

Australian banks return record profits and axe thousands of jobs

Janine Harrison
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Nowhere is the direct correlation between the destruction of jobs and basic services, and the growth in corporate profit more apparent than in the banking industry. Australia's four major banks, ANZ, Westpac, the Commonwealth Bank and National Australia Bank posted record profits in 1998-99 by slashing thousands of jobs, and increasing fees and charges. Their combined profits topped \$7 billion.

The ANZ's profit jumped 18 percent to \$1.48 billion, largely due to stringent cost-cutting and the elimination of 2,000 jobs. Chief executive John McFarlane said the results indicated that ANZ was "delivering on the commitments we made to shareholders to deliver strong earnings growth, to reduce cost, to lower risk and to improve return on equity".

Westpac followed close behind. Tighter cost control and increased fees resulted in a 14.5 percent leap in profits to \$1.46 billion. A 21 percent rise in transaction fees returned \$645 million. Fees on other products, such as loans and insurance, also rose.

Westpac will close 200 branches over the next two years, or 30 percent of its branch network, at the cost 3,000 jobs. It aims to reduce the size of its head office and streamline its credit processing facilities to save another \$300 million.

The National Australia Bank made over \$2.821 billion while the Commonwealth Bank recorded a profit of \$1.422 billion, up from \$1.251 billion the previous year. In the six months to December the Commonwealth made a further \$840 million. It plans to close 500 branches with the loss of 3,000 jobs.

Since 1993 the banks have closed 1,700 branches nationally. Over 600 closures were in rural or remote communities, stripping them of basic financial services.

In the nine years from 1991, the banks eliminated 40,000 jobs, while profits jumped by 300 percent and

senior executive salaries skyrocketed. Over the past 12 months alone, 15,000 jobs have been destroyed, cutting the total workforce to just 175,000.

Mergers and takeovers have been used to restructure companies and reduce staff numbers. For example, after Westpac took over the Bank of Melbourne in 1997, it closed some 30 branches in Victoria and abolished over 1,000 jobs.

Customers are also being hit with fee increases. Financial Services Consumer Policy Centre director Chris Connolly warned that following the introduction of the Howard government's Goods and Services Tax (GST) in July, "everything to do with banking is going to cost more because the banks have got to recover their costs. People are going to get a very rude shock."

By some estimates, the GST could see fees rise by as much as 30 percent. The Commonwealth Bank has already unveiled new fees on savings and cheque accounts.

Despite claims by the banks, such increases have nothing to do with covering the cost of services, or improving bank facilities. As fees have risen, services have continued to deteriorate, with queues at some branches extending out the door during peak hours. People in rural areas have been particularly disadvantaged, with many having to travel long distances to larger towns to access their accounts. Closures have contributed to the devastation of local economies and placed added burdens on residents, particularly the elderly and unemployed.

Last year, amid mounting resentment in rural centres, the Howard government established a parliamentary committee to "study the impact of bank closures" on rural and regional areas. The committee ruled out any new regulations to force banks to maintain services, however. Instead it recommended "customer-friendly"

practices, such as giving communities three months notice of branch closures instead of two weeks, and educating people about electronic banking.

Australian Bankers Association chief executive Tony Aveling said the banks aimed to maintain services by establishing outlets in supermarkets and newsagencies. But these outlets not only allow banks to continue slashing jobs, but also to reduce pay rates.

This was certainly the case when St George bank closed its branch in Byron Bay and established an agency in the pharmacy next door. Builders simply removed the wall between the bank and the pharmacy and bank employees were told to accept the inferior pharmacy award rate of pay or lose their jobs. While the Federal Court rejected the inferior award, the push for lower wages and conditions will continue as banks set up hundreds of “bragencies” across the country.

The years of downsizing, the subsequent speed-up and increased workloads have taken their toll on bank employees. Increasing numbers of workers are suffering from stress-related illnesses. In turn, management uses the high-pressure environment to remove people by offering “voluntary redundancy” packages.

As many as 90 workers resigned from the Commonwealth Bank's Canberra branches over a nine-month period last year. Staff at the Commonwealth report that it is now common practice to be phoned at home and harassed when on sick leave.

According to the Financial Sector Union, bank employees are being paid to attend “focus groups” run by a private consultancy agency on how to cope with customer anger over rising fees and lack of service.

A Westpac employee of over 30 years told the *World Socialist Web Site* that in mid-December tellers were issued with compulsory “Performance Diaries” in which they must record their dealings with customers for formal performance reviews. Tellers are subjected to monthly, quarterly and yearly reviews, based on sales targets for products such as loans and credit cards.

“Once all you had to do was tick a box to say whether you were good, fair or average, and it had nothing to do with sales. Now everything is driven by sales and we don't get bonuses anymore. I think they're just using it as an excuse to get rid of jobs, because if you don't come up to scratch they can blame it on personal

failure.

“The second-lowest performance rating, which requires the employee to undertake performance improvement and development planning, is applied to tellers who achieve less than 100 percent of their targets and fail to meet at least one competency. This indicates how difficult it is to meet basic requirements, and each year they continue to increase, regardless of staff cutbacks or the branch performance the previous year. The amount of money allowed to be lost through cash-handling errors has also been reduced from \$400 per year to \$275, placing further pressure on tellers.”

The Financial Sector Union has headed off any movement among bank workers against job cuts, instead assisting the banks to pressure workers to quit via redundancies. The union has sought to maintain the illusion that workers share common interests with the banks and that the government can be pressured to regulate the industry.

Last November, after Westpac announced further job shedding, the union called on the federal government to “develop a charter of community service obligation for the banks that restores the balance between the interests of the bank executives and the large shareholders, and the needs of the community and bank workers.”

In reality, the drive for profit will only intensify as banks amalgamate worldwide. Westpac chief executive David Morgan said his bank's decision to close more branches and slash 3,000 jobs was in preparation for the possible relaxation of the “four-pillars policy,” which prohibits mergers between the four major banks. If the Howard government drops the policy, the banks will streamline their operations further and shed an estimated 40,000 jobs.



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