

Australia: Westpac plans to axe thousands of jobs

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Westpac, one of Australia's four major banks, delivered another blow to its staff last week, announcing plans to eliminate thousands of head office and administration jobs over the next two years. Over the next year, the bank will also "review" its freeze on outsourcing, raising the prospect of further job losses.

While declining to specify the number of jobs targeted, Westpac CEO Gail Kelly has confirmed that the bank would "significantly" cut staff, adding "the number of people in head office and support areas are reducing now... they will reduce more over the course of the year". Already 105 back-office and call centre jobs have been axed at the St George Bank, a Westpac subsidiary, over the past week.

When Westpac acquired St George through a \$12.1 billion takeover in 2008, Kelly promised that job losses would be kept to a minimum. The pledge was a cynical ploy to lull bank workers into a false sense of security, while a far-reaching restructuring program was prepared to boost profits by cutting jobs and increasing workloads.

Westpac plans to spend \$2 billion over the next five years to overhaul its technology, including moving to a new integrated deposit, loan and customer processing computer software system across its various brands and products. Obviously, the bank plans to recoup the cost through its projected job cuts.

At the same time, Westpac will put increasing pressure on staff to encourage clients to extend their credit and take on greater loans. In recent years, staff remuneration and pay increases in the banking sector have been increasingly tied to meeting sales targets. At the Commonwealth Bank, for example, staff members

were required to generate a 10 percent increase in customer credit in 2009 to qualify for a 1.5 percent pay increase.

Westpac has set aside another \$100 million, on top of \$120 million over the past year, to restructure its retail activity. To drive up sales and profits, the bank has appointed 670 managers, responsible for their own profit and loss accounts and with the power to hire and fire staff. It has also brought in 450 new business managers.

Kelly claimed this week that the bank would keep direct redundancies "to a minimum" and would shed jobs through "natural attrition". With a total workforce of 37,000, Westpac has an annual staff turnover of 4,500 to 5,000 staff. That figure indicates the minimum level of job cuts being planned. Whether through "natural attrition" or outright sackings, the permanent loss of thousands of jobs further reduces employment opportunities for the unemployed, especially for young people.

Westpac claims that customer assistance staff in its branches will not be affected. However, a bank spokesman confirmed last week that Westpac will have 25,000 working hours of "free capacity" at its branches within six months—that is equivalent to at least 625 full-time staff members who will no longer be needed.

Even as it plans to axe thousands of jobs, Westpac continues to make huge profits. While it will not unveil its full-year profit results until November, it reported in August that its third quarter cash profit had risen 27 percent to \$1.4 billion.

Despite large profits, Westpac remains distinctly nervous about the future. The major Australian banks are heavily reliant on overseas borrowing—for around 40 percent of their capital—and therefore highly vulnerable to any international financial instability. At the same time, the banks are dependent on, and have helped fuel, an inflated housing market. Any slowdown of sales or collapse in house prices will impact on the banks.

Speaking in August, Westpac CEO Kelly hinted at the dangers. While joining the general chorus declaring that the Australian economy “remains robust,” she warned that the bank’s operating environment “remained challenging” with signs of a “slowing US economy and ongoing problems in Europe”. She noted that “funding costs continue to rise” and that Westpac faced “greater competition for customer deposits”.

At the onset of the global financial crisis in 2008, the Labor government was compelled to guarantee overseas borrowings by the banks to the tune of more than \$2 trillion in order to head off a potential collapse. Since then, the government has tacitly backed the restructuring plans of the banks and has maintained a deafening silence on Westpac’s latest job-shedding plan.

The Finance Sector Union (FSU) has been instrumental in policing the cutbacks to jobs and conditions. The union signed off on a pay deal with Westpac this year providing a mere 2 percent pay increase for 2010, followed by a 4 percent increase for 2011. A further 4 percent increase in 2012 will be tied to performance targets.

The agreement is a far cry from the FSU’s claim when wage negotiations began that it would pursue compensation for “pay increases that were slashed” during the global financial meltdown. At that time, Australian banks imposed a pay freeze for higher-paid staff and limited pay rises for others to barely keep step with inflation.

While bank workers were told to tighten their belts, Westpac executives saw their pay and remuneration leap. In 2009, CEO Kelly received shares and other

benefits worth \$10.6 million, up from \$8.6 million in 2008. In the year to September 2009, chief financial officer Phil Coffey got \$3.7 million, personal banking chief Peter Hanlon \$2.5 million and institutional banking boss Rob Whitfield \$2.9 million.

The FSU has made clear that it has no intention of mounting any campaign to defend the jobs of Westpac workers and will work closely with management to implement its plan—as it has done in the past. An FSU statement declared that it was “liaising with the bank to ensure that affected staff are provided with the full details of proposed changes” and “have the opportunity to discuss measures to minimise the adverse affects of the changes”.

The statement advised FSU members: “If there are no redeployment options available, you will be eligible for a retrenchment payment.” In other words, as far as the union is concerned, bank workers should passively accept the job losses overall and, in the case of sackings, submit to the management’s dictates and walk out of the door.



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