TRADE UNIONS IN TRANSFORMATION 4.0

LABOUR AND SOCIAL JUSTICE

BACK TO BARGAINING IN BANKING

How digitalisation plays Romanian trade unions an upper hand

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Digitalisation can bring disruptive changes to labour organisation, industrial relations and the balance of powers between employers and employees in banking.

Romanian unions have lost associational and institutional power over the past decades. Trade unions in banking have little potential to exert societal power. However, increasingly tight labour markets have increased their market place bargaining power.

Digitalisation has triggered greater organizing efforts and positive transformations in social dialogue at company level and has contributed to the re-opening of collective bargaining at industry-level.

FRIEDRICH EBERT STIFTUNG

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»Trade Unions in Transformation 4.0« examines unions' strategic actions to mobilize power resources in a »new world of work« in which capital uses digital technology to re-organize the labour process. The Global Trade Union Programme of the FES aims to understand how the power balance between capital and labour is impacted and how workers are responding to the threats of the digital rollback towards greater exploitation and precariousness of workers. Pursuing a dialogue and action-oriented approach, the project ultimately intends to contribute to trade unions' strategic reflections, experimentation and purposeful transformation.

Content

INTRODUCTION

A closer look at the trajectory of the labour question over the past decade shows a substantial mutation from concerns over job losses due to economic downturn to the transformations induced by watershed technological change. Watchwords like digitalisation, »industry 4.0« and the like have displaced narratives of crisis, while debates on the labour question now take place under the banner of phrases like »the future of work« or »the new world of work«, highlighting the potentially radical impact of technological change not just on employment and job security, but also on job content, working conditions, skills, incomes, inequality and labour relations in the broadest sense possible. These transformations are both a challenge and an opportunity for trade unions to revive their organisational efforts and to boost workplace bargaining power.

The purpose of this paper is to look at one particular case of trade union reaction to digitalisation in a particular social and economic setting: banking in Romania.[1] As will be shown in the paper, digitalisation has the potential to bring disruptive changes to labour organisation, industrial relations and the balance of power between employers and employees in banking, but the changes are not abrupt and trade unions can adapt by taking a proactive approach.

Applying the power resources approach, we will look at the risks and opportunities brought about by technological change in Romanian banking both at present and in the future. Even though digitalisation can transform the situation of trade unions in a number of ways, its impact is always mediated by industry- and location-specific combinations of power resources. In the process of adaptation and renewal, employees may face a decrease in workplace bargaining power as automation threatens jobs and lowers skill requirements, or they could see a substantial improvement as digitalisation leads to the creation of new jobs that are critical for the functioning of large-scale infrastructures and automated machinery. In terms of institutional power, Romanian unions have become weaker over the past decades, due mostly to huge economic transformations and an increasingly more adverse governmental stance toward organised labour – the crisis of the late 2010s and the legal changes adopted in 2011 greatly accelerated this weakening of organised labour. From an associational point of view, things have not gone that well, either, although recently the loss of organisational strength has been partly compensated by increasingly tight labour markets. With limited public visibility and no tradition of outright militancy, trade unions in banking have little potential to exert societal power (discursive or coalitional power), and in any case the impact in this field would be weak, as the implications of automation in the sector are not seen as morally disruptive. This general landscape is most certainly populated with a large number of exceptions and variations, and we will detail below what all this actually means for unions in banking.

The paper is structured as follows. In the next section, we briefly present the situation at a European level, with a focus on digitalisation and banking. We then focus on Romanian banking and describe what digitalisation looks like in this particular context, what its implications are on the balance of structural power and what institutional or workplace power resources trade unions can mobilise to defend their members' interests. In the third section, we analyse more closely the situation of trade unions in Romanian banking, our premise being that, although associational power is highly dependent on other power resources, it is still the only one unions can actively cultivate. In the fourth section, we look at how Romanian trade unions in banking have responded to technological change so far and what their expectations and plans are for the future. Finally, we discuss how our case reveals more general issues concerning the role of trade unions in technological transformations impacting labour relations.

BANKING AND DIGITALISATION IN A EUROPEAN CONTEXT

Europe leads the way in the debate on digitalisation and its economic and social impact. In capital-intensive industries, the question is surrounded by deep uncertainties (need for massive capital expenditure, uncertain returns, unknown market perspectives) which will most likely delay a truly radical change. In banking, highly digitised processes are not science fiction – it is in fact how things already stand for many banks and their customers.

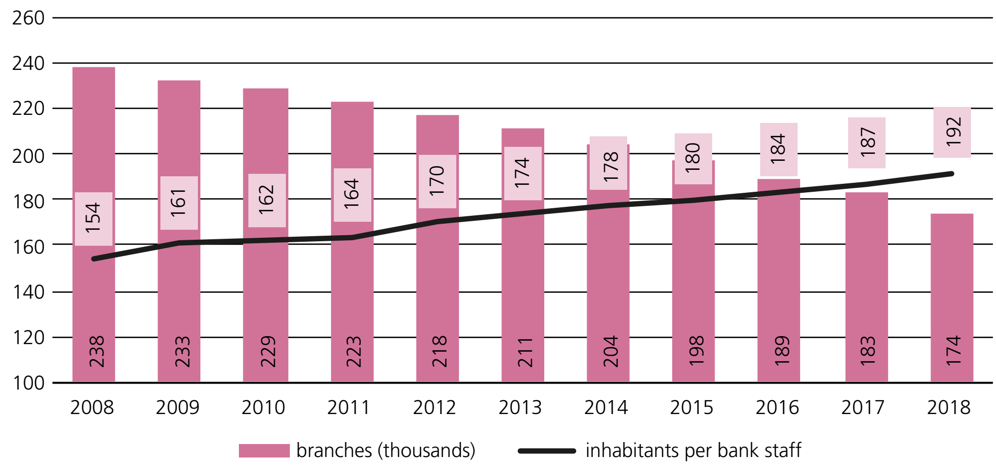
According to a Mastercard report from 2019, 84 per cent of Europeans pursue digital banking regularly, 63 per cent use mobile banking apps from traditional banks and 25 per cent from digital-only banks.[2] With a growing usability and popularity of bank cards, as well as of the Internet and mobile banking, the use of cash for daily transactions is declining in most major economies.[3] In general, digitalisation has reduced the need for physical contact between customers and banks, allowing European banks to continuously reduce both their physical infrastructures and their staff as showed in Figure 1. Banking industry analysts estimate that by the end of 2020 no less than 62 per cent of banks at a global level will be »digitally mature«, compared to just 18 per cent

1 The paper is based on an analysis of secondary statistical data and other publicly available information (banks' annual reports, press coverage) along with information gathered from interviews conducted by the authors with union representatives from the major unionised banking groups in Romania as well as with union representatives at the industry level. We thank Mr. Constantin Paraschiv, president of the Insurance and Banking Trade Union Federation, for helping us in our research.

2 Mastercard, »Digital banking has become part of European's everyday life new study from Mastercard reveals«, available at: https://newsroom.mastercard.com/eu/press-releases/digital-banking-has-become-part-of-europeans-everyday-life-new-study-from-mastercard-reveals/

3 On the use of cash, see Tanai Khiaonarong and David Humphrey, »Cash use across countries and the demand for central bank digital currency«, IMF Working Paper 19/46, March 2019.

