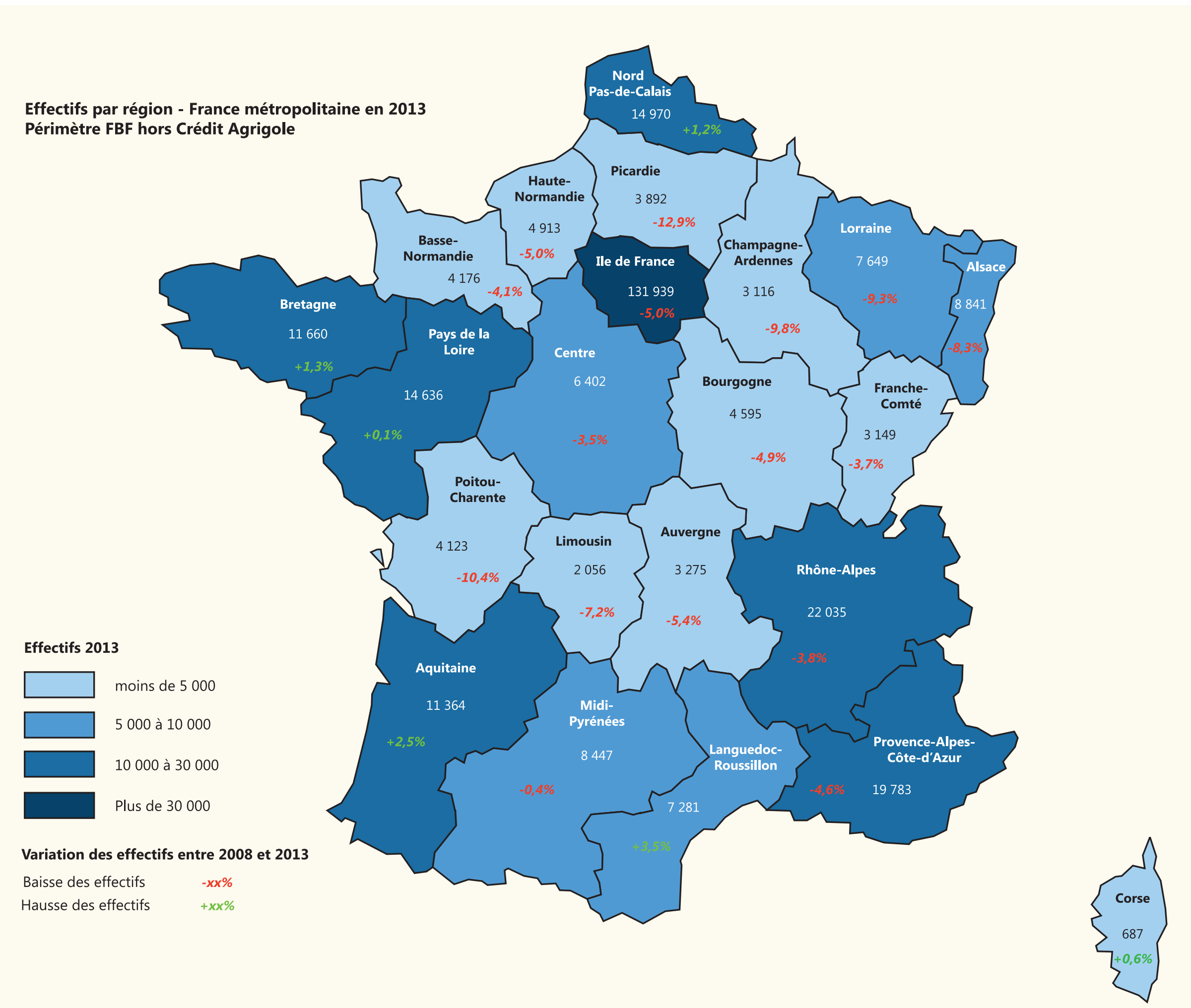
Finally, these data are complemented by the general dimensions of the changes in working conditions for the employees (at the front office) in customer service and customer relations positions, who '*face all sorts of social situations*', as stipulated by article 2 of the 2009 sectoral collective agreement on incivilities of 2009[23].

2.3 Impacts on territories

Consolidating territorial inequalities is one of the dimensions of the impact of banking reorganisation. The map given below indicates manpower disparities by regions:

The map of manpower by regions indicates that the decrease in manpower concerns regions that have already been strongly affected by economic tension. On the contrary, the regions Brittany (Bretagne) and Languedoc Roussillon display manpower increase, which can be explained by enhanced economic activity there, due to the growth of metropolitan cities such as Rennes and Montpellier.

Figure 3. Manpower by regions, Metropolitan France in 2013



Source: Agence Centrale des Organismes de Sécurité Sociale (ACOSS), July 2014

[23] An interviewed bank executive mentioned bank bashing, which refers to criticism leveled at the banking profession in general, and with a heavy stress against employees in customer service occupations, who directly face the questions, criticisms and reproaches of clients. No instructions were given at the very time when the crisis was affecting banks (August 2011).

'*One should be suspicious of irreversible changes with regard to life in the regions*', the representative of a national trade union pointed out[24], because, '*we notice a trend toward centralisation of the middle and back office jobs, which has serious consequences for people's lives. Activities tend to be centralised in Ile de France. We should support creating 'new occupations' platforms (distance banking experts) in other parts of the country as well*'.

This call for job balance across the territories is a main line of trade union action: the staff representatives make sure that the regional management of their enterprise will not have its spheres of responsibility changed for the motive that concentration in Ile de France is the priority[25]. The rearrangement of branches and entities across the territories is immediately interpreted by the trade union activists as an 'impact on manpower', and they make a precise calculation, in terms of full-time equivalent, of the laid-off staff. Thus, the network transformation policies are subject to intense scrutiny on the part of staff representatives, since their effects enhance already large inequalities at the local level.

Another source of inequality is that women make up a majority in occupations that are losing momentum, such as back office manager, and even more so in occupations like customer service or customer relations. Hence, for them, career management involves more difficult, even painful, counseling, given that the possibilities for professional reconversion are small for these low-qualified positions.

In view of all this, we may agree with the sociologist Alain Chenu that '*the status of the bank employee is no longer that of an employee but of an officer with rank, as well as holder of a qualification, who enjoys a wider scope of initiative*'[26].

Management of mobility in view of changes in occupations

Given that the reorganisation of networks evidently entails changes in terms of employment and working conditions, the management has affirmed – by what some have designated as a '*social pact*' – the priority of internal mobility.

This priority is based on changes that affect banking occupations; the following categories of jobs can be distinguished: jobs that are losing momentum and tend to disappear from the nomenclature, and whose manpower is decreasing due to natural departure and to the management of professional mobility at company level; jobs characterised by the kind of changes in the tasks and features related to the work that require elaborating education paths adapted to these changes; and jobs for which new qualification and competency demands are emerging.

'*The impact of restructurings in this sector, especially in merchant banking activities, is evident from the changes in back office as well as front office occupations (transformation or elimination of certain occupations, such as bank teller), which have been affected by the crisis*', a staff representative explained.

Until the end of the 1990s, the bank teller population, i.e., the 'employees' whose duty it is to process information and conduct banking operations, made up the great majority of people in the banking sector (and even in 'bancassurance'). Since 2009, distance client relations occupations are being created, which by now amount to a total of 20,000 jobs. These positions are characterised by a younger average age (35 years) and a presence of women that exceeds 65%. The employees in question work in client relation centres (designated as CRC) and provide the functioning of what has now become the basic model of e-agency, call centres, which, however, also deal with the management of personal clients' portfolios.

Similarly, the nature of work is changing for commercial and client support occupations (such as marketing or HR) under the impact of digital technology, of product supply, of client uses and demands: the requirement here is adaptation at all levels, intense interactivity, and, lastly, continuity of services demanded by clients.

[24] Statement by a representative of a sectoral trade union organisation, national workshop EUROSOFIN France, discussion, Paris, October 9, 2014.
[25] One of the lines of strategic development in a large group is designated as the 'Ile de France Growth' project, a title that suggests the presence of centralisation policy.
[26] The quote is from Alain Chenu's book, ' Sociologie des employés', La Découverte, collection Repères, 2005.

Also, anticipated management at branch level and joint labour/management work on defining job and competency needs, described in the sectoral GPEC accord (Gestion prévisionnelle des emplois et des compétences – Human resources planning) of 2011 (see below) have opened the road to identifying sensitive occupations and benchmark jobs that demand priority attention.

Thus, in the principal groups, the emphasis is placed on internal mobility as the backbone of a more general HR strategy. This emphasis is expressed, for instance, in an 'occupation/mobility space', which encompasses the full set of instruments of internal mobility; this is a relatively restrictive mechanism for banking organisations, but it facilitates the fluidity of supply on the internal market. As we saw, external recruitments are restricted, except for young people (with beginner profiles, among whom priority is given to internees and work-study employees) and expert occupations.

As for the employees, a trade union representative sees this management mobility as tending to integrate the employee who displays a clear understanding of the need for social mobility. We are witnessing at present a transition period for mobility management in the sector. Until recently, careers and professional paths were especially linked to seniority, under the principle of social promotion of employees based on qualification.

'*The state of mind of the employees is changing nowadays*', one of the interviewed representatives stated. This state of mind is characterised by an awareness of the present situation related to the impact of the crisis and the banking regulations.

The activities undergoing impact follow the shift from retail banking to distance banking, which is affected by developments in participatory banking methods. Paperless operations, as we saw, have had a considerable, though not yet direct, impact, on the category of client support occupations: As one trade union leader stressed, '*The question arises as to managing clients' operations at branch level*'; '*proximity relations are intensely changing in merchant banking strategy*'. In this respect, the question of sizing the network is essential and is a key element in the strategy of the merchant bank in course of reorganisation.

In a report on the impact of digital technology on banking occupations, we read, '*Proximity remains a competitive advantage that might prove decisive, especially as regards opening a bank account. It is in fact a matter of (...) refining the settings of geomarketing instruments, in attaching foremost importance, as regards location strategy, to the geography of deposits*'[27].

Territory-based presence implies a differentiated distribution of jobs in the companies and giving priority to marketing instruments for determining clients' needs, but it aggravates the already existing inequalites in the territory, as many staff representatives emphasised.

In concluding this part of the report, we stress that, as argued above, the adaptive capacity of the sector and of the employees is of essential importance. The multiple reorganisations that have occurred in the large groups confronted with the shift from merchant bank-branch to distance bank have been absorbed thanks to a favourable age pyramid of employees and a tradition of social dialogue focused on preserving jobs. However, in the general opinion of the social partners interviewed in the framework of the study, the accelerated pace of changes, and the end of the massive retirement departures, indicate the start of a period of greater tension in companies and the need for a more structured and instrumentally supplied approach to anticipation.

3. SOCIAL DIALOGUE AND ANTICIPATION OF CHANGES

The French banking sector has several coexisting levels of social dialogue, which is something customary for France, where sectoral negotiations, known as branch negotiations, traditionally hold a recognised place. Hence, here we differentiate branch social dialogue and social dialogue at company level. For each level we discuss, we first attempt to describe in broad outline the structure of social dialogue before defining its role relevant to the project topic - anticipation of changes. After this we focus on several problems drawn from the discussions organised in the framework of the project.

[27] Impact du numérique sur la banque et ses clients, rapport thématique, AFB, mars 2014, page 34.

First, it would be appropriate to state some general observations, which will enable us to put the following discussion in perspective:

- Social dialogue in the banking sector is very well-structured, both at branch and at company level. Each of these two levels comprises actors, procedures and bodies that enable dialogue between employers and employed. This feature is due, for one thing, to the existence of a legal framework for collective bargaining and representation of employees at sectoral and company level. It is also due to the presence of very large groups in this sector, the size and the degree of organisation of which permits, under French law, the establishment of multiple staff representation bodies within the groups. Nevertheless, as discussed below, there are noticeable differences across companies and across groups. Still, employees in this sector generally have representatives and are covered by labour agreements at branch and/or company level.
- In a comparative international perspective, the trade union coverage of workers in France seems notably small; in 2011 it was estimated at less than 8%; it is even lower in the private sector, approximately 5; the total coverage rate is pulled upward by the share of workers in public services. As for the private sector, these data do not register the differences in unionisation rates across types of activities. Here, it is generally estimated that trade union coverage in bank-insurance is near 9%, higher than in industry; the territorial presence of trade unions is also higher here than in many other sectors. This is due to the size of institutions in the sector, but an explanation might also lie in the social and trade union history of the sector, including the profiles of its workforce (age, seniority, etc.)[28].
- Today, branch social dialogue is regulated by the reform of trade union representativeness implemented through a law of 2008. This means that, although trade union pluralism is unquestionably maintained, the relations and strategies of trade union organisations are nevertheless modified by the law, particularly in connection with the need of trade unions to maintain and increase their electoral support among the employees.

3.1 Branch social dialogue

Structure of social dialogue

The French banking sector is structured around a plurality of branches[29], each of which conducts social dialogue within its scope. As concerns social dialogue, the banking sector is not homogenous. The first distinction to be drawn in this respect is between merchant banks and cooperative and mutualist banks. The commercial bank, as a professional branch, includes all the institutions that are members of the Association Française des Banques (AFB). This organisation unites ex-officio members, which include several large companies in the sector, but it also covers the 'branches of the credit institutions in the European space'. On the part of employers, this is the organisation which signed the professional charter that represents the collective agreement of the banking industry of January 10,2000.

In addition to the AFB and the merchant banks, there are various other banking branches, which cover different cooperative and mutualist bank networks. The latter represent separate professional branches, which, as such, have their own collective agreements. Falling under this category are some institutions of great socio-economic weight: Crédit Agricole, Crédit Mutuel and BPCE (since 2009).

As concerns trade union organisations, this breakdown of branches covered by agreements necessitates a differentiated assessment of trade union representativeness in the credit organisations. Thus, in the 'banks' category, which was taken to be the AFB group and was the main focus of the interviews conducted under this project, the ratios of representativeness, measured in 2013, were the following[30]:

[28] see L Wolff, Le paradoxe du syndicalisme français : un faible nombre d'adhérents mais des syndicats bien implantés, Premières Informations /Synthèses, n°16-1, DARES, 2008 et sur les motivations à se syndiquer dans la banque, S. Contrepois and S. Jefferys, Founding Values or Instrumentalism ? Comparing bank sector trade union activism in France and Britain, 2003.

[29] Due to historical reasons related to the conditions under which the different categories of institutions emerged and to their structuring.

[30] A threshold of at least 8 % is required in order for an organisation to be recognised as a representative trade union and have the right to exercise the prerogatives linked to this.

- CFDT: 27,7 %
- CFE CGC: 26,9 %
- CGT: 15,4 %
- CGT FO: 14,3 %
- CFTC: 11,15 %

This picture gives the impression of a breakdown in banking, as widely mentioned in the interviews. This breakdown is the direct result of the co-existence of separate branches, but several findings lead to a more nuanced description. As concerns trade unions, the main sector federations cover the whole financial sector, including insurance (such are the cases of the federation CFDT banks and insurance and of CGT), or only the banking and financial sector but including all its sub-branches (Fédération nationale de la banque et de la finance CFE CGC). Moreover, as concerns the employers, the Fédération Bancaire Française (FBF) represents all the banks situated in France, both French and foreign, regardless of their nature (merchant, cooperative or mutualist). It comprises both companies and collective organisations like the AFB. The FBF has 390 members. Having no role in collective bargaining, the FBF represents the banking profession before the French public authorities as well as the European and international ones, but also provides support for member companies, especially by supplying information about changes in the profession.

Amidst this complicated picture, some of the respondents indicated they regretted this relatively great disintegration in the sector, seen as particularly undesirable with respect to the anticipation of changes and the converging developments that confront banking companies: thus, the Fédération CFDT is advocating a refocusing of the branches and of their prospective instruments, which is seen as an advantage for the whole profession. The only achievement to date on this point is that studies conducted by the Observatory on banking occupations (see below) have been offered and circulated among the other observatories in the sector.

A declining dialogue in the branch?

Considering the statements of interviewed respondents, it appears that sectoral collective bargaining has gradually decreased in importance, in favour of negotiations in companies: '*The branch weighed its decisions very carefully until 2000, because the AFB collective agreement that was in effect at the time was very detailed and demanding. The branch has been weighing its decisions less since the new agreement, especially as concerns salaries. All the branch has to do is to not obstruct negotiation in the company and, thus, leave enough 'food for discussion' at that level. Moreover, we see that interprofessional negotiation have been increasing recently, which has also resulted in 'emptying' the branch*'[31].

Certain trade union actors highly regret this self-effacement of the branch: '*They negotiate in the branch only when the law compels them to, or almost only. Spontaneous energy for negotiation is lacking*'[32]. This fact may be ascribed to the relative weight of the large companies in the sector, which makes social dialogue in the company the main level of dialogue: '*there is very limited room for maneuver in a branch negotiation: for instance, we observe that in 2013-2014, the salary negotiations were conducted after the MAN [mandatory annual negotiation] had taken place in the large companies!*'[33].

The relatively reduced importance of the branch may be explained by a more prominent factor that works in conjunction, i.e. the inherent culture of the sector: '*The action time is longer compared with other sectors, which act under urgency, the style of talking is mostly subdued and discreet, and this 'great caution', as well as the internal processes that stem from it, can hold back the process or create burdens*'[34].

In the opinion of the interviewed trade union actors, there is a certain culture of secrecy here, which, though not in itself problematic, is said by them to reveal a lack of true willingness to conduct dialogue in the branch, even though the

[31] Interview, Labour Relations Director of a banking group, July 16, 2014.
[32] Interview, FFB CFE CGC, April 15, 2014.
[33] Interview, FFB CFE CGC, April 15, 2014.
[34] Interview, AFB/Observatoire des métiers de la banque, April 9, 2014.

negotiation process has acquired routine form: '*Poor dialogue is a fact, including when the trade union representatives agree to propose negotiation topics to the AFB, proposing branch negotiation in order to decline the national professional agreement [ANI] on quality of life at work and thereby 'equalise' the working conditions of the staff, but also agree to put forward the issue of the career path of trade union activists*[35]. *Following this invitation, as is customary in the branch, a joint workgroup is set up, which ultimately decides whether or not to start negotiations. In this framework, instead of 'open' negotiations on career paths of activists, the AFB proposes negotiating on the careers of staff representatives; its only motivation for this is the concern to better manage the risk of litigation, and it uses trade union discrimination as a base!!! All this reveals a state of mind where dialogue is not taken seriously, authentic dialogue is not the aim! The culture of secrecy remains very strong, and one sees this with respect to the issues of anticipation*'[36].

