What does digital transformation and automation mean for the future of work in Romania's banking sector?

Digital transformation, automation and other technological innovations have not only resulted in processs optimisation in the banking sector, but job losses, job insecurity and new challenges for trade unions as well.

By Razvan Papasima[1]

The transformation of the Romanian banking sector over the last decade has led to a great paradox within the industry – as well as a rare trade union triumph. While transactions and lending activities have increased year-on-year, the number of employees working in the sector has declined drastically. According to a September 2020 study published by the Friedrich-Ebert-Stiftung, *Back to Bargaining in Banking. How Digitalisation Plays Romanian Trade Unions an Upper Hand* by Ştefan Guga and Marcel Spatari, between 2008 and 2018 the Romanian banking sector lost no less than a quarter of its employees, the largest loss in Europe, with some 40 per cent of bank branches closing.

This double movement has been triggered by the proliferation of technological innovation, based on process acceleration and automation, which have taken over some of the work of traditional employees in the banking sector. Geared towards work efficiency and cost reduction, banks have started to reduce their physical presence in Romania's cities and towns, especially over the last two years, by closing branches and laying off staff, while expanding into fintech and increasing their virtual activities through the digitalisation of banking services.

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In the face of these transformations, the role of trade unions in the banking system has become increasingly vital. An example of their bargaining power is demonstrated by the fact that Romania’s banking unions were able to successfully negotiate and conclude an industry-wide collective bargaining agreement in 2018 – one of the few multi-employer agreements signed in the private sector in the aftermath of the 2008 recession.

As Kurt Vandaele, a researcher at the European Trade Union Institute (ETUI) says, “major legal changes in 2009 and 2011…resulted in a decentralisation of the collective bargaining system and a significant decline in collective bargaining coverage (from almost 98 per cent in 2010 to 35 per cent later on). Moreover, collective bargaining at the company level is hampered due to legal provisions affecting union recognition and representativeness criteria”.

In this context, he says it is “fairly remarkable” that the Federation of Insurance and Banking Trade Unions (FSAB, which represents five insurance trade unions and five banking unions) joined forces with the Employers’ Association in the Financial Service Sector to sign a two-year multi-employer collective bargaining agreement (CBA) covering several of the country’s largest banks and approximately one-third of bank employees. In a country where union density has fallen from an estimated 80.2 per cent in 1991 to 18.9 per cent in 2018, this CBA has shored up workers’ rights with respect to managing collective and individual redundancies, ensuring internal mobility and telework, as well as providing workers with professional training.

Members of the FSAB trade union rally in Victory Square, Bucharest in October 2017 to protest the government’s decision to transfer the payroll from employers to employees. (Sandica Stănescu)

Restructuring, retraining and redeployment

However, the issue now is implementation. FSAB president Constantin Paraschiv says that while he recognises the unstoppable force of digitalisation, union efforts are currently geared towards protecting the most vulnerable categories of employees, such as female workers (who are over-represented in the kind of customer-facing roles that are hit hardest by digitalisation), those over the age of 50 who have little chance of re-employment, or workers with children. "Only one company managed to find solutions to keep its staff, even when it reduced its number of branches. In all other companies, restructuring has been directly proportional to the reduction of branches," he says.

Paraschiv highlights the case of BRD-Groupe Société Générale, Romania's third largest bank, where measures are currently been undertaken to restructure and reduce staff. Cristian Mocanu, who heads the IMPACT Trade Union within BRD-Groupe Société Générale, one of the five FSAB affiliates, says: "The Covid crisis has contributed to the acceleration of digitalisation processes, and consequently to restructuring, although staff reductions have been taking place constantly in recent years."

But the way in which these restructurings impact employees sometimes has little correlation to their skills or training. As Paraschiv states: "When a branch closes, all staff are left without a place to work, from the manager to the cashier." In order to address this problem, Paraschiv is calling for the relocation of workers to other branches, particularly for older workers, whose future job prospects are hit hardest by digitalisation. It is precisely for this reason that the FSAB have negotiated, in some cases, the payment of compensatory wages for older workers until they can start claiming their pensions.

The FSAB is also calling for investment in training, education and reskilling so that workers facing redundancy can be retrained and redeployed. And it is on this point that the unions have significant leverage. One of the main drivers for the landmark 2018 CBA was the fact that employers recognised the urgent need to bring some stability to banking, a sector hit hard by widespread labour shortages and high staff turnaround. One solution is investing in training and education. The FSAB even managed to negotiate an additional agreement "stipulating extensive obligations on the part of the management to provide training to employees," according to the FES report. One example of this is the free online training platform that has been supported by Romania's banks since last year. But more needs to be done, says Paraschiv.

Younger workers seem to be less affected by the restructuring of the banking sector, says the FSAB leader. They receive an average of seven to eight months' full salary, according to the collective agreement negotiated by the union, and this allows them to support themselves while they look for new work. But the departure of young people has a perverse effect on the banking sector, because a large number of them end up being employed by IT companies that provide digital transformation and automation services – companies that offer various opportunities for professional retraining in a wide range of jobs, from programming to the sale of fintech products, thus contributing to the growth of the very processes that left them without banking jobs in the first place. Moreover, for the implementation of fintech services, some companies either completely outsource services or resort to the use of contract workers.

"Digitalisation is a necessary evil," concludes Paraschiv, who admits that he expects massive restructurings throughout the sector in the fourth quarter of the year. "We are the only trade union in Romania, in the private sector, which has a collective labour contract at the level of a group of units. We still represent something important to the workers," concludes the FSAB leader apprehensively.