Figure 1
Bank branches and staff in the EU



Data source: European Banking Federation

Table 1
Employment in the EU28 financial sector by subsector and gender

		thousands		percentage change	percentage female	
		2008 Q3	2019 Q3		2008 Q3	2019 Q3
Financial service activities, except insurance and pension funding	total	4189	3725	–11,1%	52,3%	52,2%
	male	1999	1782	–10,8%		
	female	2191	1943	–11,3%		
Insurance, reinsurance and pension funding, except compulsory social security	total	1214	1217	+0,3%	54,7%	54,4%
	male	550	555	+1,0%		
	female	664	662	–0,2%		
Activities auxiliary to financial services and insurance activities	total	1257	1643	+30,8%	47,0%	44,2%
	male	667	917	+37,6%		
	female	590	726	+23,0%		

Data source: Eurostat.

in 2018; the change is expected to be even more rapid in Europe (from 15 per cent to 68 per cent).[4]

There are of course still many unknowns: security is one and the automation of processes invisible to customers is another. Artificial intelligence, blockchain, cloud technology, augmented reality, or sophisticated biometrics are innovations with huge potential for the banking industry that are still to be adopted *en masse*. Future scenarios point not just to a fully digital, physical-interaction- and cash-free user experience of banking, but also to almost entirely digital and automated middle- and back-end processes.

The impact of digitalisation on work and workers in banking is expected to be similar to other industries: automation and subsequent elimination of many jobs, to a certain degree compensated by growing employment in emerging activities; replacement of low- and medium-skilled jobs with higher-skilled ones; job reassignment for many employees and a growing need for reskilling; job polarisation and widening pay gaps. Potential job losses are understandably high on the agenda[5], but there is no hard evidence on digitalisation-related job cuts in Europe in general in the world.[6]

The last decade has seen a substantial transformation of employment in the financial sector in Europe. Employment

4 Ernst & Young, »Global banking outlook 2018: pivoting toward an innovation-led strategy«, 2018, p. 15.

5 Trade unions in banking are generally not privy to this sort of information. See Morten Clausen, »UNI Finance research project on global Job-loss in the Finance sector due to digitalization«, UNI Global Union World Congress, 17-20 June 2018.

6 See: American Banker, »Global banks cutting nearly 80,000 jobs this year, most since 2015«, 27 December 2019, available at: https://www.americanbanker.com/articles/global-banks-cutting-nearly-80-000-jobs-this-year-most-since-2015
Financial Times, »Europe's banks slash 60,000 jobs as outlook turns negative«, 7 December 2019, available at: https://www.ft.com/content/e17ee0f2-183b-11ea-9ee4-11f260415385; Reuters, »UniCredit could cut around 10,000 jobs under new plan«, 22 July 2019, available at: https://de.reuters.com/article/uk-unicredit-jobs/unicredit-could-cut-around-10000-jobs-under-new-plan-sources-idUKKCN1UH1P9 ;Reuters, »Deutsche Bank to cut 18,000 jobs in 7.4 billion euro overhaul«, 7 July 2019, available at: https://www.reuters.com/article/us-deutsche-bank-strategy/deutsche-bank-to-cut-18000-jobs-in-7-4-billion-euro-overhaul-idUSKCN1U20J2

Table 2
Female employment in financial services (% of total)

	2008	2018	2018 vs. 2008
EU	52,6%	52,3%	–0,4 pp
BG	69,2%	71,1%	+1,9 pp
LT	74,2%	68,5%	–5,7 pp
RO	68,9%	68,5%	–0,4 pp
PL	70,3%	67,3%	–3,0 pp
HU	69,8%	66,5%	–3,4 pp
HR	71,2%	65,0%	–6,2 pp
EE	69,3%	64,6%	–4,8 pp
LV	71,7%	64,3%	–7,4 pp
SI	72,2%	63,6%	–8,6 pp
FI	71,1%	60,5%	–10,6 pp
SK	65,2%	58,0%	–7,2 pp
CZ	63,8%	57,7%	–6,1 pp
CY	54,4%	55,8%	+1,3 pp
FR	55,6%	54,9%	–0,7 pp
SE	54,1%	54,5%	+0,4 pp
EL	53,2%	54,3%	+1,2 pp
DE	54,2%	54,1%	–0,0 pp
AT	53,8%	53,8%	+0,0 pp
ES	43,1%	49,2%	+6,2 pp
IE	57,3%	49,1%	–8,2 pp
LU	39,3%	46,7%	+7,4 pp
MT	52,3%	46,7%	–5,6 pp
BE	46,2%	45,9%	–0,4 pp
PT	46,6%	45,8%	–0,8 pp
UK	48,8%	45,7%	–3,1 pp
IT	39,8%	44,0%	+4,2 pp
DK	50,1%	42,9%	–7,2 pp
NL	46,3%	33,2%	–13,2 pp

Data source: Eurostat.

in traditional banking fell by 11 per cent between 2008 and 2019, while activities like financial markets (classified as auxiliary in the NACE code) have boosted their staffing by over 30 per cent (table 1). The slightly more pronounced decline of female employment is due to the types of jobs most affected (e.g., front-end banking jobs are usually feminised and they are also the first to be affected by digitalisation).

If we look at the share of female employment in financial services (table 2), we notice that the workforce in CEE is far more feminised than in the West, no doubt in large part due to the predominance of retail banking activities in these countries. Keeping in mind that front-end activities are the first affected by digitalisation, a declining share of female employment could indicate that CEE and several other countries have witnessed substantial changes in retail banking over the past decade. Since the degree of feminisation is a rough proxy for the weight of retail banking in a country's financial sector and since important retail banking innovations are already viable commercially, we can assume that highly feminised banking industries are under higher risk of job losses due to extensive digitalisation in the short and medium term. As mentioned above, there are nonetheless many other factors to consider in assessing the pace and impact of digitalisation in particular national contexts.

Apart from the question of job losses, there is a growing need to tackle the anticipated mutation in skill requirements. A 2019 global industry survey indicated that by 2022 over 40 per cent of banks will undertake programs of mass reskilling in order to secure the adaptability of their workforces to new technologies.[7] Both at present and in the future, we can thus expect for job transformation to be a major challenge for trade unions. Given that in many industries policies stressing voluntary employee departures are preferred to forced redundancies and that tight labour markets across Europe mean there is no shortage of job opportunities, it could just be that job transformation is perceived as an issue requiring more attention when it comes to job security than unions' traditional emphasis on protection against job cuts pure and simple.

RESTRUCTURING AND DIGITALISATION IN ROMANIAN BANKING

In Romanian banking, a massive shift occurred in the 2000s, starting with the privatisation of most of the large state banks to foreign capital and the aggressive development of retail banking aimed primarily at the general population.[8] The number of branches more than doubled, from a little over 3,000 in 2003-2004 to almost 7,400 in 2008 (figure 2), while the number of bank employees grew from 47,000 to 72,000 over the same period (figure 3). Foreign capital was particularly aggressive, leading to a growth in industry concentration: by 2008, over 60 per cent of total bank assets in Romania were owned by the largest five banks, all of which were foreign-owned (figure 3). On the eve of the Great Recession, banking had fully transformed into what it still is today: an industry dominated by increasingly large banks owned mostly by foreign capital and oriented primarily toward retail activities for the general population.

