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Select Senate Committee into the Future of Work
Department of the Senate
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SUBMISSION TO SENATE SELECT COMMITTEE ON THE FUTURE OF WORK

Dear Chair

Thank you for the opportunity to provide a submission to your Inquiry, which is welcomed by thousands of workers and their families across Australia.

The Finance Sector Union represents workers right across Australia's finance industry. Our members work in banking, insurance, credit unions, superannuation and other fields which are connected with the finance industry.

Australia's banking industry alone is Australia's equal biggest sector, at around 9.3% of the economy, and it generates around \$24 billion in dividends each year. Critically, the finance sector as a whole employs more than 400 000 people. Importantly, the scale and stability of Australia's finance sector has underpinned broader consumer and investor confidence in both Australia's financial institutions, and the wider economy.

Against this backdrop, however, the pace and scale of change in financial services is unprecedented. The rapid deployment of artificial intelligence, more refined algorithms, and technological advances mean massive digital disruption for the finance sector. Recent large-scale job shedding by major banks is a pointer to this disruption.

The traditional provision of banking, through face to face interaction in bricks and mortar branches, is being steadily replaced by on-line and app-based financial engagement. By way of example, there was a recent application for a banking license in Australia in which there wasn't a single physical branch; all interactions were to be carried out on-line.

This landscape presents significant challenges for banks, their workforces and the broader community.

To prepare for the future, the Finance Sector Union has recently commenced an extensive policy development project, "**Blueprint for the Future**" (attached). In recognising the extensive changes envisaged for the sector, we want to put workers in the best possible position to occupy the jobs of the future. Our Blueprint has two key aims:

1. The establishment of an industry-wide set of accredited pathway qualifications that are portable; and
2. Helping banks demonstrate to the community that they are reasonable and decent employers who will assist and support their workers through a period of major change.

Broadly, the structural changes foreseen in the nature of work across the economy will result in employees and their families having less certainty in their lives, arising from jobs that are casualised, intermittent, contract-based and more fragmented. Some experts estimate that the 20 year old of 2018 will have 40-60 jobs over the course of their life.

(For ease of reference, relevant terms from the Inquiry's Terms of Reference precede each discussion.)

FUTURE EARNINGS, SECURITY, EMPLOYMENT STATUS

Employment in the financial services sector tends to be provided by large corporations, some with many thousands of employees.

The finance sector has 55.4% female workforce, the gender pay gap is 31.9% (FT), and part-time work is widespread. Banks employ staff in branches, but also to operate processing and technology functions, their institutional banking and large scale call centres. These functions tend to be centralised which has broader implications for rural and regional communities (see below).

Recently, the Commonwealth Bank of Australia released “ ***The Commonwealth Bank jobs and skills of the future report***”

The report notes:

“... The dramatic shifts in the landscape of work and jobs mean new capabilities and skills are required. Most importantly, everyone from truck drivers through to CEO's will need to be receptive to robots and artificial intelligence as technology rapidly progresses.

That means we must focus on the uniquely human capabilities that distinguish us from machines, such as creativity, imagination, emotional intelligence and empathy. We need to be able to learn and have the attitudes and emotional strength to deal with constant change. Many jobs will emerge as a result of technological advances that will underpin our business and society. In a world driven by machines the most valuable work will have a deeply human focus, helping to build a world which supports a high quality of life for all...”

The report outlines the key capabilities of the future as : Creativity, Relationships, Adaptability and Learning.

The key skills of the future are identified as: Design, Technology, Analysis and Business.

The skills of the future may not exist in sufficient scale in Australia. This will mean increasing use of overseas worker (eg 457 visas or equivalent) or offshoring of jobs. In the bulk of cases, this will mean lower rates of pay for those employed by banks.

For example, ANZ has large offshored operations, mainly in India and the Philippines. They have offshored operations including elements of Technology Service Management, HR/People Assist and

Payroll. Over the past year, there have been more Technology Service Management functions moved to teams in India.

The increased fragmentation of workforces will also reduce employee ability to mobilise collectively in pursuit of real wage growth.

New bank entrants will likely see a much higher emphasis on casual labour and working-from-home arrangements.

EFFECTS OF THAT CHANGE

As Australian banks centralised functions, historically they tended towards basing large-scale centres in the major Central Business Districts, primarily of Melbourne and Sydney. Australia's large banks currently have a diverse spread of workplaces across the country in part due to ongoing State Government incentives or regulation to maintain jobs locally. For example, Bankwest in Western Australia was required by legislation to maintain its rural and regional branch structure. That legislation recently expired.

One study by Dr Neil Argent and Dr Fran Rolley of the University of New England (***Financial Exclusion in Rural and remote New South Wales , Australia; a geography of bank branch rationalisation 1981-98***), measured a 12.3% reduction in branch numbers in non-metropolitan areas of NSW over a 17 year period.

