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N°01//JULY20
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SOCIAL DIALOGUE
A KEY ELEMENT

COVID-19
BANKING SECTOR
TO RESCUE OUR ECONOMY

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EUROPEAN FEDERATION
OF MANAGERS AND EXECUTIVES IN THE BANKING SECTOR

SOCIAL DIALOGUE
A KEY ELEMENT

Maxime LEGRAND
President of FECEC

DEAR READERS,

Humanity is facing a big challenge with this covid-19 outbreak which is resulting in an unprecedented economic tragedy. Work and its components will play a key role in solutions to this crisis and social dialog must be a part of it. Nevertheless, at this time where we understand more than ever that solution must be international and at least collective, we have experienced a paradox here and there with a shaken social dialog.

Let's remember what this is all about. For ILO (International Labour Organization), social dialogue includes all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and employees, on issues of common interest relating to economic and social policy. Then, social dialogue can take a lot of different forms.

What happened during this crisis?
Governments have taken very fast decisions and entire sectors of the economy have been shut down while others, considered vitally important, have been allowed to operate with exposition to health risk for workers. Immediately, many exchanges have been set up, sometimes on a daily base, between Human Resources Departments and generally speaking representatives of the workers. Some staff representatives, perhaps unused to such exchanges with members of the board may have been satisfied with this. Others may have been upset because of unilateral decisions taken by Boards or Governments.

However, social dialogue has never been stronger, in a way, to understand the new rules, to share their interpretation and implementation with the Boards, to finally reassure colleagues worried about their health and financial impacts, especially at a time and in a world where Fake News are numerous. In the end, we have witnessed very little blockage.

I would like now to address the issue of the behavior of countries. We've seen very diverse behaviors too. With each crisis and even more for this health crisis, behavioral biases resurface. Governments that fundamentally trust in social dialogue have succeeded in considering trade union organizations in this period creating the conditions for agreements. Sadly, we saw other governments taking this opportunity to reduce the social dialogue, to weaken freedoms, to attack the right of association, to break social achievements, etc.

Hence, and it must be repeated as much as possible, the importance of raising awareness among all those involved in social dialogue, by training plans on each side of the negotiating table. If a link in the chain does not believe in the virtues of social dialogue, it can have serious consequences. It is moreover a demand from young managers or students who, although they consider social relations as an integral part of the managerial function, deplore a serious lack of training in the curricula from which they come.

The role of trade unions has been very important at the State level but also at the supranational level. I would like to take this opportunity to emphasize the importance of institutions such as the ILO and other European institutions on which employees' organizations can rely.

So how to do?
First of all, we need independent, strong organizations, with technical capabilities and access to relevant information.

That demand a precise political will which is a challenge in some countries.
Some organizations may face financial difficulties as a result of the emerging economic crisis or political attacks. It is essential that governments or supranational bodies release support funds in such cases. In concrete terms, this means that we must quickly become aware of, among other things, everything concerning health and safety.

We need to organize exchanges, developing a common agenda among stakeholders. One of the priorities is to set goals and a list of topics to be negotiated quickly.

Eventually we need trust between actors of social dialogue.
There is an opportunity, too, not to be missed. We need to collect data in order to prove once again how important social dialogue is to preserve the health of workers but also the economic performance of companies and ultimately the wealth of a country. It is the countries where social dialogue is best structured that have been most successful in overcoming past crises.

Here all categories of employees must be partners in defining strategies to lift lockdown measures. Here, the issue of the right level of intervention is central. In my opinion it is necessary to be as close as possible to the shop-floor level, the Company or the industrial site. This raises the issue of presence on the ground and the issue of human means. It must also raise the question of the articulation between sectoral and enterprise unions. In my opinion, the sectoral level must indicate a common basis for building confidence in terms of competition in order to ensure a Level playing Field. Security or lack of security should not serve as a reason for a competitive advantage, I cannot imagine such a thing as safety dumping.

It is good to highlight here the importance of European and international agreements. They have been useful to implement telework, to ensure social protection measures, to put in place measures of equality between women and men, to protect the most vulnerable or again to retain the skills.

The world of tomorrow will not be the previous one. The collective expectations will probably be different and all the players will have to adapt their behaviour, which also applies to the employee representatives. We should be ready for some open debates.

I take the example of protective masks. How can we understand the fact that Social and Environmental Responsibility and the duty to protect employees may not always go in the same direction, in the event of a shortage, for example?

