Futurebank: New Technologies and the Australian Banking Sector

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Abstract
The Australian Banking Sector underwent a period of massive and rapid change in the early 1990s. Factors such as deregulation, new technologies, bank mergers and Parliamentary Inquiries significantly reshaped the organisational and employment landscape. The Australian Bank Employees' Union commissioned this report to review the contemporary finance industry and identify trends contributing to shaping the finance sector in the future.

Keywords
New technologies, Banking Sector, Organisational change

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FUTUREBANK:
New Technologies and the Australian Banking Sector

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Report Commissioned by the Australian Bank Employee’s Union
Futurebank: a report commissioned by the Australian Bank Employees Union.

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PART 1

INTRODUCTION

On July 1, 1991 the Australian Bank Employees’ Union, the Australian Insurance Employees’ Union, the AMP Society Staff Association, the Wool Brokers’ Staff Association and the Trustee Companies Officers’ Association merged to create the Finance Sector Union of Australia with a combined membership of over 100,000.

In a wider sense, the amalgamation of these formerly separate unions reflects the changing nature of banking and finance in Australia. The banking industry no longer confines its activities to what were previously considered to be purely banking functions. The recent rounds of cross-shareholdings between banks and insurance providers and the move by banks into areas not traditionally associated with banking demonstrates this.

However this is only one aspect of the multifaceted process of massive and rapid change involving the industry. The Australian banking industry could be said to be undergoing a period of introspection with the launching of the Parliamentary Inquiry into the Australian Banking Industry (the Martin Inquiry), dealing with the continuing legacy of bad and doubtful debts accumulated during the 1980s, the effects of economic globalisation and the ongoing liberalisation of foreign financial markets.

The consequences of these events, combined with huge expenditure on new banking technologies has been reductions in banking workforce numbers, decreased career opportunities, increased pressure to perform, and an increase in the part-time and female sectors of the banking workforce.

Recent research into the effects of the introduction of new technologies into the finance industry indicates that increased productivity and efficiency will not be achieved unless employees increase their understanding of the wider banking process. A skilled, committed workforce with transferable industry-based skills is required to operate in a rapidly changing environment which demands flexibility in interacting with new technologies and the new financial environment.

With these events in mind, it seems timely for this new edition of Futurebank to review the contemporary finance industry and also try to catch a glimpse of the finance industry of the future.
PART 2

CHANGES IN AUSTRALIAN BANKING

The 1980s was a decade of upheaval for the Australian Finance industry due to a number of interlinked factors. These included:

- Financial sector deregulation during the early 1980s;
- the floating of the Australian dollar;
- the entry of fifteen foreign banks;
- seven building societies converting into banks during 1988-89;
- the collapse and failure of some financial institutions;
- the widespread introduction of electronic banking;
- mergers, takeovers, cross-shareholdings and strategic alliances;
- a blurring of distinctions between financial services providers;
- banks diversifying into non-traditional areas such as insurance and travel.

INCREASED COMPETITION

The combination of these factors dramatically increased competition amongst financial service providers. 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.

STOCKMARKETS AND ENTREPRENEURS

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, as a consequence, most Australian banks making record provisions for bad and doubtful debts. Falling asset valuations and high interest rates compounded these losses.

A LEGACY OF BAD AND DOUBTFUL DEBTS

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. Put simply, many borrowers were unable to repay their loans due to an unanticipated change in the financial environment.

FINANCIAL MARKET DISCIPLINE

The combination of these factors, with questionable management practices in some instances, also produced some spectacular collapses in the Australian financial sector with Rothwells Bank, Tricontinental Bank, Pyramid Building Society and the State Bank of Victoria being early casualties.

AN INQUIRY INTO AUSTRALIAN BANKING

Post-deregulation banking in Australia has perhaps reached a crescendo with the initiation of a Parliamentary inquiry into the A1 banking industry which was commiss'
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. However, the Inquiries’ Terms of Reference were broadened to transform it into a wide-ranging examination of Australian banking and finance. The findings are expected to be presented by late 1991.

**Foreign Banks and Competition**

The prospective 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. The advantage of incumbent domestic banks with established branch networks and customer bases has proved to be a formidable barrier and the costs have been high for the majority of foreign banks that opened in Australia. Demonstrating this, in 1990 foreign banks lost $734 million in the Australian market, and had non-performing loans on their books of around $10 billion.

**Mergers and Strategic Alliances**

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 was not shared by the former treasurer, Mr Paul Keating, who blocked a merger proposal between the ANZ bank and National Mutual Life Insurance in 1990 claiming such mergers would reduce domestic competition. As a consequence, expansion for the major Australian banks has been limited to takeovers of smaller domestic financial services providers and overseas acquisitions.

However, the new Treasurer, John Kerin, has appeared to be more sympathetic 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.

**Changing Savings Patterns**

A significant influencing factor in the merger, acquisition and cross-shareholding activity between banks and insurance providers is the structural shift in savings patterns. In Australia, employer-funded superannuation represents a shift in the savings patterns of Australians from traditional, often short-term bank savings, to long-term savings. The shift has important implications for the banking system. As the aggregation of personal savings moves into superannuation, savings banks will hold less of the community’s savings.

**Increasing Efficiency**

There are numerous reasons why financial institutions are adopting measures to improve productivity and efficiency, and thereby reduce overheads. Essentially these can be traced to issues such as hundreds of millions of dollars of bad debts, a highly competitive market environment, and an effort to increase profits by cutting costs.

**Centralisation and Zone Structures**

Many banks are focussing on rationalising branch and administrative structures through the
centralisation of many tasks previously performed in branches. For example, NAB is combining the bank's retail and corporate operations to rationalise functions and eliminate positions which had previously been duplicated. NAB has also centralised branch back-office administrative functions for groupings of five or more branches to reduce operating costs.

Another example of this has been ANZ's new retail zone structure. 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. ANZ's new retail structure also centralises many specialist and back office functions and devotes branches to sales and deposit-taking functions. According to one report:

"The initiative will enable ANZ to reduce staffing in its Sydney CBD and Southern Zone by 450 jobs from the present 1800 positions."