We cannot go further into this record of opinions, but it is at least worth pointing out that branch dialogue nowadays does not necessarily appear evident.

Still, it is quite necessary to examine the achievements and instruments provided by the branch, especially as regards anticipation of changes.

FOCUS 2: Competition between 'branch' and company levels of negotiation

The workshop confirmed there are different assessments regarding the fragmentation of branches within the banking sector, and its impact. In the view of an employer representative, 'the unifying of branches is done through interprofessional negotiation, the FBF, being a member of MEDEF, is a side in this negotiation'. In the view of a trade union representative, the breakdown into branches is something artificial, for 'in the banking sector one sees only a single true branch, the AFB branch, if by branch you mean an area in which equal conditions are provided for competition. The other 'branches' are in fact merely 'sub-branches' of one and the same group, as in the case of the BPCE group. The real problem is that there is competition between what goes on in the companies and what goes on in the branches. The question of merging branches hence arises, but under that hypothesis, there is a risk there will be no more dialogue at all'.

It seems the topic of structuring of branches in the banking sector is linked to a deeper question regarding the role of the branch with respect to negotiations in the company. Assessments differ on this point as well. In the opinion of one of the employers who took part in the workshop, '*between branch and company, there is complementarity, not competition. The branch comprises some very different entities; BFI, retail banks, large groups and small institutions, and negotiation at its level should be meaningful, relevant for all. Branch agreements should produce real capital gain*'. To the contrary, a trade union representatives expressed criticism of the comparative passiveness in the branch: '*We proposed negotiating a 'method agreement' on the economic and social database, because the decree was not satisfactory, but you refused it!*'; and also, '*how is our branch different from the metalworking branch, which occasionally makes innovations? The AFB branch limits itself to negotiations that are mandatory under law!*' But this criticism is not shared by all: in the opinion of a representative of another trade union organisation, '*it's true that, at times, one finds a lack of political will in the AFB members, but the branch acts, nevertheless, and does not necessarily confine itself only to what is mandatory*'. A HR manager of a large banking group gives an example of the usefulness of the branch as regards the topic of employment and training: '*the GPEC agreement concluded in the AFB branch in 2011 covers many areas. It is true that certain topics are preempted by the company, but employment or training are not among them. Our GPEC agreement refers to and leans on the branch and its instruments, especially the Observatory on banking occupations*'.

[35] Demand put forward by the FFB CFE CGC and approved by the other trade union organisations.
[36] Interview, FFB CFE CGC, April 15, 2014.

Branch social dialogue and anticipation of changes

It has been a long tradition in the banking sector to devote special attention to professional training when applying the principles of professional career path in the sector. A sociologist described the bank, in a historical perspective, as 'the kingdom of the training-employment link'[37]. And indeed, as banking activity develops and becomes more rationalised, it has a growing need for trained employees capable of occupying leadership positions.

Moreover, the very nature of banking activities[38] requires finding employees in whom one may have confidence, and it would be hard to imagine winning their fidelity without offering them a career perspective. Very broadly, this might explain the establishment of a closed labour market, an internal market that was set up in the first half of the 20th century. Though we cannot go further into this discussion here[39], it should be noted that collective bargaining in the branch in merchant banks led to the setting up of ambitious instruments of professional training, including the sector's own training organisations[40]. Though the orientation of professional training has changed with time, it continues to be an important topic of social dialogue within the AFB branch[41] and beyond.

Apart from professional training, the AFB branch announces significant output closely connected with its desire to more effectively anticipate changes and provide support for the career path of employees. In this respect, we find the following points especially noteworthy:

- The availability of instruments for analysis and prospective study of occupations, centered in the Observatory for occupations, qualification, and professional equality between women and men in banking (*Focus 3*).
- Collective agreements directly related to the question of anticipation of changes. We can point out, in this respect, the agreement on non-discrimination due to age and the employment of seniors in banking, of July 9, 2008. This text seems particularly important for the sector in question, which has a large population of ageing staff; the agreement includes precise commitments to preserve the jobs of ageing workers and support their professional career path (career discussions, access to training, etc.). But only one of the respondents in our project referred to the agreement[42]; he said, '*We have a fine agreement on seniors, which I signed. But I don't think it is being applied well*'. Apart from that, a very telling document, which shows the important emphasis placed in France on the concept of GPEC[43], is the agreement of November 3, 2011 on forward planning of occupations and competencies. This text defines the branch as an echelon that provides the framework for company policies[44], including for the SMEs, and, notably, defines key indicators for tracing the changes in jobs (sensitive jobs and jobs facing labour shortage). In addition, after characterising the branch as an instrument providing more normative-type frameworks, the respondent specified the implementation procedures for the instruments used to support employees' professional career paths (career discussions, Individual Right to Training [Droit individuel à la formation (DIF)], training passports, professionalisation periods...), which are provided for in the laws and/or at national/interprofessional level. During our discussion, the Branch Observatory contributed some information regarding the implementation of the agreement: '*The application of the GPEC agreement has been presented in terms of stages of application:*

1. *Technical desk study, including examination of benchmark occupations, without a priori assumptions; the aim was to make an assessment.*
2. *Presentation of the results to the trade union organisations and exchange of opinions.*

[37] M. Dressen, La banque, royaume de l'articulation formation/emploi. Formation et évolution d'une pierre angulaire d'un marché du travail fermé, communication aux 9èmes journées d'étude du CEREQ, 15-16 mai 2002.
[38] Working on money is not just another activity.
[39] This in itself is a whole research topic.
[40] Which continue to exist, CFPB, ITB.
[41] Regarding the agreement on lifelong professional training in banks, of June 10, 2011, and the whole set of agreements, see http://www.afb.fr/Web/internet/InterMain.nsf/Cat2?ReadForm&RestrictToCategory=67HNND
[42] Interview, trade union representative, enterprise level, July 16, 2014.
[43] Emphasis placed by legislators since 2005 and until now, as well as by the social partners at all levels.
[44] Meaning information and support for the development of human resource planning in companies.

3. *Finalisation by a joint employer/employee workgroup.*

Occupations have been classified under families of jobs, in each of which a series of benchmark occupations have been inventoried and described in terms of the following criteria: workforce, age pyramid, professional category and seniority, changes in the number of recruitments and their composition.

The [AFB] members expressed the desire to deal with this problem at branch level. The trade union organisations, for their part, wanted a framework agreement dealing specifically with career support and with employment. The Observatory worked on identifying sensitive jobs and jobs facing labour shortage: this classification was complemented and modified on several points in the course of discussions with social partners. For instance, the demand was put forward that the occupation of distance counseling (telecom) be included in the list'.

FOCUS 3: The Observatory for occupations, qualification, and professional equality between women and men in banking [Observatoire des métiers, des qualifications et de l'égalité professionnelle entre les femmes et les hommes dans la banque]

This observatory was established in July 2005 under a collective agreement. The law of May 4, 2004 on lifelong professional training and social dialogue stipulates that branch agreements provide for ensuring conditions for the creation of a prospective observatory for occupations and qualification, and for observation of the quantitative and qualitative development of jobs and professional qualification. In this perspective, the Observatory of the banking sector is defined as a 'structure of active monitoring on the quantitative and qualitative development of occupations (trends, changes, creation of new jobs, obsolescence...), on the factors that may lead to changes of occupations and qualifications, as well as on the state of professional equality of women and men'. This is a joint labour/management body, and as such, its activity is placed under the management of a steering committee made up of equal parts of employers' and trade union representatives from all the representative organisations in the branch. The Observatory's operational team is headed by a president and enjoys the support of the statistical team of the Association Française des Banques. The Banks, Occupations, Professional Equality ['Banques Métiers Egalité Professionnelle'] association manages the resources of the Observatory (setting its annual budget, disseminating its works, etc.). The Observatory produces many target studies on the problem field for which it is responsible; its goal is foremost to provide clarifying information for the activities of the National Labour-Management Commission [Commission Paritaire Nationale de l'Emploi] in this branch. Hence, it builds annual social databases that provide detailed information on the banking staffs; the data are drawn from annual employment surveys conducted in banking organisations. It also publishes detailed job descriptions that show the activities, environment and competencies connected with each occupation, linked to a salary sheet for 'benchmark occupations' and standard jobs defined through collective bargaining in the branch. Finally, the Observatory organises surveys (occupation surveys, thematic surveys) and provides monitoring on topics for which it is responsible (especially questions related to professional mobility).

The underlying interest of this type of instruments is related, of course, to the practical importance of this work for actors in the sector, particularly for actors involved in branch negotiations. One of the interviewed trade union respondents expressed a harsh assessment in this respect: '*The Observatory for occupations in the branch produces works ahead of negotiations, works that don't contribute much, that don't really fuel dialogue, such as surveys on occupations facing labour shortage: in order to find out about the reality, it's enough to listen to the employees. Couldn't we really take into consideration the employees and elected representatives as 'internal' resources for observation and assessment of changes?!! In the National Labour-Management Commission [Commission Paritaire Nationale de l'Emploi], they just started talking about the prospective approach and told us that the client is looking for a personal relation, but they didn't see the fact that, actually, they have constantly been promoting means that discourage direct contacts with clients!*[45]'. This critical observation, as one may expect, was not shared by all actors involved in social dialogue in the sector.

The web address of the Observatoire des métiers, des qualifications et de l'égalité professionnelle entre les femmes et les hommes dans la banque : http://www.observatoire-metiers-banque.fr/index.do

[45] Interview, FFB CFE CGC, April 15, 2014.

Without prejudging as to the scope of the agreement, we find it interesting in that it clearly indicates the position of the branch as a level providing support for company policies, and as an instrument for career support, rather than a binding normative framework. Moreover, while the agreement completely makes sense with regard to small institutions that lack real HR logistic support, it appears, remarkably, and logically, to fall short of the policies pursued by the large groups of the sector in this area.

3.2 Social dialogue at company level

Structure of social dialogue at company level

In France, legislative changes in the last more than 30 years have converged towards a strong valorisation of the role and functions of social dialogue at company level.

Very large groups and small institutions coexist within the French banking sector; obviously, the structures of social dialogue and the elaborated agreements are best developed within the former of the two. Hence, it is important to distinguish between large groups and small-sized institutions in order to see that social dialogue in the company is not homogenous within the banking sector.

In the large French groups, dialogue is very structured and benefits from a large trade union presence.

As concerns the structures of social dialogue, two aspects seem noteworthy in our view:

- The conditions of dialogue are closely dependent on the organisation of the groups, especially on their greater or lesser degree of fragmentation. This is particularly important with regard to the choice of relevant scope of bargaining on collective agreements related to anticipation of economic transformations. Thus, within one large group in France, 45,000 of the total 60,000 employees belong to a single legal entity. We observe in this case a clear predominance of the parent organisation and, even more, of the Parisian institution, which comprises 23,000 people. As a result of this, social dialogue is 'dominated' by the parent company, which represents the first range in which anticipation mechanisms and management of economic transformations are defined through negotiation. Within another banking group, to the contrary, it is clearly evident that employment is the topic to be negotiated at group level: an agreement within this range permits improving the management of mobilities and a facilitated development of competencies and career paths.

- Dialogue structures are often organised outside the forms prescribed by law, especially as concerns creating spaces for the kind of dialogue that one might qualify as strategic. For instance, one large group recently established an instance of strategic social dialogue that, in particular, provides for a quarterly meeting, between trade union representatives from the parent company and the general directors; these meetings are meant for discussion and exchange of information, and they last between two and two and a half hours. These forms of strategic dialogue also comprise consultation commissions that include the executive committee and the group's management committee. A meeting with one of the members of the committees is organised every two months. The strategy and the envisaged restructuring can be presented at this meeting. In these ways, the trade union organisations are genuinely involved in developing strategies. According to the directors, the trade unions thereby often influence the terms of the project that will later be submitted to the Staff Representative Institutions [Institutions représentatives du personnel (IRP)] in the framework of the information/consultation process. Evidently, the aim is to bestow greater responsibility on trade union organisations. Within another group, social dialogue about strategy is conducted through planned meetings, a practice that indicates the importance attached by the management to the social partners within the CCE [Central Works Council (Comité central d'entreprise)] of the parent company: at least once per year, the 'big' chiefs come and talk about the main lines of management – in this way, they facilitate understanding the issues at stake; also, once every three months, a morning meeting with the finance teams is organised at the CCE so that the CCE may observe how the strategic plan is being implemented; the Senior Management is also very involved: the

Group Committees and the CCE meeting are presided by a senior management executive; the HR managers we met described this to us as 'an exceptional case for groups of this size'.

With regard to the climate of social dialogue, the general impression obtained from the interviews is that dialogue is relatively calm[46]. A trade union representative in one of the leading groups said to us, 'the acquisition of a foreign group, and the arrival of that group's tradition of social dialogue, which is different from the predominant tradition in France, has improved the quality of professional relations in our group'. Trade union pluralism prevails; across companies and across groups, there are differences in terms of public, trade union presence, and even positioning; as a result of this, the employees' representatives might not reach a common stance, which might potentially reduce the efficacy of the agreements that might be concluded[47].

Focus 4: Regulating employment management at European level: the case of the BNP PARIBAS group

Established in the year 2000, BNP PARIBAS group was formed through merging. Its recent history has been marked by a series of operations consisting in external growth (in particular, the Italian BNL in 2006 and the Belgian Fortis Banque in 2009); as a result, today, this is one of the world's major banking groups in terms of turnover. The group covers a variety of occupations: a retail bank, which is its most important branch in terms of revenues (62 per cent) and manpower (71 per cent), financial engineering services (IS) and an investment bank (CIB), which, respectively, account for 16 and 22 per cent of the group's revenue. In all, the group employs some 180 000 employees throughout the world, of which the large majority are in Europe (approximately 140 000 people). The declared results of the group are stable, despite the economic situation and the adaptation to the international banking regulations (Basel III). Still, the group faces constant adaptations of all kinds, which are formalised, especially through a strategic cost reduction programme named 'Simple and Efficient' (2013-2015).

In 2010, the acquisition of Fortis led to yet another revision of the agreement related to the European Works Councils (EWC) [Comité d'Entreprise Européen of BNP PARIBAS (CEE)], as it was necessary to take into account the growing internationalisation of the group; this revision was accompanied by the inclusion of a new EWC Steering Committee, which soon proved especially active.

In this new context, it soon became clear that the European Works Councils and the management of the banking group had the common ambition to develop social integration in the group through European-level negotiation. This goal is embodied in the project to build a European Social Charter, which is supposed, at least in the beginning, to combine three separate transnational objectives: employment management, gender equality at work, and the prevention of psycho-social risks. Three thematic workgroups were set up within the EWC in 2010, in which staking-holding members of the EWC steering committee were included. Since, in the context of merging, the topic of employment management and anticipation and support with regard to changes is a priority, it will be the first topic of negotiations.

The 'employment management' workgroup of the EWC comprised trade union representatives from 4 local markets of the group's retail bank (Belgium, France, Italy, and Luxembourg). The workgroup elaborated general principles, which were then confirmed by the EWC steering committee and then by the entire EWC, before being submitted to the management of the banking group. The negotiation process with the management continued 18 months in all, and involved the two European trade union organisations working in this sector, UNI EUROPA and FECEC. The latter two and the members of the EWC steering committee signed an agreement on employment management on July 10, 2012.

This agreement, which was widely disseminated within the banking group, provides for anticipation and management of restructuring.

[46] This indicates openness to dialogue, not the absence of conflicts.
[47] For example, the GPEC agreement in one large group, concluded in 2013, was not signed by the trade union that has a majority in the parent company but is less present in the other entities of the group in France.

As regards anticipation of changes, the objectives set in the agreement are:

- to develop social dialogue at European level (EWCs) and at local/national level, particularly by establishing meeting centres – where such do not yet exist – for discussions between the managers and the employees' representatives on the topics of employment changes
- to impel the setting up of career and assessment discussions, and to define the principles of these discussions.
- to promote voluntary geographic and professional mobility within the group As concerns the management of restructuring plans, the agreement:
- strengthens and organises European and local social dialogue in cases when reorganisations occur that affect employment
- defines dismissal as the 'ultima ratio', in listing measures that are an alternative to dismissal (early retirement, internal transfer, voluntary departures….)
- enacts the general principles governing dismissals, particularly so as to provide a framework for recourse to internal mobility.

The agreement is based on a monitoring mechanism, the application of which has been given official form by the steering committee of the EWC. This monitoring mechanism has already enhanced the social balance sheet of the banking group in that it has included social indicators that make it possible to supervise the implementation of the agreement. The first monitoring meeting on the agreement took place in March 2014, focusing on data for the year 2013. Though much is yet to be done, especially as concerns establishing means for monitoring intra-group mobility, concrete and positive effects of the agreement have been registered on some points. Foremost, the agreement reveals the rising strength of European social dialogue and of the European Works Council in this banking group, which has only recently been internationalised.

Source: Qualitative interviews

Internal mobility as the backbone of employment management?

In French banking groups, anticipation of changes is clearly a subject of social dialogue, and the latter is oftentimes a legal requirement.

Anticipation and management of transformations thus leads to concluding collective agreements at different levels, including the European level.

It seems noteworthy to us that these agreements attempt to embody employment policies that rely on the internal mobility of employees. Even though the latter is obviously not the only instrument for managing employment amidst a highly changing context[48], it is looked upon as a political priority. Thus, one banking group '*places employee mobility at the core of its development scheme*'[49]. For another group, the same priority has been provided for in a recent agreement on the group's employment management in France. The stress on internal mobility, and hence on securing career paths of employees, corresponds to the internal market principle, which has been characteristic at least of the retail banks if not of the whole banking group. The importance attached to internal mobility also reveals the companies need to appear more attractive on a highly competitive recruitment market: '*The hot topic among young graduates is frequently this: when we enter, we come within a large group and we'll be able to grow in the career. The young people I meet, what they're interested in is not so much the salary, not so much the working conditions, but how I'm going to grow*'[50].

In this context, it is hardly surprising that the collective agreements concluded in the two surveyed groups appear to be, foremost, a translation into agreement form of HR practices that are already in effect: '*By the present agreement, the parties signatory hereto wish to formalise a certain number of practices related to the management of employment within the group in France*'.

[48] Retirements, voluntary departures, support for external mobility, etc.
[49] Preamble to an agreement on the changes in occupations, competencies and employment of February 13, 2013.
[50] Remark by a company trade union leader.

