

Note on the Proceedings

**Tripartite Meeting on the Employment Impact
of Mergers and Acquisitions in the Banking
and Financial Services Sector**

Geneva, 5-9 February 2001

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Introduction

The Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector was held at the ILO in Geneva from 2 to 6 February 2001.

The Office had prepared a report ¹ issued in English, French and Spanish to serve as a basis for the Meeting's deliberations. It examined the key facts and characteristics of this trend: developments in various regions; different aspects of the employment dimension; practices to manage human resources in the context of M&As integration and restructuring; implications for sectoral remuneration and other compensation issues; working time; and consequences for employee training, motivation, work-related stress and job security. The scope, institutional framework and potential for social dialogue in preserving harmonious industrial relations in the context of M&A-related employment losses were highlighted, as was the role of the ILO and international labour standards.

The Governing Body had designated Mr. Bill Mansfield, Worker member of the Governing Body, to represent it and to chair the Meeting. The three Vice-Chairpersons elected by the Meeting were: Mr. J. Lessard (Canada) from the Government group; Mr. A. Ahmad from the Employers' group; and Ms. J. Nonde from the Workers' group.

The Meeting was attended by Government representatives from: Argentina, Belgium, Canada, Chile, Ecuador, France, India, Japan, Republic of Korea, Luxembourg, Morocco, Nigeria, Slovakia, Spain, Switzerland and Thailand, as well as 20 Employer and Worker representatives. Representatives of the Governments of Panama and the United States were also present at the sittings.

Observers from the United Nations Conference on Trade and Development attended the Meeting and representatives from the following international non-governmental organizations also attended as observers: the International Confederation of Free Trade Unions, the International Federation of Business and Professional Women, the International Federation of University Women, the International Organization of Employers, Union Network International, the World Confederation of Labour, the World Federation of Clerical Workers, the World Federation of Trade Unions

The three groups elected their Officers as follows:

Government group:

Chairperson: Mr. J. Zahlen (Luxembourg)

Vice-Chairperson: Mr. K. Nakchuen (Thailand)

Secretary: Ms. A. Laurent (France)

Employers' group:

Chairperson: Mr. G. Ferrara

¹ ILO, Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector, Geneva 2001: *Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector*.

Vice-Chairperson: Mr. J. Volio

Secretary: Mr. J. Dejardin

Workers' group:

Chairperson: Mr. A. Beck

Vice-Chairperson: Mr. J. Zanola

Secretary: Ms. C. Asmussen

The Secretary-General of the Meeting was Mr. O. de Vries Reilingh, Director of the Sectoral Activities Department. The Deputy Secretary-General was Ms. C. Doumbia-Henry of the same Department. The Executive Secretary was Mr. J. Sendanyoye. The Clerk of the Meeting was Ms. S. Maybud of the Management Services Unit of the Social Dialogue Sector. The experts were: Mr. P. Bailey, Mr. D. Belau, Mr. B. Essenberg, Mr. J. Myers, Mr. B. Ratteree, Mr. C. Duchemin and Mr. J-P. Sajahau.

The Meeting held six plenary sittings.

The Chairperson of the Meeting, nominated by the Governing Body of the ILO, Mr. Bill Mansfield, welcomed participants. He stated that the financial services industry was amongst the most important to national and global economic development, given that the worldwide availability of investment funds and the facilitation of trade were critical to the growth of all economies and the well-being of communities. The services it delivered helped create wealth, jobs and progress in our societies.

The issues before the Meeting were extremely topical. The ILO's report submitted for discussion made clear that mergers and acquisitions were a global phenomenon, while their sheer volume and monetary value had major implications for the industry's future. It was also a phenomenon which was expected to grow into the foreseeable future, with the trends indicating a shift from mainly domestic to greater cross-border and global dimensions. Forces related to, but not solely derived from worldwide market liberalization and widespread deregulation, structural reforms, technological advances and other processes linked to globalization, had created strong pressures, both macro and sector-specific, which were pushing greater sectoral consolidation and concentration through mergers and acquisitions. Financial service providers and market analysts offered additional reasons to explain the ongoing process, citing cost-saving means to preserve profit margins, greater marketing power in an environment of stiffer competition, investor demands for greater returns to shareholders, and augmented capacity to mobilize resources and meet clients' service needs on a global scale.