(Rogers, I., 'ANZ Centralisation Plan to Cut Staff', Financial Review, 19/12/90).

Clearly, this type of restructuring is very effective at reducing staff and therefore personnel overheads. However this is not the only method of doing so. The rise of card-based electronic banking means that customers are no longer tied to a specific retail branch. The banking system itself, rather than the individual branch, has become the means of delivery for financial services.

**THE NEW BRANCHES?**

Banking services are now moving beyond the boundaries of their traditional place of delivery, the local bank branch, to off-site locations such as retailers, service stations, clubs, hotels, etc. Many tasks formerly performed by bank employees are now being performed by supermarket checkout operators, garage attendants and shop assistants in general. This is not even taking into account the move to self-service by the banks' customers themselves.

Perhaps the final word on the future of branch banking should be left to the Chief Executive of the ANZ, Mr Will Bailey:

"...the majority of banking will take place electronically in a computer. This will sometimes be in the bank branch, but more often outside in a large office block, in shops, factories, a pub or a club."

(Will Bailey, in R. Bennett, Ten Years by Ten Opinions, Magenta Press, Victoria, 1989, p. 32.)

**ELECTRONIC BRANCH NETWORKS**

Strategies adopted by some of the newer 'niche' retail banks, such as Citibank and Chase AMP, demonstrate that widespread branch networks are no longer a necessity for operation in the Australian banking environment. These banks reap significant savings by offering customers account access via ATM networks, mail services and sub-agencies, instead of operating extensive (and expensive) retail branch networks.

While it may not be practical for the larger and older banks to follow this lead in the short term, there is a distinct possibility that electronic banking may provide opportunities to reduce branch and staff numbers in the longer term.

**FRANCHISING**

Another alternative to traditional types of branch banking is 'franchise banking'. Franchise banking operates in a similar manner to any other type of franchise, such as McDonald's, in that a businessperson purchases the rights to sell a service under the umbrella of a well-known
brand name. The Bank of Queensland has established ‘private limited service points’ which, for all intents and purposes, operate as franchise banking operations. Each of these outlets is owned and operated by a small business person who employs their own staff and runs the operation according to standards set by, and with the support of, the Bank of Queensland. The outlets also use the Bank of Queensland name and logo.

While franchising may be well suited to fast food, there are serious questions to be asked when it is applied to banking. The career prospects of juniors employed at McDonalds are virtually non-existent. Similarly franchise banking employees have no access to career paths traditionally available to junior employees within the banks and they are not covered by banking sector awards and work practices.

NEW INTERNATIONAL ECONOMIC REALITIES

CHALLENGES FOR AUSTRALIA: 1990 AND BEYOND

Australia is currently facing a number of challenges resulting from four inter-related factors - globalisation, internationalisation, technological change, and the liberalisation and consequent rationalisation of financial markets in Asia, Europe and the United States.

GLOBALISATION

‘Globalisation’ effectively means that national economies and markets are no longer isolated but are increasingly interlinked with, and affected by, international economies and markets. Two Australian responses to globalisation were the floating of the Australian dollar, with major effects on the banking and financial services sector, and the progressive removal of tariff structures.

INTERNATIONALISATION

In response to globalisation, companies and nations need to integrate into the world marketplace and competitively reposition themselves within this new international economic framework. Australia faces a number of problems in this respect. Not only do our imports exceed our exports, we are also exporting low-value commodities such as wool and coal while importing high-value commodities such as computers and video players. The consequence of this is a trade deficit, and a severe balance of payments problem which keeps the cost of money high in Australia, pushing up both the cost of living and the cost of production.

DOMESTIC BANKS OFFSHORE EXPANSION

The globalisation that is transforming many industries is also having its effect on financial services. Advances in communication and information technologies have exposed 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.

Since deregulation, the major private Australian banks have made significant acquisitions and expanded their international networks so that they are now represented directly in many overseas countries. As such, they are an excellent example of the internationalisation of banking.
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. 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 acquisition of Grindlay’s Bank (UK) in 1984. In March 1990, ANZ’s international operations yielded 37.9 per cent of the banking group’s profits.

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 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. The ANZ acquired 25 per cent of Thailand’s largest non-banking finance group in 1989. 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.

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. At the end of the 1989, out of total group assets of $109 billion, 61.7 per cent were offshore.

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.

NATIONAL AUSTRALIA BANK

National Australia Bank (NAB) has concentrated its overseas expansion on the British retail banking market, having purchased the Scottish-based Clydesdale Bank, Northern Bank Ltd of Northern Ireland and the Northern Bank (Ireland) Ltd in 1987 followed by the Yorkshire Bank in 1990. With this addition, NAB reached a tally of 750 UK and Irish bank branches.

Within Asia, NAB 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. 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.

COMMONWEALTH BANK

The Commonwealth Bank has a basic branch network spanning Tokyo, Hong Kong and Singapore while the rest of the region is serviced through area offices. It expanded into New Zealand in May 1989, by acquiring 75 per cent of the Auckland-based ASB Bank.
NEW CHALLENGES?

It is clear that Australian banks have recognised and responded to the challenges of a globalised marketplace by extending their operations beyond the geographic borders of Australia. However, further international developments may lead to more foreign banks entering Australia.

THE EUROPEAN COMMUNITY (EC)

On January 1, 1993, the 12 member nations of the European Community will create an internal market that will be the largest integrated economic area in the world, with more than 340 million consumers.

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.

It is clear that competition will dramatically increase in the EC from 1993. However, this competition will not be confined to the EC alone. There will also be a ‘ripple effect’ spreading out to non EC countries. For example, 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, including Australia, which currently impose restrictions on the entry of foreign banks. If the EC’s negotiations are not successful, it will be within the EC’s power to refuse access to banks from the offending countries.

THE UNITED STATES OF AMERICA

Planned reforms of US banking laws will enable US banks to operate interstate branches and own stockbroking and insurance companies. Anticipation of the reform of these laws has led to announcements of mergers and acquisitions by US banks. The goals of these mergers and acquisitions are the same as those put forward in other liberalising financial markets, that is, they will lower costs and boost profitability by removing duplication of branches, services and staff.

