▪ CHAPTER 2: EMPLOYMENT DEVELOPMENTS AND TRENDS IN EUROPEAN BANKS

2.1 Introduction

Banking sector in all countries during the last two decades has been under continuous structural, organisational and technological changes, while the legal and institutional framework within which it operates changes drastically. As a result of these changes, or more precisely reforms, banking and financial markets have been deregulated and liberalised at national and international level, and the intensive competition is expected to become more rigorous since the recent circulation of Euro. On the other side while banking sector up to the late 1980s was showing growth in terms of employment, since the beginning of 1990s the trend has changed and in many countries, especially those with matured banking, job losses are observed at disappointed rates.

Furthermore there is serious concern about the prospects of banking employment in the coming years, and it has been argued that banks would lose a remarkable percentage of its current employment. Banking sector has been compared to that of manufacturing, which displaced a drastic decline in employment even in countries, which have not gone through the so-called de-industrialisation. Thus, the examination of the prospects of banking employment includes practical importance in the current world with high unemployment. Finally, it is worth noting that while many aspects of banks have been thoroughly analysed, its human resources development has not yet been searched and documented satisfactorily at a European level.

It is apparent that quantitative and qualitative trends and prospects of banking employment are connected to the technological and structural changes observed at firm and branch level. Banking branch, one of the most stable for decades regarding its operation and organisation, has been transformed to a rapidly changing competitive sector promoting the offered services, with policy implications regarding recruitment, promotion, training and retirement of personnel. Such changes combined to the developmental opportunities given by the liberalisation of the sector have rendered the structure and the level of banking employment to depend not only upon the often mentioned structural changes but upon the management's and employees' ability to take advantage of the new opportunities.

While many aspects of recent changes in banking sector have been analysed systematically and repeatedly, the evolution and outlook of banking employment has not yet been analysed sufficiently. As some experts argue nowadays with the profound structural changes employment in banks is rather shaky and its prospects pessimistic. The purpose here is to review the employment changes in European banks together with changes in the number of bank institutions and branches. The issue is considered a rather important topic for the agenda of the social dialogue between banking management and employees' unions.

The rest of this chapter is outlined as following. A review and analysis of recent employment trends in European banking is initially undertaken looking at changes in number of institutions and branches as well. Using statistical data from international organisations and previous studies it is shown that while banking sector was job creating up to the end of 1980s, since then in many countries it shows an employment contraction and only in certain countries it continues to display employment increase. As a result the whole banking branch has stopped to create new jobs.

Then, the impact of structural changes upon banking employment are analysed, paying attention to changes and liberalisation of institutional framework (globalisation of financial services), to nature and role of rapidly adopted new information technology, and to the undertaking of financial services by the firms themselves (disintermediation).

Special examination is then carried out regarding the consequences of merges and acquisitions observed among commercial banks at European level. The purpose here is to relate analytically mergers and acquisitions to the quantitative and structural changes of banking employment. The main conclusion is that while there are differences between countries and structural changes are opportunities for bank expansion their impact upon employment is rather detrimental.

2.2 Employment in the Financial Sector

In the 1970s and 1980s banks and the broader financial sector in Europe showed expansion in terms of employment. However, since then things have changed and jobs have been lost in banking sector of many countries with developed banking system. The dissemination and use of new technologies, the widespread mergers and acquisitions and the efforts to achieve and keep a satisfactory rate of profits within a rather competitive world have made employees redundant and job loses were observed because of the strategy to reduce production cost. Here the recent employment developments are presented by country, while the next two chapters are concentrated to their determinants.

Differences in definitions and frequent revisions of the methodology used in collecting employment statistical data cause weaknesses and make any international comparison not precise and rather insecure. However, looking at the published historical statistics of OECD and EUROSTAT it turns out that banks and the financial sector in general were new job creators up to the late 1980s or in certain countries relevant employment was rather stable. In the early 1990s a declining trend was observed in certain countries which however was reversed in the middle 1990s and since then employment in the whole financial sector displays a remarkable increase.

In particular, employment in the financial sector, which embraces commercial and special financial institutions, insurance, real estate and business transactions, adds up to 12 – 15 percent of total employment in advanced European countries like the Netherlands, Switzerland, France and the United Kingdom. In less developed countries (mainly those of south) this percentage is remarkably lower and amounts to about 7 – 10 percent. Furthermore, employment in financial sector was increasing in absolute terms and as a percentage of total employment up to the late 1980s. However, in some northern countries like Denmark, Germany, France the level and ratio of this employment has been declining slightly in the middle 1990s, while in other countries as Norway, Finland, Spain it showed a decline in the early 1990s, but in both cases it recovered later. On the other hand in southern countries like Greece and Portugal, sector's employment has been continuously increasing (see tables 1 and 1a). A look at table 1b reveals that the employment growth of financial sector in the second half of the nineties is significantly lower that that of the first half of the decade, while in certain countries there is a contraction in financial sector employment.

It is worth noting that employment in financial sector in many European countries in the 1980s was increasing more rapidly than the value added and profits of the branch. The expansion of financial sector coincided to the expansion of European economies and can be attributed to the tendency to spend a higher percentage of income to financial services as income increases. The faster growth of employment compared to that of the product shows that finance is a labour intensive branch and as a result the higher the level of economic development the higher the percentage of employment in the sector. Besides, the introduction of new financial products seems to have contributed to the observed employment rise.

Employment in banks, as derived from OECD published data ΟΟΣΑ (Bank Profitability, OECD, 2000), does not follow the pattern as that of the broader financial sector. Table 2 shows the evolution of total employment in banking for the period 1984 –99, while table 2b shows the employment percentage change for the periods 1985-90 1990-95 and 1995-99. According to OECD data banking employment in France shows a declining trend since 1984, while in the early 1990s the drop was remarkably higher. It is estimated that during the period 1990 – 99 banking employment lost the 10.4 percent of the 440.000 jobs held at the beginning of the period. The downward trends are located mainly in commercial banks, which during the analysed period lost 41.000 jobs (16.8 percent), while investment banks display employment increase.

An impressive reduction of the number of savings banks institutions and a remarkable reduction of the co-operative banks accompanied these employment changes. On the other hand the number of commercial banks was increasing until 1994, because of the entrance of new players, and since then it declines remarkably. The number of branches of the whole banking system practically shows stability in the 1990s with clear contraction in 1999. Employment reduction in French banks is attributed to the systematic efforts to control operational cost. Such efforts were undertaken gradually within the legal framework governing dismissals. At the same time French banks have pursued expansion to international market through mergers and acquisitions of foreign institutions or through establishing new activities in other countries.

