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Finance Sector Union Strategies in a World of Change

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Finance Sector Union Strategies in a World of Change

Abstract
This conference paper was presented at the 'International Federation of Commercial, Clerical, Professional and Technical Employees' Conference, San Fransisco, August, 1991. The paper examined topics related to issues impacting the Australian Banking and Finance Sector such as Deregulation, Foreign investment, the European Community, Labour Force trends, New technologies, industrial relations and future directions and strategies for the Australian Finance Sector Union.

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FINANCE SECTOR UNION STRATEGIES IN A WORLD OF CHANGE

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Finance Sector Union of Australia

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'International Federation of Commercial, Clerical, Professional and Technical Employees' Conference,

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SECTION 1 CONTEMPORARY BANKING AND FINANCE

1.1 AUSTRALIA: POST-DEREGULATION

The 1980s was a decade of upheaval for the Australian finance industry. This situation can be traced to a number of interlinked factors including the deregulation of the financial sector during the early 1980s, the floating of the Australian dollar, the entry of fifteen foreign banks, the conversion of seven building societies into banks in 1988-89, the collapse and failure of some institutions, the widespread introduction of electronic banking, and the mergers, takeovers, cross-shareholdings and strategic alliances. There has also been a blurring of distinctions between financial services providers.

The combination of these factors dramatically increased competition amongst financial service providers. Formerly conservative domestic banks transformed into aggressive corporate lending machines in response to competition from the new foreign entrants. Prudential standards were lowered dramatically as banks competed with each other to increase the size of their loan books and achieve rapid growth levels. Taxation provisions which made it more attractive to expand by debt instead of assets encouraged entrepreneurs to launch into debt-based takeovers financed by banks eager for business.

The stockmarket crash in 1987 and the collapse of the Australian entrepreneurs' debt-structured financial empires led to billions of dollars of shareholders' funds being lost and most Australian banks making subsequent record provisions for bad and doubtful debts. Falling asset valuations and high interest rates compounded these losses. The 90s has witnessed a return to a more conservative, retail based banking strategy by many of the domestic banks previously caught up in the corporate 'loans at all costs' fever.

In 1989-90, the sharp rise in provisions for bad and doubtful debts resulted in a significant reduction in profitability for all the major Australian banks. To some degree, the rise in bad debts reflects the consequence of banks moving into riskier lending as a result of deregulation. It also reflects the effects of the boom in the economy during the latter years of the 1980s and the subsequent severe recession of 1990, brought on by a prolonged period of high interest rates. The combination of these factors with questionable management practices also produced some spectacular collapses in the Australian financial sector with the Pyramid Building Society and The State Bank of Victoria being early casualties.

Post-deregulation banking in Australia has perhaps reached a crescendo with the initiation of a Parliamentary inquiry into the Australian banking industry which was commissioned by the former Federal Treasurer, Mr Paul Keating, late in 1990. The inquiry was initially launched to investigate the banks' failure to lower interest rates in line with the lowering of official interest rates. The maintaining of high interest margins by the banks increased their revenue
substantially and was seen by some as an attempt to recoup losses incurred through bad and doubtful debts.

The Inquiries' Terms of Reference were broadened to transform it into a wide-ranging examination of Australian banking and finance. The conclusions are expected by late 1991. However, any examination of post-deregulation banking and finance in Australia can conclude that financial deregulation did not produce a more competitive banking sector overall. The entry of fifteen foreign banks in 1985 triggered a round of mergers between the domestic private banks, effectively consolidating their position and precluding any threat of real competition in the retail banking sector.

Mr Paul Keating, the former treasurer, in 1990 blocked a merger proposal between the ANZ bank and NML Insurance. The new Treasurer, John Kerin, appointed recently following an unsuccessful leadership challenge by the former treasurer, has appeared more sympathetic to overtures from the financial community regarding cross-shareholdings between banks and insurance providers. An example of this is his recent approval of AMP Insurance’s purchase of a 10 per cent shareholding in Westpac Bank. AMP and Westpac are the two largest companies in their respective sectors. This development may well indicate the shape of post-deregulation Australian banking in the future.

1.2 Global Aspirations/Transnational Corporations

The globalisation that is transforming many industries is also having its effect on financial services. Advances in communication and information technologies have opened previously insulated domestic financial markets to competition from external financial markets. The process of financial globalisation will continue as the world's capital markets become increasingly international in character and as more countries liberalise their financial systems. Global organisations present special problems to unions due to their expertise in undercutting the power of organised labour.

Despite the growing size of the international financial market, the network of transnational bank subsidiaries, branches and offices did not increase much in the 1980s. However, there has been a significant change in composition, with both French and Japanese transnational banks adding significantly to the number of their foreign offices, while banks from the former Federal Republic of Germany, the United Kingdom and the United States have reduced theirs. There is also evidence that the smaller banks have increased their network of foreign offices more rapidly.¹ The larger, private Australian banks, relatively small by world standards, are a case in point.

Financial globalisation is affecting certain types of financial services activity more than others. Due to international deposits and loans being the same in any financial centre, international wholesale banking is global in scope. Merchant and investment banking services are to a certain extent transferable worldwide. However, retail banking practices differ widely from country to country so global retail banking remains a remote possibility.²

In retail banking, profitable overseas expansion is more likely if an existing banking network is acquired in the overseas market instead of trying to establish a new branch network in a foreign country.

The experience of foreign banks in Australia is a clear example of the failure of global retail banking expansion through the establishment of new branch networks. The advantage of incumbent domestic banks with established branch networks and customer bases has proved to be a formidable barrier. The costs have been high for the majority of foreign banks that opened in Australia. In 1990 foreign banks lost $734 million in the Australian market, and they have non-performing loans on their books that almost certainly exceed $10 billion.³

Since deregulation, the major private Australian banks have made significant acquisitions and expanded their international network so that they are now represented directly in many overseas countries. However, by world standards, Australian banks are relatively small. In 1990, Westpac, Australia’s largest private bank was number 61 in the world, and ANZ was number 72. If any two of the privately owned Australian banks merged, it would barely gain entry into the top 30.⁴

The private Australian banks have argued that to become internationally competitive they need to increase in size through mergers or acquisitions with other major domestic banks or insurance providers to attain ‘critical mass’. However, this view has not been shared by the Australian government which has blocked potential domestic mergers claiming they would reduce domestic competition through initiating further rounds of domestic mergers and takeovers.

Therefore expansion for the major Australian banks has been limited to takeovers of smaller domestic financial services providers and overseas acquisitions. The major private Australian banks now have significant overseas holdings, are represented internationally in most markets, and represent an excellent example of the internationalisation of banking. Three specific cases are outlined below:

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³ Walsh, M., ‘For International Banks, Corporate Australia Now has a Whitlam Factor’, Sydney Morning Herald, 17/6/91.
⁴ Munsie, K., ‘Big Local Banks Cannot Compete Internationally’, The Australian, 24/10/90.
• **ANZ**

The ANZ Bank, with offices in 50 countries and close to 2000 points of representation, has the largest international network of any Australasian banking group. It has been the most persistently expansive Australasian bank through the last decade with acquisitions both in Australia and offshore. In March 1990, ANZ's international operations yielded 37.9 per cent of the banking group's profits, while accounting for 22.1 per cent of its risk weighted assets.

ANZ operates on a retail basis in Australia, New Zealand, India, Africa and the Middle East and as a wholesale bank in other parts of the world. ANZ has offices in Australia, New Zealand, South Asia, the Pacific Islands, the Middle East, Africa, the Asia Pacific, Papua New Guinea, Continental Europe, the Americas and the United Kingdom. Apart from its Australian and New Zealand offices, many of its offices were acquired as part of the ANZ's 1984 acquisition of Grindlay's Bank. Grindlays' acquisition has given the ANZ substantial entry on the Indian sub-continent, the Middle East and Africa.

