Senate Inquiry into Job Security

FSU Submission

October 2021

Finance Sector Union

Finance Sector Union
National Secretary: Julia Angrisano
2/341 Queen Street
Melbourne VIC Australia 3000

Ph: 1300 366 378
E: fsuinfo@fsunion.org.au
www.fsunion.org.au

Senate Inquiry

Contents

Background

The Finance Sector Union (FSU) is a registered industrial organisation under the *Fair Work (Registered Organisations) Act 2009*. FSU represents members in the finance and insurance industry in Australia. This industry consists of approximately 459 000 employees nationwide (approximately 3.5% of the workforce)[1] with women making up approximately 54.7% of the total number of workers within the sector.

Introduction

The finance sector would not typically be the industry that comes to mind when undertaking an Inquiry into Job Security. The finance industry is not typically made up of workers in the "gig economy" and nor does it employ many casual workers. Structural changes within the finance industry have led to a decrease in job security due to three key changes. In addition to these structural changes the ongoing use of labour hire workers in the finance industry - which has increased recently in critical roles in anti-money laundering and financial crimes – has led to fewer permanent secure roles across the industry. Finally, flaws in the implementation of the Fair Work Act's 'casual conversion' process means that many casual workers in finance find themselves "stuck" in insecure work.

Since the turn of the century improvements in technology have enabled companies to send large numbers of processing jobs offshore utilizing wage arbitrage to maximise profits. This submission provides two examples that demonstrate the increases risks faced by Australian business due to their reliance on offshore workers – particularly during the global COVID19 pandemic. The second structural change has been enabled by the technological advancements in Artificial Intelligence (AI) which has led to the introduction of AI to replace workers in key roles. The experiences of workers who have already been retrenched because of improvements to AI will be explored in this submission through a case study. The third and final structural change has been the reduction of face-to-face retail banking in rural, regional, and metropolitan Australian communities. The rate of branch closures has accelerated in the past 18 months, with many large corporations hiding this permanent reduction behind a veneer of temporary closures linked directly to state-wide and national COVID-19 lockdowns. The removal of large numbers of face-to-face retail banking branches across the country and the threat of more to come has had a direct impact on the job security of retail banking workers, the majority of whom are women.

The use of labour hire and contract workers in the finance sector is not new. Their use is not limited to specific, short term projects – rather is it common and prevalent across the sector. The Victorian Labour Hire Authority notes that there are over 345 labour hire providers in the finance and insurance industry. Labour hire firms are engaged to provide entry level workers to the industry whereby they work for a third party. The industry have been using labour hire firms to legally extend employees probationary periods to 12 months as it explained in this submission.

Recently enacted changes to the Fair Work Act (FWA) meant that employers had until 27 September 2021 to make determinations as to whether their existing casually employed workers were eligible for conversion to a permanent role. Employers in the finance industry use casual workers as a deliberate strategy to depress wages and have developed strategies designed to circumvent these types of obligations.

Offshoring

The offshoring of Australian jobs in the services industries, including banking and finance has been rapidly increasing at the cost of job security for Australian workers. This is not a new phenomenon and the FSU has

[1] http://lmip.gov.au/default.aspx?LMIP/GainInsights/IndustryInformation/FinancialandInsuranceServices

been running campaigns highlighting the impacts of offshoring jobs since it ramped up in the early to mid-2000s when finance and insurance companies ramped up the offshoring of back office and processing jobs.[2] Initially concerns were raised about the security of sensitive customer information as well as the risk that an aggressive offshoring strategy would stunt skills and career growth in the finance sector. This strategy has meant that workers in the "back office" and "processing" roles have long held concerns for their job security.[3]

When the finance sector started sending jobs offshore it was to take advantage of labour arbitrage to bolster return on investment and shareholder value. [4] By 2012 thousands of jobs had been sent offshore by ANZ, Westpac and the NAB to the point that the FSU had serious concerns about the future job security of any finance worker employed in the "back office" or processing centres. These fears were well founded as in May 2012 Westpac announced their intent to offshore hundreds of IT workers previously employed by St George and now employed in the merged entity. Research commissioned by the FSU and Australian Services Union in 2012 confirmed that offshoring practices of businesses were costing Australia 20 000 – 25 000 administrative and financial services job every year. [5]