In the United Kingdom, the largest European financial market in terms of turnover, banking employment shows an interesting variability over time. Employment in commercial banks shown a steady increase up to 1989 and amounted to 414.000 employees and then a downward trend for the period 1989-93 to decline to 317.000. That was followed by a remarkable recovery for the years 1994-97, reaching 419.000 in 1997, to show again a new decline. The number of banks and branches staring from much earlier displayed a declining trend, which slightly picks up during the years 1995-97. As a result the number of employees per branch in commercial banks shows an increase.

Banking employment in Germany was expanding until 1994 and since has stabilised. According to OECD data German banking employment increased by 176.00 people (31.6%) in the period 1984-94, showing a jump of 86.000 in 1990 after the unification with the former East Germany. On the other hand the number of financial institutions has been falling since 1987 and in 1990s it reduced by 27.6%. The reduction of the institutions is observed mainly in co-operative banks and since 1991 to commercial as well.

Despite increasing competition German commercial banks, among the most efficient and profitable in EU, have not experienced mergers and acquisitions to the extent that others have. Increasing concentration trend is observed in co-operative and savings banks, which are usually of rather small size. It is worth noting the relatively stronger presence of German banks to other EU countries than that of foreign banks in Germany.

In Italy banking employment was expanding until 1994, when it reached 338.500 workers, since then it declines and in 1999 is estimated to 311.000 people. Employment expansion in the early 1990s is credited mainly to the seven largest commercial banks, while the rest of them experienced job loses. It is interesting to note that the number of commercial banks branches increased considerably in 1990s (by 63.4%), while the number of institutions through mergers and acquisitions, contracted by 37.5% in the same period. Savings banks in Italy show a systematic increase in their personnel and branches as well, while the number of institutions has slightly fallen. These developments reflect the fact that there were many small banks in Italy, while the relatively larger banks possessed only a few branches.

In Denmark a decline of banking employment started in 1988 and gathered pace in 1993. Between 1988 and 1995 there was a reduction of approximately 16 percent in the number of employees, while in 1990s by 21.8 percent. What is more surprising is the dramatic reduction in the number of banks and their branches. Branches, which as a percentage of population were from the highest in EU, were reduced from 2884 in 1990 to 2188 in 1999. These changes mainly reflect the numerous bank mergers in the 1980s, which led to a greater degree of concentration. The reasoning of these changes was a systematic effort on the part of banks to reduce operating expenses so that they could compete to the unified European market.

In Finland the number of banking workers has fallen rapidly since 1990 with the reduction showing up in commercial banks initially and in the savings banks next. In the period 1990-95 Finnish banks lost one third of their jobs, while from 48.000 employees in 1990 it was limited to 24.000 in 1999, i.e. almost halved. The number of branches was reduced impressively in all types of banks (from 2977 in 1990 to 1268 in 1999), and the number of co-operative and savings banks as well, which merged with others. These changes coincided and followed the deep banking crisis towards the end of 1980s and aimed to control the costs of the banking sector.

In Norway, within the broader Scandinavian bank crisis, in the years 1989-92 banking employment fell by 15 percent, while in 1990s banking employment loses amount to 23 percent according to OECD data. There was also a considerable reduction in the number of banking institutions, mainly savings banks, in the early 1990s, while branches declined by 15 percent in 1990s.

In Belgium the banking personnel rose until 1990, fell steadily throughout the period 1990-93 and since then it has remained stabilised around 76.000 people. Even though the number of banking institutions displayed a temporary increase in the middle of 1990s and returned in 1999 to the same level as in 1990, the number of branches fell steadily during the 1990s but was not however followed by a reduction in the personnel. The relatively well-developed Belgian banking system is interesting because throughout the period of its reform in the early 1990s no major upheavals were observed.

In the Netherlands banking employment follows a downward trend during the first half of 1990s and a recovery during the second half of the decade, as a result in 1998 banking employment amounts to 128.800 people, which are clearly more than the 122.900 of the 1990. The number of institutions and the number of their branches followed a rather downward trend in 1990s. Significant bank mergers were recorded in the beginning of the nineties in the Netherlands and three major banks already account for 90 percent of the domestic market, while at the same time they expand aggressively in international markets. The purpose of bank mergers, which is already considered successfully completed, was mainly to improve efficiency by exploiting economies of scale and new technologies.

A declining path is observed in the banking sector as a whole in Switzerland in 1990s. In that country commercial banks (large and small, Swiss or foreign) show a reduction in the labour force, while cantonal banks on the other hand show rather stability in their labour force.

In Austria banking employment shows an increase in the early 1990s and was stabilised around the 71.000 people, to decline by 2.000 in 1998. The number of branches took a similar pattern throughout the same period, while number of institution was consistently declining.

According to the Irish statistical service, the banking work force in Ireland has expanded slightly during the period 1988-95, while according to OECD data banking employment from 32.300 people in 1996 showed an impressive increase and amounted to 52.200 people in 1998.

In Spain total employment in the banking sector has shown an upward trend up until 1991, which then reversed. The banking labour force numbered 256 thousands people in 1991 and fell to 242 thousands in 1999. Most of this reduction can be traced to commercial banks (from 160 thousand in 1991 to 131 thousand in 1999). It can be attributed mainly to mergers and acquisitions, since there is an increase in the number of commercial banks, while at the same time the change in the number of branches is only marginal. What is interesting is that in Spain the number of savings banks and cooperative banks is continuously declining, a feature also related to mergers and acquisitions. The Spanish authorities, after having successfully dealt with the severe bank crisis during 1977-85, promoted in both commercial and savings banks, the idea of large banking groups (by establishing a deposit insurance fund and by revising the legal and monitoring framework). Those enhanced banks would compete on equal terms with the large European banks.

In Portugal the number of people employed in commercial banks has remained approximately stable around 60 thousand until 1997 when it fell to 57.000. What is more interesting however in the case of Portugal is the spectacular increase in the number of commercial branches which from 2657 in 1991 has reached the 4735 level in 1999, while in the same period considerably increasing is the number of banking institutions. The spectacular increase in branches mainly reflects the adjustment of banks to international standards during the period of interest, despite the fact that in many other countries there was a change in the opposite direction. It used to be common practice in the past that banks operated a relatively small number of large branches with excess personnel. After the deregulation of the sector, the competition for increased market share led, rather smoothly, to the above developments and to a high degree of branch concentration in large urban centres.

In Sweden, according to information by the Swedish banks' association, employment in the banking sector was increasing up to 1990 a trend, which has reversed since then due to the Scandinavian bank crisis (caused by the inability to service loans due to a sudden rise in the interest rates.) The banking sector work force was reduced by 20 percent during the period 1990-94. What is more impressive is the reduction of the number of branches during the same period, especially in savings banks, many branches of which were finally bought by commercial banks.

The case of Luxembourg, a country with a financial market characterised by the presence of many foreign banks, presents a continual trend of expansion in the banking sector in terms of employment (from 16.300 people in 1990 to 21.200 in 1999), number of branches and chartered institutions.