The effects of the industry's continuing consolidation could be felt in declining sectoral employment, the erosion of job security, the demise of the sector's traditionally stable employment relationships, and an increase in precarious jobs. In some countries, such as his country, Australia, the changes were reducing access to financial services for an increasing number of smaller communities, often in the most depressed areas that are least able to cope with the loss of banking service. A backlash was possible if current trends continued without measures to mitigate their negative effects. The United Nations Secretary-General's address at the 2001 World Economic Forum in Davos, to the effect that if globalization could not be made to work for all, it would work for none, could similarly be applied to market liberalization and economic restructuring that encompassed mergers and acquisitions.

Workers often echoed this sentiment, as they bore the brunt of restructuring in the financial services sector. Among the consequences and issues before the Meeting were: a transformation of work organization, content, skill requirements and career prospects for financial services jobs, derived from increased introduction of advanced technologies in financial operations; the rapid spread of temporary and casual labour, and the use of outsourcing for a wider range of services; the uneven effect on men's and women's employment prospects; and the need for workers' greater employability. Solutions needed to be fashioned for these concerns, and for how workers' rights to be informed and consulted about mergers' and acquisitions' decisions could be assured.

The Governing Body's intent in proposing this Meeting was that it should provide an international forum to: exchange views and experiences on these issues and other problems arising out of mergers and acquisitions in the banking and financial services sector; promote an international tripartite consensus on those issues; and provide guidance for national and international initiatives to deal with them. To meet the challenges, leadership was needed from a range of institutions, not just governments. The finance sector could play an important role in providing the leadership to achieve both profitability and social responsibility – how to serve the shareholders, the workers and the broader society – and this was the challenge that confronted the Meeting as it worked to adopt conclusions. The wealth of knowledge and experience represented by Workers', Employers' and Government representatives at the Meeting should permit valuable contributions on the points leading to the adoption of realistic action-oriented conclusions for the well-being of all those associated with the finance sector and its continued growth.

The Secretary-General of the Meeting, Mr. Oscar de Vries Reilingh, also welcomed participants. The coming week's discussions would review the different factors behind the profound restructuring of banking and other financial services, the effects this had on employment in the sector, and what needed to be done to ensure equitable and sustainable outcomes. Financial services were not only traditional generators of high-quality, well-paid jobs; they provided the essential means that sustain economic vitality as the ILO report and the Chairperson had pointed out. Banks and other financial services played a pivotal role in employment creation as providers of essential credit to other sectors. The Asian economic crisis of 1997 aptly attested to the devastating impact that an ailing financial services sector could have on economic well-being.

The ILO report to this Meeting acknowledged that mergers and acquisitions were not new nor sector-specific, but their frequency, the sheer size of the institutions involved, and their centrality had spawned alarm over the creation of institutions that were "too big to fail". They could potentially force governments to spend taxpayers' money to bail out any that encountered serious problems, including those that were badly thought out or badly implemented. This concern was real as research findings indicated that the majority of mergers and acquisitions failed to achieve their objectives. Evidence also pointed to a reduction in credit to small and medium-sized enterprises – the greatest generators of employment – as financial service providers became bigger. Moreover, through its lending the financial services sector was highly exposed to risk from unsuccessful mergers and acquisitions elsewhere in the economy.

The perceived need to cut operational costs driving many mergers and acquisitions tended to significantly affect staff. This association in the minds of an overwhelming majority of workers with loss of employment, erosion in employment and working conditions, and integration-related turmoil and anxiety, in turn impacted on staff motivation and competence, themselves crucial competitive advantages. A disaffected and demotivated workforce was hardly a promising foundation for integrating differing corporate cultures and ensuring the superior returns combined companies were supposed to obtain.

The ILO's constituents had endorsed proposals by the Director-General, Mr. Juan Somavia, that the overriding goal of the Organization must be to promote opportunities for people to obtain decent and productive work, in conditions of freedom, equity, security and human dignity. This "decent work" agenda around which the ILO had now reorganized was driven by four strategic programmes: the promotion of fundamental principles and rights at work; employment, enterprise creation and human resource development; social protection; and social dialogue. The agenda represented an integrated development strategy, combining the traditional ILO agenda of human rights at work and social protection, with a development agenda for growth, employment and jobs. As outlined by Mr. Somavia recently:

- there can be no decent work without work itself. Employment must therefore become a central objective of development policies;
- business has a major role to play, and the ILO as an institution has a responsibility to promote enterprise and job creation;
- the ILO is concerned not only with the creation of jobs, but with the creation of jobs of acceptable quality; quantity could not be divorced from quality;
- all those who work, wherever they may be, have rights at work. The ILO has an obligation to assist its constituents to strengthen their organizations and their voice, and to facilitate their partnerships, particularly to enhance gender equity;
- the ILO is concerned with the promotion of transparent and free social dialogue as a means of ensuring conflict resolution, social equity and legitimacy, especially at a time of liberalization and structural transformation;
- the ILO will seek to assist member States in finding a new balance between the State, markets and society.