By the beginning of 2020 there were thousands of finance sector jobs being performed offshore. These included administrative jobs, loans processing, IT, and call centre jobs.[6] In March 2020 when the impact of the global COVID 19 pandemic was unfolding the impact on the offshore workforce - contracted to provide essential support for the Australian finance industry - was uncovered. An ABC investigative journalist uncovered evidence that call centre workers in the Philippines were sleeping in their offices in unsafe conditions to meet their contractual obligations to Australian companies.[7] This report confirmed suspicions that the far more serious outbreaks in countries performing support for Australian businesses would mean that their workforce would be unable to meet the needs of the Australian companies.

In April 2020, IAG was the first company in the finance industry to reinstate jobs in Australia after international partners were hit hard by lockdowns and were unable to provide the customer service levels expected.[8] Other companies have also followed suit, and in July 2020 we welcomed the announcement by Westpac that 1040 permanent, directly employed jobs would be reinstated in Australian centres.[9] Despite the decision to bring these jobs back to Australia, many of these workers are engaged on fixed term contracts or by labour hire companies and we are concerned that when the global community finds a way to live with COVID19 they will again be faced with inevitable job losses.

We know from experience that government procurement policies can make a difference in this area. In 2006 when Westpac proposed offshoring 500 jobs from its NSW processing centre to India the NSW government said that when their government contract expired the NSW Government would consider Westpac's move before reissuing the government contract.[10] The Queensland Government requires that insurers who have been issued a licence for compulsory motor vehicle insurance must have that work done in Queensland by directly employed workers and has a procurement policy that requires Queensland taxpayers' money to be spent building the local economy and supporting local jobs.[11]

---

[2] https://www.finextra.com/newsarticle/15957/st-george-to-step-up-offshoring
[3] https://www.smh.com.au/national/offshore-jobs-govt-to-meet-with-westpac-20060921-gdofl9.html
[4] https://www.smh.com.au/business/offshoring-high-price-of-low-cost-20120127-1qlot.html
[5] http://www.asu.asn.au/clerical-admin/securejobssecuredata
[6] https://www.afr.com/technology/macquarie-jobs-join-passage-to-india-20070312-jes1d
[7] https://www.abc.net.au/news/2020-04-28/call-centre-workers-in-philippines-sleeping-in-offices/12154842
[8] https://www.insurancenews.com.au/daily/iag-recruits-400-in-australia-as-overseas-restrictions-bite
[9] https://www.fsunion.org.au/media-release-finance-workers-call-on-major-banks-to-follow-westpacs-lead-and-repatriate-banking-jobs/
[10] https://www.smh.com.au/national/offshore-jobs-govt-to-meet-with-westpac-20060921-gdofl9.html
[11] https://www.hpw.qld.gov.au/__data/assets/pdf_file/0020/3737/ethicalsuppliermandateforsuppliers.pdf

Recommendation 1: That the government introduce procurement policies that require companies to undertake any work relating to that contract in Australia, by workers employed on ongoing contracts.

Recommendation 2: Before Australian companies outsource local jobs, stringent labour market testing must be applied to determine whether these jobs can be performed locally. A key part of labour market testing should be a 'Why not Australia' checklist that spells out in detail why jobs cannot be performed in Australia and the benefits to the Australian economy in sending jobs overseas

Recommendation 3: It should be mandatory for local firms to disclose the number of overseas workers they employ when tending for Government contracts.

Artificial Intelligence

Improvements in technology have a long history of leading to job insecurity in the finance industry. Since the 1960s each decade has ushered in technological advances that have seen an increase in job insecurity. In the 1960s the first Automatic Teller Machines (ATMs) were introduced[12], followed by Bank State Branch (BSB) identifiers and Magnetic Ink Character Recognition Code (MICR) in the 1970s that allowed mechanical sorting and bundling of cheques. This was followed by the introduction of EFTPOS in the 1980s. The 1990s saw the introduction of telephone banking and more recently we've seen technological change led to the introduction of internet banking in the 2000s and mobile banking in the last decade.

