



**FINANCE SECTOR UNION (Vic-Tas Branch)**

**RESPONSE TO THE DISCUSSION PAPERS ON  
VICTORIA'S FUTURE INDUSTRIES  
(Professional Services)**



FINANCE SECTOR UNION

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## **RESPONSE TO THE DISCUSSION PAPERS ON VICTORIA'S FUTURE INDUSTRIES (Professional Services)**

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## About FSU:

The Finance Sector Union (FSU) of Australia (Vic-Tas Branch) welcomes the opportunity to contribute to the Victoria State Government's discussion papers on Victoria's Future Industries (Professional Services).

The FSU represents and advocates nationally for more than 400,000 workers in the finance sector with approx. 100,000 workers in Victoria<sup>1</sup>.

As long term advocates, the FSU holds the view that employers in the Australian financial sector have social obligations to the Australian community in addition to their legal requirements & economic and commercial roles. As common practice, all companies with Australian interests should fully explore all available options within Australian territories, including the capacity to re-train or re-educate the workforce, when it comes to the matter of ensuring the industries ongoing sustainability.

The FSU's 'Our Jobs Our Future' Industry campaign (*see page 12*) seeks to turn this view into secure jobs, secure pay and a finance sector we can all be proud of.

## Discussion Papers - Purpose:

The purpose of this discussion paper is to develop a blueprint for the growth of the professional services sector. The Department of Economic Development, Jobs, Transport and Resources is seeking input about the role of government, industry, education institutions and unions in achieving this growth.<sup>2</sup>

## Discussion Papers - Statement:

The response to the Discussion Papers is based on the thoughts & experiences of FSU members as well as the FSU's well placed understanding of the industry and industry practices, including elements pertaining to technological changes, restructuring, outsourcing and offshoring of Australian jobs.

This document does not seek to address in detail all the questions listed in the Discussion Papers, but focuses on a number of key areas relevant to the Finance Sector Union. We will also reference as part of the discussion our work with the community in building a framework of operational values for the sector, the "Australian Banking Principles".

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<sup>1</sup> <http://www.liveinvictoria.vic.gov.au/working-and-employment/victorian-industries/financial-services#.VftJ99-qpBc>

<sup>2</sup>

[http://yoursay.business.vic.gov.au/futureindustries/application/files/1814/4013/9894/9213\\_DEDJTR\\_VFI\\_Professional\\_Services\\_Paper\\_WEB.pdf](http://yoursay.business.vic.gov.au/futureindustries/application/files/1814/4013/9894/9213_DEDJTR_VFI_Professional_Services_Paper_WEB.pdf)

## “Australian Banking Principles”

Like all other stakeholders, the FSU wants our finance sector to be as profitable and successful as it can be, but not at any cost.

To this end the FSU has been discussing with a number of consumer and community sector organisations<sup>3</sup> the sort of principles we believe we need to be the hallmarks of the finance sector in Australia.

These principles we believe provide the basis for the finance system in this country and should guide the conversation when forming outcomes from the Discussion Papers.

### Principles

Australia’s financial system should function in an accessible, affordable and fair manner reflecting its status as an essential service. The financial sector should deliver products and services which better balance the needs of consumers, employees, shareholders, the economy as a whole and the broader public interest.

To achieve an effective, well-functioning financial system in the best interests of the Australian community through:

1. *Promotion of competitive outcomes for consumers*
  - 1.1. Shopping around and switching provider should be easy
  - 1.2. New market entrants should be encouraged
  - 1.3. All market participants should enjoy a level playing field
  - 1.4. Financial institutions should not be allowed to have excessive market power
  - 1.5. Regulators should investigate and respond proactively when problems arise
  
2. *Effective regulation to support fairer outcomes, especially in essential services such as retail banking and superannuation*
  - 2.1. Financial services should be accessible and affordable for all consumers, regardless of their circumstances or location
  - 2.2. Fees and charges should reflect cost only
  - 2.3. Financial products and services should be provided transparently, responsibly and with a duty of care to all stakeholders