Still, it is also true that the agreements analysed for this project aim to better organise and enhance the conditions of internal mobility.

In this respect we can only register the large number of mechanisms used for this purpose, even though, in terms of their concrete organisation and history in each company, practices may no doubt vary.

For example, in one of the observed groups, a relatively decentralised management of mobility was chosen, together with a highly constrained management of external recruitments. Only the cross-cutting sectors, the so-called functional sectors, have centralised management (Compliance and Control/ Juridical and Tax/ Marketing/HR, etc.). The group's collective agreement on human resources planning strives to construct an authentic internal labour market, particularly by establishing transparency rules: all job offers are published on a common basis (otherwise external recruitment is not possible), except for very 'local' positions that require a high level of confidentiality; references to required diploma level are no longer included in the employment ads, except for positions involving very specific technical functions.

According to the interviewed managers, these measures have so far had convincing results: the internal market has been boosted and mobility has increased; there are more job ads and more applications for jobs. Still, the result is more applicants and, hence, more demanding management of applications.

Thus, the means for providing internal mobility exist; but in several interviews, respondents mentioned there were hindrances to implementing the measures. The hindrances in question are, first of all, related to the managers: '*There are certain habits that must be acquired, which implies support and firmness. Thus, a guide to active mobility was prepared, which lists the management rules in this area, the guide was widely disseminated through the HR of occupational divisions and subsidiaries*'[51]. There are also many hindrances that stem from the employees, as trade union leaders have mentioned: '*Statuses are different in the different entities. The share company [société anonyme (SA)] does not have the same working conditions as the subsidiaries; some conditions are much more attractive than others*'[52]. / '*The group's mobility policy is unpleasant for the employees, it creates a feeling of deracination; and there are drawbacks connected with the family situation of the employees (family partner, etc.)*'[53] / '*highly specialised expert jobs lead to poor employability within and outside the group, which is risky for a professional career path in case a centre is shut down*'[54].

Given these conditions, can the implemented internal mobility policies meet the challenges facing the sector?

[51] Interview, Manager in banking group, July 15, 2014.
[52] Interview, Trade union leader in enterprise, July 16, 2014.
[53] Interview, Trade union leader in enterprise, May 27, 2014.
[54] Interview, Trade union leader in enterprise, June 16, 2014.

FOCUS 5: Professional career paths in the banking sector in France[55]

The discussions in the EUROSOFIN national workshop provided some important clarification on the problems of professional career paths within the banks, and at several levels.

First of all, they provided information on the stakes involved in building a career path for people with higher qualifications than those of earlier recruits. Thus, according to one trade union leader, '*the higher qualification level at entry in banking presupposes that employees will be offered perspectives for growth. This is a feature that makes the sector more attractive. It requires that hindrances to mobility in the groups should be removed'.* In the view of another trade union activist, '*we have nowadays people with high levels of qualification based on diplomas that are directly relevant to banking activity, and this changes everything. The new recruits consider themselves competent and they quit if they remain stuck to the same position for long. In a large group, we may say there is a turnover rate of 30 % among the young recruits(…).*'

After that, participants discussed the possible difficulties of reconciling the recruitment of staff at increasingly higher levels on one hand, with maintaining advancement along professional career paths in the sector on the other. According to one trade union representative, there is no strong reason for the recruitment of people with increasingly higher qualified professional profiles. '*The whole past history of the bank shows that people have entered with low-level diplomas and have known how to grow and have been able to grow. Nowadays, the companies no longer want to spend time training people.* Organisation-related decisions made by companies are also pointed out as a factor by another trade union activist : '*in a branch with only three employees, who could actually leave to do training?*' Counter to this analysis of the problem, the representatives of the management point to the objective necessities that they think the sector is facing: '*We have to match the recruitment to the levels of expectation of the clients, and the time provided for adapting to a position is shorter than before. We know that for an unqualified person to acquire a BP [Brevet Professionnel de Banque] - it can't happen. Similarly, how could the holder of a BP obtain an AMF certificate*[56]*? The gap is too big!*'.

Nevertheless, the concerns of the different actors seem to coincide at one point - the need to keep the sector open for less qualified people, which justifies maintaining a career path in banks. According to one representative of the management, '*only 300 recruits nowadays have the Professional Brevet in Banking, instead of 1 000 people 4 years ago. Yet we want to maintain this kind of diploma in order to provide access to the sector for disadvantaged persons*'. In the opinion of a person in charge of HR in a large banking group, the connections between the issues of employment/training and the diversity policies of the companies are '*obvious and really being debated*' inasmuch as '*in certain entities they are looking for work-apprenticeship recruits with second-year university level, and they can't find them, because all the applicants want to have a full degree, and this produces labour shortage in certain jobs.*'

Strengthening social dialogue and economic transformation: the recent legislative changes have, as yet, only a very relative importance

The recent reform of the French Labour Code [Code du travail français][57] aims to enhance the involvement of employees' representatives in the management of the company, and thus to strengthen social dialogue concerning the transformations and their impacts on employment. In order to achieve this, various new instruments have been made compulsory, especially in the large groups: yearly consultation with the works council about the company's strategic orientation, the setting in place of a single economic and social database, aimed at improving access to information for the employee representatives in the company.

Yet, according to respondents, the added value that may be expected to come from these new regulations remains, to say the least, limited, particularly because, in the respondents' view, the already established practices already provide

[55] The main source of the focuses are the data and discussions of the national workshop in France.

[56] The general regulations of the Financial Markets Authority [Autorité des Marchés Financiers] requires that providers of investment services must verify that people exercising certain functions under the providers' authority or on their behalf have a minimal level of knowledge in 12 domains regarding the context of regulations and values, and the technology of finance. This verification can be made through examinations internally organised by the providers, or through external exams, 'certified' by the AMF, (Source: AMF).

[57] Law of June 14, 2013 on 'securisation' of employment.

the possibility for dialogue on strategy. Does this statement present the real facts or is it evidence of insufficient implementation of the new instruments by the management and the trade unions? Our research does not allow us to judge which of the two possibilities is true, but some of the trade union activists with whom we met pointed out certain interesting difficulties that arise: '*the confidential nature of the strategic information that is delivered and the degree of truthfulness with respect to the impacts of the decisions*' make it hard to anticipate.

At the end of this brief overview of social dialogue in the AFB branch, and beyond the scope of our discussion, the question we see arising[58] is how the actors and companies are dealing with the new issues at stake in the recent additions to legislation, particularly in the recent reform in vocational training (a law of March 5, 2014). Overall, this reform in France aims particularly to allow the employees to assert themselves as the drivers of their own employability in a situation where employment for life is increasingly becoming a nostalgic memory of the past. For this purpose, the law[59] provides new tools aimed at facilitating mobility for the employees, including external mobility, if necessary by opening greater access to useful training: the creation of personal training accounts, establishment of a consultancy in professional growth open to everyone at local level[60], changes in the rules of job interviews. Space here does not allow discussing in detail the new instruments, but we may say that, for all of them, the question arises how the actors in the branch and in the company will use them effectively. Providing the social actors really take advantage of these instruments, the latter could offer a fertile ground for new developments in social dialogue as regards anticipation of changes. It remains to be seen to what extent this important reform will be able to facilitate anticipation and management of changes in the banking sector.

CONCLUSION

Though long accustomed to deep changes, the French banking sector is, nevertheless, now facing large-scale challenges, due to the conjunction of a variety of factors that, combined, deeply affect employment in the bank; these factors include: all-round changes of regulations, resulting from the financial crisis of 2007, intense international competition, changing behaviour of clients and the impact of ICT, etc. These are compounded by the difficulties stemming from the economic environment, recession or sluggish growth, which naturally impact on banking activity and,

FOCUS 6: External mobility

One of the topics of the workshop discussion was the attention focused by the actors of social dialogue in the banking sector on the issues of external mobility. In this regard, one of the trade union representatives only pointed out that '*the state of mind is changing in the branch. Career gateways have been proposed between the banking and insurance sectors through OPCABAIA*'[61]. Yet some important difficulties still exist. One of these is related to the kinds of instruments that are capable of ensuring occupational retraining within a territorial range; these instruments are still ill-defined: '*we know how to retrain within the company, the group or even the branch, but beyond that – not quite.*' In this respect, the workshop discussion pointed out the importance of developing territorial social dialogue regarding the forward-looking management of employment and competencies. Another limitation is related to what we may call the cultural difficulty of promoting and developing instruments of external mobility, including legislative ones[62]: '*in the banking sector, the tradition is to preserve the sector's jobs. In this context, it would be hard to say to the trade unions that we are targeting external mobility*'.

[58] A question for the actors in all sectors and companies in France.
[59] Which is based on and implements a collective agreement of social partners at national and interprofessional level, dating from December 14, 2013.
[60] Hence, outside the enterprise.
OPCABAIA is a labour-management body that collects the legal financial contributions of the enterprises for the purpose of vocational training. It is shared by the banking sector (the AFB branch) and the insurance sector https://www.opcabaia.fr/2411d8c21f60068a/2411d8c21f6006e0/Qui-sommes-nous-/OPCABAIA/index.html.
[59] We may give as an example the 'securisation' of voluntary mobility, established by the social partners in 2013, and later enacted in articles L. 1222-12 et seq. of the Labour Code.

consequently, on the amount and profiles of jobs in the sector.

In this context, anticipation of changes is a crucial issue for the social partners in the bank, an issue that has long been recognised. In the branch (particularly that of the merchant bank) and the company, at least in the large French banking groups, social dialogue is highly structured and based on many instruments. As a matter of fact, in France, anticipation of restructuring in general has been the focus of attention both of the public authorities and of the actors in social dialogue at national and interprofessional level. So it is not surprising that actors in social dialogue (in branches or companies) are not lacking in initiatives aimed at supporting as best as possible the developments that everyone is aware of: training, mobility policies, prospective view on occupations, etc.

Still, it is true that we cannot be certain at present that the mechanisms conceived of until now will prove effective in the short and middle term. While the sector has succeeded so far in 'managing' the restructuring process rather gently by relying on a favourable age pyramid, the future might prove more complicated, especially as concerns the deeper changes that might potentially affect retail banking, where most of the workforce is concentrated. Within a changed context, how can the type of internal mobility be built that will satisfy both the company and the employees? How can the individual people be made better 'equipped' to face the possible disruptions in their professional career trajectories?

These questions, which, to various degrees, concern all sectors of activity in France, seem to us to be particularly important as regards the actors involved in social dialogue in banking.

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ANNEX 1: TABLE OF ABBREVIATIONS

FBA: French Banking Association [Association française des banques]

BFI: Banque de Financement et d'Investissement

BNPP: Banque Nationale de Paris PARIBAS [Bank of Paris]

BPCE: Banque Populaire Caisses d'Epargne

BPO: Business Process Outsourcing [externalisation métier]

PC: Permanent Contract [CDI contrat à durée indéterminée]

CRC: Customer Relations Centre [centre de relation clients]

FBF: French Banking Federation [Fédération bancaire française]

IMF: International Monetary Fund

JCP: Job and Career Planning [GPEC gestion prévisionnelle des emplois et des compétences]

SRI: Staff Representative Institutions [institutions représentatives du personnel

MAN: Mandatory Annual Negotiation [négociations annuelles obligatoires]

GDP: Gross Domestic Product [Produit intérieur brut]

HR: Human Resources

PLC: Public Limited Company [société anonyme]

VAE: Accreditation for Work Experience [validation des acquis de l'expérience]

CFDT: French Democratic Confederation of Labour

ANNEX 2: LIST OF CONDUCTED INTERVIEWS

Sectors

Fédération Banques et Assurances CFDT, April 1, 2014.

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Companies

Group A

Management HR Group, July 16, 2014.

Group B

Management HR Group, April 2, 2014 and July 15, 2014.

National trade union representatives CFDT, May 23, 2014.

National trade union representatives SNB CFE-CGC, May 28, 2014.

National trade union representatives CGT, July 16, 2014.

Chapter 5

Restructuring and Social Dialogue in the Banking Industry in Romania

Laurentiu Andronic[1]

INTRODUCTION

After 1990, the Romanian banking system has seen a number of sweeping changes, moving from a centralized system, owned by the state, towards a system adapted to the market economy and the private environment.

In the 2000s, the banking system was massively privatised. The big banking groups, mainly owned by parent companies based in Austria, Greece and France, brought new procedures, computerised this industry and pursed their expanding policies, furthermore required by the development of the private sector, the foreign investments in Romania and the increasing need for banking services.

The global economic crisis that has deeply affected Romania as of 2009 and 2010 has brought about a dramatic change in how labour relations, social dialogue and restructuring are regulated, a change which is significantly influenced by the Foreign Investors' Council. In order to survive through the crisis, the main banks in Romania have stopped their expansion tendency and have taken adjusting measures, which have also involved lay-offs.

The restructuring concept is extremely complex and takes various forms, from internal reorganizations to outsourcing, mergers or acquisitions. We use the term restructuring as a unifying concept for any type of organizational change, irrespective of causes, which has a significant impact on the labour relations and employment.

This report aims at contributing to enlarging the knowledge regarding the concrete forms and mechanisms of restructuring and social dialogue in the banking industry in Romania, for a better anticipation and management of the restructuring process, in order to alleviate the associated negative consequences.

The report includes the following chapters:

- **General background**, which evinces the main economic and social developments at national level.
- **The background at the level of the banking industry**, in which we describe the structure of the banking system and the development of the main indicators during the period of the economic crisis.
- **Restructuring in the banking system**, a chapter presenting the development of the banking units and employment taking place in the main banks, as well as the developments related to mergers and acquisitions.
- **Regulations regarding the social dialogue and restructuring**, a chapter describing the main changes in the regulations and their impact on the labour relations and social dialogue.
- **Social partnership**, a chapter describing the main social partners at sector and company level and the specificity of partnership and social dialogue within the banking industry.

[1] Laurentiu Andronic is an expert in industrial relations and social dialogue.

- **Tendencies in the restructuring of the banking industry**, a chapter that analyses the anticipation of changes and effective restructuring and its management, including the effects of restructuring on the employees.
- **Conclusions**, a chapter that analyses the main conclusions of the research and discussions that took place in the national seminar.

Special thanks particularly to our social partners of the sector, the Trade Union Federation from Insurance and Banks (FSAB), and the Council of Romanian Banking Employers (CPBR) for the support they provided as part of this project.

We also thank the Romanian Association of Banks (ARB) for the valuable information related to the evolution of the sector and the Banking Barometer ARB&EY, which reviews the main tendencies within the sector.

We also express special thanks to all trade union leaders and human resources managers who work for the main banks in Romania, BCR Erste, BRD GSG, Raiffeisen, which participated in interviews or discussions on such a sensitive topic and all those who participated in the EUROSOFIN national Seminar.

1. METHODOLOGY

The research was conducted in two phases: the extensive documentation phase (desktop research) and the detailed (field) research phase, by means of interviews. The desktop research was implemented in February-April 2014, and relied on information available in the specialized media, publications, reports published by banks and national and European statistical data. The documentary research was the basis of preparation of the chapters regarding the economic and social background at national level and at the level of the banking industry, as well as the chapter describing the regulations in the field of labour and social dialogue and the amendments to the same effected during the crisis.

The detailed research was conducted by means of a semi-structured interview guide, resulted further to consultations with the social partners at sectoral level. The interview guide was adapted to each background and interviewee. Interviews focused on the following main areas:

- pre-crisis restructuring projects, causes and effects, personal experience as part of such projects;
- identifying the main restructuring projects conducted during the crisis,
- detecting significant and specific restructuring projects in the given background, which can be individualized and possible best practices instances. For these projects, we investigated the typology, forecasts, and causes, how the decision-making factors had addressed the problem, the implementation and effects.
- the cross-section investigation topics were related to the evolution of the requirements regarding the competencies, social partnership of restructuring and innovative or transferable elements regarding the social dialogue and restructuring.

The interviews were conducted in strict confidence, were written down on paper and formed the basis of preparation of the chapters describing the anticipation and tendencies of restructuring of the financial sector in Romania. The interviews took place in two stages: May-June 2014 and September October 2014. The interviews were realised with important actors of the sector, FSAB and ARB, but also with trade union leaders and human resources managers coming from the main banks in Romania. The full list of interviews could be found in Annex 5.

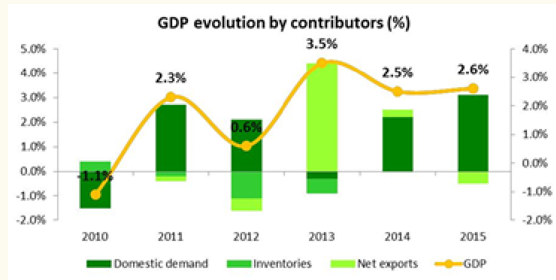
The report and its conclusions were completed further to the discussion held on this topic within the EUROSOFIN national Seminar. More information on organization, participation, feedback and conclusions of the National Seminar can be found on the Section 8.

2. GENERAL BACKGROUND

The economic-financial crisis has impacted Romania since the year 2009, when the biggest GDP drop in EU took place, from 7.3% increase in 2008 to -6,6% decrease in 2009. After the decline in 2009 and 2010, increases followed of 2.3 in 2011 and 0.6 in 2012, increases firstly triggered by the increase in domestic consumption. The 3.5% increase of 2013 was the highest in EU and was triggered by industrial growth, an exceptional farming year and also by the 4.5% in exports. At the same time, domestic consumption dropped on a year-to-year basis. For the years 2014 and 2015, a constant growth of 2.5% is estimated, mainly driven by the increase in domestic consumption. These data and developments are indicated in Figure 1.