The introduction of artificial intelligence (AI) into finance is creating uncertainty and a lack of job security. The case study demonstrates the impact of AI on the job security of workers in the finance industry. Banking and insurance companies have always offered an opportunity for good quality, semi -skilled, white-collar jobs, however the introduction of AI has limited not only job opportunities - particularly for non-tertiary educated

CASE STUDY

DAVE* WORKED FOR THE CBA IN 'GROUP LENDING SERVICES'. IN 2017 THE CBA ANNOUNCED THAT 150 STAFF BASED IN THEIR BRISBANE PROCESSING CENTRE WOULD BE MADE REDUNDANT. THEY WERE TOLD THAT WORKERS IN OTHER STATES WOULD TAKE ON THE BRISBANE WORK AS A RESULT OF "PRODUCTIVITY INITIATIVES". THE INITIATIVES INCLUDED THE INTRODUCTION OF AI RESPONSIBLE FOR CHECKING, FINALISING AND SETTLING LOANS. DAVE SPENT A NUMBER OF MONTHS LOOKING FOR WORK BEFORE FINDING ANOTHER JOB. THIS TIME DAVE WAS ONLY OFFERED A 12 MONTH CONTRACT. HE KNEW THAT THE WORK HE WAS DOING IN HIS NEW JOB WOULD ALSO BE REPLACED BY AI SO IT WAS JUST A MATTER OF TIME BEFORE HIS CONTRACT WOULD NOT BE RENEWED.

*Name has been changed

workers - but also the job security of workers. Workers in entry level jobs where AI is being utilised - in contact centres, support, and processing - are finding it more and more difficult to secure permanent ongoing work. Companies who identify roles that could be potentially done by an investment in AI are offering only fixed term

[12] https://theconversation.com/the-atm-celebrates-50-years-but-were-using-it-less-79847

contracts that are renewed annually – to avoid paying redundancy payments to workers when these jobs are made redundant.

Retail branch closures

Once upon a time securing a role in a retail banking branch meant a worker had pretty good job security. In recent years the number of retail branches has decreased dramatically[13] as companies have sought to reduce costs – retail banking is the most expensive type of banking to operate and maintain. The banking sector has long been planning for a decrease in retail banking branches and in 2014 predicted a decrease in retail banking by 2020, of approximately 20%.[14] The strategy to reduce retail banking branches has been accelerated by the COVID-19 related state and national lockdowns with an additional 350 retail branches closed or planning to be closed by the big 4 banks between January 2020 and the end of 2021.[15] This comes on top of the 640 branches closed by all banks between 2017 and December 2019.

Workers in retail banking are finding themselves wedged by their employment contracts and target setting regimes. For many workers in retail banking, they must meet performance targets to reduce the number of customers coming into the branches. They are trained and coached to redirect customers to ATMs and/or online banking to reduce foot traffic in branches. If they fail to meet these targets, they may be subject to performance management and in some cases termination of their employment. If they meet the targets, then the reduction in customer numbers and branch transactions leads to their branch being slated for closure. Either way these workers face high levels of job insecurity. The majority of front-line retail banking staff are women[16] which means that the job losses due to branch closures disproportionately impacts women who have much lower job security than their male counterparts - who are more likely to work in business banking and sales roles.

Banking is an essential service. In the Australian community when a local bank branch closes it has a much broader impact that simply just the removal of an essential service from the local community. The "Money Matters in the Bush: Inquiry into the Level of Banking and Financial Services in Rural, Regional and Remote Areas of Australia" which took place almost 20 years ago (January 2004) noted that :

"Where banks have withdrawn their branches, residents and businesses experience a number of problems such as the trouble, anxiety and costs associated with rearranging or transferring accounts, the uncertainty of having to adapt to new ways of banking and the inconvenience involved in travelling long distances to conduct face-to-face banking. For both individuals and businesses, there are also safety and security matters arising from the lack of access to a branch; the loss of economic opportunities; limited choice in obtaining professional advice and finance, especially venture capital; and potential exclusion from the financial world. The loss of a bank branch, especially if it is the last one in town, has wide reaching implications for the economic and social life of the community. Some regard the departure of a bank as the 'beginning of the end for a small town'."[17]

In the 17 years since this Inquiry took place thousands more local bank branches have closed leaving many more communities vulnerable.