For the globalized economy to have widespread social legitimacy, markets must be made to work for everybody. Sustainable economic growth required that people trust open economies and open societies to deliver a fair deal, requiring in turn institutions and policies at the global level which promoted and reflected common values and goals. Social dialogue and partnership, such as represented by this Meeting, was the best way of ensuring that we achieve the above goals. He concluded by expressing his confidence that the participants' knowledge of the sector and experience in dialogue could be brought to bear in the search for innovative solutions to seemingly intractable positions, thus leading to a successful outcome of the Meeting.

Part 1

Consideration of the agenda item

Report of the discussion ¹

Introduction

1. The Meeting met to examine the item on the agenda. In accordance with the provisions of article 7 of the *Standing Orders for sectoral meetings*, the Officers presided in turn over the discussion.
2. The spokesperson for the Employers' group was Mr. Davis, and the spokesperson for the Workers' group was Mr. Beck.
3. The Meeting held five sittings devoted to the discussion of its agenda item.

Composition of the Working Party

4. At its fifth plenary sitting, in accordance with the provisions of article 13, paragraph 2, of the *Standing Orders*, the Meeting set up a Working Party to draw up draft conclusions reflecting the views expressed in the course of the Meeting's discussion of the report. The Working Party, presided over by the Government Vice-Chairperson (Mr. Lessard, Canada), was composed of the following members:

Government members

Canada:	Mr. Lessard
France:	Ms. Laurent
India:	Ms. Balasubramanian
Switzerland:	Mr. Margot
Thailand:	Mr. Nakchuen

Employer members

Ms. Chrominska
Mr. Davis
Mr. Ferrara
Mr. Omach
Mr. Soedibjo

¹ Adopted by majority.

Worker members

Mr. Beck

Ms. Conradie

Mr. Dufil

Mr. Santos

Mr. Zounnadjala

Presentation of the report and general discussion

Presentation of the report

5. Introducing the report prepared by the International Labour Office, the Executive Secretary noted that it was the result of inputs from many different sources, including commissioned studies, information from constituents, a variety of publications, contributions from some of the authors cited in the report, and internal ILO sources. Still, there were major obstacles to a comprehensive assessment of mergers' and acquisitions' (M&As) impact on sectoral employment. The single most important impediment was the absence of systems to track all M&As. Even when data were available at the national level, it was not always possible to be certain about their completeness. The figures provided for job losses in the report were thus necessarily underestimates. Another problem related to separating the role of M&As from other, often linked, restructuring processes, such as those associated with the introduction of advanced information and communication technologies. Companies also restructured and laid off staff even in the absence of M&As, as a recent announcement concerning a major German bank illustrated.
6. To facilitate debate, information in the report had been organized in a way intended to highlight the importance of the sector, its characteristics, role and recent general trends, and the drivers of M&As. The reasons most frequently contributing to the failure of M&As, especially in the finance industry, were then indicated, followed by regional and thematic overviews of the employment impact. It was important to note that M&As were part of a dynamic process of economic restructuring on a global scale, often justified on the basis of enterprises having to prepare for increased global competition. Opposing views pointed out that M&A operations have to date been in-market rather than cross-border. An alternative strategy could aim at reinforcing domestic market positions to counteract expected foreign invasions, and to establish a stronger launching base for foreign acquisitions. Merger proponents did not as a rule dispute the fact that M&As resulted in short-term destruction of jobs in individual merged firms, but argued that M&As were part of necessary adjustments to developments in the wider global economy which contribute to improved enterprise efficiency, and would eventually lead to economic growth and job creation. The report, however, cited academic and industry research findings which concluded that the majority of M&As failed to achieve the synergies, efficiency improvements and higher profit targets on which most merger proposals were based. Doubts were thus raised about whether job losses from M&As would translate into future prosperity and job growth.
7. In addition to job losses, the ILO study found that M&As had substantially contributed to an erosion in working and employment conditions: diminished job security, stress and

demotivation as well as a decline in organizational commitment. Since to succeed merged organizations depended on a committed workforce to sustain returns higher than the industry average, such trends were significant in light of the report's observations on the importance of committed and competent staff to the success of service enterprises. In services, and finance more than any other, staff were inseparable from the service; they were its features and attributes. The reputation of a bank or an insurance company was thus inextricably linked with the competence and helpfulness of its front-line staff, and demotivation and weak commitment to the organization were soon apparent to clients.