During the financial crisis, Romanian banking was hit hard by the collapse of the real estate market and the population's falling incomes due to economic downturn and austerity. Restructuring in the aftermath of the Great Recession has affected all aspects of banking activity. The number of banks went from 42 in 2007 to 32 in 2018, with several economically troubled banks being absorbed in

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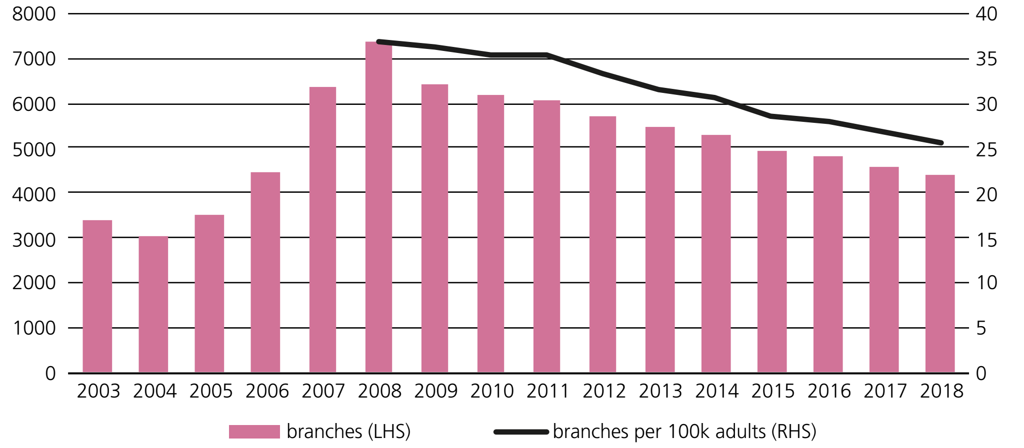
7 Accenture, »The dawn of banking in the post-digital era. Accenture Banking Technology Vision«, 2019, p. 15.

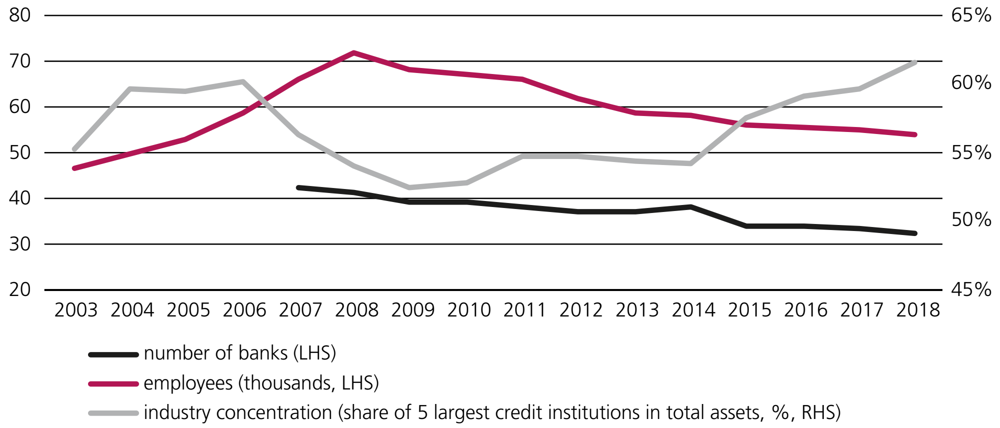
8 Since the early 2000s, Romanian banking has been dominated by foreign capital. According to the European Banking Federation, in 2016 more than 90 per cent of total banking assets were owned by foreign capital, with Austrian, Dutch, French, Italian and Greek banks being the main investors. The share of foreign capital has declined since then, reaching 75 per cent at the end of 2018, mostly due to the rapid expansion of the domestically-owned Banca Transilvania.

Figure 2
Number of bank branches in Romania



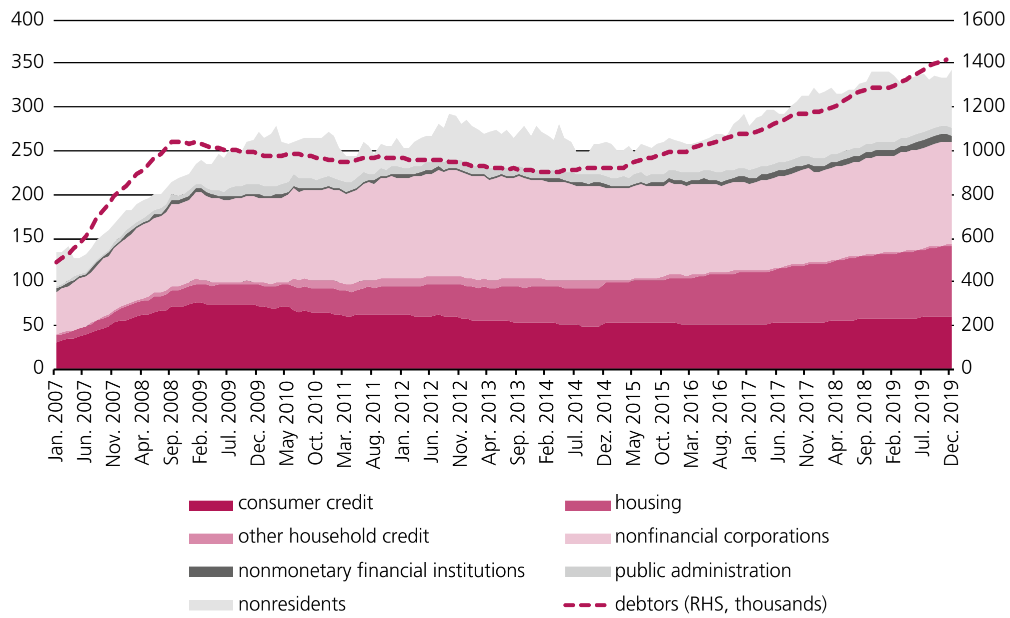
Data source: National Bank of Romania (NBR), IMF.

Figure 3
Development of the Romanian banking sector



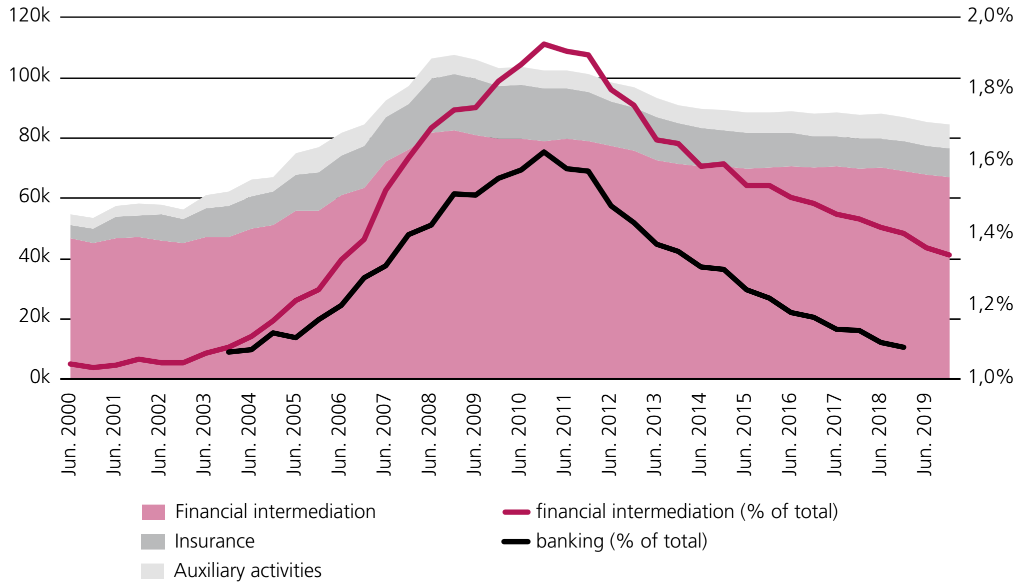
Data source: ECB.

Figure 4
Bank credit volume by type of risk (billion lei) and number of debtors (thousands)



Data source: NBR.