JAPAN

The Japanese financial market is also undergoing a rationalisation process with smaller, weaker banks being absorbed by larger banks. A contributor to this has been the lowering of real estate values in Japan’s highly inflated real estate market.

ASIA/PACIFIC REGION

The significant presence of Australian banks in the Asia/Pacific region is strategically sound when one considers that the Asia/Pacific region is reportedly growing at twice the rate of the Atlantic region. According to an estimate by the Nomura Research Institute, the Gross National Product (GNP) for the Asian-Western Pacific area will leap to $US7.2 trillion by the year 2000, which compares with a projected $US7.2 trillion for the United States and $US6.8 trillion for the EC. (G. McKanna, ‘Asia-Pacific to Become Joint World Trade Leader’, Financial Review, 5/10/90.)

BANK FOR INTERNATIONAL SETTLEMENTS

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. This would enable the branches to have access to their parent banks larger asset base and resources.

GLOBAL BANKING RATIONALISATION?

The period of mergers and acquisitions in the EC, the US and other liberalising financial markets will inevitably be followed by a process of consolidation and rationalisation. This, combined with increased competition, is expected to dramatically reduce the number of players in the international financial services arena.

The combination of rationalisation and competition-induced cost-cutting could result in large retrenchments of employees in the international financial services sector. For example, 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. (The Times, ‘Large UK Banks May Sack 30,000’, The Australian, 23/1/91, p. 31). In the US, it is predicted that 6200 jobs will be lost from an imminent merger between the Chemical Bank and Manufacturers Hanover. (M. Peers, ‘US Banks Blaze a Merger Trail’, Financial Review, 17/7/91, p. 8).

AUSTRALIAN BANKING RATIONALISATION?

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 possible that, in the longer term, restrictions will be lifted to allow more foreign banks to operate in Australia. It seems reasonable to conclude that if this does indeed occur, another round of mergers and takeovers may be initiated in the next few years as part of the rationalisation process in the new era of global banking. The process of rationalisation in the Australian banking and financial services sector may well result in further employee retrenchments as duplicate services and distribution points are further rationalised.

THE FUTURE?

In summary, perhaps what we can expect in the financial services sector in the future is:

- ongoing liberalisation of overseas financial markets as is currently being witnessed in the EC, the United States, Japan and the Asia Pacific;
- continuing rounds of mergers, acquisitions and cross-shareholdings in these foreign markets as they attempt to increase their size to gain a competitive edge;
- widespread rationalisation of staff and branch structures to increase efficiency, productivity and remove duplicated staff and branch outlets;
- increased spending on information technology to increase efficiency and cut overheads;
- increased pressure being brought to bear by liberalising markets like the EC on nations such as Australia to open their financial markets further to allow their banks to operate here as branches rather than subsidiaries;
- increased competition due to new foreign banks entering Australia;
- further takeovers, mergers and cross-shareholdings between Australian financial services providers as they seek to gain a 'critical mass' to retain a competitive
advantage in their home, and increasingly overseas, market;

- increased rationalisation and efficiency measures through reduction of branch network and staff duplication;

- deployment of novel organisational structures and technologies in a bid to gain or retain a competitive edge and cut operating costs.

PART 3

NEW TECHNOLOGY IN BANKING

"...technology spending by the Australian banking and finance industry is tipped to blow out to more than $17 billion over the next five years..."

(B. Head, 'Technology proving to be a real challenge', Financial Review, 30/6/90)

FROM ATMs TO EFTPOS TO...

Ask most people about new banking technologies and they will probably think of ATMs (Automatic Teller Machines) and maybe even EFTPOS (Electronic Funds Transfer from Point of Sale).

As a bank employee, you will no doubt be aware of many other forms of new banking technologies. However your knowledge will depend on which section and which bank you happen to work in. For example Tellers, or Customer Service Officers as they are now known, will be familiar with their ‘teller terminals’ which give them instant access to information about their customers’ accounts. However, wherever you work in the bank, you have probably noticed that new technologies are changing the way banking is conducted.

The new banking technologies examined in this section can be divided into two functional groups. Those that decentralise the delivery of banking services away from the traditional branch delivery structure and contribute towards the shift to customer self service or service by non-bank employees and those that centralise bank product processing tasks away from the branch back office to a centralised location. Many of these replace paper-based information infrastructures with electronic information infrastructures.

The decentralising technologies are:

- Magnetic-striped plastic credit cards and ‘debit’ cards;
- Automatic Teller Machines (ATMs);
- Interactive Video Terminals (IVTs);
- Electronic Funds Transfer from Point of Sale (EFTPOS);
- Credit Authorisation Terminals (CATs);
- CAT/Capture terminals;
- Point of Sale Cash (POSCash) Machines;
- Telephone banking;
- Home banking;
- Facsimile (Fax) machines;
- Smartcards.

The centralising technologies are:

- Teller terminals;
- Mainframe computer systems;
- Customer Information Systems (CIS);
- Electronic Data Interchange (EDI);
- Expert Systems;
- Optical Disc Information Systems.
PLASTIC CARDS

Magnetic striped ‘plastic cards’, better known these days as ‘debit cards’ developed from credit cards such as Bankcard, the introduction of which showed that the Australian public was willing to use ‘plastic’ instead of cash.

In a society such as Australia’s where salaries and welfare payments are increasingly being deposited directly in the recipient’s bank account, instead of being paid by cash or cheque, the introduction of ‘plastic cards’ made technologies such as ATMs and EFTPOS possible and efficient in that customers no longer needed to queue inside a bank branch to withdraw their salaries. Since their introduction, there has been a steady increase in the usage rate of these devices by the public. In fact, Westpac’s 1990 Annual Report noted that 43 per cent of their transactions are now carried out electronically by automated machines such as ATMs.