An upward trend in the number of people employed in the banking system can be also been seen in Greece, where property rights or state control in many especially large banks remains an essential feature. On the one hand it seems that state banks, as experts suggest, had sometimes hired more workers than they actually needed. On the other hand many new small-size commercial banks have been founded since the late 1980s, which have shown increasing tendencies in both their work force and in the percentage participation in total banking activities. Employment in commercial banks from 37.200 in 1990 increased to 46.000 in 1998, while at the same period their branches from 1065 expanded to 2048, as a result the personnel per branch declined.

Noticeable as well are the recent changes in employment, the number of institutions and branches of commercial banks in the USA, a country with one of the most deregulated and market-oriented banking systems, and without legal limitations regarding firing and hiring. Recent changes in the US banking system could possibly serve as a basic indication of the structure towards which other countries banking systems will be heading in the near future. The US commercial banks work force follows a systematic downward trend until the middle of 1990s, and during the period 1986-95 declined by 80.000 people or by 5.2 percent despite the notable increase in the value of assets of the banking sector. Since then however, according to OECD data, shows a consistent increase and in 1999-2000 it amounts to a record level of 1.645.000 people, from 1513.000 in 1990.

It is characteristic that the changes in employment vary according to the size of the banks. In the large size bank category (chartered institutions with total assets exceeding $100 billion), employment in the period 1986-04 increased by 121 thousand people or by 68.4 percent. In the category of middle size banks (chartered institutions with total assets ranging from $100 million to $100 billion) on the contrary, we observe a reduction in the work force of 155 thousands or 12.9 percent. Finally for the small size banks the percentage reduction in the work force was considerably higher (23.1 percent). The number of chartered banks shows a systematic and strong downward trend reaching a low of 9,986 in 1995 from 14,191 in 1986 (a reduction of 29.6 percent). In contrast, the number of bank branches in USA shows a systematic increase during the same period rising from 43,637 in 1986 to 57,610 in 1995 (an increase of 32 percent). Related to that is that employment in the 100 largest commercial banks shows a significant increase in the 1990s, from 646.000 people in 1991 increased to 721.000 in 1995 and to 1.051.000 in 2000. At the same time the number of chartered banks was contracted remarkably and from 14.191 in 1984 declined to 9983 in 1995 (- 29,6%) and to 8.417 in 2000. On the contrary the number of commercial branches in USA increased steadily during the same period from 43637 in 1988 to 57610 in 1995 (an increase of 32,0 percent).

These changes in banking employment are obviously related to the numerous mergers and acquisitions realized during the examined period and to the legislation aimed at enabling the inefficient banks quickly and smoothly to exit the market. They were also instigated by the removal of geographic restrictions in owning and operating branches in states other than those of the central offices of the bank, as well as the application of new technologies which, as they become common and widely used, they tend to economize on labour. On the other hand the recent increase of banking employment in the USA should be related to the new products offered and to the economy wide expansion, which seems to stimulate the demand for banking products at a relatively high rate.

Finally, it is worth mentioning the recent developments in banking employment in Japan. A considerable portion of the chartered banking institutions has been going through a severe crisis in the last several years. This is mostly due to large, high-risk loans, estimated to amount to approximately 30 percent of the country's GNP. The work force in Japan's commercial banks after having increased through 1993, a year in which it numbered 417 thousand people, shows reduction and was reduced to 335 thousand by 1999. The commercial banks account for about half of this total employment reduction. The existence of inefficient and capital deficient banks unable to offer new loans is evidence of a long-term bank crisis in Japan. This has led to a reduction in private investment and a slowing down of the country's growth rate while at the same time has had adverse effects on other countries with which it maintains very close economic relations. The policy chosen, according to which the economically strong banks would protect the economically weak ones was not successful and new reforms have already been planned including the close down or merging of inefficient banks following a lengthy and time consuming process. The inefficient banks however, before their final liquidation would operate under state control for two years, and all their already given out "sound" loans would be undertaken by newly founded, for exactly this purpose, state owned banking institutions. In addition the Japanese Deposit Insurance Corporation will offer to these state banks the necessary funds so that they can continue crediting economically sound customers. These prospects are not expected to have a clear impact on the negative developments on employment of the sector.

In summary it seems that during the eighties bank employment in Europe increased significantly, while the trend was later reversed. While employment in banks as a whole increased by 24 percent during the period 1980-85 in 15 European countries during the period 1990-95 it increased by only 0.3 percent in the same countries and in the period 1995-98 it declined by –2.4 percent. During the first period considered only 1 out of 15 countries displayed jobs loses in banking, while during the latest period 12 of them have shown declining numbers of bank employment. A similar time path has been observed in the number of chartered banks and in the number of their branches, where a declining tendency is observed in the beginning of the nineties mainly in commercial banks. The later could also be interpreted as a change in banking strategy. While during the seventies and the eighties, when competition was intensifying, banking institutions were opening new branches in order to cover the whole territory and in order to attract new customers; their recent policy seems to aim in simply maintaining only the branches that are profitable. Many banks, especially in Northern Europe, close down their foreign branches as being increasingly costly and inefficient.

It is worth pointing out that the reduction in the work force is seen initially in traditional banks then in the mutual and cooperative banks while savings banks as a rule have not been recently affected. On the contrary the latter type of banks show an increase in their work forces in particular countries, which however is not significant enough to offset the reduction observed in commercial banks. It can be claimed that, since commercial banks retain their national character more than the savings banks, changes in banking employment have been affected more so by national rather than international factors.

It is clear from all the above that in most countries banks do not expand their personnel. On the contrary, their employment was shrinking. The ascertained expansion of employment in the wider financial sector reflects rapid growth in areas such as accounting, insurance, stock exchange technology and mortgage-related issues etc. On the other hand the traditional banking sector in many countries seems to be matured in both the number of branches and the number of people employed as is evidenced by the reduction in the corresponding figures. It is also characteristic that considerable reduction in banking employment is mainly traced back to industrially and financially developed countries.

A worth noting exception to these developments is USA, where after a depression of employment in commercial banks in the first half of 1990s it followed a remarkable recovery during the second half of 1990s. We tend to relate the experience of the USA banking employment to the introduction of new banking products and to the expansion of the whole American economy, which stimulated the demand for banking services. The critical question is whether European countries can expect to follow the USA experience regarding the recovery of banking employment.