Figure 5
Employees in the Romanian financial sector



Data source: National Institute of Statistics (NIS), ECB.

mergers and acquisitions. Such transactions have facilitated asset concentration, which has been on the rise again since 2014. Adding to this, the 25 per cent decline of banking employment between 2008 and 2018 was among the highest in Europe and it matched an even stronger decrease (-40 per cent) in the number of bank branches. The trend of shrinking physical infrastructure of banks has not been interrupted by the revival of banking activity. Although economic growth has picked up significantly since 2014, while credit volume and the number of debtors has been constantly registering record highs since early 2017 (figure 4), banks have continued to close branches and reduce personnel (figures 2 and 5). All in all, for the past five years restructuring has had little to do with the aftereffects of the Great Recession, since banks have been managing an increasing number of transactions and credit activity with fewer and fewer branches and employees.

The adoption of digital solutions has made a significant contribution to making this possible. Though mundane by today's standards, the widespread availability and use of bank cards is one of the main elements in making banking cashless and digital. In Romania, the uptake of bank cards increased substantially with the banking boom of the 2000s, though until relatively recently these were mostly used for cash withdrawals (until 2014, the total number of ATM cash withdrawals was higher than the total number of card payments). As late as 2015-2016, bank representatives were complaining about the relative lack of development of credit card payment infrastructure and their customers' preference for cash.[9] The situation has since changed significantly, with the number of ATMs beginning to decline for the first time in recent history while the number of bank cards and the value of card transactions has increased rapidly (figure 6).[10]

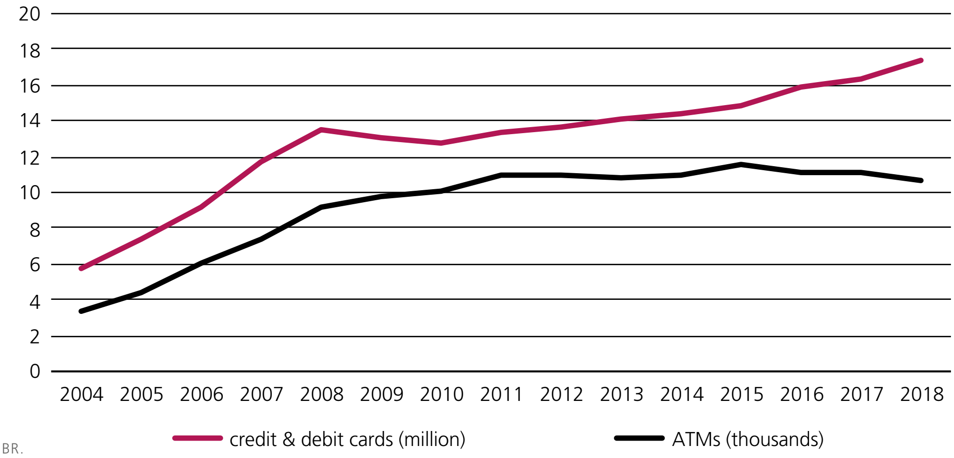
Another digital innovation that has been catalysing restructuring is the rise of Internet and mobile banking, which all banks started developing aggressively in the second half of the 2010s. Such digital solutions are meant to reduce the need for physical contact between banks and their customers, thus facilitating the reduction in the number of branches and associated personnel.

During the past 15 years, Romanian banks have changed their branch network development strategy twice. Before the Great Recession banks were moving from large, fully-integrated branches to small, proximity-oriented operations in order to capture market share in a booming economy where banking was relatively underdeveloped. Once the immediate effects of the crisis faded away, banks turned to a more pragmatic, profit-oriented growth approach that is still prevalent at present. The latter shift involved a significant number of branch closures without a return to the fully-integrated branches of old. The new business model is based on de-integrated branches and centralised back-office operations in dedicated locations. In time, the advance of digital technologies has made a major contribution to this development, allowing for the easy physical separation of front- and back-office operations and for the reduction of banks' front-end footprint without a corresponding cut in market penetration.

9 Deloitte and CPBR, »Băncile și creșterea economică. Lecțiile trecutului pentru un viitor mai bun«, 2015, p. 40.

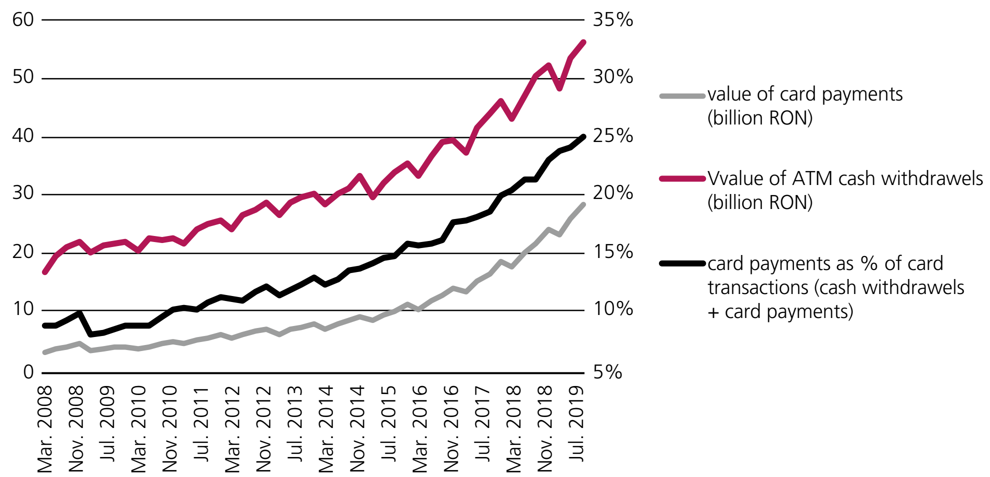
10 The number of card transactions has been growing very quickly since 2008, but the pace has significantly picked up in recent years. No data is available for the period before 2008.

Figure 6
Bank cards and ATM infrastructure



Data source: NBR.

Figure 7
Value of card transactions



Data source: NBR.

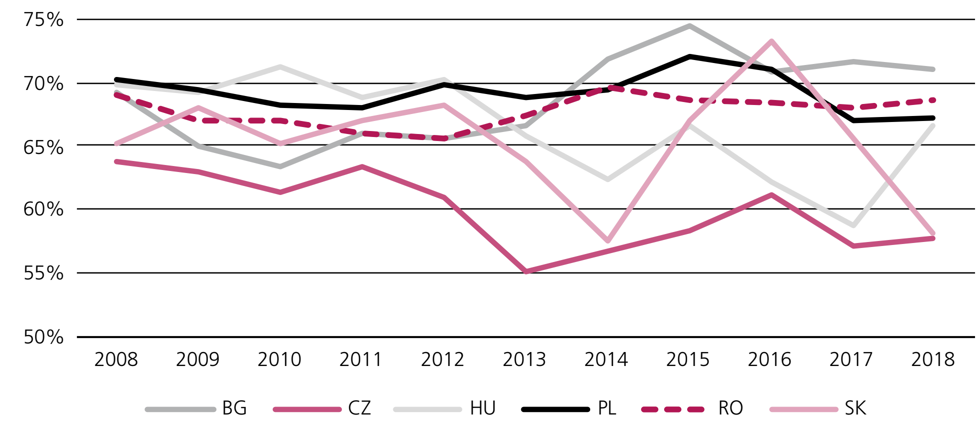
Hence, the trend of asset optimisation triggered by the Great Recession has continued under the auspices of digitalisation. The results have been impressive: since 2015, Romanian banks have managed to expand their activity to unprecedented levels while reducing their physical infrastructures and staffing to mid-2000s levels. This has been possible in large part due to a strong push to reduce the incidence of cash transactions and the requirement of physical interaction between banks and customers.[11] While bank representatives do mention the introduction of new technology like robot process automation to streamline back-end operations, the most visible impact of digitalisation in an industry dominated by retail remains at the point of interaction between bank and customer and it is here that banks have concentrated most of their efforts so far. Though the impact of digitalisation on jobs is difficult to dissociate from that of non-technologically induced restructuring, it is safe to say that over the past three or four years it has become a major factor in job reduction and job transformation.[12]

Although job reductions due the digital transformation are thought to affect primarily front-end operations, which in Romania are highly feminised, the gender balance of Romanian banking has not shifted significantly in recent years,

11 We should also note the qualitative changes in banks' physical infrastructure. A recent development has been the accelerated introduction of more sophisticated ATMs that can handle most typical transactions of retail customers. Major banks have been refurbishing their branches by reducing desk space in order to introduce more machines. Of course, this entails a reduction in the required human labour in the day-to-day operation of bank branches.