8. Finally, the report reviewed social dialogue in the context of M&As, identifying examples where social dialogue had contributed to sound post-merger industrial relations. More than the loss of jobs and increased insecurity, financial service workers deplored the lack of consultation before, during and after mergers. Many trade unions underlined the fact that this lack of adequate information and consultation was often in breach of legal provisions. Employers argued that prior information and consultation posed unacceptable risks that affected staff might either sabotage merger plans, or that information might leak and result in insider trading. However, smoothly functioning mechanisms did exist, such as in the Netherlands and the Nordic countries, which allowed adequate consultation and information between management and workers' representatives. Because they were carried out with special care to consult and inform staff, mergers in the Nordic region had encountered less resistance and ensured that labour-management relations remained cooperative, providing an excellent foundation on which good practice might be built.

General discussion

9. The spokesperson for the Employers' group congratulated the ILO for organizing the Tripartite Meeting, which provided a unique opportunity to analyse the effects of M&As. The banking sector was undergoing rapid change throughout the world, and M&As were an essential part of the change created by globalization and financial market deregulation. The issues before the Meeting – customer and shareholder satisfaction, world economic growth, social progress, good staff motivation – provided common ground for a debate designed to improve outcomes in the field; he was confident the Meeting would produce a positive result.
10. The Employers felt that it was too easy to leap to the conclusion that M&As drove job losses because there was ample evidence that technology was a major factor in that phenomenon. There was also insufficient evidence in the ILO report to support a conclusion that part-time and casual work was prolific. It had been growing, largely driven by social and lifestyle factors. Moreover, employers were under increasing pressure to secure high-quality staff in the industry and of necessity had to offer what had been referred to as atypical employment. The ILO report did not adequately acknowledge the huge industry investment in training which enhanced the employability of its workforce through the creation of highly transferable skills, particularly in sales and retailing. There was some evidence that pre-employment training was offered by other market providers, and that employees were individually accessing this to promote their own employability. In summary, the critical mass which was necessary if financial service institutions were to continue providing high-quality employment, to remain in business while preserving existing jobs and to create new jobs in the sector made it absolutely critical that the M&A process should continue without undue interference or delays.
11. The spokesperson for the Workers' group commented on the appropriateness of the Meeting at the beginning of the new millennium, framed by public debate on issues of globalization, liberalization, privatization, multinational enterprises and the impact of such economic reform on people. The issues were especially pertinent in the finance sector, which could be considered at the cutting edge of change. The changes in the industry –

technological change, new product design and delivery systems for customer service, change in distribution channels, industrial convergence, experimentation and use of human resource management strategies, and the rapacious demand of capital – were indicators of global economic issues.