ANZ's corporate strategy in Europe is to concentrate on wholesale, commercial and cross-border banking. ANZ opened a branch in Paris with a focus on wholesale banking, including corporate and treasury business. The sale of the French retail network, Grindlay's Banque SA marked the ANZ's departure from the European retail banking sector. ANZ has other European operations, with branches which conduct wholesale banking in Frankfurt, Athens and London. In addition ANZ operates representative offices in Italy and Spain and a private banking operation in Switzerland. Once the EC restraints on cross-border activity have been removed, ANZ will effectively possess European banking licences, enabling them to expand more freely.

ANZ is the only Australian bank with direct representation in South America, having recently opened a representative office in Santiago, Chile in addition to its long established representative office in Brazil.5

• **Westpac**

Westpac is by far the biggest of all Australian banks. Westpac's international operations extend to thirty countries through 375 offices in the South West Pacific, Asia, Americas, Europe and the Middle East. Out of total group assets of $109 billion at the end of the 1989, 61.7 per cent were offshore, compared with 55.2 per cent previously. Westpac now has assets totalling $14 billion in the US, or about 13 per cent of its total assets.

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With the exception of the Western Pacific region, Westpac does not operate a retail subsidiary anywhere else in the world, concentrating instead in corporate and investment banking and treasury operations through its divisions in North America, Europe and Asia. However, Westpac's 1989 Annual Report signalled a change in strategy to the bank's overseas growth plans by targeting the acquisition of a retail banking presence in major offshore markets to diversify its funding base.

Westpac's managing director, Mr Stuart Fowler has stated that North America, Europe and Asia are the main focus for expansion. Following a recent cash injection through share purchases by the AMP insurance company this expansion may be imminent. The opening of the Paris branch in 1990 signalled a new focus for the bank's continental expansion and could lead to European bank acquisitions in the EC financial services marketplace following the dismantling of cross-border banking and other economic restrictions in 1992.

**National Australia Bank**

National Australia Bank (NAB) has concentrated its overseas expansion on the British retail banking market. NAB purchased the Scottish-based Clydesdale Bank, Northern Bank Ltd of Northern Ireland and Northern Bank (Ireland) Ltd of the Republic of Ireland in 1987. These were previously part of the Midland banking group of England. In February 1990, NAB acquired the British regional Yorkshire Bank. With this addition, NAB reached a tally of 750 UK and Irish bank branches.

Recent reports indicate that NAB has decided to confine its expansion to Britain and New Zealand and has ruled out expansion in Europe, Asia and the US in the near future.6

Reflecting this decision, NAB is to close three US representative offices in Atlanta, Dallas and Houston and consolidate its US operations in its remaining offices in New York, Chicago and Los Angeles.7

Australian banks also have a significant presence in the Asia/Pacific region.

**1.3 Asia/Pacific Region**

The Asian region is reportedly growing at twice the rate of the Atlantic region with the main Asia-Pacific economies forecast to grow from 24 per cent of the world GDP to more than 30 per cent by the year 2000.8

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According to an estimate by the Nomure Research Institute, the GNP for the Asian-Western Pacific area will leap to $US7.2 trillion by the year 2000, compared with a projected $US7.2 trillion for the United States and $US6.8 trillion for the EC.\textsuperscript{9}

The financial sector has been the target of deregulation in Australia, Japan, New Zealand, South Korea, Indonesia and Taiwan. Foreign banks are also being permitted to open branches.\textsuperscript{10} In the case of Australian banks, trade-related activities will continue to provide the main source of business in Asia.

ANZ

In the 1990 annual report, ANZ's chief executive Will Bailey wrote that the ANZ was positioning itself for a decade where the Asia Pacific region would be a focal point of world economic growth. ANZ's takeover of Grindlay's gave it the strongest Indian branch network of any of the Australian banks. ANZ is currently represented in 10 outlets in what it calls the Asia Pacific, with branches in Hong Kong, Indonesia, Japan, Korea, Malaysia, Peoples' Republic of China, the Philippines, Singapore, Taiwan and Thailand.

ANZ's recent expansion has been in New Zealand, with the acquisition of Post Office Bank and the National Mutual Bank New Zealand Ltd. These acquisitions have given ANZ the largest market share of the financial intermediary business in New Zealand. The ANZ acquired 25 per cent of Thailand's largest non-banking finance group in 1989.

Expansion in the Pacific Islands is a key part of ANZ's Asia Pacific strategy which is built around trade flows between Australia, New Zealand and the Pacific. During 1990, ANZ acquired the Fijian operations and 75 per cent of the Bank of Western Samoa formerly held by the Bank of New Zealand. It also has operations in Vanuatu, the Solomon Islands, the Cook Islands and Papua New Guinea. The Bank of New Zealand's departure leaves both the ANZ and Westpac as the dominant players in the Pacific Islands.\textsuperscript{11}

National Australia Bank

Within Asia, National Australia Bank is represented by branches in Singapore, Hong Kong, Seoul, Taipei and Tokyo, and representative offices in Kuala Lumpur, Jakarta, Bangkok, Beijing, Shanghai and New Delhi. ANZ is the only other Australian bank involved in India.

NAB has holdings in New Zealand through its National Australia Bank (NZ) and also a 78 per cent interest in the New Zealand Bank. The Bank of South Pacific is also a subsidiary.

\textsuperscript{9} McKenna, G., 'Asia-Pacific to Become Joint World Trade Leader', \textit{Australian Financial Review}, 5/10/90.


\textsuperscript{11} Mills, S., 'ANZ Buys Bank of Western Samoa', \textit{Australian Financial Review}, 27/9/90.
A recent report indicated that at this point in time NAB was not interested in any further expansion into Asia due to cultural differences and differences in savings patterns.\textsuperscript{12}

\textbf{Commonwealth Bank}

The Commonwealth Bank has little more than the basic branch network spanning Tokyo, Hong Kong and Singapore. The rest of the region is serviced through area offices. It was able to expand to New Zealand only in May, 1989, by acquiring 75 per cent of ASB Bank Ltd.

\textbf{Westpac}

With the exception of the Western Pacific region, Westpac does not operate a retail subsidiary anywhere else in the world, concentrating instead in corporate and investment banking and treasury operations. Westpac has subsidiary operations in Papua New Guinea and branches in Hong Kong, Tokyo, Singapore, Jakarta and Taipei. Westpac recently acquired the branches of the Banque Indosuez in New Caledonia and French Polynesia and established a representative office in Bangkok.

Until recently, Westpac also had a branch in Seoul. However this was closed after a four-month dispute with employees over several issues related to pay increases and collective-bargaining arrangements. Westpac now manages its Korean business through its remaining Asian network.\textsuperscript{13} The ABEU has previously supported the Korean Westpac employees in 1989, having helped them win some basic entitlements from the bank following a month long-strike.\textsuperscript{14}

\textbf{Challenges to the Union Movement}

It is clear that there are a number of key challenges being presented to the Trade Union Movement by contemporary developments in an internationalising financial marketplace. As financial institutions internationalise, branches can be established which are outside the domestic union’s sphere of influence. The challenge to finance sector unions is to match this development through stronger international co-operation and co-ordination while not losing touch with the ‘rank and file’ traditional members.

The approaching economic ascendancy of the Asian Pacific region combined with the lack of a strong union tradition in this region means that developing unions in this area will require resource and education assistance from the union movement in more developed nations. The unsatisfactory conclusion to the Seoul Westpac employees’ strike action is perhaps an indicator

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\textsuperscript{12} Rogers, I., 'NAB Limits Expansion to NZ, Britain, Argus', \textit{Australian Financial Review}, 16/11/90.

\textsuperscript{13} Beyer, M., 'Westpac, NAB Withdraw to More Familiar Territory', \textit{Australian Financial Review}, 7/1/91.