2.4. Structural Changes of Banking Employment

One can note the following changes during the last decade as far as the structure of employment is concerned:

- Even though impressive changes in the professional structure of employment are not readily detectable, it seems that scientific positions and especially those requiring university education have increased their percentage participation in total employment. An increase is also observed in the areas of financial analysis, credit analysis and systems analysis.
- The expected reduction in the number of tellers (by becoming redundant in light of ATMs) has not yet been clearly ascertained, probably because of the increase in the number of branches where such specialty is required.
- Because of the wide application of new technologies in banking networks and the use of user-friendly packages certain banking jobs have become rather simple and can be undertaken even by unskilled workers.
- Female employment as a percent of total banking employment, and in managerial posts as well, has systematically increased.
- Part-time employment, either in the form of less (than full-time) hours or in the form of less than five-day weeks, although at very low levels initially with the exception of USA, has now increased. Permanent employment declined, job instability and insecurity increased and various non-standard forms of work have expanded remarkably.
- Outsourcing has also contributed to job insecurity.

Such structural employment changes, aiming at flexible staffing and work methods, have not yet received researchers and analysts' attention, as has the permanent job reduction. However job insecurity affects workers in the tradionally most stable positions in sectors previously providing secure, with attractive pay and career advancement opportunities.

Furthemore recent circulation of Euro unified financial markets and reduced the weight and number of specialist economists. Until recently it was inevitable for large intrnational investment banks to have the opinions of country analysts for each country in the Euro-zone for formulating investment strategies. Today a reduced number of analysts responsible for the developments across the zone as whole seem sufficient. Thus employment of such banking executives might be reduced in the coing years.

2.5 Prospects and Questions about Employment in the Banking Sector

Predicting the developments of employment in the banking sector in the coming years involves a great degree of difficulty. It seems, however, reasonable to assume that the well-known economic forces determining labour demand would influence banking employment. Thus, banking employment will be expanding in so far as the sector's output or production and the total output in the economy will be increasing. Similarly the expansion of banks' branch network exerts also a positive effect on banking employment. On the contrary, a significant increase in labour costs is expected to imply a negative effect upon banking employment.

Thus, the prediction of the level of employment in the banking sector is reduced to predicting the behaviour of these factors in the coming years. Since branch networks are already developed in most of the countries it is unlikely that it will cause a considerable increase in employment in this sector. Also, given that the objective of reducing and containing costs is of the utmost importance and unemployment rates are high in many countries, it is highly unlikely that the level of employment in the banking sector will be negatively affected by any significant increase in the cost of labour. Thus, what seems to be critical in shaping the developments in banking employment is the level of output of the banking sector and more importantly the general economic conditions, as they are measured for example by GNP growth. In general to the extent that European economies would record significant growth rates the prospects of banking employment are anything but pessimistic.

- However, the reality is that the banking sector in particular countries have stopped being the source of new (job) positions while in other countries experts expect losses to appear. In the current institutional framework the integration of national and European financial markets seems to be the dominant objective. The common financial market will probably result in higher concentration in the sector in large banking institutions at the national and the European level and will thus affect the level of employment negatively.
- On the other hand, the very likely expansion of bank functions and products in the sector as a whole could offset any negative impact on banking employment due to M&As or to new technologies. In addition, the banking sector in Europe and USA seems stronger today than it was in the beginning of the nineties. During the last few years many banks in general have experienced unusually high profits and tremendous increases in their stock prices. The latter developments go against any type of pressure for reductions in the banks' labour force.
- The more interesting issue seems to focus on the manner in which any necessary labour force adjustments of individual banks will be made in response to the new observed condition. This practically relates to whether and to what extent any of the possible personnel adjustments will take place via voluntary retirements or via layoffs. The last of course depends on whether the possibilities for internal or interbank transfers are exhausted, or whether the labour force will be adjusted to the new needs through training and education, or on whether the existing amount of work will be shared among worker. The degree of necessity of these policies differs apparently from country to country while the latter are influenced by the observed labour mobility in banks, which in turn is affected by the existing institutional framework as well as by the hiring policies followed by the banks in each country. In countries where labour mobility is relatively low, as it is in South and Central Europe, the banks' choice to fire personnel is restricted by the existing laws and the reactions of the union.
- The issue of the necessary adjustment of bank personnel to the new conditions cannot be taken to be the responsibility of the employees only. In any case, management should seriously consider the social framework in which they operate the conditions in the local labour market as well as the fair expectations of the unions. The existing laws protecting employment in other countries, with the exception of the UK and USA, forbid mass layoffs. In addition the banking sector shows a high degree of unionization even though the degree of union influence is different between countries. In some countries on the other hand banks' management, the workers and the unions usually cooperate rather than fight against each other. The parties engaging in the employment process may thus have in mind a situation, which will serve not only bank efficiency but also the protection of the labor force.

2.6. Structural Changes and Banking Employment

The trends in various dimensions of banking employment described above have coincided to profound structural changes and banks are already operating in rapidly changing financial environment. Thus, sooner or later, as was the case with industry in the past many experts argue that banks will find themselves in the process of restructuring which usually leads to fewer but more qualified personnel.

The reasons for this pessimistic view are related with the following:

- Some countries have an already developed bank network, which is extremely difficult to survive the increasing competition among banks, especially in light of the application of new technologies as well as of mergers and acquisitions of similar banks in terms of type and in terms of geographical location.

- There is considerable time lag between the establishment of new technologies and realization of the total benefits gained as a result in productivity and in the following reduction in employment.

- The mergers and acquisitions that are intended to offer access to new networks and to reduce the average costs, usually result in surplus labour in high-ranking positions and in neighbouring branches.

- Moreover the competition in similar products and services of banks with non-banking institutions and enterprises, such as insurance companies and chain stores, will be intensifying. On the other hand large companies will themselves carry out tasks, such as drawing funds directly from depositors, which until now were typically carried out only by banks.

- The reduction in the number of people employed seems to be an obvious way out for banks, which consider the cost of labour excessively heavy.

The establishment and operation of other institutions offering financial services in recent decades, which was enhanced from competition and new technologies, have posed the question whether banks would survive in the long run, or whether they might be substituted by others activating in the financial sector. The answer given by economic theory is those commercial banks, as unique financial intermediaries who lend out money on their own debt will retain their specialness and relevance in a world with nonbanks. Moreover another advantage of commercial banks is that they as a group create the so-called banking money. These special features of banks render them a unique role in economic life and makes their survival in the emerging e-commerce era certain, even with more competition from nonbanks.

A wide range of technology applications and reorganisation of personnel in banks have been observed in banking activity, while the institutional and organizational changes that have taken place are equally important. However it is very difficult to distinguish the influence of each one of these factors on the level and the structure of employment. It seems however enlightening to present here in brief the institutional and technological changes in the banking sector whose any however negative impact on employment has been overemphasized.

2.6.1 Market Liberalisation and Changes in the Institutional Framework

During approximately the last twenty years the banking sector has gone through a period of rapid and accelerating change under the influence of interdependent changes in the economic environment, in new technologies, in the market forces and in government policies concerning the institutional framework under which it operates.