ATMs

By mid 1990 there were around 4,600 ATMs in Australia. ATMs have advanced not only in quantity, but also in the quality of services available. One ATM, recently installed in Sydney, can provide information in six languages and provides a receipt in both Australian dollars and the tourist’s home currency equivalent.

However ATMs still suffer from being unable to access all financial institutions. Effectively the ATM networks are divided into two separate, inaccessible networks. Specifically, ANZ, National Australia Bank, many of the smaller banks, building societies and credit unions have reciprocal access agreements. In comparison, the reciprocal access between the Commonwealth Bank and Westpac seems isolated.

INTERNATIONAL ATM NETWORKS

ATM networks have now extended internationally. An example of this is the Commonwealth Bank which has linked its ATM network to that of the New Zealand ASB Bank so that customers of both banks can withdraw cash on either side of the Tasman.

INTERACTIVE VIDEO TERMINALS

Interactive Video Terminals (IVTs) could be described as second cousins to ATMs as both ATMs and IVTs replace dispensing functions of the human teller; but where ATMs dispense cash, IVTs dispense information. Services and descriptions of services can be accessed by using the IVT’s touch-screen.

One type of IVT offers fifty services including consumer finance applications, statement printing, cheque book ordering and interest rate enquiries. Two applications which have been developed and may be introduced in the near future include: loans that can be credit-checked and confirmed so that funds can be transferred to an ATM immediately; and insurance cover that can be negotiated, paid for, and a cover note issued, without the need for staff intervention.

FULLY AUTOMATED BRANCHES

National Australia Bank opened a fully automated branch at Forrest Place in Perth in early 1989. Comprising four full-colour ATMs and an IVT, the branch is fully automated and no human tellers handle cash. The only cash at the branch is in the ATMs and these are serviced at night by security branch personnel. The fully automated branch depends on other NAB branches close by
for customers who require cash transaction services which cannot be serviced by the ATMs. As there are no cash holdings, three fewer staff are required. According to a staff member, six staff would probably be required if the branch held cash. The NAB IVT experiment has been judged successful enough to warrant the installation of more IVTs in other branches.

**EFTPOS**

EFTPOS authorises and processes plastic card transactions in real time in the bank’s mainframe and therefore requires a dedicated Telecom line. The most significant advantage of EFTPOS over the other two terminals is that it is capable of processing *credit and debit* cards.

By mid 1990 there were reportedly 14,400 EFTPOS terminals in Australia. EFTPOS terminals have now been installed by all of the major oil companies and retailers. Taking these installations one step further, EFTPOS terminals are now being installed into the petrol pumps, telephones and cash registers themselves.

In addition to accepting payment for goods by EFTPOS, many retailers also allow their customers to withdraw cash from their EFTPOS terminal effectively turning each EFTPOS equipped checkout into a mini bank branch. ANZ Bank has made it known that it would like to increase this relationship between retailers and banks by actually siting bank branches inside the premises of large retail chains such as Coles Myer.

**The Hierarchy of Plastic Card Transaction Devices**

EFTPOS is only one of a variety of the plastic card-based transaction devices now available. Other electronic plastic card transaction devices include Credit Authorisation Terminals (CATs) and CAT/Capture terminals and POSCash Machines. The quantity of information processed by the banks is increasing at a rapid rate. Electronic information management is much more efficient than the older methods of paper-based transactions. Technologies such as ATMs, CATs, CAT/Capture and EFTPOS are components within a wider strategy of cost reduction in a financial environment which is making increasing demands on information management.

**Credit Authorisation Terminals (CATs)**

Credit Authorisation Terminals (CATs) automatically authorise or reject *credit* transactions when credit cards are swiped through the CAT terminal. This replaces the time consuming dial-up authorisation system but does not replace the necessity of paper credit vouchers.

**CAT/Capture Terminals**

CAT/Capture terminals, in common with CAT terminals, also authorise *credit* transactions. However the financial data from each transaction is electronically stored and downloaded en masse to the bank’s mainframe when the retailer is ready to settle. Depending on the particular type of CAT/Capture terminal, the transaction data is stored in the terminal, on a PC, or in some cases, on an intelligent cash register. There are reportedly two million CAT/Capture terminals installed worldwide. At this point in time, ANZ appears to be the only Australian bank showing interest in CAT/Capture having started a CAT/Capture pilot study in June, 1990.

**Point of Sale (POS) Cash Machines**

POSCash machines are similar to ATMs except that their only function is cash withdrawal. This
single function ability is not viewed as a disadvantage as 95 per cent of ATM transactions consist of cash withdrawals.

They have been specifically designed for installation at non-bank sites such as supermarkets, hotels and clubs.

One of the main advantages of POSCash machines is their connection to the unified EFTPOS network. This means that they can access accounts at all banks and many other financial institutions. ATMs are disadvantaged in this regard as they operate on a split network. This means that ANZ/NAB customers cannot access their accounts through the Commonwealth/Westpac ATM network and vice-versa.

The ANZ, National Australia and Commonwealth banks have been installing cash dispensers at non-bank sites such as clubs and hotels. However there are plans to expand installation sites into supermarkets, shopping centres, credit unions and university campuses. PosCash machines provide another example of a technology which is removing cash transactions from the banks and therefore away from bank employees. The removal of bank services from bank sites further reduces the cash-handling role of tellers.

• telephone banking which uses normal push-button telephones and some form of voice reponse technology;

• 'Hi-tech' telephone banking which uses recently developed telephones designed specifically for banking service provision and;

• telephone banking as a total replacement for normal banking service provision.

1. Phonebanking as a Supplementary Banking Service

Initially starting out as a bill paying service, phone banking has evolved to a point where it is no longer necessary for bank staff to be physically involved in the phone banking process. The combination of voice-response systems and touch-tone telephones have done away with that.

Automated voice response telephone banking systems offer banks a number of advantages. Not only do they operate 24 hours a day, 7 days a week, they also remove the necessity for some bank customers to carry out their banking at branches, thereby increasing productivity and in some cases reducing staffing requirements. Varying levels of telephone banking services have been introduced by Australian banks. Examples of these are the Commonwealth Bank, Westpac, the State Bank of Victoria and the State Bank of New South Wales.