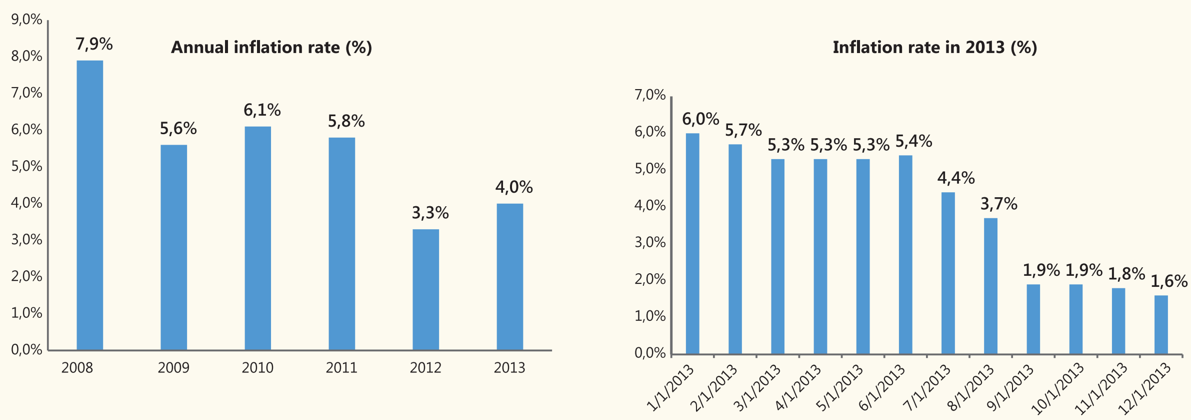
Inflation increased slightly in the first crisis years in Romania (2009 and 2010), but over the following years the trend was down-going (*see Figure 2*). The budget deficit saw its lowest post-2008 rate in 2013, due mainly to keeping expenses in check and, especially, due to cutting public investment. The 2.3% deficit in 2013 was below the EU average of 3.1% and is estimated to slip below 2% over the following 2 years (*see. Figure 3*).

Figure 1. Evolution of GDP



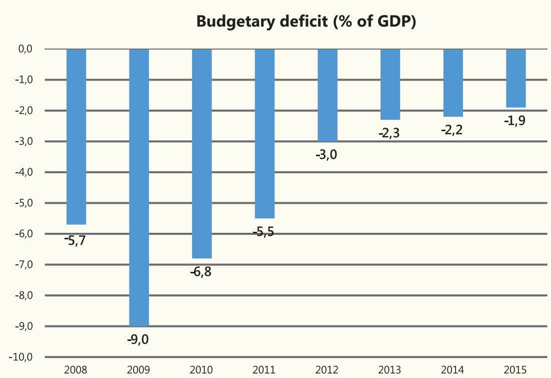
Source: European Commission

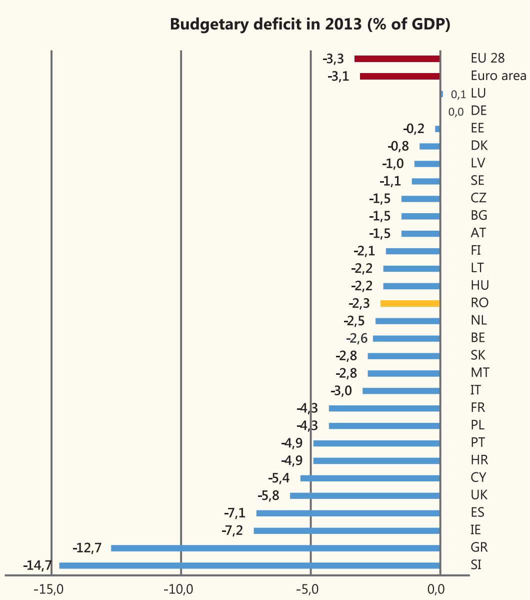
Figure 2. Evolution of the inflation rate



Source: National Statistics Institute

Figure 3. Development of the budgetary deficit



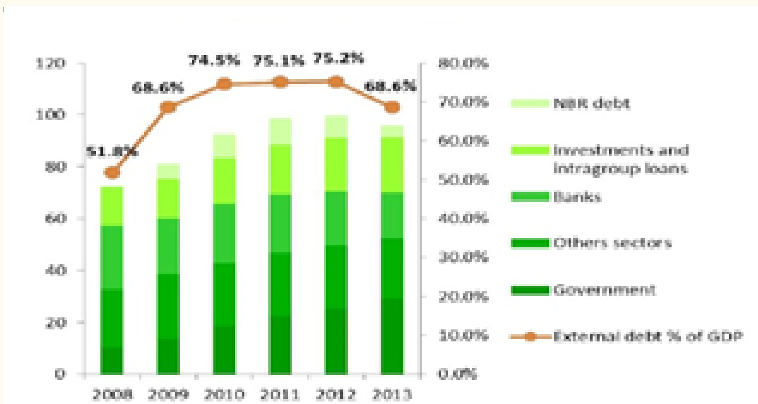


Source: European Commission

Foreign debt increased during the crisis period from 52% of the GDP in 2008 to 75% of the GDP in 2012, subsequently decreasing to 68% of GDP in 2013. Government debt doubled from 14% in 2008 to 30% in 2013. The debt of the banking industry decreased by 30% from 2008 to 2013, due to the contraction of the credit offer in Romania and economic crisis, which increased the need for liquidities at the level of central groups. The development of foreign debt is indicated in Figure 4.

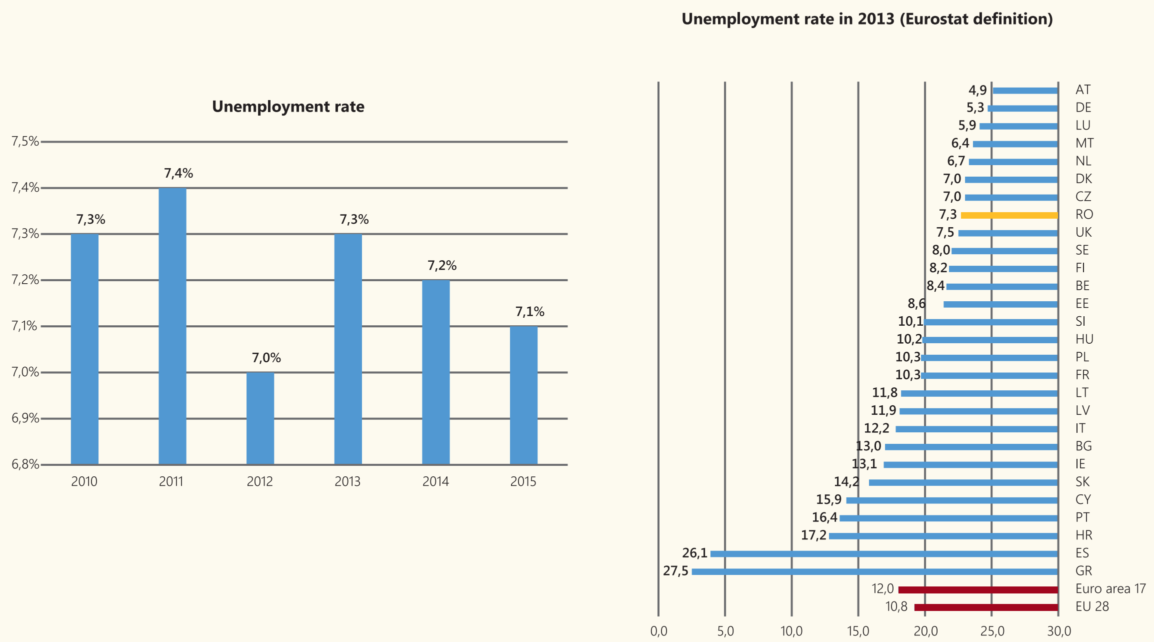
During the crisis period, the unemployment rate remained one of the lowest in the EU, ranging about the value of 7%. In 2013, the unemployment rate was of 7.3%, below the EU average of 10.8%. Estimates indicate that over the following 2 years, the unemployment rate will decrease to about the value of 7%. Mention must be made, however, that over 2 million Romanian citizens work abroad and in the country we have a high volume of active population which is not entitled to receive unemployment benefits any longer, and which live on social aid. The evolution of the unemployment rate is indicated in Figure 5.

Figure 4. The evolution of the foreign debt



Source: The National Bank of Romania

Figure 5. Unemployment rate



Source: EUROSTAT

3. PRESENTATION OF THE BANKING SECTOR

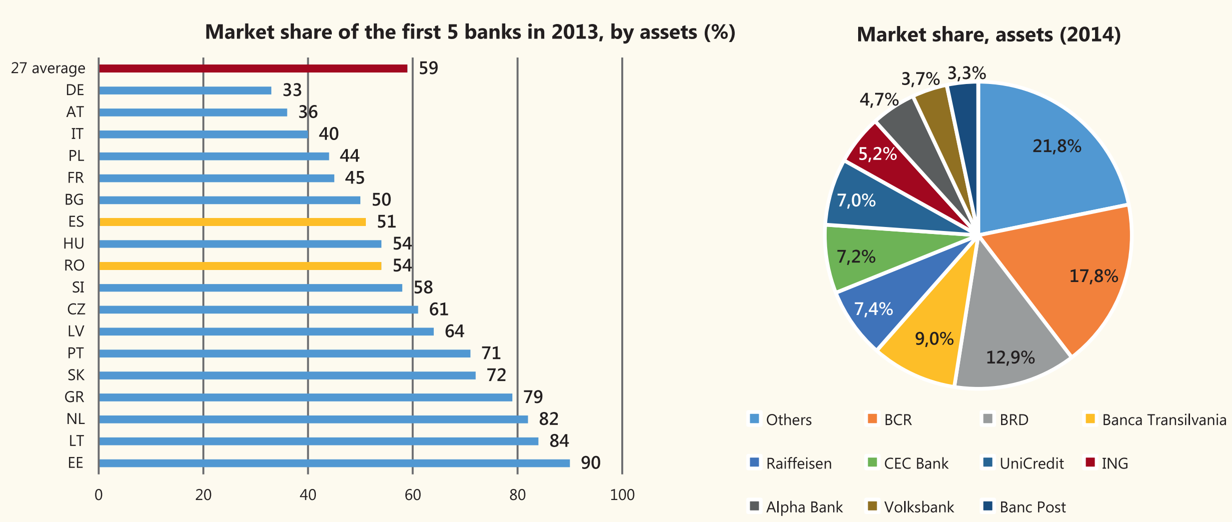
The banking system in Romania includes 40 banks that hold together an asset pool estimated to over €80 bn. which account for over 60% of the gross domestic product. The banking industry also includes 26 banks whose capital is mostly held by foreign owners, two state-owned banks, three credit institutions whose capital is mostly held by domestic owners, eight branches of foreign banks and one credit cooperative organization. For the time being, over 90% of the assets are owned by banks whose capital is mostly held by foreign owners; in 2014, Austrian banks (38.0%), French banks (13.2%) and Greek banks (12.4%)[2] were the top-three asset holders in this country. In respect of equity, 60% of the Romanian banking equity is split in equal 20% shares amongst the Romanian, Austrian and Greek capitals.

The market concentration is lower than the European average, the first 5 banks having a market share of 54% compared to the EU average of 59%. The most important 5 banks in 2014 in respect of the market share are *BCR*, 17.8%; *BRD*, 12.9%; *Banca Transilvania*, 9%; *Raiffeisen*, 7.4% and *CEC*, 7.2%. There are 28 bank agencies per 100.000 inhabitants in Romania, below the European average of 43, suggesting some potential for development (*see Figure 6*).

The analysis of the main 2014 indicators underline that the banking system in Romania remains a strong and balanced one. The ratio of the banking GDP as well as of the banking employees in the total economy is of about 1.5%. The financial intermediation degree is of 57% and the degree of financial brokerage, calculated as ratio of the non-governmental credit of GDP is of 40%. The solvency ratio is of 15%, which is higher than the prudential threshold of 10% recommended by NBR and the credit-deposit (CD) ratio dropped to 1.8% due to the contraction of lending and increase in deposits.

The banking system decreased significantly during the crisis, recording an aggregate loss of over €800 mn. over 2010-2012. The first signs of recovery appeared in 2013, when the sector recorded a profit of €11 mn. The increase consolidated in Q1 of 2014 by a profit of €129 mn. The main causes for the decrease were the increase in unemployment, the significant reduction of salaries and the downsizing or termination of companies' businesses. As a result, the loss as against the level of the banking system was determined by the increase in the provisioning effort, under circumstances where the non-performing loans rate (NPL) reached 18.2% in 2012 and 22% in 2013, which is way above the EU average (7.3%). The reduction of the net income from interests also had a significant impact. The evolution of profit and rate of non-performing loans are

Figure 6. Market concentration and share of the main 5 banks



Source: NBR

Source: Ziarul Financiar (The Financial Daily Newspaper)

[2] Source: National Bank of Romania

indicated in Figure 7. It is worth mentioning that as different from many EU states and in spite of such difficulties, the banking system in Romania needed no support from public funds.

The net average salary in the banking system was of €1030 in April 2014, which was 2.3 times higher than the one for the entire national economy. This salary slightly increased during the crisis, an increase affected first of all by the fact that most of the employees laid off had lower salaries as against the average.

4. RESTRUCTURING IN THE BANKING INDUSTRY

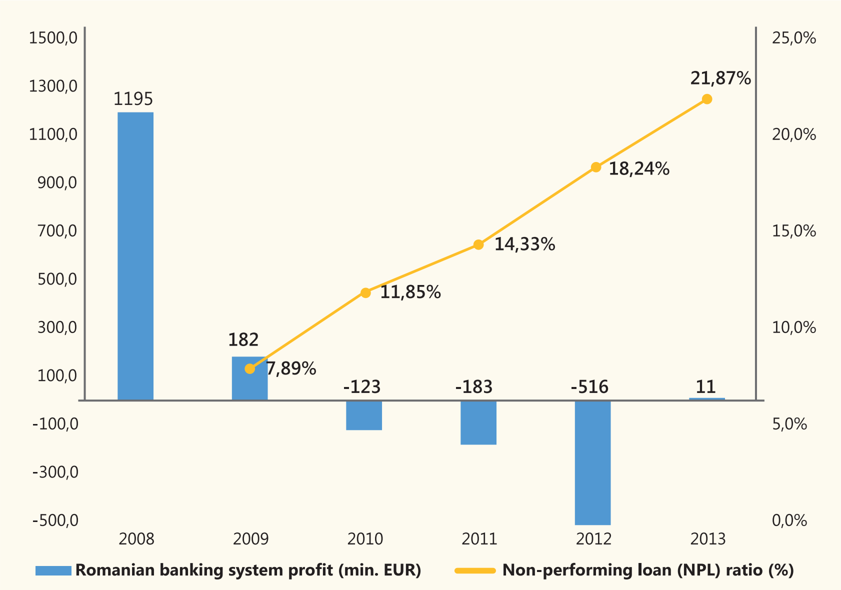
During the crisis period, the banks switched their rapid-growth strategy to a prudential strategy, reducing the number of bank agencies and the number of employees. The number of bank agencies decreased from a December 2008 peak of 6,552 to 5,484 in June 2013, i.e. a 16.3% adjustment. The number of employees decreased from 72,000 to 60,000 over the same period, i.e. a 16.6% adjustment. The evolution of the number of employees and the net average salary during the crisis period are indicated in Figure 8.

The first seven banks in the system, laid off around 7,300 jobs between 2008 and 2013 as follows:

- *BCR*, the biggest bank in the system, laid off nearly 3 000 jobs since 2008, most of the layoffs taking place during 2012 and in the first half of 2013. Overall, the headcount of the bank was reduced by 30%.
- Similarly, the number of employees in *Raiffeisen Bank* fell by 30% during the crisis. Moreover, in order to reduce costs, a part of the head office was relocated from Bucharest to Brasov.
- *BRD* laid off only 1,250 employees and, given the evolutions of other banks, it became the biggest employer in the banking system.
- *UniCredit Tiriac Bank* laid off nearly 400 employees, but after the takeover of *Royal Bank of Scotland (RBS)* employees, new restructuring is expected (*see Figure 9*).

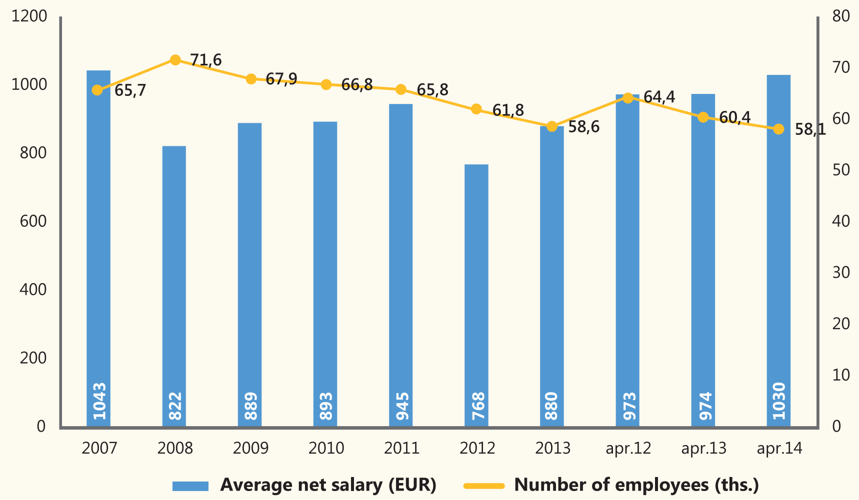
Besides the internal restructuring, banks have also been restructured by means of mergers and acquisitions for almost 12% of the market. The main banks affected in 2013 and 2014 are: *Banca Romaneasca* (1.9%), *City Bank* (1.8%), *RBS* (1.3%), *Banca Italo-Romana* (1.3%), *Milenium, ATE Bank, Marfin, Nexte, Bank of Ciprus* each by less than 1%.