\textsuperscript{14} ABEU, 'You and the ABEU in the 1990s', \textit{ABEU Newsletter}, December, 1989, p. 20.
of the strategies that will be adopted by international banks in their dealings with unions. That is, the closure of the offending branch and the relocation of that branches' previous business to other non-unionised branches.

Developments such as this underline the importance of establishing a strong union base in third world countries due to the possibility of global finance corporations shifting their operations to low wage level, poorly unionised countries to reduce operating costs and thereby dissipate the influence of unions.
SECTION 2  DOMESTIC ECONOMIC ISSUES

Australia is currently experiencing a number of economic problems including a severe recession, falling demand and prices for commodities, rural drought, high levels of foreign debt, negative balance of trade, a financial sector burdened with large bad and doubtful debts, 10 per cent unemployment level, and an uncompetitive, by global standards, microeconomic infrastructure.

Australia's economic development has largely been based on primary industries. While this strategy functioned well enough in a relatively technologically unsophisticated world, it has proved inadequate in a post 1980s competitive environment in which the major trade growth is in technology-based goods and services. Put simply, Australia is still producing bales of wool while our trading partners are producing computers. The reasons for the decline of commodity-based economies include the gradual and ongoing reduction in the quantities of raw materials required to produce high value-added products, and the continued reduction in the market price of minerals and primary produce on which Australia depends for the majority of its export earnings. Predictably, this has led to a consistent negative balance of trade, snowballing into increased levels of foreign debt.

The problem for Australia has been usefully summarised - although internationalisation of consumption is well advanced, this has not been matched in industrial production and export activities.\footnote{Scott-Kemmis, D., Darling, T., Johnston, R., Collyer, F., and Cliff, C., Strategic Alliances in the Internationalisation of Australian Industry, AGPS, Canberra, 1990, p. 2.}

The Australian populace, long used to first world living standards, is now faced with adjusting to a significant reduction in working and living conditions. In recent years Australia has been living beyond its means. Until the negative balance of trade problem is reversed, either through a competitive and expanded value-added export sector, or by a significant reduction in imports, the standard of living is likely to continue to deteriorate.

In response the Australian federal government and Australia's peak trade union body, the Australian Council of Trade Unions (ACTU), have collaborated in the initiation of significant micro-economic reforms in the workplace designed to address fundamental weaknesses in the economy. These broad-ranging reforms cover areas such as workforce education and training, increased workplace productivity, and industry restructuring. However the consensus appears to be that progress in achieving these reforms is not matching the scale of the problem.

2.1 FOREIGN DEBT CRISIS

The level of Australia's foreign debt has been a source of major concern to many sections of both the public and private sectors. Although Australia has traditionally been a capital
importing country, some statistical measures reveal current levels of indebtedness have increased greatly, to a level not experienced since the Depression years.

Figure 2.1 Level of Foreign Debt ($A billion)

![Chart showing level of foreign debt from 1969 to 1989.](chart)


The gross foreign debt as at 30 June 1989 was about $137 billion. Deducting Australian reserve assets and lending abroad of $29 billion, there was a net foreign debt of about $108 billion. After being fairly low and stable through the 1970s, foreign debt has increased rapidly since 1981. By 30 June 1989, the absolute gross foreign debt was more than twelve times as large as it had been eight years earlier.

Figure 2.2 Level of Foreign Debt (as a percentage of GDP)

![Chart showing level of foreign debt as a percentage of GDP from 1969 to 1989.](chart)

As a percentage of GDP; at 30 June except end of quarter from June 1986

Australia's gross foreign debt/Gross Domestic Product ratio had been less than 15 per cent since the 1950s, but rose rapidly and fairly consistently in the 1980s peaking at 41.3 per cent of GDP in 1986. Since then, foreign borrowing has continued, but has been offset by rises in the Australian dollar, inflation and economic growth, levelling off at around 40 per cent. This is not an all-time high; in 1932 foreign debt reached a high of 110 per cent of GDP.

While Australia's Net Foreign Debt/GDP ratio is lower than for Ireland, New Zealand, Iceland and Denmark, it is higher than other OECD countries for which data are available. Furthermore Australia's position is deteriorating faster than for other OECD countries. In foreign debt per capita terms, Australia is the seventh most heavily indebted nation in the world. Only three major industrial countries have a higher absolute gross foreign debt level - the US, Canada and France.

More worrying, Australia's ratio of loan principal and interest payments to exports is higher than those of most Latin American countries. In fact, outside Latin America, only New Zealand, Poland and Hungary have a higher ratio.

It must be noted that official (i.e. government) debt is responsible for only about one-eighth of Australian debt servicing requirements. Most debt is incurred by the private sector and government trading enterprises. This is reflected in a decline in interest cover, from a gross earnings to interest payments ratio of between 7-10 in the 1970s dropping to 3 in the 1980s. Net corporate debt is estimated to be in excess of 26 per cent of GDP in 1988 compared with an average of 19.4 per cent for the period 1965-85. This rise in total corporate debt is an increase in the debt/equity ratio of corporate trading enterprises from 0.5 to 1.0 through the 1980s.

While corporate debt is not high by international standards, and has not increased as a proportion of total assets, it is evident that the level of corporate debt contributed significantly to the large external deficits of the late 1980s. Whether this is a short term phenomenon which will be corrected by market forces, or a step function marking the decline of the national economy is a matter of dispute between orthodox economists, on the one hand, and most other commentators.

There are essentially two opposed sets of views about the growth of foreign debt: the first regards it with equanimity as the operation of international financial markets; the second reacts with concern to the potential loss of national sovereignty.

Foreign debt, according to the former group, is a reflection of the willingness of foreign sources to lend capital for investment in Australian projects, resulting from the wish of the

business sector to invest more than domestic savings. In a deregulated financial market, it is market forces that will determine the optimum level of lending and borrowing. Moreover there are advantages to both, with dividends flowing to foreign-lenders, but wages, rents and residual profits flowing to domestic owners.\textsuperscript{17}

The alternative view sees foreign debt leading to loss of national ownership of vital assets and to the creation of a lead for future generations to service the interest burden.

\textbf{Figure 2.3 Interest Paid Overseas ($A billion)}


Total net interest paid overseas was just over $9 billion in 1989. The interest burden adds directly to the current account deficit. The $9.4 billion in net interest paid can be compared with a total deficit of about $17.4 billion for 1988-89. Over the previous eight years, the increase in net interest contributed most of the increase in the current account deficit - net interest has increased by about $48.4 billion, while the current account deficit increased by about $12 billion.

\textsuperscript{17} Pitchford, J., \textit{Australia's Foreign Debt: Myths and Realities}, Allen and Unwin, Sydney, 1990, p. 4.
The burden of gross interest paid overseas was around half of one per cent of GDP throughout the 1960s and most of the 1970s. During the first half of the 1980s, it rose to around three per cent, where it has stabilised. That is, about three per cent of the value of goods and services produced within Australia is required to pay the interest to overseas bankers.

Australia's foreign debt problem is well illustrated by the fact that at the beginning of the 1980s, 8.5 per cent of Australia's export income was needed to pay interest on the debt and meet the contractual repayments; in 1983 this ratio was 18.1 per cent and in 1988 it was 63.2 per cent. In that year, out of an export income of $48.8 billion, $9.3 billion was needed to pay interest on the debt, and $21.5 billion to repay the principal. In the five years to 1990, the cost of servicing our foreign debt had risen from $3.8 billion to $10 billion each year (from 13.5 per cent to 20 per cent of export income).

Australia's contemporary terms of trade often record a deficit, although in March 1991, a moderate surplus was recorded. However it is the cost of servicing the debt which remains the truly impressive figure. Our economic sovereignty has been compromised. High interest rates in Australia have seen prize corporate assets fall into foreign hands at bargain prices, yet we are so indebted we cannot afford to pick and choose our foreign investors.
Until we have lifted the great weight of foreign debt, our economic choices are limited. We cannot spend our way out of this recession; the only way out is the harder, but longer lasting, one of accepting that we have to produce more than we spend and do so more efficiently.