In the early eighties many European countries and the USA put into effect long-term programs in order to liberalize their banking systems while still other countries followed suit later on. As these programs were taking effect interest rates monitoring and the obligatory credit rationing were restricted or abolished. In addition, any prohibitions or prior approvals or impositions of ceiling limits by the central banks were lifted for all the banks. As a result of these changes the distinction of the tasks and responsibilities of commercial banks, savings banks, and investment companies was abolished. While the financial sector engaged in activities that were traditionally clearly different for the various types of financial institutions, the liberalization and deregulation of activities and tasks has allowed banks to deal with portfolio and bond management and with other similar activities. Furthermore, banks offer insurance services while some traditional insurance companies offer payment and credit services.

The liberalization of price and quantity determination of the banking sector has lifted all the legal restrictions and boundaries. Despite the fact that they were initially intended to ensure the smooth and safe operation of the system, had nevertheless resulted in reducing competition. The liberalization has strengthened the competitive forces between banks and other types of financial institutions, which already offer the same type of products. This type of liberalization of the sector gives banks the opportunity to introduce and promote new products and the freedom to choose the pricing policy they deem appropriate; the latter development was exploited by many banks with positive results in their revenues and profits.

It is noteworthy that the liberalization and deregulation of the banking system is not riskless and so the whole process has been followed, with a considerable delay sometimes, by increased precautionary supervision. The move of the banking system towards liberalization was initialised from the fact that the existing regulations were not particularly effective in attaining their objectives. Because of these going regulations banks were losing customers to other less regulated institutions both domestic and foreign, while the new technologies allowed the banks to easily circumvent the rules of operation. The turn towards liberalization was the reaction of the system and its players to that inefficient situation.

The privatisation of state credit institutions and the removal of foreign exchange controls in almost every European country have coincided with the above-mentioned credit liberalization and have strengthened bank competition at an international level. As a result, many experts had spoken of a unified or already integrated market for financial services and internationalisation of many credit services. Many banking institutions from various developed countries compete in the same local markets sweeping along their competitors towards the same direction. However, commercial banks, which employ the majority of the work force, still maintain their national character and are less influenced by international competition compared to investment banks.

The European Union directives already adopted by its member states, aiming at harmonization of the rules and institutions of banking sector in each one of them and at the establishment of an integrated financial system, have without any doubt contributed towards more intensified competition at an international level. Moreover, in December 1997 within the World Trade Organization 102 countries sighed a convention for the liberalization of trade in the banking sector.

As the EMU became effective and the common currency was put in circulation 1st of January 1999, foreign exchange risk associated with the existence of several national currencies (i.e. fifteen currencies when 15 countries formed the Euroland) completely disappeared. The establishment of Euro led to relative convergence in interest rates while other harmonization like, for example, taxation on financial transactions may become momentous at the EU level. Banks have tried to adjust their activities in the new environment, which has become more competitive. Simultaneously with the establishment of Euro as the single currency some specific banking activities, which relied on the existence of the various national currencies, have completely disappeared resulting in a permanent decrease in revenues and profits. It is however estimated that the establishment of Euro would, in the presence of newly emerging opportunities in the medium and long run, have a positive effect on both the operation and on the performance of the banks, which will manage to adapt to the new conditions. However, the effects of these developments on banking employment are not clear.

On the other hand, precautionary controls of credit institutions have been intensified during the last few years through the establishment of minimum capital adequacy and solvency ratios, temporary evaluation of their liquidity position and the elaboration of new practices. These new regulations require measures to reform the inefficient banks and to restrain operating costs, where it is relatively high, so that banks survive the new and more intense competition.

It is not easy to quantify the possible influences of these structural changes on banking employment and to observe common trends. In particular countries however, like Ireland, Portugal, Norway and even Greece, deregulation has influenced the level of employment in a rather positive manner, while in other countries, like France, this influence is considered to be negative. It seems that deregulation affects banking employment in a positive way in small countries that do not have a highly developed banking system mainly through the chartering of new banks or the opening of new branches. Contrary to that the competition that results from deregulation in developed countries ends up having a negative impact on employment. It must then be observed that this positive impact of deregulation on banking employment in small countries may be temporary. In other words the newcomer banks in the market offer not only a wider range of services, but improved ones as well and are thus in a position to increase their market share compared to the already existing banks. To the extent however that the existing banks become competitive through increased competition they may suffer a reduction in their work force unless the volume of their banking activity increases heavily due to a general increase in GNP.

As far as the impact of globalisation and the European common market on banking employment are concerned, it seems that up to now it was not significant in many European countries. This is based on the fact that the reduction in banking employment is attributed mainly to commercial banks that still maintain their national character, while investment banks that perform in markets which are rather international show as a rule an increase in their employment. Moreover, experts believe that, in countries with highly developed banking institutions such as Netherlands, Switzerland and Germany, globalisation has exerted a positive impact on banking employment. The same phenomenon is true for Austria where the banking sector, due to globalisation, has shown interest in the emerging neighbouring markets. The same is true, to some extent, for Greek banks, which are trying to gain market share in the Balkans.

2.6.2 Disintermediation

During the recent decades many, especially big, companies realized that they could successfully and less costly work out various financial tasks without necessarily having to resort to commercial banks' expertise. As an example one could refer to the recent tactic of firms to draw funds from the stock exchange (not necessarily of the country of the firm's head offices) or to turn to the bonds market for long term financing, by issuing commercial paper using own assets as collateral. This is the well-known phenomenon of disintermediation whereby in the wide sense of the term users of financial services try to work out their needs without resorting to the traditional financial institutions. Disintermediation initially affected commercial banks but all the financial institutions are already affected, while the institution of Euro will probably reinforce it through increased competition.

Traditional bank clients, on the other hand, are becoming more demanding and are willing to move to another bank or financial institution if they can ensure better service or a higher return on their deposits. In this way mutual funds have experienced an impressive boom internationally. As a result of these changes, which were mainly caused by the increase in the cost of money due to inflation and the corresponding high bank charges, banks have reconsidered their behavior and have become less bureaucratic and more interested in their economic performance.

2.6.3 New technologies

The banking sector seems to be one of the most affected from the application of new technologies especially in network development, telecommunications and database systems. These technologies, which are not yet fully developed and exploited, have been used for many purposes such as:

- Electronic data and information exchange between computers for many types of transactions, inside the country as well as internationally, strengthening internationalization.
- Many repeated operations are automatically executed and as a result there is an increase in productivity and the expansion of the sector.
- New services to customers such as "plastic money", automated transactions via machines, telebanking to mention a few.

- Development of new products that are more diversified and adapted to the clients' requirements.