Figure 7. Profit and NPL ratio in Romania's banking system



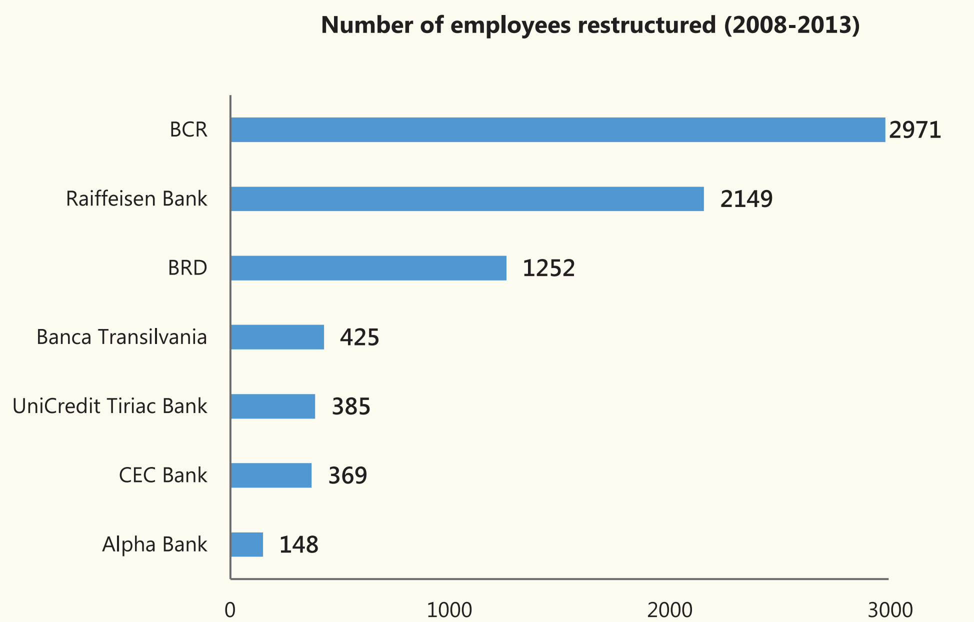
Source: NBR

Figure 8. Average net salary and number of employees in the banking system



Source: Ziarul financiar

Figure 9. Restructuring within the main banks in Romania



Source: Annual reports of the banks reflected in the Syndex Report

5. REGULATIONS GOVERNING SOCIAL DIALOGUE AND CORPORATE RESTRUCTURING

The main regulations governing social dialogue and corporate restructuring, which transpose the European regulations into the Romanian legislation, are:

- Labour Code Law No. 53/2003, as revised and updated under Law 40/2011;
- Law 62/2011 called the 'Law on Social Dialogue';
- Government Decision 1260/2011 regarding the business sectors;
- Law 467/2006 regarding the general framework of employees' information and consultation;
- Law 217/2005, the Law regarding European Works Councils;
- GD 187/2007 regarding the employees' information and consultation in the European companies;
- Government Emergency Ordinance 28/2009 regarding the 'Sectoral Committees' of dialogue in the field of professional training[3].

In 2011, there was a dramatic change in the social legislation. The Labour Code was substantially amended to encourage the use of temporary and definite period employment contracts, to extend the trial periods and the general flexibility of work to the detriment of job security. All the laws that governed the sectoral relations, i.e. the law of collective bargaining, the trade union law, the employers' law, the labour conflicts law, the law of the economic and social council were abrogated and replaced by one singly law, Law 62 of May 2011, the Social Dialogue Law. All these legislative changes were adopted without proper tripartite consultations with the obvious opposition by the majority of the social partners, by the procedure of assuming responsibility in Parliament.

The first three regulations adopted in 2011, further to an intense lobbying by the Foreign Investors' Council, within which main banks play a major role, have influenced and influence significantly the way in which the related restructuring and dialogue are performed in the banking industry in Romania. We will come back to this aspect in the following chapters.

Faced with such an unprecedented situation, the social partners filed a complaint with International Labour office (ILO) and asked for support. In spite of the observations sent in 2011 by the Committee of Experts regarding the application of the Conventions and recommendations, the new regulations were enforced without substantial amendments. The ILO takes the view that necessary changes are to be made in order to bring current legal and institutional frameworks, as enacted by the Social Dialogue Law and the amendments to the Labour Code, in conformity with fundamental principles and rights at work as embedded in the core international labour standards relating to collective bargaining and tripartite social dialogue.

The new regulations rule out the negotiation of the sole collective bargaining contract at national level, which since the 1990 had power of law, establishing the minimum salary per economy and other standards, valid for all branches and companies in the national economy. The criteria for representativeness in negotiations are redefined and made stricter[4]. The negotiation at sectoral level is strongly affected by the fact that the government is competent according to the law to redefine the composition of the economic sectors. Such provisions question the legitimacy in the negotiations of the existent social partners.

A study regarding the impact of the legislative changes on the industrial relations in Romania, conducted through ILO[5] indicates that two years after the new regulations started to be enforced, one single Collective bargaining contract at sectoral level could be legally concluded and registered. At company level, the impact was also a devastating one: 7370 collective labour agreements (CLA) registered at the end of 2008; 2800 registered in June 2011; 4330 registered in June 2012.

[3] These regulations can be found at http://www.mmuncii.ro/j33/index.php/ro/dialog-social-2.

[4] According to the new social dialogue law, in order to be representative to negotiate CLA, a company trade union must represent more than 50% of the total employees (this percentage was only 33% before this law).

[5] http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_219711.pdf

Beside the legal regulations, social dialogue and restructuring are determined also by the CLA at company level. In most cases, such contracts take over provisions of the labour codes in respect of collective negotiations, but there also are provisions specific to each company, in respect of the number of compensating salaries as severance payment in case of lay-offs.

6. SOCIAL PARTNERSHIP IN THE BANKING SECTOR

Social partnership in the banking industry occurs at sector and company level. The representative social partners at sectoral level are the Trade Union Federation in Insurance and Banks (FSAB) and the Council of the Banking Employers in Romania (CPBR).

FSAB was set up in 2002 and is the only representative trade union federation with 12 affiliate trade unions and a number of about 15,000 members, which represent 15% of the employees working in the insurance and banking industry. FSAB is affiliated nationally to CNS Cartel Alfa and in Europe to UNI Europa and globally to UNI Global Union.

The Council of the Banking Employers in Romania (CPBR) was set up only in April 2014 and comprises 6 of the most important multinational banks in Romania: *BCR Erste, BRD-GSG, Raiffeisen Bank, UniCredit Tiriac Bank, ING Bank and Volksbank*. This employers' organization is representative at the level of the banking industry. Both social partners envisage negotiating in the near future a collective bargaining contract at the branch level.

In the absence of an employers' organization, the employers have coordinated themselves so far by means of the Romanian Association of Banks (ARB). At sectoral level, there took place an institutionalized dialogue only in the field of professional training. This field is regulated by Government Emergency Ordinance 28/2009 regarding the 'Sectoral committees', a regulation that provides the framework (not compulsory) for setting up and development of Sectoral committees of professional training for each sector.

At the level of the banking industry, a Sectoral committee was set up in 2009. This committee was hosted by the Romanian Banking Institute[6] and has had notable results: 20 new occupational standards and 3500 employees of the banks were trained in the ITC, as part of an EU financed project. In spite of the legal and institutional framework regarding the establishing and recognizing competencies and professional training at sectoral level and also the insistences in this respect by FSAB, companies still prefer to develop individually their own systems of competence and training, considering that these are more flexible and more adapted to the company's needs. This tendency, however, comes to the detriment of an official recognition of competencies and professional training of the employees in this sector, who, when leaving a company, have difficulties in becoming employed in a position corresponding to their professional training.

Since the introduction of the new legislation, the company trade unions can be set up by at least 15 employees, but in order to be able to negotiate the CLA, they need to be representative, that is to have as members at least 50% of the companies' employees[7].

Currently, the collective negotiation takes place only at company level, as at sectoral level there has not been any employers' organization. The representative trade unions can negotiate the collective bargaining agreement by their own, and those that are not representative are represented in the negotiations by FSAB, which is representative at sectoral level. The non-affiliated (to unions) employees could be represented to the collective negotiation by the employees' representatives[8].

Although not collective bargaining at sectoral level, the negotiations in companies are important, 40% of the employees in the sector being covered by a CLA, and 55% by a CLA or a collective convention[9].

[6] The Romanian Banking Institute is an NGO founded in 1991 by the National Bank of Romania and the Romanian Association of Banks. The main goal is to develop training programs according to the new competencies required by the sector. For more information see http://www.ibr-rbi.ro.

[7] The status of trade unions and collective negotiation in the main banks in Romania is given in Annex 2.

[8] According to the new Social Dialogue law, if in a certain company there is no representative trade union, the management shall organize social elections for employees' representatives. They are different from the trade unions' representatives, and could sit together with TUs on the collective negotiation table.

[9] see Annex 2 for detailed information.

From this point of view, mention must be made that the banks, even under conditions of harsher social regulations, have preferred to consider the trade unions as their main social dialogue partners in order to maintain stability and constructive work relations.

7. TRENDS IN THE RESTRUCTURING OF THE BANKING INDUSTRY

7.1 Anticipation of changes

Our research regarding the anticipation of changes in the banking industry proves to be extremely difficult, in a sector where confidentiality is fundamental. In Romania, social partners at sectoral level have appeared relatively recently, as we have pointed out above, and the social partnership is limited in most cases to the negotiation processes, which take place exclusively at company level. Against this background, it is difficult to detect mechanisms or measures of anticipation at sectoral level.

An important instrument of coordination and anticipation at sectoral level is the Romanian Banking Association (ARB), which prepares 'The Banking Barometer' in cooperation with Ernst&Young Romania. The banking barometer provides information to bankers about the developments of the economic, legislative and business environment and the related implications on the banks they run. In respect of the current priorities, over 50% of the subjects[10] answered the following in the following order: streamlining and automating the processes (85%), risk mitigation (80%), preparation for Basel III and CRD IV (80%), reputational risk (70%), mitigation of non-essential expenses (65%), investments in customer-facing technologies (61%), conformation to the regulations regarding the consumers (59%), new financial reporting standards (53%), development of new products (50%)[11].

As we have pointed out in the chapter devoted to the 'social partnership', although Romania has a legislative and institutional framework in respect of social dialogue on vocational training, and there is a Sectoral committee of professional training in the financial sector, the main banks are reluctant to use this instrument, which would allow an anticipation of the need for competencies and a coordination of the training strategies.

As different from the sectoral level, at the banks' level there are similar mutations in respect of skills and competencies, which increasingly focus on diversified technical abilities and opening towards change and innovation. In the box 1, we indicate the way in which BCR has approached such tendencies in their restructuring program:

Box 1

- In all areas of interest for the reorganization program, we have focused on new competencies: communication with the clients, increasing the quality of the services provided, technical competencies specific to the workplace, for resolving problems, of teamwork, communication in foreign languages, computer science, management, leadership, sales, financial analysis, time management, compliance, risk management, prevention of money laundering, anti-fraud, negotiation.

- All these competencies have required proper variants of professional training. The best training option is a mixture of methods: in-house training (Retail areas, Corporate areas, Banking Operations), on-the-job training (Retail areas), distance training (e-learning), job rotation and training with the foreign suppliers for technical competencies or specialized topics, mentoring and coaching sessions for front office managers with in-house coach.

Source: Interview with BCR Erste

[10] Official representatives of the main Romanian banks, covering a market share of 85%.
[11] According to Romanian Banking Association and EY Romania; The ARB&EY Banks' Barometer.

In Romania, less than 20% of the banks' employees are represented in a European Works Council (EWC). The EWC is perceived by the workers' representatives as an instrument of information rather than consultation of the workers in respect of the strategic decisions of the group[12]. Although they are confident that '*nothing happens at central level without the central leadership knowing it*'[13] the perception is that the corporate reorganization and restructuring decisions, as well as those of personnel restructuring, are made by the national leadership. The restructuring cases are considered national cases and as they do not have a European character, they are not discussed in the EWC. As a result, the interviewees do not consider EWC as an instrument of anticipating changes at national level.

7.2 Trends in restructuring

The main causes of restructuring in the banking system are obviously related to the effects of the economic crisis, which finds the main Romanian banks in a full-fledged process of growth. As we have pointed out in the General Background chapter, the income of the population decreases and together with such income also the demand for banking services, thus inducing difficulties in repaying the loans, consequently triggering an accelerated growth of the non-performing loans. The business environment, especially the SMEs and also the big real estate investments are faced with major difficulties with material impact on the banking industry. The main banks saw a significant decrease in profits in 2009 and in 2010 recorded losses for the first time. On the other hand, the possibilities of the central groups to finance the investments in Romania also decrease as a result of the crisis.

Faced with this difficult background, the banks decided to downsize their business shutting down a significant number of bank agencies in the areas with low economic potential.

Besides this tendency, in the Romanian banking environment two tendencies were manifest, the same as it happened globally, the processes of concentrating the activities and the outsourcing processes. The box 2 presents the description of those two tendencies by a trade union leader.

The most frequent type of reorganization involves cutting down costs, encouraging the performance of sales and optimization of the sales platforms and the form taken by such contraction is the setting up of centres of resources and processing, which concentrate the processing of mainly the payment documents and of the loaning files. Front office employees are relieved from such operations, a part of them being concentrated in the new processing centres. We can see this type of processing centres in all the important banks in Romania.

The outsourcing processes conducted in the Western countries have a positive perception in the Romanian banking system, due to setting up service centres of processing, human resources and IT in Romania. This type of centres generally employs young but highly trained people with legal entities related to the central group, but independent of the bank in Romania. Romania is a preferred destination for outsourcing, as it has highly trained workforce, high flexibility of work and an average salary in the sector of about €1,000, which is attractive to the Romanian workers, but much lower than in the Western countries.

Box 2

In our bank two tendencies can be noted lately, the ultra-centralization tendency, based on the principle that decisions are made at the center, and the outsourcing tendency regarding everything that is not considered core-banking. A relevant example is the one of the legal advisors employed. Some time ago, it was decided to outsource the legal services and to employ law firms. Further to an assessment it was ascertained that the costs skyrocketed and the results did not match such costs. The decision has been eventually cancelled, but soon a new project was commenced, this time, involving the bringing of the legal advisors to the center. This is not regarded as a good thing locally, as a legal advisor in the head office does not know well enough the local background and is difficult to be approached by a local manager.

Source: Interview with IMPACT BRD trade union

[12] Source: Interviews with all trade union leaders.
[13] Interview with IMPACT BRD trade union.

These types of restructuring involved lay-offs during the crisis, lay-offs which represented more than 16% of the workers in the sector.

The decision to carry out restructuring projects, the approach strategy, as well as the planning program generally takes place without the involvement of the trade unions. Furthermore, the general conclusion further to interviews conducted with trade union leaders is that the trade unions are really involved only shortly before announcing the restructuring, in the implementation phase, when the lay-offs are discussed.

EU Directive 59/1998, adopted by the Romanian legislation, states that if an employer considers collective lay-offs, that employer must initiate in due course consultations with the workers representatives in order to conclude an agreement. Such consultations must provide for ways and means of avoiding lay-offs or of reducing the number of affected workers and measures must be taken to mitigate the social consequences of the lay-offs for the affected workers. These principles are stated as operational in the Romanian Labour Code, in the chapter dedicated to the collective bargaining contracts at company level.

The general tendency in the banking system in Romania is, however, to avoid the collective lay-offs. The entire current legislative and institutional framework, to which there significantly contributed also the lobby of the main bankers, facilitates the termination of individual contracts, which takes place for reasons having to do with the employee's will, either by resignation, or by the parties' agreement. Even if such type of lay-off cannot be made on the basis of the real reasons and involves losing the right to receive unemployment benefit, the employees prefer to accept the management proposals, taking into account several reasons, evinced during the interviews and which we will describe further below:

- The unemployment benefit is very small as against the salary received in the bank and is paid for 9 to 12 months, according to the length of contribution. The value of the unemployment benefit is of about €150 (75% of the national minimum gross salary, which is currently of €200). For an employee with a relevant length of service, the annual income from unemployment benefit will be of €1,800-2,000 and the banks offer at least double this amount by the severance payments provided for under the collective bargaining contracts.
- In order to stimulate the voluntary decision of the employee, the bank offers in such a case a severance pay consisting of a supplementary number of compensating salaries, and in addition to them, the employee can also keep the facilities related to the bank services or loans under advantageous conditions awarded to the employees.
- If an employee does not accept to leave the company willingly, according to the new provisions of the Labour Code, the management can invoke their 'failure to reach the performance goals' and terminate them for being 'professionally unfit', a case which would impede on the employee's future employment with another company.

Under these circumstances, the banks' managements initiate consultations with the trade unions. These consultations are generally focused on the amount of the severance pay (number of compensating salaries to be given as severance payment to the employees to be laid off), the criteria of selecting the employees to be included in the list of terminations and also the identification and implementation of the most proper solutions for the social cases[14]. We present in Annex 4 the way in which one of the banks involved in the project describes how a reorganization project is usually conducted in Romania.

If we look at the measures applied at European level to avoid laid-offs, wage reduction and wage subsidies, short time working, partial unemployment or temporary lay-offs, none of these measures seems to be specific to the banking industry.

In respect of the measures aiming at managing lay-offs, the first measures to be applied are the internal re-assignments accompanied by training programmes, early retirement and dismissal and severance payments. Even if in Romania, similarly with other EU countries, early retirement is no longer stimulated, but, on the contrary, penalized, the employees who are close to their

[14] In many CLAs, social cases are defined as employees' members of the same family, employees with health problems or employees close to retirement.

retirement age choose to leave the company, as the severance payments exceed by far the early retirement penalties.

The evolutions of the main indicators that characterise the post-crisis banking system indicate that the restructuring measures have reached their goals. The banks have recovered and started to report profits, the productivity per employee has increased and salaries have also increased slightly. However, we cannot state that wellbeing at work has improved. The conclusions of the SYNDEX[15] report, which analyses the development of the social dialogue in the banking system during the crisis, are not encouraging. We indicate in the box 3 various negative effects of the restructuring, as perceived by the employees from the banking sector.

It is obvious that in Romania, as well as at European level, restructuring is perceived differently by the bank, on the one hand, and by the workers and their representatives, on the other hand. Both parties have expressed during interviews the necessity of changes against the background of a global competition and concern for the wellbeing of the company. The challenge of a responsible change from a social point of view is, however, to find the best compromise between the performance requirements and profit, and the state of wellbeing at work.

Our opinion is that for answering this challenge, the employers shall adopt a long term strategy, within which restructuring is not regarded as an isolated crisis, but as a necessary and recurrent part in the life of the organization, for which the organization needs to be prepared by achieving a flexible workforce. The employers' need to anticipate the necessity of restructuring and thus make sure that the employees have the necessary skills to adapt.

Box 3

- Many employees feel isolated, no longer trust trade unions or social dialogue and consider that the employers' position is dominant as against the trade union. The personnel is not sufficient to cover the day-to-day activities and many employees have multiple responsibilities. The employees have noted the constant supplementing of the hours worked due to the increased workload triggered by the restructuring, having to take over the tasks of their colleagues laid off.

- Stress is a risk factor often mentioned, especially in the operations part. Working with difficult clients, close deadlines, high targets and big workloads and, above all, multitasking are the most often mentioned as stress factors.

- From the employees' point of view, the security of the workplace is very important as it guarantees a stable income. Considering the economic background and the recent developments in the Romanian banking system, a feeling of insecurity has been noted as experienced by the employees. This feeling is fueled by the low transparency of the human resources department in the field of workforce and by the fact that the assessment of the employees is considered subjective and may lead to dismissal. The employees past a certain age feel they are the most threatened and consider they stand poor chances to find a new job.