12 Though it is no secret that banks have been shedding jobs at an accelerated rate, it is very rare for management representatives to make public exactly how many job losses are due to the adoption of new technology and how many are due strictly to financial and economic considerations. In 2018, the representatives of one of the largest banks expected for their company to lose approximately 10 per cent of its employees (approximately 700 people) to digitalisation by 2021. See »Robotizarea și automatizarea trimit acasă mulți dintre angajații băncilor. 700 de angajați ai BRD vor fi restructurați în maximum trei ani«, Economica.net, 12 March 2018, available online at https://www.economica.net/paraschiv-sindicate-banci-circa-700-de-angajati-ai-brd-vor-fi-restructurati-in-maximum-trei-ani_151039.html.

Figure 8
Female employment in financial services (% of total employment)



Data source: Eurostat.

especially in comparison to other CEE-countries (figure 8), although a slight decline in the share of female employment is visible starting in 2015. There are a number of possible explanations for this, even if it is clear that these figures are at best approximate when it comes to assessing the gender balance in banking strictly speaking.[13] It is possible, for example, that job reductions in back-end activities (which are comparatively less feminised) have kept pace with the shrinkage of front-end operations (which are highly feminized). For trade unions, the gender question is not a major focus when it comes to dealing with restructuring and digitalisation, and there is no significant reason to believe the existing gender distribution of banking employment will change significantly in the foreseeable future.

THE SITUATION OF ORGANISED LABOUR

Given the situation outlined so far, it is obvious for the trade unions in Romanian banking that the effects of digitalisation are compounded by employers' constant push for restructuring. While digitalisation brings its own specific challenges, such as the need for new skills, its impact on employment is not extraordinary if we consider banking's recent history of job cuts. There are two important implications: first, trade unions might not distinguish digitalisation as bringing about major challenges, but rather approach it as an additional factor contributing to the broader problem of restructuring; second, the ability of trade unions to deal with the question of digitalisation is to a great extent determined by the way they manoeuvred through the post-crisis period. Below, we look at the situation of organised labour in Romanian banking from the perspective of trade unions' power resources.

Deteriorating institutional power

For all unions in Romania, the most problematic aspect of the past decade has been the anti-crisis package implemented by the government starting in 2010, a package which included not just austerity but a major change in legislation pertaining to labour relations, which severely reduced the institutional power of all trade unions. The most relevant changes for banking included an increased »representativity« threshold for enterprise-level unions to 50 per cent of the total number of employees, below which they do not have the right to bargain, and the requirement for both unions and employers signing an industry-level agreement to represent at least 50 per cent of employees in the respective industry – if either trade unions or employers cumulate less than this, the signed agreement is only valid for the participating companies, and not for the entire industry.[14] The first change created real problems for trade unions outside traditional union strongholds in manufacturing and the public sector. The second change basically made industry-wide agreements impossible outside the public sector, since they now require a very high rate of voluntary compliance on the part of employers.

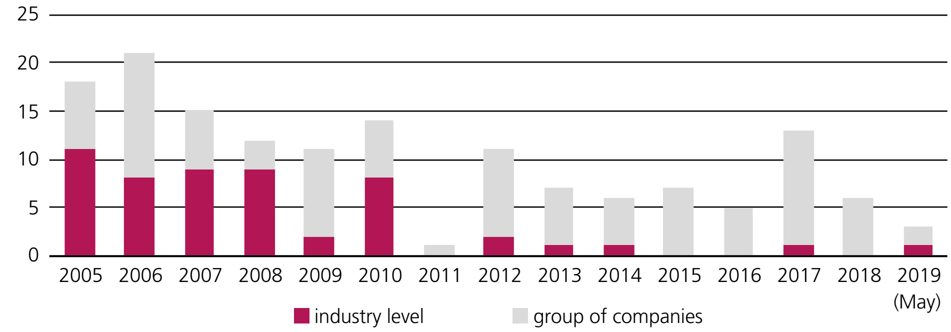
As a consequence, the number of single- and multi-employer agreements fell sharply, while industry-level agreements in the private sector disappeared (figure 9). Combined with the elimination of the possibility of having a national-level collective bargaining agreement, the coverage rate of collective bargaining has dropped to just 23 per cent, from a theoretical 100 per cent before 2011.[15] Banking was hit hard: the banks that report on union density give figures of just above 40 per cent, far below the minimum of 50 per cent required by the new legal regulations, while the official

13 It is worth stressing once again that it is difficult to adequately grasp the situation of banking per se by looking at national statistical categories. According to our interviewees, large banks in Romania have an even more feminised workforce (80 per cent or more) than is apparent at the level of NACE code statistics.

14 For an extensive analysis of the legal changes and their implications, see Ștefan Guga and Camelia Constantin, *Analiza impactului legislației dialogului social adoptate în 2011. Cercetare sociologică și juridică*, 2nd edition, Bucharest: Next Publishing, and Aurora Trif and Valentina Paolucci, *Romania: from legal support to frontal assault*, Chapter 24 in Collective bargaining in Europe, ETUI, 2019, available at https://www.etui.org/Publications2/Books/Collective-bargaining-in-Europe-towards-an-endgame.-Volume-I-II-III-and-IV

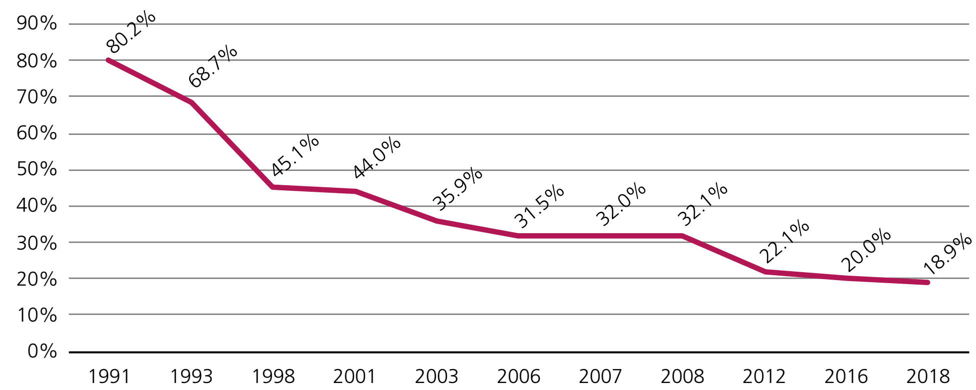
15 Data from the ICTWSS database version 6.1.

Figure 9
The number of multi-employer collective bargaining agreements in Romania (agreements signed per year)



Data source: Ministry of Labour.