**Figure 2.5 Historical Perspective of Debt as Percentage of GDP**

![Graph showing historical perspective of debt as percentage of GDP.](image)

Note: 'Other Foreign Debt' only available from 1969.


### 2.2 FOREIGN INVESTMENT/OWNERSHIP

In many ways, Australia has led the world in globalisation. The modern (post 1945) growth of the Australian economy has depended heavily on foreign investment. This accelerated in the 1970s and 1980s such that the majority of significant productive sectors in the Australian economy are dominated by foreign-owned firms. The outstanding exceptions would be the basic metals (particularly steel), the finance and the insurance sectors. For example, the sight of Australians leaping in the air to advertise foreign motor vehicles is too common a sight to arouse public comment.

All the disadvantages of being a small economy at the edge of the world, within a lingering Anglo-Saxon hubris, perhaps made it inevitable that participation by Australia in the benefits of the growing world economy increasingly dominated by North Asia and the emergence of a European-wide single market would be made at a cost.
At the end of 1990, the stock of foreign investment in Australia was valued at $265.4 billion. Australian investment abroad amounted to $91.7 billion, producing net foreign liabilities of $173.7 billion. In relation to Australia's national income, these liabilities more than doubled over the past decade, from 22 per cent of annual gross domestic product in 1980 to 46 per cent in 1990.\textsuperscript{18}

In the 1980s, debt took over as the biggest source of foreign investment, as Australian companies - particularly the corporate entrepreneurs - borrowed heavily offshore to finance their takeovers of both local and foreign companies. Although it is yet to show up in the stock of foreign liabilities, the early 1990s is seeing a return to equity as the most important source of new foreign investment. Instead of borrowing from abroad, Australian companies are selling their assets to foreigners in order to pay off their debts.

2.3 IMPLICATIONS FOR THE BANKING INDUSTRY

The banking industry stands out in Australia by its low level of foreign investment, though the same cannot be said of foreign debt. The Australian banks, provided they can overcome the high costs of the first heady phase of deregulation, may be poised, in one form or another, to become effective international players (see Section 1).

The implications for the finance sector union are considerable. Almost alone among Australian unions, they may be faced with formulating strategies to cope with the effects of outward internationalisation, when the majority of other major industries face the reverse process. In facing this challenge, it may be particularly important for the FSU to look to strong alliances with other overseas national banking unions, and to learn from their experience, rather than relying on inappropriate Australian experience of other unions in other sectors such as manufacturing.

SECTION 3  GLOBAL EVENTS, LOCAL IMPLICATIONS

3.1 GLOBALISATION: ECONOMIC AND ENVIRONMENTAL

If a single word can grasp one of the major contemporary issues of concern to the union movement, it would have to be 'globalisation'. Globalisation not only in the economic and telecommunication sense, but also in the environmental sense. The effects of economic and environmental events do not recognise national boundaries, they are global in nature.

Although conventional economic models treat economic and environmental issues separately, the issues are not mutually exclusive, both issues are in fact inextricably linked. The advent of the current environmental crisis can be traced in part to an economic model which did not include long-term environmental damage within its equations. The environment has been considered as a given right and sacrificed for the sake of short-term profit - a free good.

We are increasingly seeing the outcomes of this short-term economic approach in the increasing costs of pollution, deforestation, land degradation, ozone depletion and increased greenhouse gas levels. The failure of conventional economic models to address these issues has highlighted the need for an economic model which includes long-term environmental and economic sustainability in its considerations.

It is not sufficient to add environmental footnotes to economic and industrial development. It is necessary for environmental principles to be integrated into economic and industrial policy so that economic and environmental well-being are in accord and part of the same strategy. Environmental quality must now be priced into the economic modes rather than treated as an externality.

The interdependent problems of economics and the environment require global responses from a global labour movement. The protection of the environment presents a legitimate and major concern for Trade Unions as representatives of working people and their families. The catch phrase 'think globally, act locally' is extremely appropriate for the tasks that now lie ahead for the trade union movement.

The service sector is a major user of some resources, paper being one and energy another. Affiliate unions with FIET can influence the move towards environmentally sound production in negotiations with employers by taking up such matters as paper and energy usage, and the whole challenge of waste management.

An example of a service sector union's environmental initiatives is provided by the ABEU who, in conjunction with the Environment Protection Agency (EPA), compiled a list of recommendations for conservation in the workplace. The list was distributed to all industry
employers by correspondence, and to employees through the ABEU newsletter. The recommendations were as follows:

- use recycled/unbleached paper wherever possible;
- recycle waste paper;
- maximise paper use e.g. condense printing, use both sides where possible, use scrap as notepaper;
- recycle glass/plastic/aluminium cans;
- use cleaning products which are biodegradable and do not contain CFCs;
- replace plastic/foam cups and wooden stirrers with mugs and teaspoons;
- replace paper towels with cloth or air hand dryers;
- use unbleached toilet paper;
- conserve electricity use wherever possible;
- restrict or eliminate smoking;
- maintain refrigeration systems and ensure no CFC release;
- replace fire extinguishers which use halogens;
- avoid purchasing equipment which use CFCs, e.g. printers and photocopiers.\(^{18}\)

Consider the enormous quantities of paper consumed in bank and union offices. If the use of unbleached, recycled paper was adopted in these organisations alone, the potential ramifications are quite significant. The increasing demand for this product would encourage paper manufacturers to switch their production lines, or construct new facilities capable of meeting the demand for these products. Strategies such as this would co-opt the free market philosophy of demand and supply for the benefit of the environment.

Despite employment concerns in some industry sectors (e.g. logging), it is increasingly apparent that the labour movement shares a common interest with other groups in their concern for the environment. The forming of strategic alliances with environmental and citizens' groups would enhance the information base and bargaining position of these groups in environmental negotiations.

Another area worthy of union support is that of ethical investment. That is, investment that is not driven solely by a short term profit motive but which also takes into consideration the long-term environmental effects of its investments.

An example of an initiative in this area is the recent launching of a 'green' investment fund by the Australian Conservation Foundation (ACF) and the Over 50s Friendly Society. The fund's aim is to make investments that are both financially sound and environmentally responsible.

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\(^{18}\) ABEU, You and the ABEU in the 1990s, ABEU Federal Executive, 1989, p. 2.
The Fund's rules are that money cannot be invested unless the ACF approves the environmental aspects of the proposal and the Over 50s Friendly Society approves its financial soundness.

Types of investment that would be considered include government conservation programs, first mortgages on energy-efficient housing, recycling plants and hardwood timber plantations. The ACF chose the Over 50s Society to manage the fund because they are a cautious investment organisation, are non-profit and are member-owned.19

The effect of ethical investment on the global personal investment market is significant. In the US, ethical investment is currently worth $US60-200 billion. In Australia, the potential value of ethical investment, currently $200 million, is put at $2 billion to $3 billion.20

This paper cannot hope to address all the issues of environmental concern. However, from this brief examination it is clear that the union movement is charged with a responsibility to represent the interests of working people in environmental matters. Unions have the potential to significantly influence environmental issues through their negotiations for environmentally sound economies, strategic alliances with environmental and citizens' groups, and their support of environmentally sound resource usage and ethical investment.

3.2 THE ADVENT OF THE SINGLE EC FINANCIAL MARKET IN 1992

On January 1, 1993, the 12 member nations of the European Community will create what is often called the United States of Europe. This internal market will be the largest integrated economic area in the world, with more than 340 million consumers and a gross domestic product of $US5 trillion.

In addition, negotiations are currently taking place between the European Free Trade Association (EFTA) countries and the EC concerning the creation of a 'European Economic Space (EES)'. The EFTA consists of six countries, Austria, Finland, Iceland, Norway, Sweden and Switzerland. The addition of the EFTA's population of 35 million to the EC's would create a market of 375 million people.