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<sup>3</sup> Australian Financial Integrity Network (<http://ausfin.org.au/>)

3. *Community access to information about key elements of our financial system*

3.1. Key information about Australia's financial system, including information about the size, nature and structure of financial institutions, levels of prices and fees in the market and wholesale costs, should be transparent and published regularly by our financial regulators

4. *Removal of all conflicts of interest*

4.1. Financial providers should act in the best interests of their customers and clients

4.2. Practices and structures that generate conflicts between the interests of financial providers and their customers should be eliminated

5. *Balancing the operation of the financial system with the needs of the community*

5.1. Policy development and implementation on financial services issues should include the voices of all groups in the community who are affected

5.2. Reflecting social and economic obligations, financial providers should strive to be Australia leaders in standards of corporate governance and behaviour

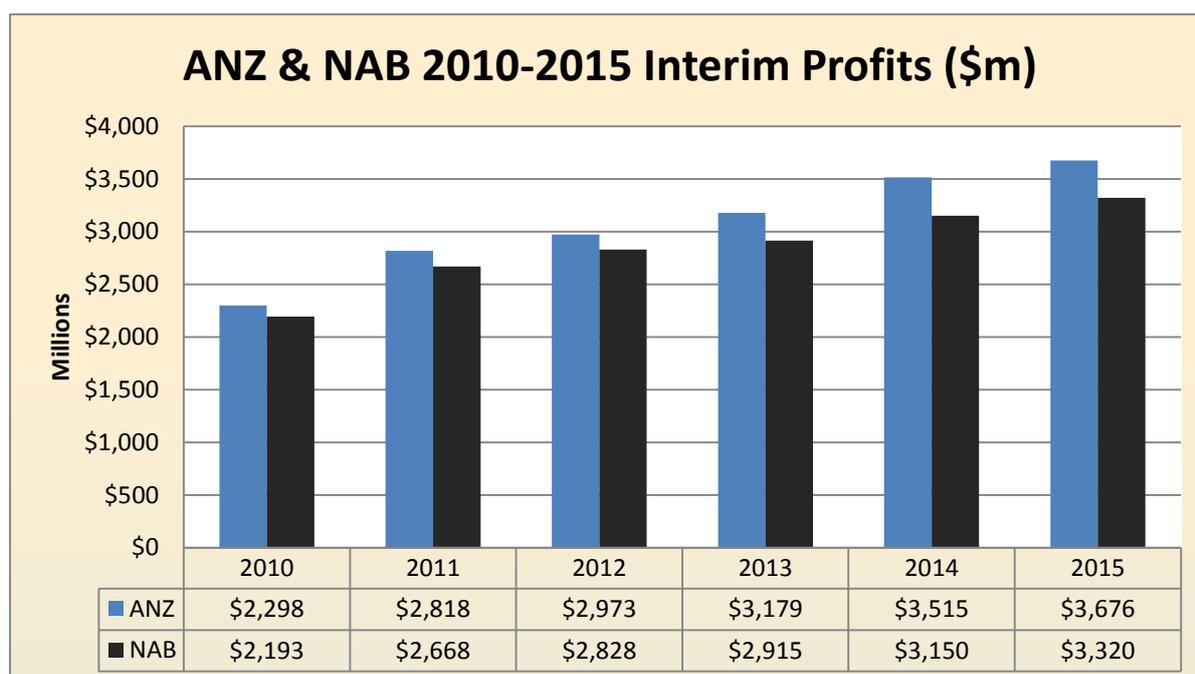
5.3. The financial services industry should contribute to the development of the nation's skills and knowledge and the growth of sustainable and socially responsible local jobs

## The Finance Sector:

Australian financial organisations are some of the most profitable organisations in the world – many recognised globally for their success. When the GFC took hold, many organisations operated with the support and faith of the Australian public, backed by Federal Government guarantees to minimise any potential damage to the industry.