Figure 10
Union density in Romania



Data source: ICTWSS database version 6.1. Authors' estimate for 2018.

figure of 13,000 members for the industry-level federation (Federația Sindicatelor din Asigurări și Bănci – FSAB) was and still is far from the 50 per cent required to sign a valid industry-wide agreement.[16] The new legal arrangements also included a redefinition of industries according to the NACE code, which means that industry-wide collective bargaining in banking cannot be separated from collective bargaining for the entire financial sector. This is very problematic since banking is much more unionised (most major banks have relatively strong trade unions) than insurance and auxiliary services. The situation has gotten worse over time, with a decline in banking employment and the relative growth of jobs in auxiliary activities (see previous sections).

Importance of associational power

All in all, the new legislation put huge additional stress on trade unions' organising efforts, putting unions' legitimacy in question before their members. Since so many unions ended up overnight not being legally able to sign collective bargaining agreements, the very purpose of unionisation came into question and overall union density in the country plummeted to historical lows (figure 10). On the other hand, the introduction of the bargaining representativity at 50 per cent of workforce has forced unions with membership below this threshold to increase their organising efforts in order to maintain their role in collective negotiations. These evolutions had a significant impact on union's associational power: while organising efforts have become more difficult (given the loss of legitimacy of smaller unions as a result of them not being able to sign agreements), these efforts have also become more important for the mere survival of the unions. In banking, the danger for smaller unions became apparent especially as some small and medium-sized banks were taken over by others: when one unionised bank was acquired by a larger, non-unionised competitor, the new management refused to recognise the previously strong union, leading to its inevitable demise; the same happened to a unionised bank that was acquired by a new entrant that did not favour unionisation and collective bargaining.[17] In the language of power resources, we can say that the associational power of smaller unions was severely curtailed, while larger unions were forced to make additional efforts to strengthen themselves. At the industry level, FSAB was forced to compensate for the effects of constant restructuring and mergers and acquisitions with increased recruiting

16 FSAB members make up barely 15 per cent of the total employees in the financial sector. As mentioned above, the biggest obstacle was in fact the 50 per cent per cent threshold imposed on employers signing a sectoral agreement.

17 Generally, the large, formerly state-owned banks have remained unionised after privatisation, while newer banks are not. Some of the latter have grown significantly over the past decade and are now able to compete on the same footing with older banks.

efforts that have largely managed to limit membership decline.

Worsening workplace bargaining power

Things have become worse also when it comes to workplace bargaining power. Retail banking as such has few vital points over which non-management employees have extensive control. Bank branches have become increasingly de-integrated and networks more centralised, while digitalisation has increased management control over operations and decision-making. Also, continued restructuring has led to an additional limitation of non-management control over the labour process. Indeed, the separation of front-end and back-end processes and digitalisation have in time led to a significant increase in the division of labour, making jobs more and more focused on precise tasks with limited decision-making capacity. As a result, specialised jobs have become prevalent, while jobs involving a high level of complexity have become rare. The implications for workplace bargaining power are significant, since specialisation involves reduced control over the labour process and higher vulnerability to automation.

In general, digitalisation has on the one hand led to the disappearance of some positions in the front end of the banking process (cashiers), while on the other hand, it has allowed for the creation of new jobs with a high potential of disruption, especially those involved in the running of IT infrastructures that are becoming increasingly critical for banks' day-to-day functioning. These new employees are more difficult to organise and mobilise for trade unions, since they are comparatively much better paid and enjoy significant advantages, which makes them reluctant to unionise and renders solidarity with other bank employees more difficult. This development is particularly visible in centralised back-office service centres, where traditional operations such as payments processing and credit analysis have become increasingly vulnerable to automation, with people performing these tasks being replaced with IT employees that design and maintain automated processes.[18] In conclusion, digitalisation has so far impacted workplace bargaining power mostly negatively, since it has involved increased specialisation coupled with automation and centralised control over day-to-day operations. Though objectively speaking the potential for disruption has increased, the concentration of control in a few key high-skilled positions endowed with control over key digital infrastructures has in fact not boosted the bargaining power of trade unions in Romanian banking.[19]

18 This is particularly obvious with banks that have opted to develop extensive IT operations internally, which is not the case for all companies, as some have opted to contract services such as software development externally.

19 This, of course, is not the case for the individual bargaining power of these key employees, which is considerable.

Improved marketplace bargaining power in a tight labour market context

In spite of the above problems, the trajectory of trade unions in banking over the past decade has not been a constantly downward one. For the Romanian economy as a whole, the period of high economic growth that started in 2014-2015 has been accompanied by deepening labour shortages and companies have had to deal with increased labour turnover, as employees started moving from one employer to another in search of better remuneration, working conditions or career prospects. Banking has not been protected from this, at least in part because wages have not kept up with the overall wage dynamic in the country. Over time banking has been becoming relatively less attractive for employees when it comes to remuneration: in 2011, the average wage in traditional banking was more than 2.5 times higher than the average wage for the total economy, with this ratio since then dropping to 1.8 in 2018. In the meantime, labour turnover rose significantly: data published by one major bank shows an increase from just below 8 per cent in 2011 to over 18 per cent in 2018, while a recent study puts the total turnover for the industry at 23 per cent.[20] Importantly, most of the increase is explained by the higher rate of voluntary turnover, while involuntary turnover has only grown incrementally.[21] These evolutions have meant an increase in individual employees' bargaining power, which in turn has helped unions to strengthen their position, as employers have begun seeking for ways to remain competitive in the labour market and keep labour turnover within manageable limits.

For trade unions in the banking sector, the tighter labour market has contributed to an increase of marketplace bargaining power in relation to their employers' association counterparts. While the tightness of the labour market was largely due to the general evolution of the economy and of other industries (ITC, shared services centers), a compensatory mechanism was also activated in banking: the increase in unions' markeplace bargaining power has resulted from years of underperformance of employers in terms of labour standards and remuneration.

Founded in 2014 in part in response to an increasingly challenging labour market, the Romanian Banking Employers' Council (CPBR) provided FSAB with a solid bargaining partner, the older Romanian Banks' Association (ARB)

20 See » Topul sectoarelor din România după fluctuația de personal: cei mai mulți angajați care își părăsesc rapid angajatorul lucrează în centrele de servicii, în sectorul financiar-bancar și în automotive. Nivelul salariului influențează semnificativ fluctuația de personal doar dacă este sub 80 per cent față de nivelul pieței, arată studiile Korn Ferry«, *Ziarul Financiar*, available online at: https://www.zf.ro/zf-24/topul-sectoarelor-romania-dupa-fluctuatia-personal-cei-multi-angajati-isi-parasesc-rapid-angajatorul-lucreaza-centrele-servicii-sectorul-financiar-bancar-automotive-nivelul-salariului-influenteaza-18786216.

21 The study cited above puts voluntary turnover at 21 per cent, with just 2 percentage points of involuntary departures.

proving largely uninterested.[22] The founding of CPBR came in a context in which multinational corporations present in Romania were beginning to reorient their efforts toward standard channels of social dialogue, with less emphasis on lobby channels they had previously emphasised. This has not been the result of an enlightened change of mindset, but rather a pragmatic move in the aftermath of the legal changes adopted in 2011, which severely curtailed the influence of trade unions at industrial and national levels and thus cleared the ground for employers' associations to exert influence on the government in tripartite social dialogue. For most employers' associations in Romania, social dialogue is seen as a tool for influencing government decisions. The situation in banking is somewhat paradoxical, as the weakening of unions has actually boosted the activity of employers' organisations, finally allowing for industry-level trade unions to have legitimate bargaining partners. This evolution is particular to banking and has not become generalised across the economy.