Turkey, Cyprus and Malta have also applied for EC membership and the EC is currently examining proposals to incorporate the Soviet Union and Eastern Europe into one giant common market. The proposed pan-Eurasian common market would cover 25 countries and 800 million people.

The potential for the continued growth and expansion of the EC is enormous, however even if the discussion is confined to the current 12 member EC, it is clear that many competitive forces

are about to be unleashed. Mergers and acquisitions have been rampant in Europe as companies have attempted to gain pan-European market share.

After 1992 the EC will have, along with a single internal market for goods, a single financial market. Banks and financial services providers registered in one member state will be able to operate freely throughout the community.

Several European banks and financial services providers have responded with cross-border mergers, alliances and expansions, in anticipation of the increased competition. Deregulation of the barriers which formerly separated banking and insurance activities has resulted in mergers, amalgamations and cross-shareholdings between banks and insurance companies within the borders of the EC. For example:

- Deutsche Bank has purchased banks in Italy, Spain, Austria and Britain;
- France’s State-owned Credit Lyonnaise has purchased banks in Belgium, the Netherlands and Italy. Credit Lyonnaise, France’s third-largest banking group, and Commerzbank, Germany’s third largest bank, were negotiating for a possible partnership at the time of writing;
- Spain’s Banco Bilbao and Banco Vizcaya merged in 1988 to form Banco Bilbao Vizcaya, Spain’s largest bank, and now ranks among the top 100 banks in the world in terms of assets and among the top 50 in Europe;
- Germany’s Dresdner Bank is reportedly considering pursuing a cross-shareholding arrangement with Banque Nationale de Paris (BNP). Both Dresdner and BNP are the second-biggest banks in their respective countries. Dresdner Bank also holds a 10 per cent stake in the German-based Allianz insurance group, Europe’s largest insurer;
- In the Netherlands, there have been a number of mergers between banks, and also between banks and insurance companies.

While the advent of the EC is presenting expansion opportunities for some, many European banks, such as Britain’s Midland, do not have the cash to make big acquisitions due to Third World debt provisions.

This trend of mergers between banks and insurance companies is of particular interest to Australian observers due to the fact that the Australian government recently blocked a proposed merger between the Australian insurance group National Mutual and the Australian and New Zealand (ANZ) bank claiming that it would reduce domestic competition. However, a more recent move by Westpac Bank and AMP Insurance to form a strategic alliance through cross-shareholdings has been approved (see Section 8).

The period of mergers and acquisitions in the EC will inevitably be followed by a process of consolidation and rationalisation. This, in combination with increased competition, is expected
to dramatically reduce the number of players in the EC's financial services arena. An excellent indicator of this is the estimate by PA Consulting that more than half of the 10,000 financial services companies currently operating in Europe are not expected to survive the next five years as independent entities.\textsuperscript{21}

In theory, growth by merger or acquisition offers the chance to achieve economies of scale and therefore increase competitiveness. However, in practice there are a number of complicating factors.

For example, although official barriers to entry will be removed between members of the EC, a number of informal barriers will remain to shape the form competition takes. The main informal barrier is that each EC country is dominated by an oligopoly of big banks: four in Britain, three in France, three in Germany and so on. The barriers to entry to national markets provided by each oligopoly's size and resources will be formidable.

Another complication is the diversity of languages and cultures of European consumers which means that only some bank products are suitable for cross-border sales.

Competition induced cost-cutting and rationalisation could result in large retrenchments of employees in the EC financial services sector. Figures assembled by the UK Banking, Insurance and Finance Union (BIFU) estimate that as many as 30,000 jobs could be lost in the next two years in UK banks due to cost reduction programs.\textsuperscript{22}

It is clear that competition will dramatically increase in the EC post 1992. However, this competition will not be confined to the EC alone. There will also be a 'ripple effect' spreading out to non EC countries. The EC is not only a powerful trade grouping, but also a potent international political lobbying force.

A particularly relevant example of this is to be found in the financial services sector. The EC is negotiating for the removal of banking restrictions in non EC countries which impede free entry to EC banks. The EC has identified 26 non EC countries which impose restrictions on foreign banks.

The most detailed complaints are levelled against Japan. The US is also singled out for restricting both the type and location of foreign banking operations. Canada and Australia are cited for imposing tight restrictions on the volume of foreign banking activity, as are Norway and Sweden.

\textsuperscript{21} Lawson, M., 'Big Shake-out in Insurance on the Cards', \textit{Australian Financial Review}, 2/5/91.

\textsuperscript{22} The Times, 'Large UK Banks May Sack 30,000', \textit{The Australian}, 23/1/91, p. 31.
A number of countries either limit foreign bank activity or issue no foreign bank licences at all. These include China, Singapore, South Korea, Taiwan, India, Indonesia, Malaysia, Pakistan, Thailand, Argentina, Brazil and Mexico.\(^{23}\)

If negotiations for reciprocal entry are not successful, it will be within the Commission's power to refuse foreign banks access to European markets from countries which discriminate against European banks once the new EC banking regulations come into force.

Apart from banking licences previously granted to foreign banks, Australia prohibits foreign banks setting up subsidiaries or establishing foreign branches. Taking into consideration the increasing pressure for the Australian financial sector to be opened wider to allow the entry of EC banks and more generally other foreign banks, it is likely that, in the longer term, restrictions will be lifted to allow more foreign banks to operate in Australia.

In addition, the implementation of common Bank for International Settlements (BIS) capital adequacy requirements by all major central banks by 1993, will diminish the need for banks to operate as subsidiaries subject to Australian Reserve Bank prudential supervision. Foreign banks could then open a branch instead of operating a subsidiary as they must do now.

It seems reasonable to conclude that there will be more and more takeovers of existing banks around the world in the next few years as part of the rationalisation process in the new era of global banking. Therefore competition and rationalisation will also increase in non EC nations which allow reciprocal EC bank entry.

Regrettably, the process of global rationalisation in the banking and financial services sector will inevitably result in employee retrenchments as duplicate services and distribution points are also rationalised. As a consequence, union membership levels may be decreased. However, the task remains for banking unions to internationalise to keep pace with the ongoing global banking rationalisation and to ensure new banks gaining entry to formerly closed national markets respect the rights of their employees for union representation.

### 3.3 Costs and Implications of International Restructuring

The sudden collapse of Communism in Eastern Europe stands in stark contrast to the ordered and measured pace of the advent of the EC. The reconstruction of the Eastern European economies will require enormous capital investment. The president of the European Bank for Reconstruction and Development (EBRD), Mr Jacques Attali, forecast that it could require as much as $US3 trillion in investment over the next 20 years.\(^{24}\)

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The reconstruction of Kuwait and the demands of the US economy for capital to support its large budget deficits and problematic banking system will add to the demand for capital. These huge capital requirements will create a drain on available investment capital. Heightening the problem is the fact that the two countries that had been major sources of international investment funds are now investing more at home.

Germany, which had been a huge exporter of capital to other nations is now channelling its investment funds into unification. Japan, the other major capital exporter, is sending less money abroad as its economy slows, stock and real estate prices plunge, and its banks attempt to meet BIS Capital Adequacy Ratios.

According to the International Monetary Fund’s chief economist, Mr Jacob Frenkel, the growing demand and need for capital has created a world-wide capital shortage. Increased competition for scarcer capital will increase its cost due to the higher levels of interest rates which will be required to attract capital investment.

The international shortage of capital reflects the gap between savings and the demand for funds. This is particularly the case for nations which have had an overdependence on external borrowings instead of domestic savings. These nations will need to increase their levels of domestic savings. Indeed, with Germany and Japan likely to have less funds to export, this is an important time for debtor countries like Australia to become self-sufficient in its savings.