---

13 https://www.fsunion.org.au/fsu-campaigns/branch-closures/
14 https://www.pwc.com/gx/en/banking-capital-markets/banking-2020/assets/pwc-retail-banking-2020-evolution-or-revolution.pdf
15 https://www.afr.com/companies/financial-services/big-four-banks-shut-350-branches-during-virus-crisis-20210711-p588o5
16 https://joboutlook.gov.au/occupations/bank-workers?occupationCode=5521
17 https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/Completed_inquiries/2002-04/banking/report/b02

Recommendation 4: The finance sector should be declared an essential service and an industry group should be convened to determine minimum levels of services in for the Australian community, particularly those in regional, rural and remote communities.

Labour Hire

The finance sector in Australia employs hundreds of thousands of people and is one of the largest contributors to the economy. We know that labour hire in the finance sector is used as a gateway for new employees, to address capacity issues, and to fill skill gaps. Labour hire is prevalent across the breadth of the finance sector, in many areas within financial services entities.

Labour hire is a fundamental part of workforce management, particularly in customer contact (call) centres, processing, and administrative roles. In some cases, most new staff coming into contact centre and processing roles are initially engaged as a contractor through a third party. If the worker meets the standards of the employer, they may be offered a casual or permanent role directly with the bank or insurer. This gives the employer an additional six-month period in which the employee is not permitted to make an unfair dismissal application if their employment comes to an end. This essentially means that for a new starter in the finance sector you are subject to a 12-month probation period, rather than the 6-month provided for by the Fair Work Act. This is such a fundamental part of the recruiting process in some enterprises that even the job ads on Seek note that the role is as fixed term contractor, with a possible permanent role on offer at the end. There are other employers who have made clear decisions that they do not want to increase the number of permanent staff. This is borne out by the differential pay rates on offer. We are aware that at least one of the largest retail banks uses labour hire staff and employs them on a competitive salary. Employers take two contrasting approaches which both serve to disadvantage labour hire staff and contract workers.

The first approach employers take is offering workers permanent roles after completing their probation period, with the wage rate offered for the permanent role being the minimum rate for the job, not the rate they were on when employed by the labour hire company. Most workers are not prepared to take a pay cut, so they leave the organisation – at which point the cycle restarts. This is of particular concern when the roles are in “risk” and “compliance” departments.

The second approach employers take is using contractors who are not directly employed so the employer can evade their obligations to employees under an enterprise agreements or award, including pay. Pay rates between contractors and permanent staff can be vastly different. This leads to contractors being treated like second class citizens with lower wages, worse conditions, and no job security. These arrangements have a disproportionate impact on women and those with caring responsibilities, who have limited or no access to important entitlements like flexible work arrangements, parental leave, and family violence leave.

The Australian finance sector is complex, and organisational knowledge is incredibly important. The use of labour hire creates a high level of staff turnover and increases training demands on the organisation. Particularly in a COVID-19 environment where we are working from home, transferring knowledge to new staff is time consuming and formal training can only do so much. In this environment, the reliance on labour hire diminishes expertise within the organisation.

Recommendation 5: That the employers must be transparent about their use of labour hire and report publicly the number of roles and departments where labour hire employees are engaged.

Recommendation 6: Permanent Employees and labour hire employees must be covered by the same pay rates and entitlements.

Recommendation 7: That employees no longer be subject to an additional 6-month probation period upon engagement as a permanent employee, where they have previously served a probationary period doing the same job.

Casual Conversion

Despite changes to the FWA that required employers to offer permanent conversion to eligible casual employees no later than 27 September 2021, eligible casual employees in the finance sector report that very few have been offered casual conversion, while those who were made offers report that the detail contained in the permanent offer is so unattractive that they choose to remain employed casually. The FSU has written to the largest employers in our industry asking for information to be provided about the numbers of casual workers who have been offered permanent roles. Those who have responded to date confirm that there are very low numbers of workers who qualified for an offer of casual conversion.