Each year, these same Australian financial organisations who weathered the GFC storm with public support, continue to strive towards increasing their yearly profits. To ensure ongoing sustainability for both the broader industry and the long term welfare of the Australian community, the industry itself must act with the appropriate level of social and moral responsibility to the community that it relies on for its support and its successes. Therefore business practices should not solely focus on the profit line, but adopt strategies that reinvest in the Australian community (including employment) to ensure a balance between productivity and people for the future welfare of the state and the country.

The graphical representation below shows the interim profit levels from the last 5 years for the two key Victorian based major banks<sup>4</sup> - ANZ & NAB:



For many reasons, including technological advances, the finance industry as a whole has regularly restructured and reinvented itself to accommodate market needs. Many of these 'changes' have resulted in the outsourcing or offshoring of Australian jobs. All of which affects the Victorian employment landscape.

<sup>4</sup> <http://www.abc.net.au/news/2015-05-08/australian-bank-profits-in-pictures/6454428>

As an example in 2013 the FSU was notified of 3197 Redundancies and a further 1144 jobs offshored. In 2014 the numbers were similar and just for February 2015 alone we received notification of 149 jobs disappearing from one employer.

While the rationale for why redundancies occur can be examined employer to employer, the reality is that any impacted workers will require opportunity to gain further employment if they are to resume the workforce. In a highly competitive employment market (with rates in Australia in excess of 6% unemployment<sup>5</sup>) substantive measures will need to be put into place to ensure maximum employment opportunities are created and importantly, are filled at a local level.

### **Technological Influences**

Traditional industry roles are changing and technology/digitalization is at the forefront of this drive. Technological advancements have the capacity to mark its influence on the make-up of all jobs across all industries - from manufacturing automation processes to self-serve supermarket checkout systems to smart phone banking transactions.

This means that for many Australians having a career that will last for life is no longer a reality. Many employees will hold jobs with a variety of employers within a given industry. Employees with 'transferable skills' may even move between industries through their working life.

As technological advances continue to alter the way all industries work, many employees impacted by the subsequent business restructuring and economic rationalisation will by the nature of change be faced with becoming unemployed. Over time, many of these individuals may face becoming unemployable as employment competition & educational standards increase and the types of work employees do evolve and morph into new roles.

In recent Enterprise Bargaining Surveys conducted by the FSU in both Westpac and Bankwest there was a clear message that job security was a substantive issue for these bank workers. Feedback from the broader FSU membership would indicate that the concern is not just limited to these two enterprises though, with job security being flagged as a hot conversation piece throughout the finance sector.

Indeed the finance industry in Australia has undergone a dramatic transformation since its earliest inception – today Banking, Finance, Superannuation, Insurance and other finance entities contribute substantially to the Australian economy.

These comments coming from the Australian Trade Commissions 2015 Benchmark Report:

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<http://abs.gov.au/ausstats%5Cabs@.nsf/mediareleasesbyCatalogue/46DFE12FCDB783D9CA256B740082AA6C?Opendocument>

*“Australia has a sophisticated financial sector that offers access to one of the Asia-Pacific region’s largest pools of bank assets, as well as the world’s fourth largest pension assets pool. These credentials attract some of the world’s largest organisations to Australia. Eighteen of the Top 20 FT Global 500 companies and eight of the Top 10 Fortune 100 have operations in Australia. One in five businesses in Australia with more than 200 employees is at least 50 per cent foreign-owned.”<sup>6</sup>*

Part of this transformation has included the adoption of digitalization processes. The banking industry once conducted all its business by paper methods such as cheques, passbooks, journals & ledgers, debit & credit vouchers. Now billions of dollars simply move through online & electronic means without the touch of an employee’s hand to be seen.