Australian domestic savings will be boosted by the advent of employer-provided superannuation, (part of a wages package negotiated by the ACTU) particularly if it rises from three per cent of award wages to six per cent as suggested. It has been estimated that each one per cent of award wages is equivalent to about $A1.8 billion a year.

The capital accumulated by these superannuation funds should be invested in Australian infrastructure development in recognition of the funds’ broader social responsibilities. However many superannuation funds are only interested in returns to policy holders and therefore prefer short-term investments in largely non-productive enterprises instead of investments in productive, employment-generating infrastructure.

It is clearly in the best interest of all Australian employees and their dependents for capital accumulated through their contribution to employment-based superannuation to be invested in domestic, employment-creating infrastructure to thereby reduce the requirement for overseas sourced funds.

3.4 1997 Handover of Hong Kong to China

In 1997 the British colony of Hong Kong will revert to the sovereignty of China. World capital markets are currently questioning whether Hong Kong will remain a major financial centre after 1997.

The three largest financial centres in the world are London, New York and Tokyo, however there are business opportunities for smaller markets. Hong Kong is in Tokyo's time zone, as are Singapore and Sydney. The smaller financial markets in Hong Kong's time zone are examining the potential business that may be diverted to their markets if the international flows of capital are displaced from Hong Kong.

Singapore is in a strong position to attract business formerly located in Hong Kong due to its low company taxation rate of 10 per cent for non-resident foreign exchange transactions and its banking regulations which permit foreign banks to set up as full branches of their parent. Australia, in comparison, has a company tax rate of 39 per cent for non-resident foreign exchange transactions and regulations which permit the establishment of subsidiaries but not branches. Compared to Singapore in these respects, Australia appears uncompetitive.

The Australian Merchant Bankers' Association has argued in a submission to Treasury that branch status would enhance not just the ability of merchant banks in Australia to participate in foreign exchange dealing, but would also inject much needed liquidity and hence greater competition into the local market. Therefore, they argue, parent banks would no longer find cost disadvantages in dealing through their Australian branch, and hence business which now goes to South-East Asian centres could be directed into Australia.

They argue that although Sydney has the telecommunications infrastructure, availability of skilled professionals and geographic location within the Asia-Pacific region needed for an international market, the company tax rate is preventing Australia becoming an international financial centre. They recommend that offshore transactions could be quarantined and a competitive tax rate imposed.\textsuperscript{26}

Proponents of Sydney becoming an offshore banking centre claim there would be benefits such as 'increased employment opportunities, increased capital flows and therefore increased availability of investment capital for infrastructure development, and also increased tax revenues due to the increased volume'.\textsuperscript{27}

\textsuperscript{26} Lloyd, S., 'Branching Out in Banking', \textit{Australian Financial Review}, 19/7/90.
That foreign exchange markets deal in large volumes is indisputable. For instance, in 1988 while the total volume of tradeable goods among OECD countries was valued at $600 billion annually, the daily volume in foreign exchange trading amounted to $600 billion.\textsuperscript{28}

However, one could question the validity of the assertion that capital movement through foreign exchange markets could provide infrastructure capital. Foreign exchange markets simply shift foreign exchange around the world at the request of customer corporations for speculative purposes. One study concluded that:

much of the dealing on foreign exchange markets serves no useful economic purpose; indeed it destabilises the international financial system. [In addition, the profits of foreign exchange dealing can] be routinely directed to the most advantageous tax locations.\textsuperscript{29}

It would appear that the main beneficiaries of offshore banking units are corporate treasury departments and foreign exchange dealers who earn their profits from trading. The desire by governments to attract offshore banking transactions to their markets has the effect of initiating competition between governments to provide the lowest corporate tax rate.

The potential of increased employment in the offshore banking units for the nations which encourage this activity has to be measured against the extremely poor record of merchant banks in regard to unionism. The 8,000 employees of the 140 merchant banks in Australia have no union representation due to the merchant banks' contradictory argument that 'they are not in the banking industry nor are they in connection with the banking industry'.\textsuperscript{30}

If any further banks are to be given access to Australia, their entry must be accompanied by an undertaking to recognise the role of the FSU in the banking industry and the rights of bank employees to be protected by a federal banking award.


\textsuperscript{29} Reinecke, I., \textit{The Money Masters}, William Heinemann Australia, 1988, p. 96.

\textsuperscript{30} ABEU, \textit{Industrial and Race Relations}, ABEU Newsletter, 1988, p. 18.
SECTION 4  LABOUR FORCE TRENDS

The most significant labour force trends in the Australian finance sector have been the collapse of the traditional career structures based on junior recruitment and promotion through seniority, and a corresponding increase in part-time work. This is paralleled by an increasing percentage of the workforce who are female.

There are now multiple entry points into a banking career, with senior management jobs requiring high levels of formal education and experience in areas other than retail banking. Thus there is now a greater emphasis on senior and technical recruitment from the external labour market. Because the increased female component of the Finance sector workforce is largely concentrated in low-skilled and part-time work, there has been a distinct segmentation of the workforce on gender lines. The workforce is now largely divided between high-level career categories increasingly requiring professional qualifications dominated by males, and a female workforce trapped in relatively low-level unskilled jobs with little career development possibilities.31

Table 4.1  The Finance and Insurance Industries: Occupation by Industry by Sex

<table>
<thead>
<tr>
<th></th>
<th>Professional and Technical</th>
<th>Administrative Executive</th>
<th>Clerical</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
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<tr>
<td><strong>1976 Finance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>3036</td>
<td>83</td>
<td>13819</td>
<td>91</td>
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<tr>
<td>Females</td>
<td>611</td>
<td>17</td>
<td>1431</td>
<td>9</td>
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<tr>
<td><strong>Total</strong></td>
<td>1647</td>
<td>100</td>
<td>15250</td>
<td>100</td>
</tr>
<tr>
<td><strong>1976 Insurance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>1436</td>
<td>87</td>
<td>5824</td>
<td>95</td>
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<tr>
<td>Females</td>
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<td>13</td>
<td>336</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>2000</td>
<td>100</td>
<td>6160</td>
<td>100</td>
</tr>
<tr>
<td><strong>1981 Finance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>5184</td>
<td>77</td>
<td>17548</td>
<td>88</td>
</tr>
<tr>
<td>Females</td>
<td>1573</td>
<td>23</td>
<td>2410</td>
<td>12</td>
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<tr>
<td><strong>Total</strong></td>
<td>6757</td>
<td>100</td>
<td>19959</td>
<td>100</td>
</tr>
<tr>
<td><strong>1981 Insurance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>2453</td>
<td>80</td>
<td>6153</td>
<td>93</td>
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<tr>
<td>Females</td>
<td>602</td>
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<tr>
<td><strong>Total</strong></td>
<td>3057</td>
<td>100</td>
<td>6627</td>
<td>100</td>
</tr>
<tr>
<td><strong>1986 Finance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>9313</td>
<td>67</td>
<td>10854</td>
<td>88</td>
</tr>
<tr>
<td>Females</td>
<td>4543</td>
<td>33</td>
<td>1441</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13856</td>
<td>100</td>
<td>12295</td>
<td>100</td>
</tr>
<tr>
<td><strong>1986 Insurance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>3617</td>
<td>70</td>
<td>3633</td>
<td>90</td>
</tr>
<tr>
<td>Females</td>
<td>1565</td>
<td>30</td>
<td>390</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5182</td>
<td>100</td>
<td>4023</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: The occupational categories used in the 1986 Census are somewhat different from those used in 1976 and 1981.

Similar trends to banking are evident in the insurance sector. Between 1976 and 1981 general insurance employment declined by 8.4 per cent, while life insurance employment declined by 13 per cent. Traditionally the insurance industry has provided social and career mobility for young males. Although women have always been employed in the clerical area they have not normally formed part of the career structure which allowed men with few, if any, professional qualifications to work their way up to management positions.