They noted:

"... that rural and remote New South Wales have been disproportionately affected by... withdrawal of (banking) services...In the wake of the post-deregulation reconfiguration of the branch network, the socio-economic marginalisation of rural communities is being compounded, a process of 'financial exclusion' recognised in other part of the developed world..."

A research paper prepared by for the Parliament of Queensland by Wayne **Jarred (The Emergence of Community Style Banking as a Response to the Closing of Bank Branches)** also noted:

"... Banking is an essential aspect of modern day life both for the individual and business. The general consensus is that branch closures damage business in small towns way beyond the point of the closure itself. If bank clients have to travel to other towns to conduct their banking business, they will tend to do their shopping there as well. This can then lead to the loss of employment in the town that has lost the branch which only results in a further decline in the economic fortunes of the town.

Branch closures have imposed inconvenience and cost to individuals , businesses and the community generally... Cumulatively, there are negative effects manifested at the community level where there is a decline in economic viability... Sixty three percent of bank branch closures have occurred in towns with a population of less than 1000 whilst a further 17% were lost to towns with a population of between 1000 and 1500..."

Compounding the effect of branch closures is the disruption to the finance sector more broadly through the digitisation of banking. Increasingly, there is a move towards application (“app”) and phone based banking. As an example, **Atom Bank** in the United Kingdom sought a license to operate in 2015. They operate without bricks and mortar branches. From their website:

“ATOM BANK

The future of banking, available today

Hello. We’re the UK’s first bank built exclusively for your smartphone or tablet. We launched way back in 2016 with Fixed Saver accounts and mortgages. We’re recognised as one of the fastest growing banking start-ups in Europe. Oh and we’re just getting started...”

For rural and regional communities, a move towards an increasingly digitised financial services sector carries significant additional challenges. The loss of employment, the adequacy of internet and server connections, and the absence of sound face to face advice, will present unique challenges for individuals, businesses and the community generally.

EFFECTS OF CHANGE ON INEQUALITY AND THE ECONOMY

The organisation **Uni Global** (*Union Network International*) has done extensive research on the changing nature of work. With regard equality they note:

“Social and Fundamental Rights

As is well documented, a rising number of workers on platforms as well as in other areas of the labour market are self-employed or contractual workers. As such, they personally bear the risks of the market: no demand for their labour, no income. Indeed researcher Mark Graham has shown in his work that platform workers spend 18 hours per week simply looking for jobs to do. The supply of online labour far exceeds the demand.

*As self-employed, the majority of workers are also exempt from social benefit systems such as sick pay, holiday pay, parental leave, pensions and unemployment benefits. **Put crudely: The new world of work has all the flexibility yet no security.***

Although the number of workers in the platform economy is still relatively limited, the ILO’s recent comprehensive report on non-standard employment shows that across the economy, various forms of precarious work are on the rise. This is a worrying tendency and naturally unacceptable. No national economy can possibly survive if a growing number of workers earn less than the minimum wage and are institutionally blocked from social protection systems. On a similar vein, no national economy can possibly function if a growing number of companies do not contribute via taxes and social contributions to the wider society in which they are embedded and on which they depend.

Given that the self-employed, at least in theory and by nature of the term, are in competition with one another, and are often dispersed in geographical space, traditional organising and collective bargaining structures are questionably relevant. Couple that with the, albeit contested, claim many platform owners make that they have no employer responsibilities as they purely offer the technical and digital means through which to unite clients with workers, and the traditional IR system seems to be under serious pressure. “

Industrial relations laws and conventions in Australia provide poorly for the *existing* economy and workers and firms within it.

As the ‘gig economy’ grows, the current industrial relations system will be woefully inadequate in addressing underlying employer/employee power imbalances, wage determinations, dispute settlement and safety matters.

Large scale, established employers are *currently* able to ignore Enterprise Bargaining Agreement arrangements with impunity. This is especially the case with provisions that relate to requirement to consult with workers on major change:

CASE STUDY

On 26 June 2017 150 staff in Group Operations Brisbane were told of Commonwealth Bank of Australia’s (CBA) intention to close the centre over the next twelve months as technological advancements reduced the need of personnel. Sixty six were made redundant by September 2017, and the remaining staff are to be made redundant in the first half of 2018.

Finance Sector Union (FSU) members met and passed a unanimous resolution requesting CBA look for voluntary redundancies across Brisbane, Sydney and Perth so that only staff willing to leave CBA would lose their jobs.

A further 12 areas were identified as part of the consultation process to ameliorate the impending job losses on employees.

However on 3 June CBA advised employees and the FSU they would not reconsider their proposal and they would push through with issuing formal notification letters to 66 staff immediately.

In a letter provided to FSU on 3 July, CBA state the following: *“having carefully considered the options available, the Group has determined that these benefits are best achieved by the closure of the Brisbane GLS Centre.”*

However there was no careful consideration, as CBA advised of their decision to the *Courier Mail* four days prior to informing staff, and only a matter of hours after FSU had provided the feedback to CBA for consideration.

