

Bankers face axe as jobs go overseas

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Tomic shines as

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AUSTRALIA'S banks could cull 7000 staff in the next two years as they scramble to slash costs and send more jobs overseas.

A report by one of the country's main finance houses says the banks have hired too many staff in the past decade but that trend will reverse as they capitalise on technological advances and send more jobs to India and other lower-cost countries.

And economists say Sydney workers will be hit particularly hard, with half the businesses in Australia's financial sector based in the city.

After revelations last week that ANZ Bank plans to cut 700 staff this year, a report from UBS Securities says Australia's banks will be looking to get rid of about one in every 25 workers.

The report argues that finance sector workers face a perfect storm: not only is the economy struggling but their industry is increasingly capable of moving their jobs overseas.

"Opportunities to achieve cost savings by moving processing offshore to India and other areas are now likely to be reinvestigated," says the report, prepared by one of Australia's most respected bank watchers, UBS's Jonathan Mott.

"A large number of non-client-facing roles could potentially be moved to more cost-efficient locations offshore," Mr Mott says.

The threat to bank workers is compounded by the economic difficulties banks face.

Industry insiders say banks are scrambling to cut bloated staff levels after they miscalculated the economic cycle, and prepared for a return to the good times of the mid-2000s after the financial crisis.

The banks have added 38,000 staff since 2002, with numbers increasing from 141,000 to 179,000 now. Staff costs account for 58 per cent of the total cost base of the banks.

According to Mr Mott, banks will now try to reduce numbers

to 172,000, a drop of 7000. "While the banks were active managers of headcount during the late 1990s and early 2000s, we believe that the banks have become more lax in managing staff numbers in recent years, 'investing for growth' rather than managing costs," Mr Mott wrote in a note to clients.

A senior economist, Chris Richardson, agreed with the prognosis.

"You've got a collision of two things," said Mr Richardson, a partner at Deloitte Access Economics.

"On the one hand you've got a finance sector in Australia that has a long history of success. For an extremely long time, businesses and families in Australia were borrowing at double-digit rates, year in year out, for over a decade.

"The finance sector grew quickly and its cost base, which essentially means people, grew quickly as well. But those days are gone.

"It's a particular challenge for Sydney, which has half the financial sector businesses in Australia. Bad news for finance is bad news for Sydney," he said.

An outsourcing expert in Sydney, Sri Annaswamy, said that in the early days of outsourcing, banks and financial institutions tended to focus on sending information technology functions overseas.

But Mr Annaswamy, from Swamy and Associates, said after the financial crisis, banks would look increasingly to outsource business processing functions or "knowledge" functions, in more complicated structures.

Leon Carter, the national secretary of the Finance Sector Union, said: "Offshoring is simply about reducing costs. There's no altruism in offshoring."

Meanwhile, the International Monetary Fund plans to put Australia's banks through stress tests as part of a mandatory five-year health check to see if they can withstand another financial crisis.

Australia and 17 other countries will be targeted.



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