Overseas, telephone banking services have been introduced by banks in the UK, US, Japan, New Zealand and Finland. In the US, for example, several million people reportedly use telephone banking services. The next stage of the evolution of phone banking is set to commence with the release by several manufacturers of new generation phones designed specifically for multiple home banking applications.
2. **High-tech Phonebanking**

Recent developments in Japan and the USA have seen the release of Electronic banking phones. These devices make it possible to directly communicate with a bank’s computer via the phone keyboard and can printout or download relevant account information onto the telephone’s printer, screen or Smartcard depending on which particular telephone is being used.

3. **Phonebanking as a Total Replacement for Branch Banking**

The prime example of telephone banking’s potential is provided by Britain’s Firstdirect Bank. Firstdirect has no branches, all services are provided remotely by phone and are available 24 hours a day, seven days a week. All customer contact and transactions are handled over the telephone, through the post or via a shared ATM/EFTPOS network. Customers have access to a number of services such as the payment of bills, provision of mortgage finance, share dealing, personal loans, insurance products and foreign exchange. In Australia, the newly-formed Over 50s Building Society is following Firstdirect’s lead by having no branch network at all. It’s customers will also conduct all transactions by telephone.

The future evolution of telephone banking will, as in the past, depend on the development and application of enabling technologies. It is not hard to envision a future where the introduction, and increased usage of Smartcards, will provide the opportunity to introduce EFTPOS modified public telephones and mobile phones for the provision of banking services.

![Home Banking](image)

**HOME BANKING**

The Commonwealth Bank launched their home banking facility ‘Telebank’ in 1985. Using Telecom’s Viatel service, information is downloaded from the bank’s computer and transmitted via telephone lines and displayed on a customer’s television set. Customers using this service can access a number of services including account statements, funds transfer and bill payment. The Commonwealth Bank reported that in 1989 the Telebank service transferred funds in excess of $1 billion, and the number of transactions increased by 75 per cent.

**FACSIMILE (Fax) MACHINES**

Fax machines are now being used by Advance Bank for accepting loan applications. The service is advertised as offering high-speed (within 24 hours) response times to loan applicants who apply for loans by Fax.

**SMARTCARDS**

A Smartcard is similar in appearance to conventional plastic magnetic-stripe credit/debit cards such as Bankcard, Mastercard and Keycard. Instead of the familiar magnetic stripe, one or more microchips are embedded within the card. The microprocessor provides the card with features such as memory and programmable functions. This means that, with a suitable terminal, details of transactions can be recorded.
onto the card itself without the necessity of it being on-line to a central computer.

The Smartcard was invented in France in 1974 and since its inception, has been introduced into several countries. Recent reports indicate that there are upwards of 31 million in use in France alone. In banking functions Smartcards can be used instead of cash, cheque books, and as conventional credit and debit cards. At the time of writing, only one Australian bank had actually piloted Smartcards. Westpac tested a limited Smartcard system in 1988 as a security-clearance device to access the bank’s Deskbank electronic banking system.

Some predictions indicate that Smartcards could take over many of the jobs of the transaction-support systems by redistributing vast amounts of data processing work and, it appears that it could affect employment areas involved in dealing with cash, cheques and conventional credit/debit cards - that is areas such as telling and reconciliation.

Banking computing systems which evolved in a piecemeal and uncoordinated manner during the 60s, 70s and 80s began to reveal deficiencies in their capability and capacity as they attempted to meet the requirements demanded by increased competition and efficiency. Banks and financial institutions realised that incompatible systems needed a major overhaul to make them suitable for the changing financial environment.

The four major Australian banks are developing and implementing advanced integrated customer-oriented banking systems designed to improve the efficiency of branch networks and data processing, and to make life easier for bank staff and management.

Perhaps the most ambitious of these systems, and certainly the most expensive at over $140 million, is Westpac’s Core Systems 90 (CS90). CS90 is a project to develop reusable software components containing detailed banking knowledge and representing the basic banking business functions. CS90 consists of an expert system shell and a ‘repository’ of reusable ‘building blocks’ and development tools.

Specifically there are five modules consisting of Account Opening, Consumer Loans, Interest

**Mainframe computer systems**

* Banks now are really computers.*

(Bill McNinnis, Chief General Manager, Management Services, ANZ Bank, in T. Blue, ‘Banks spend up on computers’, *Australian Business*, 28/2/90).
Bearing Deposit, Customer Information, and Customer Accounting. Although the first three modules have been introduced, the system's advantages will not be fully effective until all the CS90 modules are in place. When fully operational for example, one of the numerous functions available will enable customer information to be called up and overlaid into a loan application or other product or service.

**Electronic Data Interchange (EDI)**

Electronic Data Interchange (EDI) can be described as the electronic exchange of business data, in a standard format, between the computers of companies trading with one another. When fully implemented, this process replaces such paper-based business transactions as invoices and receipts with their electronic equivalent, thereby making manual reconciliation redundant. In combination with Electronic Funds Transfer (EFT), EDI can also remove the reconciliation process which is normally necessary with cheques, remittance advice and bank statements, thus reducing personnel costs.

Some Australian banks, including the ANZ and Commonwealth, have also entered the EDI marketplace. ANZ has applied EDI-EFT to the payments process through its ‘Netpay’ service. The Commonwealth Bank introduced EDI into its Bank Settlement Plan service which supports airline ticket settlement transactions between travel agents, airlines and the bank.

**Expert Systems**

Expert or knowledge-based systems are forms of computer-based Artificial Intelligence. They attempt to capture an expert's knowledge and problem-solving strategies in a particular area and create a computer-based clone. An expert system is used by following the procedure laid out on the screen and providing information in response to prompts provided by the system.

There are several motives behind the strategic investment in expert systems research and development. For example, expert systems can increase productivity by delivering products and services, and thus lower operating costs by reducing employee numbers. They can also improve the quality and consistency of staff decision-making, thereby allowing decisions to be made by more junior staff.