While there has been a distinct feminisation of the insurance sector over the last two decades, this has also been associated with the collapse of the traditional career structure. Thus the increased involvement of women in the insurance sector may not lead to career opportunities for women, but as in the banking sector, be largely associated with the use of permanent part-time workers as a contingent labour force.

More recently, following the impact of the recession and the increase in bad and doubtful debts, for the first time we are seeing contraction in employment opportunities in banking through retrenchments. The ABEU first raised fears about loss of employment in discussions about the impact of major technological change during the 1984 Senate Inquiry. However technological job loss was offset by expansion of services and the scramble for competitive positioning in the face of financial deregulation. This job loss is now being experienced as banks react to a difficult environment. The extent of this can be seen in speculation about the ability of one of the top-rung banks to maintain its capital adequacy ratio, exposing it to takeover risks. The biggest single cost to banks is personnel, hence pressure on cost cutting will fall on employment. Continued pressure for increased productivity and rationalisation of the workforce through mergers and acquisitions between banking and insurance is likely to reinforce this trend.

These labour force trends will create the following challenges for unions in the 1990s:

- developing labour strategies to respond to the core-periphery structure of modern international capitalism. Economic relationships that once characterised the exploitative relationships between first and third world countries, now apply to different segments of labour within the nation state of first world countries as well as in third world countries. There is now an international division of labour between core and contingent workers that transcends nation states. The sex-based segmentation of the Australian labour market tends to concentrate women workers in the periphery and male full time workers in the core;

- integrating the predominantly female part-time labour force, presently concentrated in low grade clerical functions (the contingent labour force) into career path planning, based on the development of broad based skills and promotional opportunities;

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resourcing employees to use the climate of industrial democracy and devolution of
decision-making to shape job design and work organisation that fully exploits new
technologies to match the needs of employees with the competitive strategies of the firm;
developing policies to support the ethical concerns of workers in the Finance sector in
terms of the relationship between the banks and other sectors of the economy, within the
emerging global philosophy of sustainable development.

4.1 Changing Career Structures

Career structures have undergone radical change in the Finance sector, as the rapid adoption of
information technologies has transformed almost all aspects of work organisation. Banks were
quick to use mainframe computer technology to strive for greater efficiencies and reduced
labour costs during the 1970s. High inflation rates led to increased competition between banks
and other financial institutions for depositor’s savings, and for provision of loan services.

The traditional career structure of banks was based on a hierarchical system of internal
promotion based on seniority, a strong auditing culture and a relatively high labour cost retail
branch structure. With the increasing pressure for productivity gains and the introduction of
mainframe computers, the industrial discipline of Taylorist production design principles was
used to rationalise banking functions. Management strove for efficiencies through the creation
of large EDP ‘factories’ and, through branch networking, the deskilling of many branch office
functions. This process impacted particularly on women employees in the banking sector who
became concentrated in the routinised, de-skilled jobs.

The reasons for this are both historical and structural:

• women have traditionally been regarded as a contingent labour force, recruited into junior
clerical positions and required to resign when they were married;
• as households became increasingly dependent on two incomes to finance home-
  ownership, women who had previously been forced to resign on marriage re-entered the
  workforce on a permanent part-time basis to provide a second income;
• the 1974 Bank Officials Award negotiations restricted women to part-time employment
  and the increasingly de-skilled telling function in order to preserve the traditional career
  structure of male employees;
• other than highly specific on-the-job training, training opportunities provided by the
  banks have been targeted on staff believed to have long term career commitment to the
  bank.

Despite the increasing level of education and experience among female employees, it was
women who were recruited into the part-time de-skilled jobs with no career path possibilities,
increasing the segmented nature of the workforce in the Finance sector.
During the 1980s, financial deregulation and a continued high level of technological innovation in response to perceived increased competitiveness, and the rapidly changing needs of corporate clients in a globalising economy, created further pressure for change in work organisation and skill formation in the financial sector.

However with the development of distributed processing technology and expert systems, there has been a distinct shift away from centralisation and de-skilling of front-line functions towards decentralisation of decision making and a recognition of a different skills base required in front-line staff. This parallels recognition of the need for a major cultural shift from auditing to selling and marketing.

Information technology now allows the large corporation to combine a rigorous system of oversight from Head Office with the devolution of business decisions to business units run as 'autonomous' profit centres. Recently in Australia this led to the devolution of decisions about lending to branch offices, and loans managers were involved in a vigorous promotion of loans to the public. Following the spate of corporate collapses, the major reduction in farm incomes with the collapse of the wool and wheat industries, and continuing business failures resulting from the current recession, banks have been faced with a significant problem of bad and doubtful debts. The response to this has been to pursue a much more rigorous policy of centralised decision making, with decisions for lending returned to head office.

Recent restructuring of retail banking with area or zone banking is an attempt to develop structures which provide the right mixture of devolution and control, of specialisation and customer focus. One example of this has been the new zone structure of the ANZ Bank's retail section. Zones, based on customer trading areas, include a large number of Sales and Service Branches and a smaller number of Lending Centres, supported by a Customer and Branch Support Centre and a Lending Support Centre. This structure also reflects the bank's attempt to move from an auditing driven culture to a market driven culture and is supported by an extensive training and development program.

All centres are based on a team approach to work organisation and supervision, with managers and supervisors being part of the team and performing multiple functions. The creation of a Customer Servicing function is an attempt to create career paths for front office staff. The concentration of back office functions into more specialist centres will provide a higher level of specialisation in a decentralised manner.

Bertrand and Noyelle's study on human resources and corporate strategy for twelve OECD financial institutions suggests the trend to devolution is particularly evident in Scandinavia and the US.33 In a US multinational bank, for instance, there was extensive practice of autonomy at a divisional and subsidiary level. Managers ran their division/subsidiary as 'independent' businesses, with each unit undertaking its own strategic planning and budgeting.

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Although this trend was reportedly not as well developed in Japanese and French organisations, it parallels similar trends in large corporations in other industry sectors in Australia and elsewhere. Factors driving this process of devolution include the need for corporations to achieve much higher levels of flexibility in their organisations, and to be much closer to their customers and suppliers in developing quality products and services for a rapidly changing market, and meet a much greater degree of world competition for business.

Japanese management systems have created a new international awareness of the importance of corporate culture and the factors that sustain employee commitment to organisational goals in the face of constant change in both the technological and market environment. The abstract rationalism of functional specialisation and notions of efficiency and productivity that were the hallmark of Taylorist work design has given way to new forms of work organisation and management behaviour to support increased flexibility and continuous innovation in all aspects of the organisation.

As Mr Konosuk Matsushita of Matsushita Electrical Industries commented:

> the core of management is precisely the art of mobilising and pulling together the intellectual resources for all employees in the service of the firm.\(^{34}\)

whereas under the Taylorist tradition of Australian organisations, the essence of management has been getting ideas out of the heads of bosses and technocrats into the minds of labour.

An understanding of changing career structures in the finance industry must involve an appreciation of this larger debate about work organisation and skill formation, which is now the subject of intense scrutiny across the industrialised world. While a contingent labour force of part-time workers performing routine functions initially enabled the banks to increase their flexibility and productivity around peaks and troughs in customer servicing, this strategy does not allow for longer term flexibility. This must include employees' ability to use constantly changing technology to respond quickly to customer needs through their understanding of the wider system of which they are a part, and their commitment to the firm's strategic goals in a volatile marketplace.

In service industries, products involve a relationship between the firm and the client.\(^{35}\) Product knowledge therefore always includes behavioural knowledge that cannot be routinised into abstract standardised information. New technology allows sophisticated customer profiling, and the pressure for constant innovation is to use this information to respond creatively to market opportunities.

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\(^{35}\) *Ibid.*
As in new developments in user-interface systems for skilled automation in European manufacturing, particularly in Germany and Scandinavia, distributed data processing has helped blur the boundaries between corporate specialists and final users.