Globally in the world, never before have so many people been teleworking. It is likely that this habit will continue, at least for colleagues whose physical presence is not essential. We must draw all the lessons from this life-size test, and put the topics of connection and disconnection back on the table, find measures so that family responsibilities are better shared. This situation has created new challenges, such as the loss of contact and non-verbal communication with colleagues, the issue of data privacy, the distance between blue-collar and white-collar workers. We will have to deal with the issue of access to private or professional emails and finally the lack of time and the mastery of tools. All studies on the digitization of social dialogue showed how much we still have to do.

Yes, social dialogue has been shaken, as the world has been shaken by this crisis. Countries and economies will be impacted on a long-term as our mentalities. But I'm pretty confident in our ability to make the most of this bad experience.

I take the example of unbridled liberalism and exacerbated individualism in our ante-crisis societies. This sad experience shows us how the States remain the last resort in every emergency occasion, how fragile companies are without it, and how the market cannot do everything. This crisis shows us how individual behaviors can create negative or positive externalities across the community. Social dialogue take individual wishes together and organize them so that they fit into a collective one, as harmonious and effective as possible.

Looking at the increase in membership in several countries in recent weeks, which is a strength for Trade Unions and therefore a prerequisite for good social dialogue, I remain quite confident. Important battle will have to be fought in the time ahead, but as staff representative, we are used to doing it.

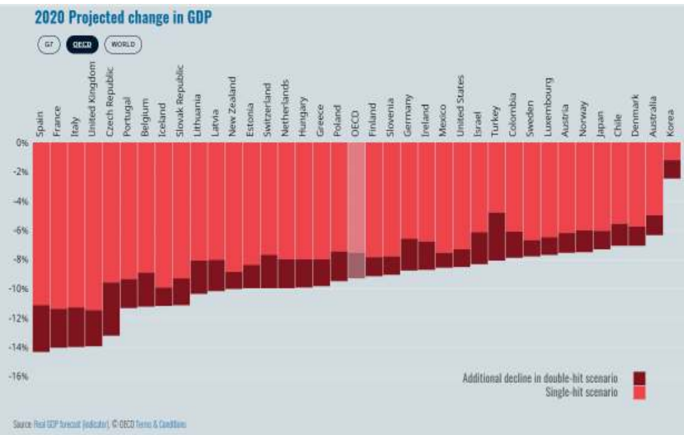
COVID-19
BANKING SECTOR TO RESCUE OUR ECONOMY

The impact of the COVID-19 pandemic on our economies can be considered a tsunami. The OECD predicts the worst peacetime economic recession in 100 years, even without a second wave, with a 6% decline in economic activity in 2020 and an OECD unemployment rate that would jump from 5.4% in 2019 to 9.2%. (OCDE, 2020). The term «peacetime» is an important one: the infrastructure of our economies has not been destroyed. It is therefore not a question of rebuilding, but of enabling the healthy parts of the economy to add value to the well-being of citizens.

As a first step, States had to adopt fiscal policy and liquidity support measures to increase the capacity of their health systems and to support citizens and sectors particularly affected (EU, 2020). The banking sector played its part in this, as described for a few countries below.

The impact of these short-term measures will be an increase in public debt of 15 to 20% on average. This debt, which is not due to mismanagement but to the social mission of the state to help its citizens when they need it, must not be allowed to penalise our well-being for many years to come.

The banking sector has entered this crisis in a solid state that allows it to fully play its most noble role: that of being able to meet the financing needs of the various players in the economy for the benefit of all.



https://oecd.github.io/EO-Outlook_chart_3/

THE SHORT-TERM RESPONSE

In the first phase of the crisis, the generalised containment measures caused a freeze on trade, putting part of the population and businesses in difficulty. The response was therefore to enable citizens and businesses to get through the crisis financially. From the beginning of the health crisis, the financial sector was declared as an essential sector in order to ensure the continuity of essential trade.

Establishing the continuity of the essential service provided by the financial sector
In a minimum of time, it was necessary:

- Of course to ensure the safety of employees in these conditions since the agencies have remained open for the most part.
- Organize business continuity, especially since it was a time when business and professional customers, but not only, had more than enough need to be listened to by their advisor and to be offered solutions quickly, and to be assured that the bank would follow them.

Especially in view of the disparity of treatment within the same bank and between banks, a sector protocol was desirable.

It was critical to have a clear definition of the so-called essential activities in the banking sector:

- Use of telework and activity exemptions.
- A unique model of agency operations.
- Agencies open only by appointment for requests deemed essential that cannot be carried out remotely.
- Agencies that must operate in curtain and closed door mode.
- An adaptation of business objectives.
- Efficient material resources to protect the health of employees, particularly in the physical agency networks: protective masks, gloves, hydroalcoholic gel, etc...

Undoubtedly, all this was only possible thanks to the professionalism and dedication of the staff and managers of the financial institutions.