12. The majority of the workers in the banking and finance industry were women, an increasing proportion of whom were occasional or part-time workers with low earnings. The work environment was now characterized by instability, insecurity and intensification of work, with unprecedented levels of paid and unpaid overtime, denying workers a fair balance between work and family life. There was a serious threat to employee morale resulting from these changes which required strong trade union representation to meet members' needs.
13. The Workers welcomed the Employers' initial comments on the desire for a positive outcome to the Meeting. Over the last 20 years, trade unions had cooperated with employers to implement unprecedented change in the industry, which was reflected in the indicators of its global efficiency, competitiveness and return to shareholders. Given the constructive attitudes of unions to reforms in the industries, employers should be willing to share information and involve unions in negotiations about any future reforms in the industry. It was acknowledged that employers invested in training, but most of the training was very employer- or task-specific. It would be more desirable to see an employer commitment to broader based, industry-based competency training frameworks. Such a training agenda could perhaps be underpinned by competency-based pay models as opposed to performance- and incentive-based pay models. Cooperation between employers and unions needed to be mutual, respecting the rights and entitlements of the workers' organizations, as for example in the Nordic countries. In view of the social contract that used to prevail in the sector – staff and union cooperation to meet change in exchange for improved job security and working conditions – the Workers looked forward to constructively engaging with the Employers during the Meeting.
14. The Workers suggested that governments should balance their role of ensuring systemic stability, so that institutions were able to efficiently allocate resources in a modern financial services industry, with their responsibilities to ensure a social dimension. Transparent and freely available access to financial services was essential for ordinary people to participate fully as citizens.
15. The ILO was to be commended for convening this timely Meeting, and the preparation of a background report which provided a good summary of many of the technical and functional issues facing the sector. The ILO's work was supported, particularly by trade unionists who dealt with other global institutions such as the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO). The ILO provided an opportunity for a civilizing influence on the more destructive elements of global capital. A reaffirmation or acknowledgement of the need to respect some of the important Conventions and Recommendations that underpin the ILO's work was critical, notably Conventions Nos. 87, 98, 122, 144 and 158 and Recommendation No. 113.² The denial of fundamental rights to freedom of association and collective bargaining made the work of dealing with the important issues before this Meeting even harder at national level.

² Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); Right to Organise and Collective Bargaining Convention, 1949 (No. 98); Employment Policy Convention, 1964 (No. 122); Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144); Termination of Employment Convention, 1982 (No. 158); and Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113)

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- 16.** An observer, the General Secretary of Union Network International (UNI), introduced his organization of 15 million members in 140 countries and its activities, including the meaningful partnerships with employers in the sector, more than 60 European works council agreements in place and the extensive social dialogue in Europe, which UNI sought to spread to other regions. The ILO was to be commended for the excellent report to the Meeting. Its sectoral activities were a key to the vitality and relevance of the Organization, providing a unique occasion for all parties to grapple with current issues. However, rapid and fundamental changes raised serious questions about employment and human resources policies. These changes were often executed in ignorance of ILO Conventions and Recommendations and a more rapid response from the ILO was needed. He hoped that during this Meeting consideration would be given to developing a more flexible ILO structure which provided for a tripartite forum in the finance sector that would meet at least on an annual basis.
- 17.** Globalization, deregulation, privatization, the development of information technology and record merger and acquisition activities had affected not only people at the top but also mainstream financial staff. After studying M&A activities, UNI had concluded that financial institutions saw their future growth in terms of swallowing each other up. The financial crisis and volatility in various parts of the world had seriously impacted job security. There was no doubt that M&As meant job losses, often for people at the bottom, particularly women, who could least afford it. Yet surprisingly, mergers in the financial sector with thousands of job losses did not create the same emotion as the collapse of a manufacturing company.
- 18.** UNI had also noted that community interests came second. The ILO should lend its voice to a new discussion about concentration and regulation as, for example, in South Africa where the Minister of Finance last year blocked a merger of two major banks. He was worried about the failure rate of M&As, as well as the consequences of Bretton Woods institutions' recommendations which led to restructuring without consultation with unions, a lack of information and attempts to redeploy affected workers. Measures to address such issues included:
- more information and consultation with workers;
 - strengthening the machinery for freedom of association and collective bargaining;
 - a more dynamic role in active labour market and social safety net policies for the sector on the part of governments;
 - more awareness by human resource managers of ILO instruments, including the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy;
 - good citizenship on the part of financial institutions, for instance by greater participation of the financial institutions in the United Nations Global Compact initiative; and
 - implementation of decent work and social dialogue concepts throughout the multilateral system, including the World Trade Organization which was seeking to accelerate the restructuring of financial services with little attention given to the social implications.

He hoped that the Meeting would end with new hopes for employees as well as with a new spirit of partnership between the social partners to meet the fundamental challenges the sector faced.