Computers, tablets, EFTPOS, ATM’s and smart phones now dominate the finance industry transactional pathway instead of the pen, the paper and the people who were once tasked with the roles. The movement away from using cheques as a form of payment has claimed its own toll on employment structures – where previously each bank had employed data staff to process the cheques face dollar value there was also equally staff at branches to verify the cheques authenticity. Cheque processing is now a limited field with much fewer employees doing the necessary work centralised to an outsourced provider.

Technology has also shifted the retail banking experience. Where once tellers and advisers were employed in numbers throughout branches in Australia to service and develop their customer base, now customers are greeted by iPads, automated machinery for withdraws and deposits and a small number of staff whose primary purpose is to sell new products. In many locations employees are required to stand for the majority of the day in the customer banking chamber area with none of the security measures that are afforded by fly up screens, bullet proof glass or security barriers.

The Finance Sector isn’t the only industry where technology has brought about a change; Australia Post has also been reported to have reviewed its business model and operational structure to factor in the changes that have accompanied increased electronic communications usage (email, SMS, and social media) and reduced ‘everyday’ mail. Many media outlets have recently reported that Australia Post was exploring options around the everyday delivery of standard mail with a view to a possible reduction of services and the possibility of a two-tiered pricing system. Regardless of any decisions Australia Post management may make, the role Australia Post plays has changed as a result of technological changes and employees will no doubt be at the pointy end.

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<sup>6</sup> <http://www.austrade.gov.au/digital-benchmark/business.html>

M-Commerce is paving the next wave of technological advancement – not just for banking but across the broader finance sector and into the retail stream. This taken from ACMA web review document on M-Commerce:

*'The use of m-commerce services in Australia is soaring—during December 2013, 3.4 million Aussies used an m-commerce service, up from 0.62 million during December 2010. That's an increase of 448 per cent.'*<sup>7</sup>

In 2015 the vast majority of Australians now own and use a digital product (including smartphones) - the world has more phones than people. For many Australians these devices are essential lifestyle and communication vehicles that also form the key means of interaction for banking, managing superannuation, dealing with insurances and retail spending. Even banks and other finance entities outside of the major 4, such as Bendigo Bank, have taken advantage of utilizing smartphone 'apps' to meet the growing consumer demand in this area.

Additionally the Australian Processing and Clearing House made the observation in 2014 that Australia's use of contactless payments are proving to be a runaway success – Australia per capita use of the product has been reported as the highest in the world.<sup>8</sup> It's not difficult to draw the link between the mass uptake of these electronic forms and the declining nature of work across many finance sector roles.

### **Call Centres**

One of the major evolutionary shifts that has changed the way many retail operations work (outside of technological advances) – whether it be for health insurance, banking or other financial needs - is the rise of the call centre. Where the majority of customer enquiries had once been the domain of front line staff in retail outlets, call centres have risen to become the new service model employed globally to facilitate customer service.

Despite the Victorian Government Call Centre Code (attached), feedback from call centre staff would indicate that Call Centres are far from being the ideological work environment. The FSU has a significant membership based across finance sector call centres in Australia and these members speak regularly about working under difficult conditions to achieve the results expected by the business. These include matters such as being set unrealistic goals (such as unworkable average handling times or sales expectations), micro management, poor guidance and training, health and safety matters & unsocial hours of work. Added to this is the awareness staff have that many of their roles have simply been offshored.

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<sup>7</sup> <http://www.acma.gov.au/theACMA/engage-blogs/engage-blogs/Research-snapshots/m-Commerce-Mobile-transactions-in-Australia>

<sup>8</sup> Page 35 <http://www.apca.com.au/docs/policy-debate/evolution-of-cash.pdf>

Melbourne houses a number of call centres for the finance sector (as well as other industries) however as financial pressures continue to build on organisations to return 'better than last years' profits, many of these call centres may soon find their Australian existence also under threat.