[15] SYNDEX Consulting Romania; Report on the situation of Unicredit Tiriac Bank and its employees, with a special focus on social dialogue, 2014.

8. NATIONAL SEMINAR

The Romanian country seminar, organized by Trade Union Federaton from the Insurance and Banks (FSAB), took place in Bucharest on November 12, 2014. Present at the one-day meeting were trade unions and employers' representatives from the most important Romanian private banks (*BCR ERSTE, BRD GSG, Raiffeisen, UniCredit*), the social partners from the banking sector (*FSAB and CPBR*), as well as researchers from Austria, France, Luxembourg and Romania.

The objectives of the Romanian country seminar were to discuss and analyse the economic andsocial developments in Romania with a special focus on the banking sector, during the crisis, to provide examples of good practice from the sector, and to discuss in a comparative and transnational perspective, challenges impacting the sector.

Identified challenges included the legal and institutional framework on social dialogue and the big impact of the changes of social legislation during the crisis, on restructuring, the main types and patterns of restructuring and the impact on the employment and wellbeing at the workplace, but also good cases of restructuring and related practices including reskilling and retraining.

An example of best practice was presented by *BCR* in the national seminar. In annex 5, we present the essential coordinates of the NEXT program, which concerned the restructuring of the retail network. We give in the box 4 the key success factors, as presented in the seminar.

The second part of the workshop was dedicated to the exchange of experience at European level and consisted of the presentation of social dialogue and restructuring in banking sectors from Austria, France and Luxembourg. The presenters were Christoph Herman for Austria, Virginie Bussat for France and Vassil Kirov for Luxembourg. The Romanian participants were very interested in the tendencies about the restructuring in these countries, the legislative and institutional frame, but especially in the models of good practice which could contain transferable elements.

The main subjects discussed were related to layoffs, related social criteria and affected groups and regions, the new technologies in the field and the new competencies requested by these, as well as to outsourcing processes. The importance of the measures to attenuate the negative consequences on employees in view of socially responsible restructuring, was mentioned.

The participants pointed out that a socially sensitive restructuring involves a set of policies regarding the anticipation and management of restructuring, which should consider the legitimacy and fairness of the process, adequate communication and, especially, the effects on the middle management, victims, survivors and vulnerable groups. When the social accompanying programmes are not adequate and consistent, the negative effects of restructuring are felt at the level of the affected workers under the form of intensified work and overtime, the sentiment that you do not fit the requirements, insecurity, psycho-social effects that affect wellbeing at work and even the company's result on a medium and long term.

Box 4

1. Allocation of **sufficient time to prepare for changes**; once the plan is ready, it is recommended to be rapidly implemented;
2. **Prioritization** – there is a limit to the changes that can be borne by the organization at a given time;
3. **Correct transfer of know-how** between people and positions;
4. **Recognition** can be a powerful HR instrument against the reorganization background;
5. **Power of example**: representatives of the trade union organizations can promote success stories within the organization;
6. **Announcing the bad news as soon as possible**, in a transparent and open manner;
7. **Meeting the promises and managing the expectations**: the employees' expectations must be managed carefully in order to avoid losing trust;
8. **Supporting the moral of those leaving the organization**; the employees who remain with the organization will notice the way in which their colleagues have been treated.

Source: BCR ERSTE presentation to the Romanian national seminar

CONCLUSION

Against the wider background of legislative and institutional changes regarding labour relations and social dialogue, Romania is a singular case given the dramatic changes in the regulations governing the field. The changes have had a shock effect on social dialogue and collective negotiation at all levels and have significantly influenced the size and way in which restructuring was conducted during the crisis.

Although seriously affected by the crisis, the banking industry in Romania, even if impacted by the losses incurred over 2009-2010, has proven to be a robust one, and thanks to the recovery measures adopted, the banking industry coped with the crisis very well without requesting public funds to overcome such difficulties.

The impact of the crisis and legislative and institutional changes, although it affected trade unions significantly, was not as dramatic at the level of the companies in the sector, as it was at the level of national economy. The banks in Romania preferred to maintain their traditional relations with the trade unions in the companies and, with few exceptions, to extend the provisions of the CLA in force. Faced with the crisis related difficulties, the banks managed to restrain a part of the rights won by the trade unions prior to the crisis.

The developments in the banking industry are very complex and difficult to anticipate. Social dialogue at sectoral level could play an anticipation role, especially in the field of competencies and professional training, a field in which Romania has a favourable legislative and institutional framework. The banking employers' association was created recently, in the spring of 2014, yet sectoral dialogue is expected to improve and a collective bargaining contract at sectoral level is expected to be negotiated too.

The banking culture, which involves high confidentiality, stability and good reputation, involves the preferential use of various methods based on which to avoid the idea of restructuring and the collective lay-offs. That is why, in most cases, there are preferred terms such as optimization or reorganization and the announcement regarding the restructuring and lay-offs comes late, just before starting the process.

Although the headquarter culture leaves its imprint on the tendencies in restructuring and the way of implementation, as well as on the social partnership relations at national level, a determinant role is played by the local background in which the bank operates. The banks rapidly adapt their strategies to this background, trying to influence it and managing to determine it, in the sense of facilitating the processes of change and optimization/mitigation of the related costs.

Restructuring in a period of crisis has had a significant effect on the restructuring related policies, being an actual stress test in respect of anticipation, preparation and implementation of the restructuring processes, and also of the mechanisms of social strings of the restructuring. The public services of employment and social security, as well as the regulations in force, are at a very low level in respect of volume, quality and efficiency and, with a few exceptions, no longer represent an alternative for the banking system.

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ANNEX 1: LIST OF ABBREVIATIONS

ARB	Romanian Association of Banks
BCR ERSTE	Romanian Commercial Bank, ERSTE Group member
BRD GSG	Romanian Development Bank, Group Societe Generalle
CEC	House Savings Bank
CLA	Collective Labour Agreement
CNS Carte Alfa	National Trade Union Confederation Alfa Cartel
CPBR	Council of Romanian Banking Employers
EU	European Union
EWC	European Works Council
EY	Ernst & Young
FSAB	Trade Union Federation from Insurance and Banks
GDP	Gross Domestic Product
ILO	International Labour Office
IT	Information Technology
NBR	National Bank of Romania
NPL	Non-Performing Loans
RBS	Royal Bank of Scotland
SMEs	Small and Medium Size Enterprises

ANNEX 2: STATUS OF TRADE UNIONS AND COLLECTIVE NEGOTIATION IN THE MAIN BANKS IN ROMANIA

Company	Number of trade unions	Number of members	Affiliation to FSAB	Collective bargaining agreement	Observations
BCR Erste	4	4000	Yes	No There is an agreement between the management and the trade unions with the same provisions for all employees	Only 1 trade union, SIBCR with 1500 members, affiliated to FSAB The bigger trade union has about 2500 members and an atypical structure similar to a federation, with trade unions organizations, affiliated to CSDR. There is a European Works Council The trade unions are not representative
BRD GSG	1	3800	Yes	Yes The collective bargaining agreement was negotiated in 2014	The trade union is representative There is a European Works Council
Banca Transilvania	0	-	-	-	
CEC	1	3000	No	Yes	The trade union has an atypical structure similar to a federation. It is affiliated to BNS. The non-members pay a contribution for the negotiation of the Collective bargaining contract
UNI Credit Tiriac	1	700	Yes	No They have a convention that took over the provisions of the old Collective bargaining contract	The trade union is not representative There is a European Works Council
Raiffeisen	1	3500	Yes	Yes	The trade union is representative A European Works Council whose setting up is in progress
Alpha Bank	0	-	-	-	There is pressure to prevent the setting up of a trade union
Volksbank	0	-	-	-	-
ING bank	0	-	-	-	In spite of the fact that in the Netherlands the trade union is strong
Bancpost	1	1500	Yes	Yes	The trade union is representative
UPA (Unicredit Processes)	1	750	Yes	Yes	There is a European Works Council
ROMEXTERA Bank	1	180	Yes	No Collective Convention	

ANNEX 3: DESCRIPTION OF A TYPE OF REORGANISATION WHICH IS MOST COMMON IN THE BANKING INDUSTRY

Whenever implementing an optimization/reorganization project, the bank considered the implementation of various measures aimed at protecting the impacted employees, of which we list the following:

- to organize competitions/examinations for filling the vacancies existing in the bank, giving priority to the applications of the employees impacted by the projects;
- to fill the vacancies of the bank, while prioritizing the recruitment of in-house employees (internal resources) and, subsequently, if the respective positions are not filled, by external recruitment;
- to consider the functional or geographical mobility of the employees, expressed during the career assessments or meetings with the representatives of the Human Resources Department and to make offers corresponding to the professional experience and training of the employees;
- to give supplementary compensations in some cases to the employees whose individual employment contract with the bank is terminated, in accordance with the provisions of the Collective Bargaining Contract in effect at the bank's level;
- to give various facilities to the loans in progress that are given to employees affected by the reorganization projects;
- to give social aids to the employees who are faced with health problems or whose family members are faced with such problems.

The trade union representatives are informed and discussions take place in regular meetings regarding projects implemented by the bank. Furthermore, in case of various projects with significant impact on the labour rapports, the Human Resources Department organizes meetings between the trade union representatives and representatives of the bank's management to discuss the phases of implementation, directions of actions, the related calendar and offers the possibility of an open dialogue to clarify the reported aspects.

Also, all of the bank's employees are informed of the projects to be implemented by the bank by publishing such information on the bank's Intranet and by sending regular newsletters via email.

ANNEX 4: NEXT RESTRUCTURING PROGRAMME FOR BCR'S RETAIL NETWORK

At the end of 2012, Romania was still in the process of slowly recovering its economic growth rate, consumption was also slowly getting back on track, while Romanians were reluctant to borrowing money from banks, or to trade, and for the first time in the history of BCR, the bank reported losses.

In order to cope with the new business environment, BCR decided to implement a recovery programme, the **UP Programme**, which included initiatives of changing the Retail, Corporate, Operations, IT, Risk and compliance areas.

The requirements of BCR, as employer, increasingly focus on the competencies of communication, service quality, diversified technical competencies, compliance, risk, opening to change and innovation.

In the Retail area, Erste Group and BCR identified a set of initiatives, which were prioritized and structured in a single consistent programme – the **NEXT Programme**.

The strategic objectives of the NEXT Programme were: to obtain profit from client orientation, to encourage the performance of sales and to optimize the sales platforms.

The purpose of the programme was to create a profitable long-term relation with the clients, by ensuring proximity and separation between the sales and service activities.

Scope of program: In 2013, 3,200 of the 8,700 employees of the banks (about 45%) were involved in the reorganisation process. Over 500 candidates were appraised and 116 managers were selected for the new positions.

From the point of view of human resources, four areas were covered during the following phases:

1. **Organisation design (December 2012)** – A new organisation structure was created, roles were redefined and the human resources needs of the retail network were updated.
2. **Assessment of the branch managers and recruitment (January-July 2013)** – As part of the assessment process, all the managers in the retail network were appraised by means of the management competence assessment centres. As part of the process, people matching recruitment criteria were selected for the new positions or roles. Also, the recruitment process was calibrated to the needs of the network, based on a skill assessment instrument.
3. **Lay-offs (July-December 2013)**: Under the NEXT Programme, 800 persons were dismissed as they could not be re-assigned to the new retail network.
4. **Design and implementation of the new training strategy for the retail network (December 2013–2014)** – The training processes were aligned to the new needs of the network, the training matrix was revised and a new model of professional certification and a career development were implemented.

The restructuring process was implemented by means of a close co-operation with the trade union organisations, which represented an important communication channel with the employees and helped in the identification and implementation of the most appropriate solutions for the social cases.

BCR supported the employees affected by the collective lay-offs by involving them in the **Career Transition Programme**, which came in addition to the benefits specified in the Collective Employment Contract and the Labour Code. The participation in this programme was optional and free. Under this programme, the dismissed employees received pre-termination services by means of the public agency for occupation of workforce and by means of a foreign supplier of services.

At the end of 2013, the figures indicated that the client satisfaction had increased by 3%, the number of products sold and the quality of the services had increased and the financial results of BCR had improved.

2013 year-end figures indicated that the client satisfaction had increased by 3%, whereas the number of products sold and the quality of the services had increased and the financial results of BCR had improved.

ANNEX 5: LIST OF INTERVIEWS

BRD GSG, 6 of May 2014

FSAB, 21 of May 2014

Trade Union Raiffeisen, 23 of May 2014

Roumanian Association of Banks, 29 of May 2014

IMPACT BRD, 1 of September 2014

SIBCR, 20 of September 2014

BCR ERSTE, 25 of September 2014

Chapter 6

Social Dialogue and Restructuring in British Banks

Nick Clark[1]

INTRODUCTION

This report has been prepared by the Working Lives Research Institute for the EUROSOFIN Project which is examining the role of social dialogue in the conduct of restructuring in the banking industry. The project is funded by the European Commission.

The report has been prepared largely from documentary sources and official statistics, supplemented by a small number (three) of interviews. Interviews with representatives of banks proved impossible to arrange, and possible reasons for this are discussed in the findings at the end of this report. Wherever possible, data has been presented for Standard Industrial Classification (SIC) 64.1 ('Financial Intermediation' – this includes central banking, retail and wholesale banking and building societies) as presenting the closest match to banking. Where the data does not support such analysis, we have used Financial Services (which includes insurance and pensions).

The report firstly considers the structure and significance of the UK banking industry, and the commercial, technological, political and regulatory pressures which might lead to restructuring. It then considers the principal social actors and industrial relations institutions within the sector, and the ways in which restructuring is approached. A further section details the recent events and the restructuring response to them, including what limited evidence we have for the outcomes of social dialogue. Finally, the implications of the research are considered.

Before considering the banking industry in particular, however, it is necessary to describe briefly the general environment for industrial relations in the United Kingdom (UK). There is little in the way of sectoral bargaining, particularly in the private sector, few national institutions involving formal social dialogue, and no national level social dialogue with or involving government. The current Coalition government and the preceding Labour one prided themselves on the development of a flexible, deregulated labour market. The reliance on voluntarism in the 1960s and 70s, whereby collective bargaining was left to regulate most of the labour market with little interference from the law, was supplanted by legal restrictions on trade unions and a minimalist approach to the transposition of EU employment Directives (for example those regulating the Posting of Workers and Working Time). Trade union membership and collective bargaining dropped dramatically, to the point where only 26% of the workforce is a member of a trade union and 30% covered by a collective agreement[2].

At the same time, although European Union (EU) regulation introduced notions of employee representation not restricted to trade unions recognised by employers (for collective consultation over redundancies or transfers for example), this did not result in the establishment

[1] Nick Clark is a researcher at the London Metropolitan University's Working Lives Research Institute.
[2] 2014 figures from the Labour Force Survey.

of a general system of employee representation. Only 13% of workplaces with more than 50 employees had a 'Joint Consultative Committee' (JCC) in 2011, and these were often to be found in workplaces which had trade union representation. In other words, where there was no union, workplaces were less likely to have any other form of regular consultative structure (Adam et al 2014).

Restructuring and the law

Up until 6 April 2013, employers proposing to dismiss 100 or more employees for redundancy had to consult with workers' representatives for at least 90 days. Where a trade union or unions is recognised for collective bargaining (or, more rarely, for consultative purposes) then consultation must take place with those trade union representatives. Where there is another existing structure (for example one complying with the requirements of the Information and Consultation of Employees Regulations) and no union, consultation should be with that body. If neither exists, then employees must be able to elect representatives specifically for the purpose of carrying out the consultation.

The 2013 changes reduced this period by half to just 45 days and, where the number of redundancies anticipated is fewer than 100, it reduced the minimum consultation period to just 30 day. Similar arrangements apply for consultation over transfers of undertakings (as covered by the Transfer of Undertakings Directive).

Of particular importance in banking is the application of stock exchange rules regarding the release of price sensitive information. This is specifically permitted by those rules to representatives of independent trade unions, but is often restricted to those representatives themselves, and may not be transmitted onwards.

Workers made redundant and having more than two years' service are entitled under law to redundancy payments equivalent to one weeks' pay per full year of service (or half a week for service while under 21 years old and 1.5 weeks for service while 41 or older). The calculation of a weeks' pay is subject to a maximum (currently £460 per week). Employers are free to provide redundancy payments for higher than this minimum, and this is often the subject of negotiations with unions. Redundancy payments of up to £30,000 are exempt from income tax.

1. BANKING IN UK

1.1 Banking in the UK economy

The contribution of financial services to the UK economy as a whole is significant, but is nevertheless substantially lower than that of production or distribution (or indeed of the public sector). In 2012, the sector accounted for 8.1% of the UK's gross value added, as can be seen in Table 1 below which is drawn from the government's national accounts (the 'Blue Book').

Table 1. Breakdown of gross value added at basic prices by industry, 2012

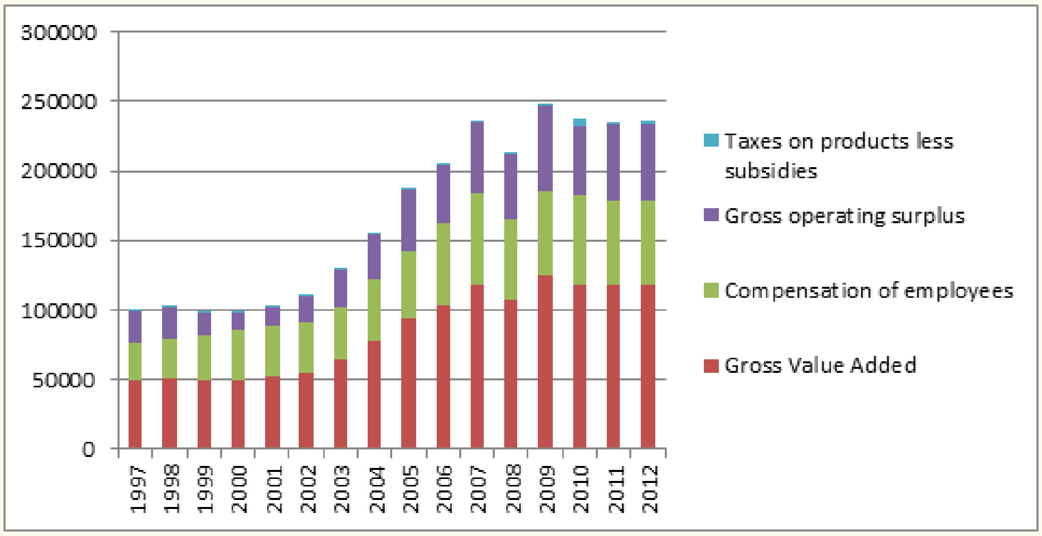
Industry	£ billion	% total
Agriculture	10.0	0.7
Production	213.2	14.4
Construction	88.7	6.0
Distribution	267.5	18.1
Information	92.2	6.2
Financial	119.8	8.1
Real estate	167.3	11.3
Professional	175.8	11.9
Government	281.9	19.1
Other	59.7	4.0
	1476.1	100.0

Source: Office for National Statistics, Blue Book 2014, chapter 2.