...the great variety of standard applications software now available to run on either PC or distributed data processing systems allows nearly anyone with limited computer experience to customise program applications around their local needs.  

One of the challenges for the union in response to these pressures on changing career structures is how to work within the framework of these new organisational possibilities, and with the imperative of maximum flexibility, to address the contingent status of the majority of female employees in the finance industry. This will be examined in detail in our following discussion of women in the banking and insurance industry, and the issue of part-time and casual work.

Another challenge for the union in the finance industry is its relationship to the new cadre of highly skilled professional staff who have been recruited from the external labour market to fill senior positions in new product and service areas. The declining status of some low-level branch management jobs has further restricted career possibilities for most employees, as has the recruitment of these more highly qualified specialists and professional managers from outside the industry.

The basic nature of international economic activity has been changed fundamentally by the advent of information technology and the globalisation of the economy. This flows from international activity on the short term money market, creating a 'casino' society - the roulette wheel replaced by the computer screens and exchange traders. Thus a very different culture of professional skills and attitudes has been developed at the senior level, whereby this class of money dealer has been able to command salaries significantly above comparable salaries for other professionals with similar qualifications. This new area of career opportunities has had little to do with traditional career structures.

Until recently the erosion of the traditional banking career structure has been hidden by the continued strong growth of employment and high turnover within the industry. For example from 1984 to 1987, the Australian Bureau of Statistics estimated that some 18,000 new jobs were created within banks in Australia. Two factors are important in reviewing this trend. Firstly job creation was concentrated in the part-time workforce (a contingent labour force), and secondly we are now seeing real contraction in employment in the banking sector. As one senior manager within the Retail Banking sector commented, 'there is now no job security in this industry, not even if you are a good performer'.

While the new professional workers in the Finance sector have been able to gain rapid promotion and high salaries - an environment not conducive to union membership, the recent

\[36\text{Ibid, p. 28.}\]
recessionary environment and reaction to unsustainable levels of bad and doubtful debts may create a more sober assessment of the advantages of a representative body for all classes of employees.

A consideration of new career paths in the banking sector thus involves consideration of several important trends in the Finance sector. These include the development of multiple entry points into a banking career, with a greater emphasis on senior and technical recruitment from the external labour market, requiring university qualifications and related experience. It also includes changing attitudes to the use of information technology for the decentralisation of decision making and re-skilling of front-line functions, and the challenge for a greater integration of part-time workers into a banking career structure.

Career paths are fundamentally linked to questions of skill formation and work organisation. Despite early gains in labour productivity through routinisation and expert systems to reduce labour costs, the increasing complexity of the financial sector suggests that the most effective use of this technology requires a workforce at ease with broad and complex environments and capable of working in teams or groups who use a systems wide understanding across different time and space horizons. It has been asserted that the growing complexity of the industry and demand for 'creative' rather than compliant management has led employers away from relying on experienced but unqualified 'home grown' managers to fill senior positions. Career pathing, under award restructuring, requires that employers also develop and promote these skills within their internal labour market.

4.2 WOMEN IN THE FINANCE SECTOR

Although equal opportunity policy and affirmative action legislation in the US have led to a significant movement of college educated women into managerial positions (10 per cent of Vice Presidents and Branch Managers were women in this 1988 study), this trend is not yet visible in Australia.

The employment statistics in Table 4.2, provided from three of the four major Australian banks, show the concentration of women employees among service and part-time staff. However it is important to note that women constitute above 40 per cent of graduate recruits in two of the banks, and nearly 60 per cent in Westpac-Victoria. Much of this recruitment is likely to be into corporate banking and human resource development.

In the retail sector, the long tradition of male managerial dominance in the career structure system is reflected in only 1 out of 1000 branch managers in the Commonwealth Bank being


women, compared to the newer banks such as Chase AMP in Australia with 1 in 5 being
women.

Table 4.2 Summary of Employment Statistics Supplied by the Banks

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>WESTPAC</td>
<td></td>
</tr>
<tr>
<td>Women as percentage</td>
<td></td>
</tr>
<tr>
<td>of management and</td>
<td>15.0</td>
</tr>
<tr>
<td>supervisory staff</td>
<td></td>
</tr>
<tr>
<td>salaried staff</td>
<td>9.0</td>
</tr>
<tr>
<td>services staff</td>
<td>22.3</td>
</tr>
<tr>
<td>Part-time staff as</td>
<td></td>
</tr>
<tr>
<td>percentage of staff</td>
<td>10.0</td>
</tr>
<tr>
<td>WESTPAC-VICTORIA</td>
<td></td>
</tr>
<tr>
<td>Women as percentage</td>
<td></td>
</tr>
<tr>
<td>of graduate recruits</td>
<td>57.0</td>
</tr>
<tr>
<td>school leaver recruits</td>
<td>65.0</td>
</tr>
<tr>
<td>resignations</td>
<td>61.0</td>
</tr>
<tr>
<td>full-time staff</td>
<td>47.0</td>
</tr>
<tr>
<td>part-time staff</td>
<td>94.0</td>
</tr>
<tr>
<td>Part-time staff as</td>
<td></td>
</tr>
<tr>
<td>percentage of staff</td>
<td>7.0</td>
</tr>
<tr>
<td>NATIONAL</td>
<td></td>
</tr>
<tr>
<td>Women as percentage</td>
<td></td>
</tr>
<tr>
<td>of staff</td>
<td>52.0</td>
</tr>
<tr>
<td>part-time</td>
<td>97.0</td>
</tr>
<tr>
<td>graduate recruits</td>
<td>42.0</td>
</tr>
<tr>
<td>school leaver recruits</td>
<td>72.0</td>
</tr>
<tr>
<td>staff terminations 1986</td>
<td>68.0</td>
</tr>
<tr>
<td>Part-time staff as</td>
<td></td>
</tr>
<tr>
<td>percentage of staff</td>
<td>11.5</td>
</tr>
<tr>
<td>COMMONWEALTH</td>
<td></td>
</tr>
<tr>
<td>Women as percentage</td>
<td></td>
</tr>
<tr>
<td>of staff</td>
<td>54.0</td>
</tr>
<tr>
<td>part-time staff</td>
<td>98.0</td>
</tr>
<tr>
<td>management and</td>
<td>1.0</td>
</tr>
<tr>
<td>executive staff</td>
<td></td>
</tr>
<tr>
<td>supervisory staff</td>
<td>25.0</td>
</tr>
<tr>
<td>full-time clerical</td>
<td>32.0</td>
</tr>
<tr>
<td>part-time clerical</td>
<td>98.0</td>
</tr>
<tr>
<td>keyboard staff</td>
<td>100.0</td>
</tr>
<tr>
<td>wages staff</td>
<td>41.0</td>
</tr>
<tr>
<td>graduate recruits</td>
<td>46.0</td>
</tr>
<tr>
<td>school leavers recruits</td>
<td>83.0</td>
</tr>
<tr>
<td>Part-time staff as</td>
<td></td>
</tr>
<tr>
<td>percentage of staff</td>
<td>13.0</td>
</tr>
</tbody>
</table>


Women are overwhelmingly concentrated in junior clerical positions in both the insurance and banking sectors. Whereas 60 per cent of total bank employees are women, of the 15 per cent of employees who are part-time (predominantly clerical) 91 per cent are women. The main areas of employment for women are as part-time tellers for peak periods, EDP workers and junior clerical functions.

Previously Table 4.1 showed that while only 9 per cent of administrative and executive positions were held by women in 1976, this had only risen to 12 per cent by 1986 in the Finance sector. The comparative figures for Insurance were 5 per cent and 10 per cent respectively. The situation with professional and technical employment has fared better with a rise in Finance from 17 per cent in 1976 to 33 per cent in 1986. Sales figures have shown a dramatic shift in Finance, from 14 per cent to 66 per cent, while clerical has always been dominated by female employees.