With breathtaking disrespect to their staff, over half of which have worked for CBA for over twenty years, the information provided to the *Courier Mail* ran as an article on 3 July 2017 explaining CBA's decision – this article appeared **prior** to CBA advising their staff or the FSU formally of their decision

to reject the proposals put by FSU members to CBA in an effort to mitigate some of the effects of their proposed decision.

The industrial arrangements at CBA prohibited workers from effectively disputing the failure of CBA to properly consult and mitigate the adverse affects of this change.

As technological change begins to rapidly displace workers across the finance industry, employee rights to genuine consultation must be improved to ensure that consultation is not a perfunctory exercise undertaken by employers as part of a larger change program.

Similarly, in November 2017 National Australia Bank revealed plans to cut 6000 jobs - not to staff directly, but as part of its annual profit report.

“National Australia Bank chief executive Andrew Thorburn is unleashing a \$1 billion cost-cutting drive he says is needed to prepare the bank for a world of tougher competition and soft economic conditions.

Mr Thorburn on Thursday said up to 6,000 jobs would be lost over the next three years, as part of a plan to slash expenses while investing in new technology, including by using automation to replace work done by people.” (Clancy Yeates, November 2, 2018, Sydney Morning Herald).

It is also worth noting that many enterprise training provisions aimed at supporting displaced or redundant staff only apply once the persons role has been terminated. It would be far more effective for organisations to consult with staff earlier in a change process, identify skills gaps and organisational needs, then tailor training in order that staff can compete for the jobs of the future.

Noting the increased rate of ‘churn’ in the finance sector and economy more broadly, it should be noted that there is massive disparity in redundancy provisions, even with the same sector:

CASE STUDY

An FSU member with a smaller credit union was made redundant when they closed her branch.

As her employer did not have an Enterprise Agreement she relied on the Award provisions for her entitlements. She was an employee for 18 years.

Under the Award our member was only entitled to 12 weeks Retrenchment payments as it refers to the National Employment Standards in the Fair Work Act:

Section 119 of the Fair Work Act:

“Redundancy pay period

Employee's period of continuous service with the employer on termination. Redundancy pay period

1	At least 1 year but less than 2 years	4 weeks
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2	At least 2 years but less than 3 years	6 weeks
3	At least 3 years but less than 4 years	7 weeks
4	At least 4 years but less than 5 years	8 weeks
5	At least 5 years but less than 6 years	10 weeks
6	At least 6 years but less than 7 years	11 weeks
7	At least 7 years but less than 8 years	13 weeks
8	At least 8 years but less than 9 years	14 weeks
9	At least 9 years but less than 10 years	16 weeks
10	At least 10 years	12 weeks “

In this instance her employer was generous enough to pay her the higher figure of 16 weeks she would have been entitled to if she had worked between 9 and 10 years.

However, even 16 weeks in a small community is not a lot of time or financial support to find another job.

In comparison, if our member had been employed at NAB she would have received 58 weeks payment as per the EBA. In this case above our member received \$13,846.15 gross as a retrenchment entitlement of 16 weeks; if she worked for NAB it would have been \$50,192 which in real terms would have supported her for a considerably longer period of time to find alternative employment.

INTERNATIONAL EFFORTS

The Finance Sector Union is an active member of Uni Global and international efforts to support workers, families and communities in the transition to the economies of the future. Accordingly, we believe Australian policy settings should encompass the following:

1. Active labour market policies must be revamped and broadened to include all workers in all forms of employment. This includes demanding of companies to take responsibility in training, re-training and upskilling current and future staff through extended apprenticeship schemes that are tailored for all types of workers.
2. All workers in all forms of employment must have the rights and access to training on a regular basis. As the digital economy requires new skill sets continuously, all workers, also those in self-employment, must have access to training. Compensation schemes should be in place. This requires that all companies contribute to a national educational fund, governed by the social partners and the state, from which workers can seek funds to conduct training. This fund should also cover income losses during training.
3. Competition law must be changed so the single-unit self-employed have a right to collective bargaining. Forcing workers into self-employment and removing their collective rights is unacceptable.
4. Workers' rights and human rights must be respected throughout corporate supply chains

and that companies are held responsible for their actions and non-actions.

5. Workers and their union representatives must have the right to access, influence, edit and delete data that is collected on them and via their work processes. Workplace monitoring must be consensual.

6. Artificial intelligence must put people and planet first. This is why ethical AI discussions on national and global scale are essential. A global convention that encompasses all is the most viable guarantee for human survival.

7. Artificial Intelligence and the data that it builds on, must combat not accelerate inequality. This requires new public policies and monitoring mechanisms, including the establishment of a new ombudsman function.

Thank you for the opportunity to make a submission to your inquiry. I can be contacted on 02 9320 8092 should you require further information on any aspect of this paper.

Yours sincerely



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