Offshoring poses a much bigger threat to Australian jobs than most people are aware of, particularly Australian jobs that are computer based. Globalisation and the rapid evolution of technology means most Australian services jobs can be performed overseas. Many key finance sector organisations, such as ANZ, have operations that serve Australian needs based in overseas locations. As the push for greater 'productivity' increases many of these overseas locations could be expanded to handle larger volumes of the Australian market.

If trends continue then many Victorian jobs – including call centre roles - may simply end up being performed overseas with no employment gains or financial benefits for Victorians.

The attached NIEIR reports (2012 NIEIR Report Offshoring and Summary documents) prepared for the ASU and FSU paint a bleak future for services jobs in Australia. Headline figures show the potential for 700,000 to 1 Million jobs to move off-shore in the next few decades. Policy and action need to be put into place to address the off-shoring of Victorian roles.

### **Government Procurement**

Both State and Federal Governments are major purchasers of goods and services. With the current level of offshoring trends across all industries in Victoria the State Government needs to ensure that it acts in the interests of all Victorian workers by contracting companies that:

- Have transparent supply chains
- Onshore its labour needs and forego offshoring
- Have a track record of ethical employment practices

Additionally the State Government should develop (in conjunction with key stakeholders) plans & policies that not only attract new and developing business to the State, but also actively promotes and incentivises the use of local product and staff.

Information on this is available in the attached 'ASU & FSU Secure Jobs Secure Data Action Plan'.

## Data Streams

With online & electronic transactions firmly in the transactional driver's seat, a substantial volume of data is now being kept electronically on not just our spending behaviours, but also storing our confidential private information. The vast majority of modern businesses use some form of electronic means to record information relating to their customer base – including doctors, schools, banks and other financial institutes.

As the world moves towards an internet dominated landscape where data storage could be anywhere in the 'cloud', accessible by anyone anywhere in the world in a virtual instant – having processes and clear policies in place about data securitization will become paramount.

All Australians deserve the capacity to make informed decision about where their data is stored. The Australian Privacy Principles<sup>9</sup> are a starting point towards having regulations over Australian information storage however more can be done in this area to solidify choice, transparency and to ensure that confidentiality is maintained at all times.

The Government needs to lead the way in ensuring that the private, personal, financial and health based records of its citizens are securely kept onshore and protected in accordance with Australian laws.

## Where is the work?

To meet the challenges brought on by a changing technological world, access to low cost education, retraining and redevelopment options may factor highly in keeping the Victorian workforce at the peak of the 'cutting edge' skill profile. However education alone won't be sufficient to address employment shifts under digitalized economic markets, technological changes or a growing population. Jobs also need to be there for employees to be employed in and employees need access to the appropriate skills education to fulfil those roles.

Information published through 'The Insider' states that between the years Dec 2011 – Dec 2014 the Australian workforce population grew by 1 million people however jobs in Australia only grew by 385,000<sup>10</sup>. Of the roles created a great many were part time positions and not the full time roles necessary to generate the income many need for everyday lifestyle matters such as a mortgage.

If this trend is to continue it may have a dramatic impact on the Victorian economy which will not be limited to just Metropolitan areas. Rural and regional areas of Victoria have already seen many changes to local industries and businesses with negative impacts on local economies. Over the years many regional areas have lost access to direct face to face banking resources due to the closure of retail banking branches.

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<sup>9</sup> <http://www.oaic.gov.au/privacy/privacy-act/australian-privacy-principles>

<sup>10</sup> <http://insidestory.org.au/australia-today-a-million-new-adults-just-385000-new-jobs>

As banks and insurance companies continue to review their operations, it is likely that many more retail outlets may simply move away from regional locations as they begin to favour alternative transactional methods ahead of the typical face to face interaction that bricks and mortar brings. Business closures in regional locations affect the local community economy in a number of ways including reduced employment opportunities, reduced spending capacity for the local economy, reduced business growth opportunities and the potential damage to peripheral businesses in the economic chain - all of which places further strain on local resources and the State Government.

