

This report is part of the project “Evaluation of international experience on social dialogue in respect with changes ensuing the new economy in the banking sector and transfer of best practices” and has been completed with funding from the European Commission's Directorate General on Employment and Social Affairs.

The main objective of the project is to promote social dialogue, with innovative techniques, in the banking sector, which is drastically affected by the new economy. The challenge of adaptation requires new forms of organization therefore security and flexibility must find new forms and new attitudes. Prime beneficiaries of the project outputs are the trade union organizations; trade-unions officers who will participate in the training process and specialised groups for whom an effort will be made to integrate, in the social dialogue process by e.g. the transfer of best practices of social dialogue with regard to restructuring as well as with regard to the reconciliation of family life and business career through a contemporary method of participation. It is also part of the objectives of the project that banking sector companies will gain innovative tools on internal climate monitoring with regard to social dialogue practices. The anticipated results relate to products such as good practice surveys, social dialogue preconditions, training tools and the establishment of electronic means of participation and debate through a broader vertical portal (vortal) for that purpose. The main approach will be a comparative evaluation of social dialogue good practices internationally, mining and exchanging information processes already in use.

The key point of the project is that economic restructuring for success and social protection must go hand in hand. Social policy should not be described as a burden on enterprises, nor as a regulation and spending. Social policy is a productive factor for the management of change necessary all around Europe. From this view stem the main objectives of the project.

1. Recording of positive practices on social dialogue, on integrating less developed areas of social dialogue and the under represented employees,
2. Attempt to transfer them to new areas
3. Training of participants (opinion leaders) in the other side's thinking process
4. Development of enduring communication and social dialogue tools which will facilitate the participation of the underrepresented groups

These objectives may help in lowering mental resistances to change, achieve enduring balancing of interests in a way that promotes adaptation to the new economy and develop tools for greater participation in social dialogue groups, collectivities, individuals which with the existing methods, may have had weak or no voice.

This report seeks to provide some answers to several major issues raised by the broad and rapidly evolving restructuring in the banking industry, i.e.: the extend to which this deployment evolves through social dialogue practices between trade –unions or employees' representatives and employers representatives at the national, sectoral or at the company level; the major issues dealt through social dialogue practices; the likely transferability of best practices identified in a group of mainly Southern and relatively small countries not widely studied in the relevant research and literature (Cyprus, Greece, Italy, Malta, Netherlands, Portugal, Spain); the patterns followed by banks and trade-unions in developing (or not developing) their social dialogue practices and the resources available to them; the human resource and industrial relations policies being deployed to handle the restructuring processes of the banks and the related to Mergers and Acquisitions problems of the banking sector employees; how the restructuring has been dealt by the trade-unions and employers, within the existing EU and national industrial relations systems, and the extend to which social dialogue practices can be developed in the less dialogue oriented –more adversarial and based on managerial prerogative- systems of industrial relations between trade –unions employees and employers.

Finally, we try to identify the correlation between some best practice policies in this field, and banking sector performance. Limited success is acknowledged in the sense that we cannot argue firmly that social dialogue is a causal factor for good performance, as the causality may run vice versa and the development of social dialogue practices is also conditioned by external to the banking sector factors such as the labour market and social policy conditions. We conclude with reflections about the possible role of the social partners in the restructuring of banking sector at the EU and the regional level.

In order to answer such questions, we have gathered very interesting evidence from the banking industry through a survey of literature, a rather simple questionnaire addressed to key persons, interviews with trade-union representatives and a more complex questionnaire, addressed to banking sector employees in seven countries which has seen about 2000 responses. The sample composition makes it reasonably representative of medium-sized banks, that derive the greatest part of their turnover from national activities, are reasonably profitable, and have been quite active in mergers and

acquisitions.

Our major findings can be summarised as follows:

1. Banks in the countries of our sample have been heavily involved in restructuring mainly through Mergers and Acquisitions. Restructuring trends are generalised in all banking sector institutions exposed to increased competition and are also associated with the introduction of new ICT.
2. There are phase differences between north and south countries in the banking sector restructuring as in the south banking sectors are unmaturing and in many cases underbranched.
3. Financial sector employment is rapidly expanding but narrow banking sector employment does not follow this trajectory. Despite the different trajectory of banking sector employment which is not rapidly expanding compared to employment in the broader financial sector, in the majority of the countries of the study banking sectors they are not decreasing their employment (and they are not moving towards the reduction of the banking network), but they are heavily restructuring human resources.
4. Indeed, and this also sets the agenda for social dialogue in the banking sector, they have introduced major changes by adopting new ICT and attempted the restructuring of their human capital (and its cost) by introducing early retirement, by relying on natural wastage and on voluntary redundancy schemes, coupled with early retirement and by adopting working time flexible reduction.
5. Regulation of the impact of mergers and acquisitions, regulation of labour adjustments through voluntary redundancies and early retirement schemes are the main topics, along with regrading and work reorganisation.
6. As banks are moving towards a flatter structure the regrading has been a topic in collective bargaining agendas.
7. Although banks are not experiencing an overall shrinkage of the labour force, the trade-unions were faced with the need for labour adjustments and bargained over voluntary redundancy schemes, early retirements schemes, retraining of employees and in many cases organised joint and bipartite funds institutions to assist the restructuring process, the retraining, the employability of employees and their pre-retirement stages when that was made necessary.
8. As IT skills have become crucial, in the context of cost reduction the banks aimed at changing the composition of their labour and aimed to recruit younger personnel. However, the trade-unions emphasis has been on safeguarding the interests of the mostly affected by the restructuring process employees, mainly those at the ages above 50 years.
9. Collective bargaining and collective agreements remain the main form of joint regulation. The involvement of trade-unions and employees representatives varies from the minimum of consultation to a maximum of co-managed programmes
10. In the restructuring process of the banking sector in many national cases the bargaining structure has moved towards decentralisation at the company level (Netherlands, Portugal) with sectoral agreements acting as umbrella protection. Indeed regulation diverged between major and minor banks.
11. There is no evidence in a general trend towards social dialogue practices or of moving away of social dialogue practices. Banking sector restructuring when compared with other national developments in various sectors remain a more social dialogue oriented sector because of the high unionisation and the central role of the banking sector in the economy.
12. There is no evidence of convergence towards homogenised structures in the representation of banking sector employees through trade-unions. Good practices can be traced even there where there is activity of multi unionised employees and not only there where employees are organised in a single trade-union or federation. It appears that synergy among various trade-unions matters in promoting effective social dialogue on banking sector restructuring.
13. The social dialogue encounters difficulties at the sectoral European level and at the international level. However, it has operated as the main way of regulation of changes due to restructuring in the banking sector, at the national level, even in the southern European countries that do not exhibit long traditions of consensual industrial relations. The trend towards company level bargaining and social dialogue procedures can lead to the development of relatively homogenised structures through the EWCs and the information and consultation procedures at the company level.
14. The rapid expansion of mergers and acquisitions, outsourcing, home-banking, and of new technologies threaten the position of women more drastically as compared to men, since the former are more likely to be employed in low-skill, routine tasks that are being outsourced by banks.
15. The deregulation and individualisation of employment contracts undermines the capacity of the workforce to organise collectively and forces an increasing number of workers outside the scope

of collective labour agreements. Temporary workers are increasingly replacing employees with a stable employment relationship with their employer, at the lower end of the hierarchy.

16. The precariousness of employment: increasingly, bank employees all over Europe are faced with the dilemma of accepting a derogation of their terms and conditions (i.e. involuntary overtime and shift work, interrupted working schedule, etc.), or losing their job.
17. Growing competition from a newly emerged phenomenon in the banking sector, the “non-banks”, that rely on low-qualified personnel with communication and marketing skills (mostly working in the call-centres), rather than traditional banking skills. This trend is still marginal in continental Europe, and is expected to bring about profound changes in the structure of the banking system within the following years. Competition is also growing from retail shops, super-markets, insurance companies, car dealers, etc. providing financial services at low cost. The profile of employees working in this new type of banks –that often operate 24 hours a day, 7 days a week- is highly flexible (part-timers, temporary agency workers, casual workers, etc.) and with limited career prospects, thus hardly lending themselves to a long-term investment on behalf of management in work/life balance initiatives encountered in traditional “high street” banks.
18. Transferability of good practice is feasible and it happened informally in the sense of trade-unions promoting mechanisms for labour adjustments through voluntary redundancies and early retirement adapted to national labour market and social security systems.
19. As restructuring affects primarily the age bands of employees above the 50 years, it appears that the trade-unions main concern refers to this interest group. Not surprisingly topics related to work-life balance do not have yet a high priority position in the collective bargaining agenda, although they are partially dealt in some cases through working time flexibility and career breaks.
20. In all countries there are positive and negative experiences with regard to the role of social dialogue in the banking sector restructuring. The components of best practices are based on recognition of collective bargaining role in restructuring by both sides, proactive activation, and willingness to enter mid-term commitments for joint regulation.
21. Success factors arising from good practices of social dialogue on banking sector restructuring include proactive action by the trade-unions and willingness of both sides to enter in mid-term commitments for the regulation of the labour adjustments. They also include the provision of financial incentives and assistance through training and retraining by bipartite institutions.

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