All these technological applications, even though they aim at different directions, have the same targets whenever they are adopted: To combine the maximum number of repeated transactions and to improve the accuracy and speed of transmitting information. These technological changes, which enable banks to produce the existing, banking services with less labour, result in a reduction in the number of mainly unspecialised workers, who become redundant. On the other hand the new production process (technology) usually requires more specialized labour (experts on the new banking products and services) as well as part-time personnel. Having said that, competition between banks is expected to lead to corresponding reductions in the cost of the services offered by the banks with these new technologies. To the extent that the demand for banking services increases, due to such reduction in the costs and to the supply of new services, the reduction in employment in the medium run might turn out to be only moderate. The net effects of these changes on the demand for labour, usually and after some period of adjustment, is to reduce personnel. Banking experts believe that new technologies have adversely affected banking employment.

On the other hand new on-line technologies, which allow for automation in the relations between customer and his bank, in combination with the increased bank competition have tended to decentralize banking activity (location of work) and responsibilities (location of decision-making responsibility). Tasks that previously required "clearing" of transactions are performed automatically at the time and location the transaction takes place without having to refer to a higher level. At the same time branches, equipped with the new technologies, are now in a position to make the right decisions, without being able to ignore the bank's rules.

These changes imply corresponding organizational changes in employment. The earlier distinction between computer specialists and final users is not so clear any more. The latter have increased dramatically and today's user-friendly computer applications allow even people with minimal experience on computers to use standard packages. Despite differences between countries and experts, certain trends in organizing the work force, which is consistent with the existence of a higher volume of information, is the encouragement of labour movements from production to sales and customer assistance, as well as from the strict division of labour towards integrated projects.

2.6.4 Mergers and Acquisitions

Mergers and acquisitions (M&A) in banking sector, like other branches, even though not a new phenomenon, are recent decades have been more frequent. The period 1988 92 the merger activity was accelerated in many European countries. This development has been known as the “1992 effect”, to denote the then establishment of the unique European Act. Throughout the period 1979-94 in the USA ver one third of banking institutions disappeared though mergers or failures. The great majority of M&As was undertaken between banks located within the country boundaries.

Proponents of M&As claim that through them the size of the banks increases, their production process is rationalized and they would purge the sector from inefficient institutions resulting after all this to improvement of efficiency. Mergers are considered to be an integral part of organizational forms to ensure, through operational synergies. If economies of scale exist, an expansion of the size of a bank will be accompanied by a less than proportional increase in the cost of production. A result that could be attributed to better division of labour, to specialization as well as to the greater diversification of risk as the number of loans increases.

In addition, the new technologies together with the recent liberalization of the sector are considered to have caused an upward movement of such earlier economies of scale, a development that renders as a result the mergers of small and medium size banks efficient. For small open economies, which are receiving ever growing pressure from international competition, mergers or strategic cooperations in the banking sector, or even in companies producing in other branches, aiming at attaining the necessary size and market share are considered to be necessary for their survival.

Related to M&As are the so-called economies of scope whereby it is economically more efficient for banks to offer a chain of products rather than specializing in a particular one. Economies of scope in banks could be the result of various causes. Branches, the computer network and information on customers could all be used to promote many products. Customers could transact in the same bank for many products, a fact that allows banks to extract a portion of the customer's possible gain. The diversity of the products implies a wide range of loans and deposit accounts resulting in a reduction of interest rates risk and of insolvency rate.

Other writers however are more cautious and claim that the gains in terms of efficiency are frequently illusory, while through M&As, market control and monopoly power are increasing. Thus, the customers of these new larger banks (consumers and small and medium size enterprises) end up being charged higher prices for usually more distant banking products and services. On the other hand there is the case where the primary objective of M&As is not for the interests of the owners-shareholders of the banks, but for those managing the banks. The latter for many reasons can secure themselves a higher and more certain gain, when administrate large rather than small banks. Those who usually benefit from M&As are the owners of the acquired bank to accept the merger.

These assumptions offered to interpret the M&As are not, amongst them, mutually exclusive and all of them are more or less essential for M&As in the banking sector as it is also shown by related research. As a result justifiable questions are often expressed as to whether M&As improve a banks' productivity essentially.

Large banks emerging through M&As might direct their loans and their banking services towards large firms – customers. Such banking institutions usually have their headquarters far away from small and medium size firms, thus facing difficulties in collecting required information regarding the solvency and dynamism of the small local firms. Such information is gathered frequent time consuming contacts with the firm's owner, the local market, authorities etc. It should be also mentioned that the existence and function of a bank branch has significant repercussions to the local economy. It shows that the corresponding bank believes to the economic and social viability of the region and likes to expand locally its activities. The closure of bank branches after M&As consists critical development for the prospects of the region and the serving of people as consumers and trade men.

2.6.4.1 M&As and Employment

Empirical research on the EU shows that domestic mergers of banks of equal increase considerably the performance of the merged banks mainly due to economies of scale. Improvement of efficiency through cost reduction also appears in acquisitions of banks from abroad mainly due to the transfer and application of more efficient management principles and new offered services. On the contrary domestic acquisitions or take-overs of majority control are not in many cases accompanied by improvement in efficiency that remains stagnant. Such M&As can be characterized as defensive tactics attributed to incentives of the CEOs and aiming at protecting an establish market position. In addition there are unsuccessful examples of mergers in Italy, Spain and elsewhere mainly because the philosophy (targets, banking process, audit ways etc.) and mentality of banks that take over other institutions cannot successfully and effectively incorporate the mentality of the latter.

The point of interest in the present project is to examine the effect of M&As on banking employment. The rule is that M&As are accompanied with efforts to reduce operating costs through contraction of job slot, which become redundant or are unified in the emerging new institution. To realise benefits from M&As overlapping operations should be emerged to one, thus resulting to job loses at various levels. It is however difficult to disentangle the job loses following a merger from those job loses attributed to other structural changes activating at the same time and pushing competition even without any M&A.

In cases where the merging banks act in the same geographical territory, cost reduction is usually pursued through reduction of excess labour and/or closing down of neighbouring branches. When, however, the merging or taken-over banks act in different geographical territories or specialize in different products the policies of branch or labour reduction do not seem to be a priori efficient. On the contrary, there might be a positive effect on employment if the development strategy of the emerging bank considers necessary the expansion of the branch network in the new areas.

Whether a merger or acquisition is successful or not, is closely dependent upon whether the target bank will retain its experienced personnel for at least a transitional period and upon whether there will be any contradictions of cultures between the banks involved in the merger. There have been cases where the buying party of the merger offered the personnel incentives so that it will not quit immediately after the merger **[i]**.