The ANZ Bank has introduced an internal management system, and is also developing expert systems to assist in complex banking analysis support, customer service, banking staff support and treasury operations.

The Commonwealth Bank is operating an expert system which provides customer service and advice for employees. It is also developing other expert systems to assist in credit card applications, investment profiles and loan evaluations.

NAB has developed a risk assessment system for consumer and commercial loans, a bank employment advisory system, a computer operations fault diagnostic system, and an electronic data processing audit system. NAB is said to be developing expert systems for assessing job applications, detecting fraud in Automatic Teller Machines, and for treasury applications.

The State Bank of NSW is piloting a loan assessment system and has also been developing an investment advice system. Westpac is piloting a commercial lending advice system and an information system, and is developing a system to assist the head dealer of bonds.
A report by the US Office of Technology Assessment has claimed that one of the results of introducing expert systems into the banking industry could be a new wave of deskilling in banking. (US Office of Technology Assessment, International Competition in Services, July 1987, p. 267.)

Essentially, this would be achieved by the devolving of loan decisions to more junior staff assisted by expert systems. Expert systems therefore threaten middle management positions which would have made such decisions prior to the advent of expert systems. This would further reduce career opportunities and may even lead to job loss.

**OPTICAL DISC INFORMATION STORAGE**

Optical Disc storage and retrieval systems electronically scan documents, digitise the scanned images and store them on Optical Disc. From a bank’s perspective, Optical Disc storage technology offers many advantages over alternative storage mediums such as microfilm, microfiche, magnetic tape, and of course, paper. For instance, one 12-inch optical disc can store up to 50,000 A4 pages of information. Measured in terms of document processing and retrieval times, optical disc systems are extremely efficient when compared to alternative storage systems.

Other advantages offered by Optical Disc storage include the ability to electronically transmit documents which would normally be distributed by hand. The slow transmission speed of the current telecommunications infrastructure means that the transmission of optical disc images is only practical within a small radius at the moment. However the widespread introduction of high-speed transmission optic fibre and broadband ISDN will enable optical disc systems to relay stored images rapidly over vast distances.

The Commonwealth Bank and Westpac have both installed optical disc technology for signature verification and credit card vouchers while the ANZ and NAB were both planning to install cheque imaging systems.

**FUTURE TECHNOLOGIES?**

The technologies examined here are revolutionising the way banking is conducted in Australia. As these technologies continue to evolve and converge into integrated banking technology systems, many revolutionary possibilities arise. Combinations of technologies such as ATMs and IVTs; POSCash machines and the EFTPOS network; Optical disc storage systems and Optic fibre; Electronic Data Interchange and Electronic Funds Transfer; Smart cards and telephone banking provide the potential for banks to form co-operative agreements to share premises and equipment, much in the same way banks and other financial services providers did with ATM networks but to a much greater extent with the EFTPOS network.

The future form of finance is uncertain. Some general developments and trends have been outlined here, however their ultimate conclusions are undetermined. The implications of these will be influenced throughout their development by negotiation between interested parties. Unions representing the employees of the banking and finance sector need to participate in negotiations so they may have a hand in shaping these developments.
PART 4

THE IMPACT ON BANK EMPLOYEES

The most significant employment trends in the Australian Finance sector have been the collapse of the traditional career structures which were based on junior recruitment and promotion through seniority, together with an increase in part-time work, an increasing percentage of women in the banking workforce, and more recently, a reduction in the number of bank employment positions.

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. 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, management rationalised banking functions through the creation of large EDP 'factories', branch networking, and the deskilling of many branch office functions. 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.

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. This has led to 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 which 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 few career development possibilities.

WOMEN IN THE FINANCE SECTOR

The employment statistics in Table 4.1, 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.

Tables 4.2 and 4.3 shows that women are overwhelmingly concentrated in junior clerical positions in the banking sector. Whereas 60 per cent of total bank employees are women, of the 15 per cent of employees who are part-time 95.6 per cent are women. The main areas of employment for women are as part-time tellers for peak periods, EDP workers and in junior clerical areas.
Table 4.1  Summary of Employment Statistics Supplied by the Banks

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Westpac</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women as percentage of</td>
<td>management and supervisory staff</td>
<td>15.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>salaried staff</td>
<td>9.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>services staff</td>
<td>22.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part-time staff as percentage of</td>
<td>staff</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Westpac-Victoria</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women as percentage of</td>
<td>graduate recruits</td>
<td>57.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>school leaver recruits</td>
<td>65.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>resignations</td>
<td>61.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>full-time staff</td>
<td>47.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>part-time staff</td>
<td>94.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part-time staff as percentage of</td>
<td>staff</td>
<td>7.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>National</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women as percentage of</td>
<td>staff</td>
<td>52.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>part-time</td>
<td>97.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>graduate recruits</td>
<td>42.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>school leaver recruits</td>
<td>72.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>staff terminations 1986</td>
<td>66.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part-time staff as percentage of</td>
<td>staff</td>
<td>11.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commonwealth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women as percentage of</td>
<td>staff</td>
<td>54.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>part-time staff</td>
<td>98.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>management and executive staff</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>supervisory staff</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>full-time clerical</td>
<td>32.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>part-time clerical</td>
<td>98.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>keyboard staff</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>wages staff</td>
<td>41.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>graduate recruits</td>
<td>46.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>school leavers recruits</td>
<td>63.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part-time staff as percentage of</td>
<td>staff</td>
<td>13.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Table 4.2  The Finance Sector: Occupation by Sex

<table>
<thead>
<tr>
<th></th>
<th>Professional &amp; 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>
</tr>
<tr>
<td><strong>1976</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>Males</td>
<td>3036</td>
<td>13819</td>
<td>52026</td>
</tr>
<tr>
<td></td>
<td>Females</td>
<td>611</td>
<td>1431</td>
<td>58447</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1647</td>
<td>15250</td>
<td>110473</td>
</tr>
<tr>
<td><strong>1981</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>Males</td>
<td>5184</td>
<td>17548</td>
<td>56332</td>
</tr>
<tr>
<td></td>
<td>Females</td>
<td>1573</td>
<td>2410</td>
<td>75809</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6757</td>
<td>19959</td>
<td>132140</td>
</tr>
<tr>
<td><strong>1986</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>Males</td>
<td>9313</td>
<td>10854</td>
<td>42641</td>
</tr>
<tr>
<td></td>
<td>Females</td>
<td>4543</td>
<td>1441</td>
<td>69828</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13856</td>
<td>12295</td>
<td>12469</td>
</tr>
</tbody>
</table>

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

Table 4.2 shows 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 situation with professional and technical employment has fared better with a rise 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.

