

Europe's top banks cut 80,000 more staff in post-crisis overhaul
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HSBC was one of the major banks in Europe that reduced head counts last year. Europe's largest banks cut their staff by another 3.5% last year and the prospect of a return to pre-crisis employment levels seems far off, despite the region's fledgling economic recovery.

Spurred into action by falling revenue, mounting losses and the need to convince regulators they are no longer "too big to fail", banks across the globe have shrunk radically since the 2008 collapse of American bank Lehman Brothers sparked the financial crisis.

Last year, the tide of bad news began to turn for European banks, which are among the region's largest employers.

Helped by recovering economies and receding fears for the euro zone's future, the benchmark Stoxx Europe 600 Banks index rose 19%, outpacing the 17.4% increase in multi-sector stocks.

But despite the improved outlook, Europe's 30 largest banks by market value cut staff by 80,000 in 2013, calculations by Reuters based on their year-end statements showed.

Recruitment consultants warn workers' hopes for a turnaround this year could be misplaced, bad news for countries like Spain where tens of thousands of bank layoffs have helped drive unemployment to 26%.

However, while painful for the people who have lost their jobs, the reduction of large banks' workforces through a combination of asset sales and redundancies means banks won't have as big an impact on overall employment in future crises.

Antoine Morgaut, chief executive for Europe and South America at recruiter Robert Walters does not expect the industry's employment to ever return to what it was in its heyday of 2008. Then, the 25 of the top 30 banks with comparable figures employed about 252,000 more than the 1.7 million they do today. "It's been a bubble for 20 years," said Morgaut.

"In speciality areas we are seeing a bit of an upside but it is quite marginal and it will stay like that for the next six to nine months," he added.

Big-ticket restructuring

The most dramatic of last year's job cuts came from major restructurings, such as Spain's Bankia which shed 23% of its workforce to help meet the conditions of its 41 billion euro European rescue.

Italy's Unicredit, which reduced the highest number of staff, 8,490, said in its annual report that some of the reductions were the result of a project to outsource IT functions to joint ventures.

Belgium's KBC cited asset sales as a major reason for its 7,938 reduction in headcount, 22% of its workforce. The bailed-out bank sold Russian offshoot Absolut Bank and Serbian business KBC Banka. Staff figures for Absolut Bank were not available, while KBC Banka's most recent figures show 501 staff at the end of 2012.

Spain's BBVA also cited asset sales as the driver of its 6,547 reduction in staff, or 23% of headcount, which came in a year when the bank sold operations in Latin America.

At Bank of Ireland, where a 6.3% fall in headcount was the fifth-largest in the region, a redundancy programme was the main reason.

The pace of staff reductions approximately halved last year and most banks are now coming to the end of disposals and cutbacks agreed during the crisis.

However, upcoming European Union-wide tests on whether banks need to hold bigger capital cushions could trigger another wave of asset sales and cuts.

Routine streamlining continued last year. HSBC the biggest employer in the pack, cut headcount by 6,525, or 2.5% of its global total. The bank came through the crisis without a bailout, but has slimmed down over the last three years by closing or selling dozens of businesses.

Only three of the banks – Barclays, Handelsbanken and Deutsche Bank – added jobs last year, and those totalled less than 770.

Pockets of growth

Banks are hiring in a few areas, however, with some recruiters citing rises in specialist compliance roles such as anti-money laundering, cyber security and internal audit as lenders have to deal with increasing demands from regulators determined to avoid a repeat of the crisis.

"The regulatory pressure is a cost drag on the banks but if a role is required by the regulators, then all senior management can get out of the way, and you can pull the trigger and hire that person," said Hugo Gordon Lennox, a managing director at Webber Fox, a British quantitative and risk management recruitment specialist.

Others said banks were beginning to address problems created by previous cutbacks, particularly amongst the sparse ranks of more junior employees.

"As business picks up, firms often find themselves with quite specific and definable skills gaps in certain areas and banks have definitely started to try to address that," said David Leithead, managing director for banking and financial services at recruitment firm Michael Page.

Even so, big jumps in the numbers employed by banks could take a while to come. "It's the whole oil tanker analogy – it's slow to stop and slower to speed up," said Miles Stribbling, director of strategic partnerships and head of Phaidon Consulting Services UK at recruiter Phaidon International. – Reuters, April 13, 2014

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