In general however, the medium term effect of bank M&As on their employment, even though insufficiently documented, is expected to be negative but not extensive. For certain mergers between large banks announced just recently considerable personnel reductions are expected. It is indicative that, as written in the newspapers, the merger between the Swiss banks Union Bank of Switzerland and Swiss Bank Corporation is expected to lead to a thirteen thousand reduction in personnel in the following three to four years. In other cases yet, where the merging institutions, mainly due to different specialization, will continue to operate separately as they did before the merger, a considerable reduction in banking employment is not anticipated, as has also been announced by officials in similar cases.

2.6.4.2. Examples of Mergers and Acquisitions in Banking Sector

In this section the most important and representative banking M&As undertaken in European countries in the last two decades are briefly presented, giving more focus on their impact upon employment.

M&As in Spain, although relatively recent, are now usual and the whole sector has been drastically restricted, starting with the 1988 Banco Bilbao and Banco Vizcaya merger into BBV, and followed by the union of Banco Central and Banco Hispano. In1993 Banco Santander got hold of the near-bankrupt Banesto and merged with Banco Central Hispano to create BSCH, which is widely represented in Latin America and employing 106.000 employees and serving 22 million clients worldwide. The rather large banking group BBVA, with 91.000 workers, is the 1999 outcome of a merger between BBV and Argentaria previously ranked second and third among the Spanish banks. BBVA is also profoundly established in Latin America, with 2.200 branches and a strategic position in pension funds.

As a result of the privatisation of state financial institutions, Banco Exterior de Espana absorbed Banco de Credito Industrial, while Banco de Credito Agricola was acquired by Postal Bank. In 1998 the two resultant banks merged and together with Banco Hipotecario de Espana created Argentaria, Caja Postal y Banco Hipotecario SA. Then Banco Santander and Banco Central Hispano Americano joined in January 1999 to create Banco Santander Central Hispano Americano, which is among the top three in Europe in terms of market capitalization and number one in Latin America investments. Spanish authorities have supported financial sector consolidation as a means to reduce cost and to improve sector's competitiveness in the Euro-zone.

Banking M&As have had a negative effect upon employment, even when the impact of new technologies is taken into account. The Spanish financial sector trade union argues that employment to banking sector declined from 180,000 in early 1980s to 129,000 in 1999 mainly through early retirements linked to mergers.

In Germany with the 3,400 independent banking institutions, banking sector is fragmented and overbanked, as there are on average 830 branches and other outlets per million inhabitants against an EU average of 528. The share of the five largest banks in total assets is 18 percent, compared with above 80 percent on the Netherlands and Sweden. In 1998 the merger of Bayerische Vereinsbank and HypoBank formed Germany's second private bank HypoVereinsbank or HVB, which in 2000 acquired the Bank Austria, with 280 domestic branches and a network in Poland, the Chech Republic and Hungary, where growth outlook seems rather strong.

In the German "non private" financial sector have been carried out slow but sustained consolidation for more than a few years. The number of cooperative banks fell by a third in ten years. At the same time German banks have been expanding aboard. Commerzbank established extensive alliances (remarkable shareholding in the Italian bank Comit and cooperation arrangements in Spain and Austria), while Deutsche Bank took over Bankers Trust in 1998 showing the transformation of a German general bank to an Aglo-American investment bank. The announcement on March 2000 of the merger of Deutsche and Dresdner, which did not finally proceed, was accompanied by the estimation of an 11 percent job loses. Even though that merger stopped Dresdner Bank announced a programme of restructure implying 5.000 job loses and closure 300 branches. Deutche

Bank also undertook significant job reduction in 2001 and very recently (June 2002) announced a further personnel contraction within the coming two years in order to reduce the cost and increase its competitiveness. The impression is that in Germany bank consolidation is accelerated and that cooperative banks are transformed, while earlier mergers aimed to increase the size of companies and emerging synergies, recently synergies are the focus to be achieved by M&As.

Because of the small size of their domestic markets, Dutch and Belgian bankers very early turned to international acquisitions and mergers with government support. Banking restructuring in the Netherlands created two giants- ABN-AMRO and ING. In 1990, one year after failing to merge with the Belgian Generale de Banque, AMRO joined with ABN to create ABN-AMRO, the largest Dutch bank. Its national rival ING Group was crated in 1991 with the merger of the top insurer Nationale Netherlanden and NMB Postbank, a bank that was the outcome of the merger between Post Office Bank and Netherlandse Middenstandsbank. Since then ING unable to expand further on a domestic market ING has adopted a consistent growth strategy based on international acquisitions. In 1995 ING acquired Barings, close to bankruptcy due to a trading scandal in its Singapore operations, while in 1997 bought Banque Bruxelles-Lambert. The ING group, an example of successful European bancassurance acquired in 1999 Handels-und-Frankfurter Bank and by now is employing 83.000 workers in its 80 braches in 61countries.

In Belgium banking sector went through significant structural changes and mergers in the late 1990s. KBC is the result of a merger between Kredietbank, Cera (a cooperative) and ABB (an insurance company) in 1998. The bancassurance company Asteria acquired in 1998 France's Banque Vernes, while Fortis, a dutch-Belgian bancassurance institution, controling the Belgian bank ASLK, bought Generale de Banque το 1997. These mergers together with the takeover of BBL from ING Group affect the absolute majority of those working in the banking sector. The merger of Fortis and Generale is estimated to lead to personnel reduction by 10% and closure of hundreds of branches, while there are not expected negative effects in the BBL-ING group, the activities of the initial banks were rather complementary than overlapping.

The total number of employees in the Belgian banking sector was 76.432 people in 1999, while one year before it was 77.028 and 76.541 in 1995. Thus the impressive M&As do not influence the total employment. Union observers estimate that there was a continuous and remarkable employment expansion of executive and professional staff, and quantitative and qualitative increase of women share in banking employment as well.

Trade union representatives believe that banking restructuring would imply job loses, while remaining personnel would work under different conditions and with greater mobility (e.g between branches) and flexibility (working on Saturdays). All three banking unions agree that any personnel reduction should be undertaken through natural withdrawals, early retirements, part time employment, without wild firings, especially in an era with high banking profitably. Thus, priority is given to minimize the negative employment effects and not in the personnel reduction itself, as trade unions have accepted the internationalisation of banking sector.

The Portugeze financial Champalimaud Group, after an agreement is controlled jointly by the Spanish BSCH and the Porugeeze Caixa Geral de Depositos. Two other mergers between Banco Comercial Portugues and Banco Mello on the one hand and between Banco Espiritu Santo and Banco Porugues de Investimento were announced in 2000.