There seem to be three factors at play here. The first is the employers' attempts to "game" the system to ensure that very few, if any, workers take up the offer of permanent work. The second is the deliberate and systematic means employers use to ensure casuals do not meet the requirements of casual conversion in the first instance, such as frequent changes to start times, shift lengths, and days of work offered, regardless of workforce requirements. The third factor is the reluctance of workers to exchange job security for a significant pay cut. These three factors are entwined and together they work to maximise the attachment to casual work by both employers and workers.

The finance industry is very sophisticated and employs various methods (including artificial intelligence) to predict workflow and workforce requirements. This is most notable in customer contact centres where you can usually find a mix of permanent, labour hire and casual staff. These employers understand their workflow requirements prior to making offers of casual work and in most cases, they understand prior to making offers that they will need the work performed beyond the casual hours offered to these workers. The FSU believes that these are all roles that are ongoing and ought to be filled by permanent employees who have an expectation of ongoing secure employment.

FSU members employed as casuals report that the rostering systems used by their employers allow employers complete control over rostering within availability parameters. For example, Abe (not his real name) provides availability to his employer across 3 days between 9am and 9pm. His employer rosters him on these days regularly however makes regular changes to start and finish times, thereby rendering him ineligible for conversion as he has not met the criteria of regular start and finish times across a 6-month period.

Employers in the finance industry offer casual workers higher hourly rates both due to the 25% casual loading that artificially inflates remuneration, but also because contact centre jobs are not in the main, particularly well paid. The higher rates on offer for casual staff also work to attract workers to roles that they might not otherwise be interested. In some cases, the rates of pay are simply the "going" rate, plus the 25% casual loading but in other cases the underlying rate is also inflated. Recruiting staff at artificially inflated pay rates means that workers become accustomed to that income and make financial decisions accordingly, which means that any offer of permanent employment will often come with a decline in take home pay of a minimum of 25%, sometimes more, if the employer only offers permanent roles at minimum rates, which is enough to have workers thinking twice about accepting permanent roles. The FSU contends that this is a deliberate strategy taken by employers to both depress wages and circumvent their obligations to provide secure work. This is all hidden beneath a thin veneer camouflage of "choice", where workers are expected to swap job security for much lower rates of pay.

Conclusion

The lack of job security is rapidly emerging as a key issue for finance sector workers. Structural changes in the finance industry have led to a rapid decrease in job security for finance workers. The triple threats of offshoring, the introduction of AI and the rapid increase in local branch closures means that job security has never been more difficult to come by in the finance industry. There is no doubt that the government through procurement policies could address some of these issues to ensure that the Australian finance industry continues to provide good quality, white collar semi-skilled roles. Banking is an essential service, and the Australian Banking sector continues to enjoy record profits, it is not unreasonable to expect that our largest, most profitable organisations play a role in providing good quality, secure, semi-skilled, white collar jobs into the future.

Summary of Recommendations

Recommendation 1

That the government introduce procurement policies that require companies to undertake any work relating to that contract in Australia, by workers employed on ongoing contracts.

Recommendation 2

Before Australian companies outsource local jobs, stringent labour market testing must be applied to determine whether these jobs can be performed locally. A key part of labour market testing should be a 'Why not Australia' checklist that spells out in detail why jobs cannot be performed in Australia and the benefits to the Australian economy in sending jobs overseas

Recommendation 3

It should be mandatory for local firms to disclose the number of overseas workers they employ when tending for Government contracts.

"[MY] COLLEAGUES DID TALK TO EACH OTHER (ABOUT OFFERS OF PERMANENCY), BUT UNFORTUNATELY IT WAS ABOUT WHY THEY WOULD NEVER WANT TO BE PERMANENT BECAUSE OF LOSS OF LOADING, EVEN IF THEY WERE GIVEN GUARANTEED WORK AND ALL THE OTHER ENTITLEMENTS SUCH AS LEAVE AND SICK PAY"

FSU member

Recommendation 4
The finance sector should be declared an essential service and be required to consult with local communities prior to closing local bank branches.

Recommendation 5
That the employers must be transparent about their use of labour hire and report publicly the number of roles and departments where labour hire employees are engaged.

Recommendation 6
That employees and labour hire employees must be covered by the same pay rates and entitlements.

Recommendation 7
That employees no longer be subject to an additional 6-month probation period upon engagement as a permanent employee, where they have previously served a probationary period doing the same job.