The biggest change affecting women’s employment in the Finance sector has been the large increase in female part-time employment. However the dissatisfaction of women part-time workers in the Finance sector is increasingly being expressed in:

- cost of a high turnover of staff, requiring constant retraining of new staff and overloading of existing trained staff;

- lack of job satisfaction and commitment to the strategic goals of the bank;

- failure of the Finance sector to effectively utilise the skills and experience of its permanent part-time workforce to provide a higher level of customer service and product innovation.

As such a large percentage of part-time workers in the banking sector are women, the debate about part-time workers is not just about rights and conditions of part-time workers, but about the role of women in the workforce generally.

**PART-TIME AND CASUAL WORK**

The union’s response to the expansion of part-time work, job-sharing and casual work has been shaped by a concern about the desire of management to develop a contingent labour force that would be excluded from career opportunities in the finance industry.

Thus, in 1974 the union sought to preserve career opportunities in the banking industry by restricting part-time work to women (married). However under equal opportunity policies, by 1982 this was opened to men, and by 1987 under the Job Evaluation Agreement all restrictions had been removed. Part-time workers were entitled to pro-rata salaries in return for a union agreement that the number of jobs to be provided on a part-time basis would be increased to 17.5 per cent.

The following statistical profile of part-time work in the banking sector is provided by Alexander and Franks’ study on award restructuring and part-time work in banking.

**Table 4.3 Averaged Banking Industry Statistics for Part-time Bank Employees**

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of Part-time</td>
<td>13.5</td>
</tr>
<tr>
<td>Female Part-time</td>
<td>95.6</td>
</tr>
<tr>
<td>Location - Branch</td>
<td>93.0</td>
</tr>
<tr>
<td>EDP</td>
<td>7.0</td>
</tr>
<tr>
<td>Roles of Part-time</td>
<td></td>
</tr>
<tr>
<td>Clerical</td>
<td>98.8</td>
</tr>
<tr>
<td>Supervising</td>
<td>0.55</td>
</tr>
<tr>
<td>Specialist/Manager</td>
<td>0.35</td>
</tr>
<tr>
<td>Resignation Rate</td>
<td></td>
</tr>
<tr>
<td>Full-time</td>
<td>18.0</td>
</tr>
<tr>
<td>Part-time</td>
<td>34.0</td>
</tr>
</tbody>
</table>

In-depth interviews with part-time workers revealed that their status as a contingent labour force is unsatisfactory. Although many women workers want the flexibility of permanent part-time work, given their dual responsibilities with a family, they also want access to career opportunities, skills development and interesting work, as well as to pro-rata salary entitlements.

Despite the new emphasis on quality in the customer-service client relationship and the opportunities this could open up for career path development in the Customer Service Officer (CSO) stream and re-evaluation of its relative skills content, and despite changes to the award in 1987, very few part-time positions have been created outside the lowest clerical grades.

The relationship between part-time work, careerism, and organisational commitment has two way implications. While part-time jobs are concentrated among women with family responsibilities and designed as low-skilled interchangeable functions around high turnover, they do not provide a framework for women workers to embrace banking work as a career. Yet in total, women comprise over 60 per cent of the Finance sector labour force.

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. There is a genuine need for career path planning, multi-skilling and skills development within a policy of equal opportunity for part-time workers, the majority of whom are women.

**Job Sharing**

One response to the problem of retaining flexibility, for management, while at the same time designing jobs with skills breadth and career opportunities, is to introduce flexible work arrangements such as job-sharing, enabling employees to adapt their working lives to a changing industrial climate and lifestyle demands. These include:

- increased part-time (female) employment;
- addressing the decline in traditional recruitment of 15-24 year olds, projected for the next 30 years;
- tapered retirement strategies to increase pre-retirement ages of bank employees;
- use of job-sharing in the US and UK to provide greater flexibility for employees;
- paternity leave provision for male workers.

Job-sharing is not yet a well developed form of flexible work arrangement in Australia. However a number of initiatives have been made on both a formal and informal basis. The Commonwealth Bank Officers’ Association (CBOA) was successful in its negotiations with the Commonwealth Banking Corporation for job-sharing provisions to be included as part of wider award restructuring claims. Other examples include the draft document on job-sharing by the NSW Public Service, as part of a wider Equal Opportunity policy document, and widespread use of job-split arrangements by American Express (NSW).

In the British Finance sector, Lloyds Bank employs 500 to 1,000 job-share employees under informal local agreements, while Barclays,
Midland and Clydesdale Banks, as well as at least 13 other banks and building societies, also have informal job-share arrangements with varying levels of employee participation.

**JOB LOSSES**

Following the impact of the recession and the increase in bad and doubtful debts, we are seeing contraction in employment opportunities in banking for the first time. Job losses due to the introduction of new technologies were previously offset by the expansion of financial 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.

For example, from September 1984 to September 1990, the Australian Bureau of Statistics estimated that 45,000 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, and secondly, as mentioned above, we are now seeing real contraction in employment in the banking sector. In the period from September 1990, (when there were 171,900 employees in the Australian banking industry), to December 1990, (when there were 170,200 employees), 1700 bank employment positions were lost.

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.

**Figure 4.1** Bank Employment Australia 1981-90

![Graph showing bank employment from September 1984 to December 1990](#)

Source: ABS Employment Wage and Salary Earners, Cat. No. 6248.0
PART 5

SKILLS FORMATION, INDUSTRIAL
DEMOCRACY AND TECHNOLOGY
CONSULTATION

SKILLS FORMATION

Career paths are fundamentally linked to questions of skill formation and work organisation. While the introduction 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. Career pathing under award restructuring, requires that employers develop and promote these skills within their internal labour market.