Even today during decontainment steps, the teams are split into two or three to limit contact and respect social distancing. This could inspire future work organizations.

Direct or indirect support to individuals and companies through financing solutions.

In order to show the continuity but also the diversity of situations, we have chosen to give below some examples of intervention by country.

FRANCE

The banking sector has been declared a «Vital Service».

Most banks have maintained salaries without resorting to short-time working. This is their way of participating in the collective effort.

Most, if not all, have decided to defer dividend payments. The decisions will be made later, in order to maintain a cash cushion.

Gestures for the community with donations of masks for hospital workers, donations for the poorest and those who have lost their jobs (donations for food banks, etc...).

According to our colleagues in the field, they have played the game rather well (according to our colleagues in the field, to study the release of loans guaranteed by the States, the extension of maturities, aid to individuals, etc...).

Deployment of state-guaranteed loans as of june 5, 2020.

Amount of claims recorded by banks (cumulative, € billion) 112.7.

Amount of claims granted by banks (cumulative, € bn) 97.0

Refusal rate on eligible applications 2.5%.

Sources : French Banking Federation (applications registered and refusal rates), Bpifrance (applications granted, on the basis of declarations by banks and companies on the platform made available by Bpifrance), DG Treasury (applications granted for large companies.

BELGIUM

Although Belgium was in lock-down as of 18 March, the financial response was not long in coming. Indeed, as early as 22 March, the National Bank, the Federal Government and the financial sector agreed on a «real financial bazooka» to limit the impact of the coronavirus crisis by putting in place a payment deferral and a guarantee scheme for individuals and companies affected by the coronavirus crisis. (NBB, 2020)

Households that were experiencing financial problems due to the coronavirus crisis were able to obtain a deferral of their mortgage payments until September. Stable businesses and the self-employed were also able to obtain such a deferral. Finally, for all new loans to the self-employed or businesses, a cushion of 50 billion euros, or 10% of Gross Domestic Product, was provided by the banks in case they could not be paid due to the coronavirus crisis. In view of the speed of the decision, while the state has helped to guarantee part of this cushion, it is remarkable to note that the sector has also taken on part of the risk, starting with an initial tranche of 3% where all losses are borne by the bank, the state guarantee being essentially put in place to avoid a generalised failure of the sector in the event of a deep and lasting crisis.

The government has sometimes also had to rely on the banks' infrastructure. For example, the implementation of the payment of certain aid measures would simply not have been possible if the banks had not intervened to facilitate the administrative process.

SPAIN

Financial sector was declared an essential service in the state of alert that Spain has been under since mid-March. An essential service that has been involved in supporting Spanish society both in domestic and business activities. This support has been materialized on the one hand, guaranteeing the financial and operational support that will allow the economic system to continue operating. Additionally serving as a transmission channel for the economic aid launched by the government launched to try to minimize the effects of Covid-19.

These are some of the extraordinary measures carried out:

- Providing the liquidity loans guaranteed by the State for SMEs.
- Application of moratoriums on mortgage loans.
- Rental moratorium application.
- Special pension payment services for the risk group that our elders suppose.

POLAND

Activities on the side of BGK Bank Gospodarstwa Krajowego (Bank of the Domestic Household).

As part of new proposals for protective programs addressed to the SME sector (Small and medium-sized enterprises), Bank Gospodarstwa Krajowego (Bank of the Domestic Household), in cooperation with the finance and development ministries, proposed more favorable conditions for the de minimis guarantee program. First of all, they consist in increasing the maximum security from 60%. up to 80% the loan amount, assuming BGK resigns from collecting commission for granting the guarantee and extending the period of the working capital loan covered by the guarantee from 27 to 39 months. BGK also launched a liquidity guarantee fund for companies in the SME sector affected by the COVID-19 pandemic, which can secure new or revolving loans with a total value of approximately PLN 100 billion and aims to provide financial liquidity.

BGK guarantees will be available to those entities which, as of February 1, 2020, did not show arrears in ZUS (Zakład Ubezpieczen Społecznych) (Social Insurance Institution), US (Urzad Skarbowy) (Tax Office) and in terms of credit obligations. Systemic actions taken by BGK are aimed at improving the financial condition of borrowers and reducing systemic risk. The effectiveness of these programs will depend on the scope of required procedures and BGK's operational capacity to handle incoming applications.

ITALY

The government has launched numerous interventions to mitigate the impact of the economic crisis on businesses, families and banks. Some measures envisage a direct transfer of losses from the private sector to the state budget: direct transfers to households and enterprises, expansion of the audience of beneficiaries of the redundancy fund, increase in unemployment benefits. Other measures, such as the issuance of state guarantees on loans and tax and credit moratoria, do not alleviate losses in some sectors, but rather aim at facilitating the provision of liquidity on favourable terms by the financial system to carry over losses.