In banking, increased labour turnover has created a common ground of discussion between trade unions and employers, with the former finding it more and more difficult to maintain a stable membership base, while the latter have been attempting to keep turnover within manageable limits. The situation is rather ambigous for both parties. While turnover is a definite challenge for employers, it has also proven highly effective in mitigating the effects of restructuring and technological change, while also providing a pretext for labour intensification. This has obviously posed additional problems for unions, while also reducing the extent to which they can rely during collective bargaining on the argument concerning the need to reduce turnover. Coupled with the higher unionisation of older, more stable employees, the changing labour market has nonetheles been enough of a reason to bolster collective bargaining at both company and industry levels.

TRADE UNIONS' REACTIONS TO DIGITALISATION

One of the major implications of digitalisation in Romanian banking is allowing banks to continue their push for restructuring beyond the immediate financial and economic considerations of the crisis that triggered these transformations at the end of the 2000s. In other words, digitalisation has made restructuring a quasi-permanent process not tied to any economic or financial distress. In such a context, job losses and job transformations are the main challenges unions face due to digitalisation and they will remain so at least for the short and medium term. Job mobility within and between banks is closely tied to this, as is the question of skills, all of which are also on the agenda of Romanian banking unions because they pertain either to existing problems or to anticipated ones. Conversely, more long-term issues such as job and pay polarisation do not seem to raise too many concerns, perhaps because they are yet to emerge as large-scale, clearly visible tendencies and in part because unions are finding it difficult to address these changes effectively.

In the face of transformations induced by digitalisation, Romanian trade unions' strategy in dealing with the phenomenon has exhibited the following features:

- Enforce industry-level collective bargaining to counteract the decrease in workplace bargaining power due to automation;
- Take a reactive rather than proactive stance on digital initiatives coming from banks' management;
- Focus on job transformation rather than on job cuts, and address the issue of upskilling and reskilling at industry level to allow for greater portability of competences and qualifications;
- Fight for wage increases and improvement of working conditions based on productivity gains due to digitalisation in a context of a relative loss of attractivity of the banking sector in the labour market compared to other sectors (IT, corporate services, etc.);
- Embrace digital transformation in the work of the unions for internal productivity gains, but not as a substitute for face-to-face interaction.

Due to the nature of the problem (i.e., trade unions have very little control over technological change) and the relative weak position of organised labour in Romania generally speaking, trade unions have primarily adopted a reactive stance. While not opposing technological change per se, they attempt to deal with its most dire consequences. Anticipation is difficult, as is the devising of tailored policies, especially since management does not provide adequate information on the potential impact of digitalisation on employees. Still, some generic measures promoted by trade unions could be effective and the recent developments of the social dialogue at industry level have opened a window of opportunities in this respect.

At the company level, dealing with branch closures and job reductions has become a staple feature of trade union activity. Given increased labour turnover, quantitative restructuring has not raised that many problems since most departures have been voluntary or through retirement. On the other hand, investments in digitalisation have not fully compensated labour shortages, and remaining bank employees have had to deal with increased workloads despite the automation of many tasks. It is common for collective bargaining agreements to force companies to offer alternative jobs to employees in branches that are marked for closure or who are affected by automation. Internal job mobility has been a mass phenomenon, for example, for cashiers and tellers more generally speaking, whose jobs have been considerably impacted by the spread of new multifunctional ATMs and of Internet and mobile banking.

22 Employers and employers' associations in Romania are usually hostile to collective bargaining as such and, more generally, to any relations with trade unions. The main goal of employers' associations is to influence government decisions, and not to engage with organised labour.

Avoiding redundancies, many tellers have been granted the opportunity to move into credit counselling jobs, which involve new skills and responsibilities. Back-office job transformation has had a similar impact, as computer software is replacing jobs in payments processing, credit analysis and other parts of standard banking activity. Internal job mobility from these departments to new IT functions, for example, is possible, although the question of skills is here even more stringent. Overall, digitalisation has been slow enough to allow employees and trade unions to adapt, with the exception of two major challenges that require a more substantial reorientation on the part of trade unions.

First, job transformation due to digitalisation and the additional job mobility required by overall restructuring has made skills and the potential for reskilling crucial for avoiding forced redundancies and ensuring employment security for people affected by technological transformation. Available internal training procedures and content have proved highly inadequate in meeting this challenge for two reasons: on the one hand, long-term job specialisation has led to increasingly less emphasis on polyvalence and potential internal mobility in banks' training strategies; on the other hand, most internal training content focused on familiarity with dedicated products and procedures, with low focus on competencies with internal and external portability. For trade unions, this problem has proven particularly difficult to address at the company level, as companies have refrained from bearing the cost burden of extensive employee training in a context of high labour turnover. As we will discuss below, this challenge is now being tackled at the industry level.

The second major challenge facing trade unions concerns their organisational strength. Sustained labour turnover related to increased labour market tightness, bank restructuring and technological change means that trade unions are constantly losing members and are thus being forced to carry out permanent recruiting campaigns in order to maintain their standing. The difficulty is compounded by job polarisation (see the discussion on workplace bargaining power in the previous section), as employees holding new highly-skilled, highly-paid jobs are in general not interested in joining a trade union. Moreover, digitalisation has allowed for an increased incidence of working at home – in some banks back-office employees are allowed to work away from the office for as much as two days per week. In a context of diminished direct interaction with potential members as well as between employees in general, trade unions face increasing difficulties in recruiting new members, mobilising existing ones and cultivating solidarity more broadly speaking. Using digital technology (e-mails, online surveys) for interacting with members has proven a weak substitute for face-to-face interaction. Though some trade union officials have responded by allocating extra time and resources for direct interaction with their members and new employees, the predominant perception is that this problem will only get worse with time and that for the moment no clear solution is in sight.

At the industry level, trade unions in banking have recently moved significantly ahead of their peers in other industries. At the end of 2018, FSAB and the Employers' Association in the Financial Service Sector (FinBan) signed a 2-year multi-employer collective bargaining agreement applying to several of the largest banks in the country and covering approximately one-third of bank employees at the national level. The agreement is practically unique in the post-2011 collective bargaining landscape, first of all because it is one of the very few multi-employer agreements signed in the private sector during the past decade and, second, because it applies to large multinational companies, which in Romania have been highly hostile to this sort of arrangement. This was made possible, first of all, due to the creation of an employers' organisation (CPBR) in banking in the spring of 2014, spurred by emerging problems in the labour market and a perceived need to participate in a tripartite social dialogue. This development reset the stage for collective bargaining at the industry level: even if neither FSAB nor the employers' organisation covered the necessary 50 per cent of the industry, both represented employers and employees in the country's largest banks, in which FSAB unions had been historically recognised as legitimate bargaining partners.

Apart from relatively standard provisions for Romanian collective bargaining agreements – e.g., a minimum wage for the industry, provisions for seniority – the agreement stresses the importance of managing collective and individual redundancies, internal mobility, telework, as well as professional training in a manner adapted to employee needs. Regarding redundancies, the agreement aims at reducing arbitrariness by introducing »social« criteria in the case of collective job cuts in order to protect vulnerable employees. Depending on seniority, severance payments of up to 4 monthly salaries are provided for those leaving a company, while dismissals for inadequacy for an occupation can only occur once the possibility of reskilling has been considered and tried. The agreement also stipulates conditions under which geographical relocation of employees can take place as well as the financial obligations of employers in such cases. Trade unions also have the opportunity to prevent redundancies if they find adequate alternatives within 20 days of the initial announcement. All these are meant to tackle the main and most immediate impact of restructuring and digitalisation.