Further examination of the Blue Book data shows that the 2008 crisis had a marked impact on the financial sector as a whole, showing a sharp drop in output during that year, which following a recovery in 2009, dropped then 'flatlined' (*see Figure 1*).

These figures display another significant factor, however. It appears that the principal contribution to recovery in profits (if not total output) came from the pockets of the workforce as a whole. In the words of the Blue Book commentary:

Figure 1. Gross value added and its components, financial corporations sector (£ million)



Source: Office for National Statistics, Blue Book 2014, chapter 4.

'*Before the downturn, the share of GVA attributable to compensation of employees is shown to be larger than the profit share, averaging 60% and 38% respectively. However, since 2009 this share is now shown to be more evenly split, at 51% and 46% respectively.*' (Blue Book 2014 Chapter 4).

This suggests that any negative consequence of the restructuring that followed the 2008 crisis was not shared evenly between capital and labour in the banking industry.

Registered banks

In order to accept deposits in UK, banks and other financial institutions must be authorised by the Bank of England (BoE) through the Prudential Regulation Authority (PRA). Those permitted to operate are listed on the BoE web site. The table below summarises the list as of March 2015, by country of the parent operation. Some institutions may apply for permission separately for specific subsidiaries. The PRA began operating in April 2013, having taken on some of the regulatory roles previously carried out by the Financial Services Authority as a consequence of the 2012 Financial Services Act.

The PRA has powers to restrict non-European banks from operating in the UK, but when it comes to those based in other EEA states, it says '*the PRA may judge that an EEA firm applying to passport into the United Kingdom poses risks to its objective, but does meet the requirements set out by the relevant EU Directives, and thus as a legal matter has a right to conduct business in the United Kingdom. In such cases, the PRA will carefully consider the tools available to it as a host regulator, acting in co-operation with the home regulator, to mitigate the resulting risks.*' (PRA 2014, p. 34)

Table 2. Banks and building societies permitted to accept deposits in the UK, by country of parent

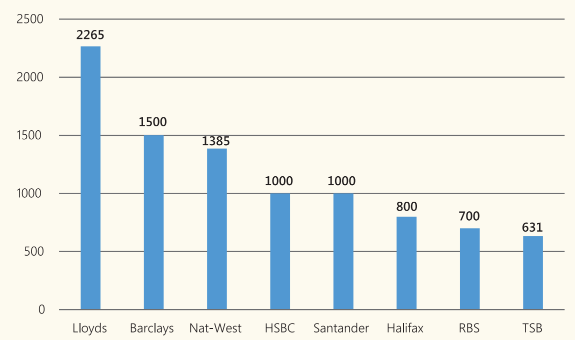
UK	107
Other EU	83
USA	27
Japan	9
Other developed countries	45
Other	88

Source: Bank of England, last updated 5 of March 2015

Despite the large number of banks operating in the UK, the industry is dominated by a few large enterprises. HSBC is largest by market capitalisation, followed by Lloyds, RBS, Barclays and Standard Chartered. A similar pattern is shown in domination of the retail banking industry (*see Figure 2*), although Standard Chartered does not have retail operations in Britain.

Of these, three (Santander, Halifax and TSB) are former mutuals, although the TSB which emerged from the Lloyds Group as a result of a 2009 communication from the European Commission requiring the divestment of branches does not coincide precisely with the TSB which was originally taken over by Lloyds. Santander took over Abbey National in 2004, which had been a mutual building society before becoming the first to demutualise in 1989[3].

Figure 2. UK retail banks, by number of branches, 2014



Source: Company Reports, published by City AM, 19 of June 2014
http://www.cityam.com/1403169791/tsb-valued-13bn

1.2 Deregulation, mergers and state intervention

The significance of financial services to the UK economy was boosted twice during the last 30 years, once as a result of the 1986 'Big Bang' reforms under Margaret Thatcher and Lawson secondly as a result of the deregulation of banks under Tony Blair and Gordon Brown launched in 1997: they freed the Bank of England from direct government control and removed the power by the Bank of England to control financial activities of banks in the UK. This led the proportion of GDP accounted for by financial services, property and associated services to double between 1996 and 2008.

It also led to a wave of 'demutualisation' whereby formerly mutually owned building societies (mortgage lenders and deposit takers) and savings banks were floated on the stock market and/or sold off to banks. At the same time National Savings and the post Office based National Girobank were privatised. The series of transnational mergers and takeovers which followed led to the concentration into a small number of key players, particularly amongst retail banks, which is displayed in Figure 2.

The banking crash of 2008 led to a series of dramatic changes amongst major banks, involving mergers, state intervention in the form of both injections of capital and nationalisation, and subsequent divestment of assets in response to European Commission requirements. To detail all the changes would require a paper in its own right, but some key examples – namely those involving the state taking significant stakes - are described below.

Lloyds TSB took over HBOS (Halifax Bank of Scotland) in January 2009 and shortly afterwards the UK government took a 43% share as part of the banking rescue package. Because this was classified by the European Commission as state aid, the Commission required that some of the business be sold off by November 2013. A subsequent plan to dispose of TSB branches to the Co-Operative Bank in 2012/3 (known as Project Verde) failed due to the Co-Op's shortage of capital. A new TSB bank was launched in September 2013.

Northern Rock (a former mutual, which was floated on the stock market in 1997), was given Bank of England support in 2008 when it was hit by the sub-prime crisis, but soon afterwards in February 2008 it was nationalised. After having been split into 'good' and 'bad' banks, the good bank was sold to Virgin Money in January 2012.

RBS (formed of Royal Bank of Scotland and National Westminster Bank in 2000) took over ABN Amro in April 2008. It was one of the banks to be rescued by the UK government, which took a 58% stake in October 2008, subsequently increased in

[3] Since this report was written, TSB was taken over by Sabadell (March 2015), meaning that there are now two former mutuals owned by Spanish banks.

2009 to 81%. In response to the Commission's requirement to dispose of some of the branch network, a proposal has been launched to divest over 300 branches (mostly former RBS, but some NatWest) to a consortium called Corsair. This is expected to take place during 2015.

1.3 Employment and trends

A little over 500,000 workers are employed in 'financial intermediation' (SIC 64.1), most of them in banking (June 2014 Labour Force Survey figures). Over half of the workforce is female, but the proportion has been declining over recent years. Women are concentrated in certain occupational groups:

'*A substantially greater proportion of women are employed in administrative and secretarial positions (77 per cent) and sales and customer service roles (64 per cent)*' (UKCES 2012, p.29).

About 16% of the workforce is part-time, and 90% of part-timers are women. Part-time and temporary working are less common in banking than in the economy as a whole (UKCES 2012). Table 3 below shows the recent decline in female employment, which has affected both full- and part-time jobs.

Table 3. Employment, SIC Code 64 (Financial intermediation except insurance and pension funding)

SIC 64	Male FT	Male PT	Female FT	Female PT
June 2011	245	8	203	87
June 2012	237	7	195	85
June 2013	237	7	193	82
June 2014	243	8	189	73

Source: ONS, thousands of jobs

A look at longer term trends shows how employment levels may have responded to key events. A sharp increase followed the 'Big Bang' (under Thatcher and Lawson) in 1986, particularly amongst women. By contrast, deregulation in 1997 (under Blair and Brown) was followed by a less dramatic increase, but this was entirely amongst men, with women's employment falling steeply in 1997 and 1998 (*see Figure 3*).

Since 2003, there has been a steady decline in employment. Interviews with a trade union official and an academic suggested that this might be attributable to influence of technology, with the fall-out from 2008 crisis accelerating this process, but apparently more at the cost of womens' jobs than of mens'.

However, the overall decline in employment since 2008 has been less marked in banking than in other key sectors (*see Table 4*).

Paradoxically, while arguably the financial services industry was at the heart of the economic crisis which hit the UK in late 2008, it appears that jobs in public administration and construction were much harder hit both in numbers and proportionately. Manufacturing was also hard hit in absolute numbers, losing over 81,000 jobs. As the table above shows, financial services lost 3.7% of its jobs (almost 40,000 jobs), while construction lost 11.5% 158,000 jobs) and public administration & defence lost 11.4% (177,000 jobs).

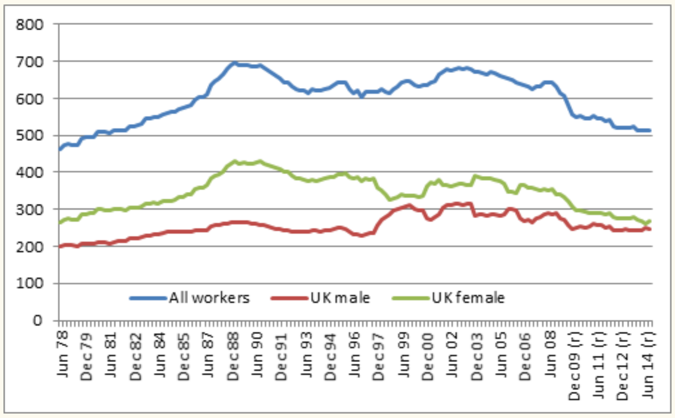
London is the major centre for banking, and is growing in significance, with financial services representing 13% of jobs in 2010. Almost half (46 per cent) of the Financial Intermediation sector Gross Value Added is generated in London with a further 13 per cent in the South East of England (UKCES 2012). Studies have suggested that most of the negative employment effects associated with the financial crisis were experienced outside of London and the South East (Lee 2009, GLA Economics 2014). The Northern Rock collapse, for example was most strongly felt in the North East of England (Dawley et al 2012).

The most common occupational groups are either at the lower end of clerical occupations, or more specialised technical and managerial roles (see table below). Skills body UKCES reports that despite the redundancies in major banks, the sector reports difficulty in recruitment to certain areas:

'*Roles that are perceived to be growing in staff numbers are mostly specialist, such as risk and customer analytics, and recruitment to these posts is often external – with recruitment of the right people often being difficult.*' (UKCES 2012, p. 90)

This suggests that staff whose jobs in areas such as retailing have been cut are not on the whole taking up the more technical roles being created (*see Table 5*).

Figure 3. Employee jobs in financial service activities (except insurance and pension funding)



Source: Office for National Statistics, Employee jobs, December 2014

Table 4. Change in employees between 2009-2013 by Broad Industry Group

Broad Industry Group	2009 – 2013 Absolute Employee Growth	2009 – 2013 Employee Growth Percentage
1 : Agriculture, forestry & fishing	-11,400	-5.2
2 : Mining, quarrying & utilities	29,300	8.9
3 : Manufacturing	-81,300	-3.3
4 : Construction	-157,600	-11.5
5 : Motor trades	25,800	5.6
6 : Wholesale	3,500	0.3
7 : Retail	-65,000	-2.3
8 : Transport & storage (inc postal)	-20,300	-1.6
9 : Accommodation & food services	117,400	6.4
10 : Information & communication	67,900	6.5
11 : Financial & insurance	-39,900	-3.7
12 : Property	28,500	6.6
13 : Professional, scientific & technical	235,300	12.2
14 : Business admin. & support services	223,900	10.7
15 : Public administration & defence	-176,500	-11.4
16 : Education	80,800	3.1
17 : Health	245,700	6.9
18 : Arts, ent., recreation & other services	23,000	1.9

Source: Office for National Statistics

Table 5. Largest occupational groups within the Financial, insurance and other professional services sector, UK, 2010

Rank	Occupation & SOC code	000s	% workforce
1	4122 Accounts wages clerk, bookkeeper	130	7
2	3534 Finance & investment analyst & advisers	124	6
3	1151 Financial institution managers	123	6
4	2411 Solicitors & lawyers, judges & coroners	114	6
5	4123 Counter clerks	107	5

Source: LFS 2010, in UKCES, 2012

2. INDUSTRIAL RELATIONS AND SOCIAL ACTORS

2.1 Trade unions, membership and bargaining

Trade unions in the finance sector have undergone a major restructuring themselves, over the past twenty years. In the 1960s and 70s, major banks responded to the threat of independent trade unionism by establishing or encouraging 'staff associations' based on a single employer, and not affiliated to the British national trade union centre, the TUC. Over the intervening years, however, those associations have moved closer to independent trade unionism, and a series of trade union mergers brought many of them together, most recently into Unite the Union.

Unite is now the most significant union in financial services, organising across a range of employers in both banking and insurance. Other unions are non-TUC union LTU in Lloyds (now also known as TSBU in the newly-established TSB), Accord in Lloyds and TSB, and Advance and the Communications Workers Union in Santander. Details of trade union recognition in principal banks are included on the table in Appendix 2.

Trade union membership in finance has declined from 37% in 1995 to a little over 15% in 2012 (Labour Force Survey). Some of this has been related to the decline in the number employed in the branch networks in the retail banks, where trade unions had collective agreements. At the same time the relative size of the pensions industry and investment banking has increased, and the unions have not made any real inroads to these areas of activity. There is no doubt that the current government is hostile to trade unions, but even under the last Labour government, the decline continued, despite trade union initiatives such as 'partnership agreements' and promoting workplace organisation rather than the servicing model of trade unionism. This was described in one paper based on interviews and survey material amongst union representatives and members

'*The combination of wide-ranging policy initiatives and a relatively benign political environment, however, was insufficient to renew workplace union organization in banking. No doubt, the distribution of employment in banking characterized by relatively few workplaces at which large numbers are employed and a large number of small workplaces is a significant barrier to the development of workplace organization.*' (Waddington 2013, p. 350)

Partnership agreements[4] were particularly notable in banking, and were both long-term and renewed. Waddington (2013) cites as examples NatWest, Lloyds TSB and Barclays, with the latter renewing the agreement in 1998, 2001 and 2005. However, Waddington (2013) linked the pursuit of 'partnership' to a decline in workplace trade

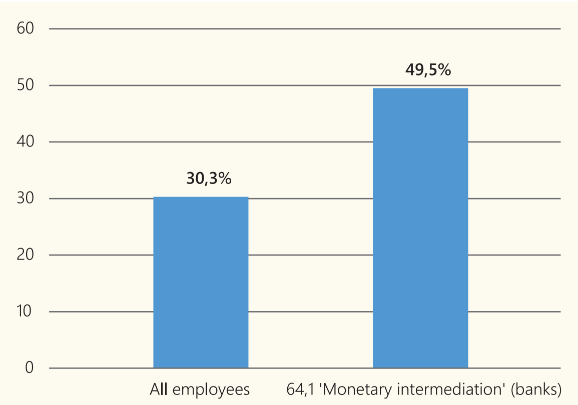
[4] 'Stressing shared responsibility for business efficiency based on employment security and flexible working, these agreements represent, for their advocates, a modernisation of industrial relations.' http://eurofound.europa.eu/observatories/eurwork/articles/other/assessing-the-significance-of-partnership-agreements

union activism, and a consequent increased reliance on full time officials. The development of partnership also coincided with a growth in the significance of variable pay (bonuses and merit-based payments). It has been suggested that the expansion of this into areas covered by collective bargaining, whereby negotiations centre on the overall size of the 'pot' for pay and limits on its distribution diminish union influence over pay rates, perhaps therefore propensity of staff to join unions (Arrowsmith & Marginson 2011)

In common with most of the private sector in UK, there is no formal sectoral dialogue, even of a consultative nature. While the joint trade union 'Alliance for Finance' meets to exchange views and information, and is on occasion addressed by the Governor of the Bank of England, this is an informal arrangement, and the Alliance has no formal relationship with the principal trade association for banks the British Banking Association (BBA).

Banking has more collective bargaining coverage than most private sector industries, as can be seen from Figure 4 below, drawn from data from the Labour Force Survey. However all of this is conducted at the level of the enterprise, and is overwhelmingly restricted to retail banking. Investment banking and corporate headquarters tend to have low levels of trade union membership and no collective bargaining agreements.

Figure 4. Pay and conditions affected by union agreements



Source: Labour Force Survey, 2013

2.2 Employers' associations

The absence of any sectoral collective bargaining, or even social dialogue, means that there is no organisation of employers. The principal trade association is the British Bankers' Association (BBA), which claimed over 250 member organisations at the end of 2013. Many of these will be subsidiaries of larger banking groups, and the largest group is that of foreign banks with operations in Britain. Other groups of members organisations are the large retail banks; small retail banks; 'challenger' banks (newly established or implementing new models of retail banking); private banks; and international wholesale banks. The BBA acts as a representative for its members in responding to proposed legislation and regulation, and more recently has embarked on a programme to develop skills in retail banking in conjunction with the Chartered Insurance Institute (BBA press release 16 of October 2014).

The other main training organisation is the Financial Skills Partnership which was the Sector Skills Council for financial services. While it had previously involved trade union representation on its advisory board, since merging with a training body covering the legal sector in 2013 (it is now known as the Financial and Legal Skills Partnership) it has become an entirely employer-led organisation with no trade union involvement[5]. There is little evidence of the organisation conducting any independent research into future skills or retraining requirements in the sector, but since the organisation proved reluctant to participate in this research, it was not possible to confirm this. It did, however participate before this merger in the production of a report on current and future skills requirements in finance, insurance and other professional services through the UK Commission for Employment and Skills which is itself a social partnership body (UKCES 2012). Some of the findings of this are discussed elsewhere in this paper.

2.3 Consultation structures

Collective bargaining arrangements are not the only possible structures for permitting dialogue between workforce and management. Information and Consultation, EWCs, representation for restructuring. There is a variety of practice which

[5] Interview with Unite official, June 2014.

may coincide with trade union recognition, or exist where there is little or no trade union presence. In the principal retail banks, where trade unions are recognised for at least some grades of staff (usually the lower grades, and excluding managers and corporate functions), there are often regular consultative structures as well as ad hoc and project based consultations. Some of these are listed in the table in Annex 2.

These include European Works Councils, but these have been declining as parent companies reduce their holdings in the European Economic Area. For UK-based companies, the EWCs offer little by way of additional consultation, according to interviews with trade union representatives[6].