The provision of government guarantees, particularly to small and medium-sized enterprises (SMEs), is an effective tool to encourage banks to provide the liquidity needed to deal with the Covid crisis.19 The guarantees cover at least 80% of the loan amount. The sharp reduction in expected losses provides an incentive for banks to grant new loans or renew existing loans despite the increased risk of borrowers due to the sharp deterioration of the economic situation. However, the medium-term effects of government guarantees are more controversial and depend both on the duration of the guarantees and on other economic policy measures taken in the meantime.

EUROPE

A brief overview of the measures taken by the ECB, most of which are aimed at ensuring the continuity of the banks' means of action. In bold, the unusual measures that highlight the fact that the ECB wants to ensure that banks' capital reserves are used to revive the economy.

On 12 March 2020, the ECB took measures to ensure that the capital reserves of banks are used to revive the economy.

- 120 billion of additional quantitative easing (asset buybacks).
- Support for bank liquidity life refinancing (LTRO).
- Temporary easing of capital requirements and operational constraints for the banking sector.

March 15: Strengthening of foreign exchange swap agreements between central banks.
March 18: 750 billion in quantitative easing in the context of the pandemic (QEPP).
March 27: Recommendation to banks not to pay dividends or redeem shares!
April 30: Announcement of 7 Emergency Longer-Term Pandemic Refinancing Operations (PELTROs).
At the beginning of June, the PEPP is increased from 750 billion to 1350 billion.

THE MEDIUM-TERM ANSWER : REVIVE THE ECONOMY BY RESTARTING WHAT WAS HEALTHY AND IMPROVING WHAT CAN BE

'NEVER WASTE A GOOD CRISIS'

- WINSTON CHURCHILL

As the main objective of its measures is to restore confidence in order to encourage economic agents to operate normally, these objective measures are accompanied by a communication stressing the ECB's willingness to take additional measures, if necessary.
The crucial role of the financial sector has been demonstrated throughout Europe. The financial sector is absolutely necessary to implement the recovery plan approved by the European Commission.

QUANTITATIVELY

Efforts already undertaken will have to be continued, increased or adapted.But there is still a «weak» link. Before the crisis, public debt in Europe was 79.5%. In 2021, it will be close to 100% (including «frugal» countries).

If creating a recovery by borrowing 500 billion at the European level can possibly be part of the recovery solution, this is only a little more than 2.5% of the European Union's GDP (19,000 billion).
What is needed is to structurally prevent this debt, which is not due to mismanagement but to the social role of the state to help its citizens when they need it, from penalising our well-being for many years to come.

The objective of the recovery is not to wipe out the past, nor to promote orthodox management. A safety net should therefore be put in place to ensure that the debt created during the coronavirus crisis does not penalise the management of countries. A proposal put forward by a former IMF economist could thus be explored in greater depth. «that states temporarily and within a certain limit, for example 10% of their GDP, issue 0% perpetual bonds, which would be bought by financial institutions and then resold to the European Central Bank (ECB)».
(Echo, 2020)

The idea being that the debt created to help Europeans during the crisis should be neutralised in terms of future negative impact.

QUALITATIVELY

That Europe becomes aware of the strategic stakes of the financial sector, for the financing of the economy, access to means of payment for all, the possibility of financing start-ups, green growth, etc... For the European banking system to be able to finance the model of society that citizens will have chosen.

Strategies that are not only based on short-term profitability. Workers are also citizens and we are calling for greater involvement of workers' representatives in strategic decisions.
It is also an opportunity to relaunch the debate on banking union and to ensure that bank restructuring focuses on building solid and flexible financial entities. It is certainly also necessary to ensure stability within regulatory constraints, a level playing field between European banks and international banks outside the EU.

Finally, in terms of the quality and comfort of work, banks can continue to play their pioneering role in several areas.

- The regulation of telework, which in many cases has gone from a mere concept to a reality in many cases.
- Training actions for the digital transition, Artificial Intelligence, all markets around data analysis, IT security and green finance.

The financial sector is an essential service that showed its resilience in the first phase of the pandemic thanks to its renewed strength. The capital surplus accumulated over the last 10 years can now be used to revive the economy as it emerges from the crisis. Banks can now fulfil their noble role: to meet the financing needs of the various players in the economy for the benefit of all.
We make a call for workers, managers and their representatives in the financial sector to be involved in decision-making in recognition of their expertise and dedication throughout this crisis.

Pierre Pirson
Deputy Secretary-General
for European Relations