Although the 2018 agreement includes a whole chapter on professional training, an additional agreement was signed in late 2019 stipulating extensive obligations on the part of the management to provide training to employees. Apparently banal at face value, this agreement is considered a major achievement by both industrial and company-level trade unions. Its ultimate purpose is to ensure the continued employability of bank employees, either by allowing them to move to new jobs within their current company or to find it easier to move from one company to another within the industry. It thus responds to the increased need for employees' occupational mobility both inside and between companies, while attempting to mitigate some of the downsides for individual employees as well as for companies and trade union organisations.

The context making such an agreement necessary for both trade unions and employers is quite complex, and it is clear that the digitalisation-restructuring nexus represents the main impetus for these measures. By highlighting the need to keep employees within the banking sector after voluntary or involuntary departures from a particular bank, unions aimed not just at boosting their members' position on the job market, but also at conserving their membership base. Employers, on the other hand, hope to benefit from improved skills without having to fear that their investments in training are wasted once employees leave to join other companies in the industry. Aimed at ensuring the portability of acquired skills and the recognition of obtained certifications, the agreement marks a clear departure from previous company-level training strategies that were tailored to the specifics of their own products and internal procedures.

The present emphasis on training and reskilling addresses a potential shift in banks' ongoing restructuring efforts. Most major banks have by now done the bulk of their quantitative restructuring, which means the near future could see a stronger emphasis on qualitative change – in other words, less on job cuts and more on job transformation. While responding to very serious present challenges, unions' concern for professional training thus anticipates the exacerbation of some of the effects of digital transformation in banking. The impact of high labour turnover is nonetheless set to remain of primary concern and FSAB aims to supplement training programs with the adoption of unified professional standards, which would make it easier for employees leaving one bank to get a job at another without losing part of their salaries or other rights. Such measures are expected to boost the attractiveness of banking relative to other industries and thus partly mitigate the high rate of labour turnover.

CONCLUSIONS

Much of the current debates over the impact of technological change on the future of work prioritise scenarios of radical change in forms of employment, working conditions and industrial relations. Reality has so far looked quite different, however: transformation has been rather slow and incremental, with reasonably enough time for adaptation for employees, as well as labour markets and trade unions. The picture is more complex if we consider the diversity of settings in which technological change unfolds. Industrial differences are hugely important and, as we have argued, banking is one case in which digitalisation has advanced relatively fast. The implications likewise vary across countries due to structural economic differences – more retail-oriented banking in Romania is potentially more prone to technological overhaul in the short- and medium-term. The coronavirus pandemic will most likely provide a new impetus to digitalisation across industries and in banking in particular.

In order to assess trade unions' position in this landscape, we looked at trade unions in Romanian banking from the standpoint of their power resources. Trade unions in this industry constitute no exception from the general situation of organised labour in Romania, for whom the equation of power resources seems increasingly bleak. First, institutional power has been severely curtailed by the legislation adopted in the wake of the Great Recession. Second, associational power has likewise been affected negatively by increasingly acute legitimation problems. Third, workplace bargaining power has shrunk without any significant compensation due to restructuring and digitalisation. Finally, trade unions' marketplace bargaining power has improved in recent years due to worsening labour shortages, contributing to a slight recovery of collective bargaining. Digitalisation has become an issue in this context of mild revival, which has allowed trade unions to actively attempt to mitigate the effects of technological change on their members and on themselves. However, the bigger problem – structural weakness due to the loss of significant power resources since the end of the 2000s – has not gone away, preventing trade unions from adopting more radical stances in approaching digitalisation.

Though the weakening of trade unions after the Great Recession might have been more extreme in Romania than in other European countries, it is certain that we are talking about a broader tendency of shrinking institutional and associational power in traditional industries such as banking or manufacturing. Hence, it comes as no surprise that trade unions have a primarily reactive stance to technological transformation, with very limited leeway when it comes to influencing employers' strategic policies and even in what concerns anticipating medium-term implications.

The story of technological change in Romanian banking highlights the crucial importance of the historical and organisational context in assessing the impact of technological transformation and devising adequate policies aimed at securing employees' well-being. More specifically, we have shown that the effects of digital transformation are difficult to disentangle from those of restructuring due to plain financial and economic considerations, while being significantly altered by the high incidence of labour turnover. Concretely, though job reductions have been significant, the perceived impact has been very limited and job transformation, rather than job loss per se, is a far more important issue both at present and for the future. This is even more so the case once the purely quantitative impact of digitalisation on jobs is consumed and qualitative transformation becomes increasingly visible.

In response, trade unions in Romanian banking have moved beyond the traditional restructuring repertoire of compensatory pay and social criteria for redundancies. Instead, training and reskilling are considered more important and durable achievements, not least because they allow unions to maintain a somewhat more stable membership base in a highly volatile labour market context. While allowing employers and trade unions to find some common ground in this way, digital transformation has nonetheless brought more insidious potential threats to unions' associational strength than the standard implications of massive job loss and job transformation. It is not just that many employees in new jobs are less interested in joining a trade union, but rather that the widespread use of digital technology in office work reduces the need for physical contact between employees (and even their physical co-presence), reducing the potential for solidarity and posing existential threats to unions in the long term. This is already an issue of concern for unions in Romanian banking, although an effective solution to this problem has yet to emerge.

Trade unions in Romanian banking have compensated the loss of workplace bargaining power with greater organising efforts and have managed to capitalise on the increase in marketplace bargaining power by restoring sectoral collective bargaining. Signing a multi-employer collective bargaining agreement covering the majority of big banks in the country and an agreement on professional training was a breakthrough. Although still exceptional in Romania, the multi-employer agreement in banking proves that industry-level bargaining is still possible under certain conditions, most of which nonetheless do not depend on unions or employees: high turnover in a tight labour market coupled with a decline in the appeal of banking jobs have contributed to the emergence of a bargaining counterpart at the industry level. These recent developments in Romanian banking prove that collective bargaining is possible in a context of weak legislation, albeit only if certain prerequisites are met (the existence of employers' associations at the industry level is key in this respect, as is the favourable labour market context). In this particular case, digitalisation has been an integral part of a broader set of factors contributing to the restoration of sectoral-level collective bargaining.

In conclusion, although it has been seen at a certain point as a catalyst for job reductions, digitalisation has in fact triggered – directly or indirectly – greater organising efforts and positive transformations in the social dialogue at company level and has contributed to the re-opening of collective bargaining at industry level. Digitalisation is no longer seen as a threat to employment, but rather as a factor of transformation, and Romanian trade unions have been very active in addressing the issues of upskilling and reskilling at industry level, promoting the portability of competences and qualifications. In the context of a relative loss of attractiveness of the banking sector on the labour market, digital transformations could open new doors for a more focused social dialogue on the use of productivity gains for wage increases and improving working conditions. This offers grounds for optimism that mutually beneficial solutions can be found in order to ensure the social sustainability of the digital transformation in banking.

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BACK TO BARGAINING IN BANKING

How digitalisation plays Romanian trade unions an upper hand

The story of technological change in Romanian banking highlights the crucial importance of the historical and organisational context in assessing the impact of technological transformation and devising adequate policies aimed at securing employees' well-being. The effects of digital transformation are difficult to disentangle from those of restructuring due to plain financial and economic considerations, while being significantly altered by the high incidence of labour turnover. Though job reductions have been significant, the perceived impact has been very limited and job transformation, rather than job loss per se, is a far more important issue both at present and for the future.

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