Removing an outlet such as a bank branch from a regional area is somewhat akin to the impact that the closure of a major car manufacturer will have in the Metropolitan area - not only are those who are directly employed affected but the entire subsidiary businesses (and underlying economy) that supply the parts used in the construction of cars also may suffer.

While manufacturing itself has been generally been in employment decline for many years – a position supported by the following statement taken from Australian Federal Governments 2015 Industry Outlook document – the finance sector has continued to show strong growth and is likely to continue to contribute positively to the Australian and Victorian economy moving forward.

“Manufacturing is the fifth largest employing industry in Australia, employing 918,400 people (or 7.9 per cent of the total workforce) as at February 2015. Although the Manufacturing industry remains a large employing industry, the last decade has seen the continuation of an ongoing decline in its share of employment in Australia. Employment in the Manufacturing industry has declined by 114,900 (or 11.1 per cent) over the 10 years to February 2015, one of only three industries to experience a fall in employment over the period (the other two being Agriculture, Forestry and Fishing and Information Media and Telecommunications).”<sup>11</sup>

The ATC Benchmark Report 2015 states that the Financial and Insurance industry contributed 9.0% of ‘Australia’s Real Gross Value Added by Industry’ for the period ending June 2013–14.<sup>12</sup>

With Victoria being home to two major banks, a large number of industry and retail superannuation funds and administrators as well as being home to operations for major insurance organisations and other financial entities, Victoria is well placed to implement strategies that maximise employment capacity. A growing and ageing population will only further enhance the necessity for financial services such as superannuation. The benefit of which should see the overall FUM available for investment into the Victoria economy increase.

<sup>11</sup> Page 2 - <https://cica.org.au/wp-content/uploads/2015-Manufacturing-Industry-Outlook.pdf>

<sup>12</sup> Page 15 - <http://www.austrade.gov.au/digital-benchmark/business.html>

The history to the successes of the finance sector in Victoria of course has not been without its issues – the matters relating to the collapse of the Farrow Group (Pyramid Building Society), Tricontinental, the sale of the State Bank Victoria and the more recently documented matters relating to financial planning (and Parliamentary Inquiry into financial services) all offer genuine reason for the public to be sceptical.

The media reports of job losses - particularly job losses that result in the offshoring of Victorian roles – do little to inspire public confidence.

Guidelines regarding finance practices will need continual review to minimise the risks to the broader community & bodies such as ASIC/APRA will need to act swiftly and proactively in addressing potential shortcomings of the industry.

The Victorian Labor's Plan to Secure Local Jobs for Local Workers (as attached) identified and spoke about many issues within the services sector. The stories within the document represent only a very minor look into the almost daily changes undergoing the services industry. Further work will need to be done to ensure that not only does the economy grow, but Victorian employment also grows.

The 2014 joint ASU / FSU submission to the Senate Standing Committees on Economics Inquiry into Australia's Innovation System provided for five important strategies (attached - page 10) which the Services sector should implement.

### **Our Jobs Our Future**

We refer to the FSU's industry based campaign - 'Our Jobs Our Future' which represents a clear vision for what the Finance Sector should be, based on workers input across the industry.

The key points from this campaign (outlined below) are aimed at making the Finance sector as a whole, a better sector for the longer term:

- The development of a long-term financial services industry plan
- Tax incentives and disincentives to encourage companies to keep jobs in Australia
- The Government only procuring goods and services from companies that invest in local jobs and have ethical employment practices
- Customers deciding where their personal data is stored and accessed
- The extension of FOFA principles to all aspects of financial services and in particular, credit

The FSU would encourage the continued active consultation with all relevant players in seeking to ensure a strong future for Victoria.

For further information, please contact FSU Vic-Tas Local Executive Secretary Darren Martin,  
[darren.martin@fsunion.org.au](mailto:darren.martin@fsunion.org.au) .

Yours faithfully



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