Recent international trends are supporting the use of distributed data processing to achieve a multi-skilled workforce, with problem solving skills and decision-making devolved much closer to the front line with customers. Organisational flexibility in this environment requires not only an ability to diversify recruitment sources and labour force entry points and to organise staffing around peak demands, it also requires a workforce with a strong commitment to continual learning around new technologies and market demands, a commitment to the strategic goals of the firm, and a highly developed ability to operate in an ambiguous and changing work environment.

Yet much ‘on-the-job’ training tends to be task specific and does not contribute to industry flexibility or skill enhancement. While the banks seem to support the notion of employees undertaking further external study, study leave is either not provided or is limited, with little active workplace encouragement given because of the strain placed on other staff who must cover for absent staff on study leave.

Enterprise training, as opposed to industry training, has deprived bank employees of the opportunity to acquire industry-wide recognised qualifications through internal training, and thus fails to meet demands for the development of career paths across the industry, and ensure the portability of qualifications.

The Finance Sector Union has been pursuing the idea of working with relevant educational institutions in Australia to develop a Diploma Course in Management for Bank Employees to give bank employees the opportunity to develop an industry wide recognised qualification. However without support from the banks, the cost of such an exercise makes it a difficult initiative to be driven solely by the unions.

The large female part-time workforce needs access to educational opportunities so that they can become an integral part of the multi-skilled workforce. However, there are indications that the present system of award restructuring, particularly the impact of the Job Evaluation System on the valuation of low grade clerical jobs, has reinforced the structural disadvantages of the part-time workforce.

Where jobs are capable of routinisation, they are likely to be automated. The impact of information technology on remaining jobs is likely to increase their level of abstraction but make them less routine, and more geared to flexibility around the
changing needs of customers. This requires higher-level decision-making skills and a much greater ability to participate in team/group work. Important skills relate to explanation, communication and interpersonal negotiation within a framework of systems-wide understanding.

The demand for flexibility requires negotiation around the needs of the organisation and the workforce. The new emphasis on skill formation as part of a firm’s competitive strategy requires negotiation around the development of industry-wide portable skills integrated into the fabric of learning-on-the-job.

**INDUSTRIAL DEMOCRACY**

Industrial democracy places greater emphasis on participative practices than representative practices, as a way of building the sense of membership. While industrial democracy provides a framework for participation in decision making, the practice of industrial democracy requires major changes in well established management and employee values and behaviours.

The finance industry employers have a tradition of authoritarian management style, with a tenacious attachment to, and defence of, managerial prerogative. This tradition has been reinforced by promotion practices. With the strong reliance on an internal labour market, as recruits worked their way through the promotion hierarchy to managerial levels they generally were inculcated with this authoritarian approach to management-worker relations. Major difficulties with this tradition surfaced with conflict over technological change leading to management refusing to consult with unions, despite the major implications new technologies would have for work organisation and fears about job security.

Industrial democracy, in contrast to the tradition of managerial prerogative, draws on the democratic political tradition of western culture to give employees a much stronger stake in the organisation, as opposed to the more limited identification with a particular job or trade.

The sense of partnership between employers and unions, between management and workers, requires trust and understanding around such sensitive areas as the introduction of major technological change and job re-design, as well as the new emphasis on continual skills development throughout the career. In organisations today an employee no longer ‘owns’ a particular job, nor can rest secure in the ownership of a particular set of skills or job experience. Rather the employee now ‘owns’ membership in a group, and the right to a career path and continued skills development as part of this membership.

Part-time workers in the finance sector still remain to benefit from this new climate of industrial democracy. Research shows that they are less likely to get information or counselling on career paths and training, are rarely considered for higher duties or job rotation to increase skill, and are less likely to be offered specialised training. Given the predominance of dual career responsibilities, they are also less able to utilise external private study assistance, and have no access to practices of fast tracking for staff considered to have exceptional potential.

A key aspect of industrial democracy has been information sharing, particularly in relation to training, equal employment opportunity, occupational health and safety and job design.
With internationalisation and increased competitive pressure, management and unions have both appreciated the need for a mutual understanding of the firm's competitive strategy, for the future security of employment conditions. The processes of award restructuring have provided a framework for the development of more information sharing. Existing forms of staff involvement and participation have included the recent development of more participatory management styles, involving meetings at various employee levels, and the opportunity for staff to comment on staff appraisal and work measurement schemes.

The tradition of centralisation of decision making and reliance on standardised rules is likely to be reinforced following the recent spate of bank and financial institution collapses which followed financial deregulation and increased competition to lend. Thus, despite the wider trend towards industrial democracy in the workforce, the finance industry is not likely to be a market leader in this area of workplace change.

**Technology Consultation**

As an integral part of its approach to technological change, the ABEU negotiated a number of technology consultation agreements with Australian banks, however compliance with these agreements by employers has proved to be the exception rather than the rule. The FSU is not opposed to the introduction of new technologies, however it believes the interests of companies, employees and customers will be best served by the adaptation of hardware and software to human resources and the development of an innovative and skilled workforce through pro-active training and education.

As discussed in Part 3, new banking information technologies can be divided into two functional groups. Those that decentralise the delivery of banking services away from the traditional branch delivery structure and contribute towards the shift to customer self service and those that centralise bank product processing tasks away from the branch back office to a centralised location. Many of them replace paper-based information infrastructures with electronic information infrastructures.

These developments will have ramifications for employment in the financial services sector due to the efficiencies of scale they will make possible. Although jobs may be lost, deskillcd and automated over time, the net effect of the introduction of new technologies will be to increase the levels of skills requirements and responsibility of the remaining workforce. For these reasons it is imperative that technology consultation agreements are developed and enforced so that employees may have input into the design stages of new technologies to ensure that the technologies are designed and implemented in ways which will enhance employees' skills rather than cause deskilling.