In Italy the consolidation of banking sector increased in the late 1980s and an acceleration was observed in the middle 1990s. The 111 combinations undertaken in 1980s concerned a small part of the sector (the 3,4% of the market), but in the period 1990 and 1998 there were 409 operations representing the 23% of the market (173 of these were in in the Banco di Credito Cooperativo or BCC category). In 1998 alone there were 54 M&As, representing about one third of the banking assets and the three most important concerned Credito Italiano and Unicredito, San Paolo and IMI, Intesa and Cariparma, then Banca Friul Adria, the result of a friendly agreement. In the meantime Monte di Paschi acquired the 60% of Banca Agricola de Mantvona, while the 1999 the merger of Banca Intesa and Comit (Banca Commerciale Italiana) created the country's largest banking group Cuccia. Italian regional banks have not remained simple spectators. Banca Populare Vicenza Group, a product of six banks acquired in recent years continues its expansion through acquisitions, while the central bank policy encourages north regional banks to stabilize banking system though acquisition of south ailing banks. In the context of this policy Banca Populare dell'Emilia Romagna took control of Banca Populare di Cotrone. It is worthnoting that in such cases the acquirer is often obliged to keep its target's autonomy for several years after the acquisition.

In France Credit National absorbed Banque francaise du commerce exterieur to create Natexis, which subsiquently was acquired by Banques Populaires, a mutual organization. Credit Agricole, another mutual bank, took over the control of Banque Indosuez in 1996 acquired the 70% of Sofinco, specialized in consumer credit. After the failure of its plan to merge with Societe General (SocGen) and Paribas, η BNP manaed to acquire the latter in 1999, creating a bank with 76.000 workers. In a while SocGen acquired control of Bulgarian Expressbank, itself the result of a 1993 merger of a dozen small regional banks.

In the United Kingdom changes in banking branches and employment are the most extensive perhaps with the exception of Scandinavic countries. From 14.000 the number of branches in 1985 declined to less than 10.000 in 1998. The most of the largest European banking M&As happened in the City of London in the 1990s, including the hostile takeover of NatWest, one of the oldest and largest UK banks, from the very smaller Royal Bank of Scotland. This acquisition involved a highly bitter confrontation setting as rivals NatWest, RBS and Bank of Scotland, which also wanted to control NatWest. Important factors for the success of RBS were its declaration to cut NatWest costs by more than BRP 1 billion, mainly by eliminating 18.000 jobs from its 62.000 workers, closing own branches and abolishing repeated operations, and substantial support from other financial institutions such as the Spanish BSCH. Given the extensive market overlap of RBS with NatWest, the formal convinced for its positive synergies with the NatWest than would be for BoS. Under the threat to lose its independence NatWest tried to acquire Legal & General, while was planning to reduce cost even with personnel reduction by 15.000 within three years. That period however markets viewed NatWest as unable to offer satisfactory return to its shareholders. Trade unions' reaction to this takeover was to secure non-compulsory separations using the thread of industrial action. It is wothnoting that almost all the United Kingdom's prestigious merchant banks (Warburg, Barings, Kleinwort Benson and Morgan Grenfell) have passed to foreign banking groups.

Worthnoting is also the acquision of Scottish Widows, an insurance company, by Lloyd-TSB, and the acquisition of Credit Commercial de France by HSBC. The latter acquisition does not involve personnel cuts as the French Labour Code guarantees workers' contracts even in the event of changes in the employer's legal status (mainly involving mergers, sales or recapitalisation) and the staff reductions should be possible by the age structure of the employees. In August 2000 Barclays acquired Woolwich, which became the mortgage arm of the Barclays Group. This acquisition is estimated to involve 1.000 jobs loses of 56.000 employees of the new company spread across 2,100 branches. Where the networks overlap, the new group will combine 200 branches effectively closing half of them. Barclays lately closed 171 branches mainly in agricultural areas reducing thus employment by 7.500 employees within one day. The job loses at Barclays are representative of a trend, which has seen employment in major British banks to reach at 440.000 people in 1990 and then to decline continuously and reached 363.000 in 1995. In 1990s job loses are estimated around 150.000 while the decline of branches is estimated around to one third. (more than 4.000).

M&As tend to accelerate the introduction of new technologies in banks and other financial service firms. Trade unions estimate that each telephone-banking job destroys the equivalent of 1.4 to 1.7 branch positions within two years. The British trade union MSF considers 1999 as the year with the most announcements of mass job loses resulting from restrucr\turing of M&As. In total 18.000 employment posts were lost in banking partly as a result of a 15% cost reduction programme in the merged Lloyds-TSB and partly in NatWest after its acquisition by RBS. The merger of Commercial Union and General Accident to create CGU was followed by an announcement of 3.000 job cuts, indicating the relationship between M&As and the evolution of employment.

From the time of the 1995 merger Lloyds-TSB has abolished 16.021 posts, 4.823 by offshooting activities. By 1999 ten new banking group has managed to achieve its cost reducing objectives in centralized activities such as treasury, cheque processing and rationalization in call centres and closure of 300 branches as part of its plan to reduce cost by 10 percent and double shareholders value every three years. There are however and opposite trends. Midland Bank because of its economic troubles have had started a plan to close many branches in the late 1980s, which however stopped, when it was acquired by HSBC and the economic difficulties were overcome.

The security of employment of those working in the banking sector has become an issue of high priority for the newly established banking employers trade union (UNIFI), which has seeked agreements with sector employers to protect employment. The results of these pursuits are rather positive, as many large banks like Lloyds TSB, BoS, Halifax, Unisys, Co-operative Bank, have agreed on employment protection. A 1998 Research (WERS 98) shows that almost 40% of those working in the financial sector is covered by employment security or from non compulsory separation, while in the private sector the corresponding percentage is only 8% and in the public 21%.

M&As in Nordic countries continue with recent example that of acquisition of Norway's Christiania (4.000 workforce) by Swedish-Finish MeritaNordbanken, resulting to the largest Nordic banking group with 900 branches in seven countries. The feature of M&As in the region is that all significant banks determine their strategy in pan-Nordic terms. It is believed that the competitiveness challenge requires larger units, thus the risk of acquisition from Western Europe would be avoided. However, rationalization of overlapping after mergers leads to job loses. The prospects are that further job loses would turn up because of restructuring and trade unions ask for bargaining on this issue, while banking association does not undertake such responsibily, claiming that it cannot intervine in the rationalization banks plans.

In Norway the 1999 merger between Den Borske Bank, the countries largest bank, and Postbanken the fourth largest, has created Norway's largest financial organization, which employs 7.500 workers, while 400 job cuts would appear through voluntary departures.

The above examples show that banking M&As are focused mainly on consolidation of institutions activating within a country and only secondarily are extended outside a country. Intercountry mergers are located between countries – regions with historical and cultural links. Spanish banks buy in Portugal, Belgian and Dutch banks are joined, like Nordic banks only within the region. On the contrary there are not movements of German banks towards Italy, or French to Spain. Certain such attempts were attached or discouraged from interested governments. While such policy may be explained as an effort to sustain state economic independence, it cannot be excluded the absence of economic synergies in international M&As, as it probably happens with such internal operations.