Outside of the areas where trade union recognition exists, there may be structures which comply with the Information and Consultation regulations, or the requirements of redundancy or transfers legislation. Although we were not able to examine this in detail, earlier studies have considered their efficacy. While these might be viewed as satisfactory by employee representatives for day to day matters, they are regarded as less so when it comes to restructuring (Koukiadaki 2010), with management tending:

'*in all arrangements to be less forthcoming with consultation and to revert to unilateralism on issues where the implications for the workforce were unpalatable... [such as] restructuring...*' (Koukiadiki 2010, p. 283)

Similarly, a case study of a non-UK based bank ('Interbank') concluded that non-union representatives '*made efforts to extend 'conversations' towards realistic negotiations, but were limited by Interbank's 'commitments' document, frequent management and regime changes, and also limited status, signifying presence without power lacking enforceable legal rights to employee representation and collective bargaining.*' (Tuckman and Snook 2013).

While such limited evidence cannot be definitive, it suggests that even though trade union recognition covers only certain parts of the UK banking industry, it remains the most influential voice for workers. However, the absence of cross-sectoral structures or employers bodies reduces the potential for coherent planning for the consequences of restructuring.

2.4 Pay in banking

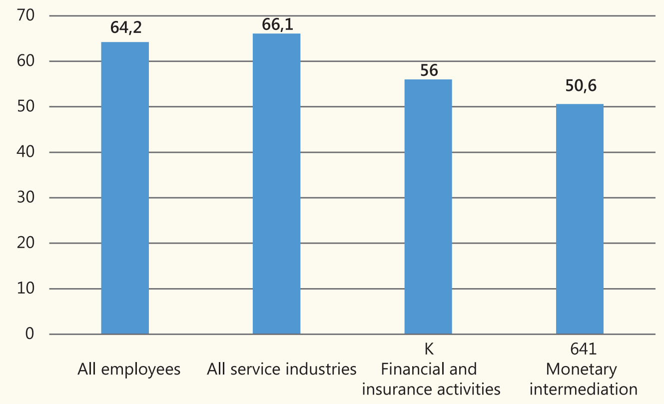
One of the key features of public debate regarding banking has been the scale of bonuses and basic salary paid to key staff. It has been argued that the imbalance between the two elements of pay may have influenced behaviour and led to undue risk taking and unethical behaviour (such as mis-selling of insurance). This in turn has led to regulatory pressure on bonuses (from Europe) as well as substantial fines on certain banks. However, the headline figures on pay obscure wide differences within banks. It appears that relatively low paid jobs in retail have been those most likely to have been reduced in restructuring, while the reliance on bonuses continues.

Pay in banking is higher on average than in the rest of the economy. Mean gross weekly wage in 2012 was £580.70, compared to the overall average of £405.80. Dispersal across the range was less extreme in banking, with the ratio between the lowest 10% and the highest being 1:6, compared with an all economy figure of 1:7.4[7]. However, the top earners (e.g. CEOs) benefit from very high earnings when bonuses are included, and these are unlikely to show up in the Annual Survey of Hours and Earnings (ASHE). Bonuses have been rebounding after short period of restraint in the period following the 2008 crash.

The most marked inequality in pay is that between men and women. Figure 5, derived from the UK's Annual Survey of Hours and Earnings (ASHE) shows the extent to which banking (SIC 641: Monetary Intermediation) displays an extreme differential between the earnings of men and women. While across the service industries as a whole, women earn about two thirds as much as men, in banking, it is only just over half. The median weekly wage for women was £431.1, compared to £851.9 for men. The difference is only slightly related to the number of hours worked by men compared to women. Hourly pay shows a similar differential with the median for women standing at £13.1, which is 54% of the equivalent male median of £24.1 per hour (2012 figures).

[6] Interview with Unite Official June 2014, Unite lay representative, January 2015.
[7] Data from Annual Survey of Hours & Earnings (ASHE), 2012.

Figure 5. Female median gross weekly earnings as % male, 2012



Source: Annual Survey of Hours and Earnings, 2012

Partly in response to these figures, unions have been pressing the major banks to agree to set their minimum salaries at the level of the Living Wage[8]. All of the major clearing banks have now agreed to this, according to the Unite national official for finance[9].

One factor explaining the wage differential is the segregation of men and women by grade. For example, while 53% of the entire RBS workforce was female, 67% of clerical grades were women, but only 26% of senior managers and 205 of executives (2013 figures)[10].

Another explanation relates to the distribution of bonuses. A study into pay inequality conducted by the UK's equality body concluded:

'*The impact of annual incentive pay (bonuses) on earnings was particularly striking, with female full-time employees on average receiving only a fifth of the annual incentive pay of men working full time in the sector. There are marked differences between investment banking and the rest of the sector, with retail banks and companies engaged in auxiliary activities such as insurance, having more structured and sometimes more transparent reward systems, less reliance on incentive pay, and generally lower pay gaps.*' (ECHR 2011)

Bonuses

According to Bryson et al (2014) 28% of all workers reported Variable pay systems (VPS) of some type in 2011, but they are more widespread in banking, and as the ECHR points out, much more significant in investment banking than in retail. Field work conducted before the crisis (in 2007) concluded that these may have had an effect on bargaining, as they are subject to management influence:

'*From a managerial point of view, bonus payments are now strongly embedded as performance tools under unilateral control*' (Arrowsmith & Marginson 2011, p.75).

However, public attention has focused on bonuses for top directors, which have recently been re-establishing their upward trajectory. According to the Guardian newspaper[11] HSBC had awarded 13 individuals a total of £13.5 million in shares in 2014, Barclays had given £8 million to 12 bankers,

[8] The Living Wage is set at a level said to reflect the minimum hourly rate necessary to sustain a decent standard of living. It is calculated by The Great London Authority for London, and by Loughborough University for the rest of Britain. Employers volunteer to pay at least the Living Wage in response to a campaign initiated by a community group London Citizens, and taken up by many since. The living wage is currently set at £9.15 in London and £7.85 elsewhere, compared with the (legally enforceable) National Minimum Wage of £6.50 (2014 figures). See http://www.livingwage.org.uk for details.
[9] Interview, November 2014.
[10] see http://www.rbs.com/sustainability/reporting-performance/numbers-behind-our-performance/working-at-rbs.html.
[11] 26 of December 2014.

RBS issued £5.5 million in shares to 10 senior bankers and Lloyds handed out 5 million to 11 senior figures. This is justified by the suggestion that such bonuses are necessary to keep top bankers from being lured away to competitors. In these circumstances, the European Banking Authority's proposed limit of bonus to twice annual salary is unwelcome to UK banks and is likely to be interpreted flexibly by the Treasury, which claimed to Reuters[12] that 'Britain's existing rules on bankers' pay...are already the toughest of any major financial centre'.

3. RECENT EVENTS

In 2008, the total assets of UK banks were £6.9 trillion. By 2013 this had fallen by a quarter to £5.2tn (KMPG 2014). 2013 saw some recovery in profits at Barclays, HSBC and Lloyds, while Standard Chartered and RBS saw significant falls. Meanwhile, repeated scandals have had a significant effect on the performance of the leading banks. According to accountants KPMG, since 2011 the top five UK banks have spent 64% of their cumulative profits on fines, litigation and 'customer redress', totalling £28.5 billion (KPMG 2014, p.9). Since the publication of KPMG's report, further problems have merged at HSBC relating to tax evasion in its Swiss subsidiary. Substantial fines were also levied in November 2014 on major banks for their role in the manipulation of exchange rates, with Citibank, HSBC, JP Morgan Chase, RBS and UBS all facing fines in excess of £200 million each[13].

3.1 Restructuring

For many years, the UK government has not provided any statistical analysis of the advance notifications of collective redundancies, nor of the outcomes of these following the statutory period of consultation. The only measure of redundancies taking place therefore (apart from press announcements and media coverage) is that of reported redundancy in the quarterly Labour Force Survey. Because of sample sizes, the statistics on redundancies aggregate financial services with real estate, which obscures what has happened in the banking sector. Although there are many quarters in which the sample in Finance & Real estate (FRE) was too small to publish data for redundancy rates, in most quarters when they were published, the redundancy rate in the sector was higher than that in the economy as a whole. This was particularly dramatic during the period from Q2 2008 until Q4 2009, when the sample was large enough to publish data, and the rates in FRE rose to levels above 10 per thousand workers. In Q2 2009 the rate almost hit 20 redundancies per thousand workers, compared with 11 in the economy as a whole.

It appears that the rate of redundancy has fallen in the sector since that time, although announcements of substantial cuts continue, as can be seen from the announcements made in the two years from September 2012, and drawn from the European Restructuring Monitor (*see table in Annex 1*). Publicly owned RBS explained their approach to such restructuring:

'*In 2013, 4,841 employees left the company through early retirement and voluntary or compulsory redundancy (down from 7,000 in 2012). All employees at risk of redundancy are offered redundancy support, and more than 780 employees were redeployed within RBS this year as a result of these conversations*'[14].

Union representatives reported that announcements of headline figures of redundancy had to be treated with caution, however, as they were often made more with an eye to placating the stock markets than as an accurate reflection of intentions.

3.2 Social dialogue and restructuring

Other significant restructuring relates to changes in ownership required by the European Commission (see section on Deregulation, Mergers and State Intervention above for examples). These may result in complex discussions. The separation of TSB featured the floatation of a group of workplaces which still had a variety of distinct employment contracts (based on their origin within the earlier Lloyds TSB structure). Harmonisation of these was one of the plans, which also featured the

[12] 4 of March 2015.
[13] see http://www.fca.org.uk/firms/being-regulated/enforcement/fines/2014 for details.
[14] http://www.rbs.com/sustainability/working-at-rbs/employment-practices.html#pWU1ZmK7rR1DRW2C.99

introduction of new technologies and a reduction of cashier positions in branches. However, the time pressures arising from the Commission's rulings were reported to restrict the potential for consultation to slow down changes where they encountered problems[15].

As pointed out in the section on Consultation Structures above, major clearing banks may have in addition to formal collective bargaining, a series of other voluntary structures which might meet regularly for the purpose of consultation, in which restructuring plans may feature. On occasion these may provide senior representatives with sensitive information which they are asked not to pass on to their members at the time. This can lead to some disquiet amongst members who may not see the benefit to them of such a relationship[16].

Banks will also consult with representatives of staff (including recognised trade unions) on the implementation of specific projects, such as harmonisation of terms and conditions following divestment, or changing roles relating to new technologies. In particular the alterations to service delivery in retail branches have had an impact on the number and type of branch based jobs. This was reported as having particular impact on the largely female workforce on counters. As the number of customer facing staff was reduced alongside a reduction in branch-based autonomy, unions reported rising stress levels amongst the staff remaining. To some extent this might be countered by improved voice mechanisms for staff, and Hoque et al (2014) reported the positive effect of having an on-site union representative on workers' perceptions of job quality. However, there was no such effect not on perceptions of job security which, the authors suggest, relates to a lack of agency on the part of local managers regarding restructuring. This was based on data gathered in 2008, so the authors are cautious about its applicability to more recent events:

'*it is possible that in the period following the credit crunch, onsite unions may have had an important role to play in preventing redundancies. As such, while the analysis presented here did not find (as discussed above) a relationship between onsite union representation and perceived job security in the period leading up to the credit crunch, it is quite possible that such a relationship will have emerged subsequent to this.*' (Hoque et al 2014, p.20)

Banks reported to have Job Security or Voluntary Redundancy schemes (see Appendix 2) tend to have an agreed package of compensation for redundancy, which will be significantly higher than the statutory minimum described on page 3 above. Typically this will start at one month's pay per year of service, and depending on the circumstances, pay in lieu of notice ('PILON') may also be negotiated. In some cases the agreement will include the potential for 'job matching' where a volunteer for redundancy may be accepted from an area not under threat, where this can result in a vacancy to which a worker from an area under threat can transfer.

In formal and informal interviews, unions report that the majority of job cuts may be achieved by voluntary means, although they also concede that increased levels of stress may provoke workers to volunteer for redundancy to avoid the deterioration in conditions that might follow those cuts.

Banks will often offer job broking and outplacement services to staff. Unions see this as a benefit particularly to long serving staff, but no evidence is available for the efficacy of these services. A longitudinal study of those losing their jobs from Northern Rock found that 60% had found work within one year of redundancy. However, amongst those who were unemployed at 12 months, only 15% had done any work in the interim, suggesting that (particularly amongst workers older than 55) a sizeable minority were becoming detached from the labour market (Dawley et al 2012).

[15] Interview with Representative, January 2015.
[16] Interview with Full Time Official, June 2014.

4. FINDINGS AND CONCLUDING REMARKS

Although in the initial stages of the recession, there were substantial job losses announced in financial services, it was not this sector which bore the brunt of the crisis in the medium term. Within the sector the divide between a handful of very highly paid individuals and the workforce in high street retail banking continues. While pay and jobs in retail have been under pressure, the proportion of GVA going to profits has increased since the crisis.

Social dialogue over restructuring is by and large restricted to enterprise-level reactions to top management initiatives. These initiatives arise out of a combination of market and technology-led responses with pressures from new regulatory initiatives and structures, including those emanating from the EU Commission. Despite EU level regulation, there has not been a qualitative increase in consultation, although it is possible that there has been a quantitative one, in that there may be more formal, non-union consultative structures, or the episodic selection of non-union employee representatives for the conduct of consultation during collective redundancies and transfers.

In the early stages of the research for this project, approaches were made to senior HR representatives in four major retail banks (where there was trade union recognition). After some initial exchanges, managers in two appeared to give serious consideration to participating in the research. In one case a formal decision was made at a senior level not to take part, while in the other, contact was broken off after initial, off-the-record discussions. A similar breaking off from previous communication was experienced with one finance industry trade organisation, while others would not return calls or e-mails. The reluctance of banks to take part in this research is likely to reflect corporate sensitivities to the continuing tide of bad news stories as recent, and not-so-recent, failures and bad practice emerge into public gaze[17]. It is also worth noting that this nervousness extended to other relevant players: two trade union organisations approached failed to respond to repeated requests (unusual for this researcher), and even the one academic who did agree to a telephone interview did so on condition of anonymity – two others declined. There is a relative lack of research relating to industrial relations in banking in the period following the 2008 shock, leaving a gap in knowledge of these matters.

The significance of this sector remains high, and pressures for restructuring likely to continue. According to national employers' organisation the Confederation of British Industry, 'expectations [in banking] are for strong volumes growth and profitability to continue in the coming quarter', and investment in IT, related to statutory legislation, regulation and new services is expected to increase significantly (CBI and PwC 2014).

The contrast between economic buoyancy and reputational damage in this sector ought to offer workers' representatives an opportunity to exploit the contradiction and improve outcomes for the workforce. However, the relative weakness of employment regulation combined with declining levels of trade union membership (and fragmentation amongst unions) and the geographical spread of potential members seems to be holding them back from achieving this.

[17] Interviews with Unite Full Time official, June 2014; Industrial relations expert, January 2015.

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ANNEX 1: PRINCIPAL ANNOUNCEMENTS OF RESTRUCTURINGS IN UK BANKS, SEPTEMBER 2012 TO AUGUST 2014

Date	Company	Type of restructuring	New posts	Redundancies
06-09-2012	M&S Bank	Business expansion	200	
4-09-2012	Royal Bank of Scotland	Internal restructuring		300
26-11-2012	Credit Suisse	Internal restructuring		100
12-03-2013	National Australia Bank (NAB)	Closure		130
23-04-2013	HSBC	Internal restructuring		1149
14-05-2013	Lloyds	Business expansion	160	
6-05-2013	Royal Bank of Scotland	Internal restructuring		1400
4-11-2013	Barclays	Internal restructuring		7000
27-11-2013	Royal Bank of Scotland (RBS)	Internal restructuring		246
11-12-2013	Tesco Bank	Business expansion	300	
31-01-2014	Bank of England	Internal restructuring		100 - 125
29-01-2014	Nationwide	Internal restructuring		130
13-02-2014	Sainsbury's bank	Business expansion	80	
08-05-2014	RBS	Internal restructuring		260
8-06-2014	HSBC Scotland	Business expansion	205	
18-06-2014	NatWest Bank	Bankruptcy	45	245 - 361
18-07-2014	Atom Bank	Business expansion	140	

Source: European Restructuring Monitor

ANNEX 2: COLLECTIVE BARGAINING AND CONSULTATION IN MAJOR UK BANKS

Bank	Approx no. employees (most recent figure for UK unless otherwise specified)	Trade unions recognised for collective bargaining	Level of pay & conditions bargaining	Principal national UK consultative structure(s)	European Works Council	Notes
Barclays	140,000 (Global) 34,000 (UK retail & business banking)	Unite	National (for retail banking)	Employee Relations Working Group (every 6 months) Regular meetings in business areas Consultation associated with specific projects (e.g. technology in retail branches)	Yes	Voluntary Redundancy (VR) agreement, includes "job matching"
Co-Operative Bank	5,860	Unite	National	National agreement on consultation Structures in business units Consultation over specific projects	No	VR agreement
HSBC	47,500	Unite	National in retail (bonus pot)	Staff Review Committees in retail & wealth management; HTS; contact centres	Terminated: SNB in place	Good apprenticeship scheme. No VR agreement
Lloyds	90,000 (FTE)	Unite, LTU, Accord			Terminated	
National Australia Group (Yorkshire & Clydesdale banks)	9,000	Unite			No longer: UK only operations remaining in EU	VR agreement
RBS Group	120,000 (global) 78,000	Unite	National		Yes: 'European Employee Communication Council'	Job security agreement (2009) – includes volunteers & job matching
Santander	25,000	Advance, CWU	National		Yes: Grupo Santander EWC	
TSB	8,600	LTU (now TSBU), Unite, Accord	National	Separate consultation structures set up in advance of demerger from Lloyds - specific project. New common structures/agreements being established.	No	On 31 March 2014, TSB employees transferred from LBG under terms of the Transfer of Undertakings (Protection of Employment) Regulations 2006. Each has been awarded "TSB Partnership Shares".

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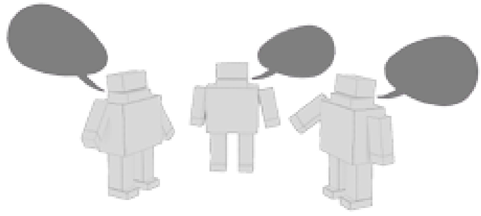

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