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19. Another observer, the representative of the International Federation of University Women and the International Federation of Business and Professional Women, said that banks and financial services were no longer the monopoly of men. Women's inroads into the sector had important implications for the planning and implementation of human resource strategies and social dialogue. First, one had to consider the multiple roles of women as income-earners, as family and household managers, as community and voluntary workers and as consumers, not to mention differences with men in terms of consumer and producer. Second, there was a need to provide a friendly environment for women entrepreneurship development through the granting of microcredits without conditionalities based on property ownership. Third, the "last in, first out" criteria in retrenchment practices had a gender bias since women were more recent entrants into the finance sector. Human resource strategies should not look at short-term profit effects but at the long-term social effects on the family and the community. Human capacity building through education and lifelong training, especially in information and communication technology (ICT) to bridge the ICT divide, had and could yield lasting and effective results in enterprise performance. Fourthly, fundamental principles and rights at work advocated by the ILO were good business practice. In summary, the financial services sector required innovative techniques which women could provide as relative newcomers to the sector.
20. Another observer, the Executive Secretary of the World Federation of Clerical Workers, commended the report prepared by the Office which reflected the multiple problems confronting unions. The ILO was a unique forum for workers to discuss better labour relations through social dialogue. There was no alternative to social dialogue for the development of a civilized social world. Workers were the core and the heart of the business. It was not possible to develop a sound financial system without qualified, well-trained and well-respected workers. ILO Conventions should always be respected. He hoped that continued social dialogue in banking and finance would result in a sector that was not only in the forefront of technical innovation and restructuring but also in the forefront of social development for workers.

Point-by-point discussion

General aspects of M&As

21. The spokesperson for the Workers' group suggested that in order to preserve high-quality, universal financial services, governments had to be vigilant that the M&A process did not result in the creation of monopolies or oligopolies. Though M&As were a partial response to increased competition, they also led to a reduction in competition and had a negative impact on prices, quality of services, and access to financial services. There was a need for government action to regulate and monitor the market structures in the context of M&As, including procedures to examine and ensure that stated objectives of M&As were achieved. It would appear that existing supervisory machinery, if in place at all, had a narrow focus which did not take into account public interest and employment issues.
22. Clause 26 of the Tripartite Declaration of Principles concerning Multinational Enterprises, as well as the guidelines developed by the OECD on multinational enterprises, provided key principles to deal with these kinds of problems, among which:
- supply of facilities to employee representatives to assist in the development of collective agreements;
 - provision of information needed for meaningful negotiations on conditions of employment;

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- extensive promotion of consultation and cooperation between employers and employees and their representatives on matters of mutual concern; and
 - adherence to standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country.

In addition, it was expected that in the context of bona fide negotiations with employees' representatives on conditions of employment, the threat of a merger was not used to undermine social dialogue in the course of an acquisition.

- 23.** With regard to the M&A process, the spokesperson for the Employers' group said that the role of government should be limited to facilitating a framework for appropriate action by the respective parties, having regard to their particular circumstances. Existing Conventions already largely addressed this basic principle. Features of a facilitating framework could include anti-competitive oversight or supervisory practices such as legislation in various countries which enabled governments to prevent monopolies and oligopolies. The government also had a role in encouraging the creation of new jobs. This could be done through establishing broad policy frameworks that dealt with barriers to employment and training in areas such as Web technology which were created by certain tax structures, for example. There remained a question whether the government should get involved in the issue of access to universal financial services, i.e. basic transaction services. Solutions in this respect would best lie with local communities. The Employers' group felt strongly that government should not intrude into the inalienable right of business to make decisions in respect of M&As, subject only to respecting existing principles of consultation on provision of information, but with the final decision resting with business.
- 24.** The representative of the Government of Luxembourg said that for his Government the right of business to take decisions was a relative right because it had direct ramifications on public welfare and public property. Governments had an important regulatory and monitoring role. In relation to the somewhat mitigated success of M&As, monitoring by the European Union had proven to be interesting. National and international standards had their place, as did the role of social partners. His Government had done what it could in terms of financial incentives for training, particularly continuing training, and in promoting obligatory negotiation clauses for employment preservation, ongoing and supplementary training. However, although binding, these provisions had not really been used by the social partners; collective agreements in Luxembourg mainly concentrated on wage demands rather than on job creation and training. The Luxembourg Association of Bankers and Banks offered training for older workers in the banking sector in order to help them to keep their job in the sector, yet so far only a small number of employees had decided to follow that training programme. Beyond the Government's regulatory responsibility, there was a need for a more innovative attitude on the part of both social partners in the banking sector, notably to assist the least skilled workers who suffered most from restructuring.
- 25.** Worker members also addressed the issue of shareholder value, which tended to be the sole criterion or objective applied to M&As. The social dimension was just as important. To preserve high-quality universal financial services, there was a need for a commitment from all parties to enhance "stakeholder" value. A realistic look at M&As showed that they were not necessarily good in themselves nor did they necessarily enhance value for shareholders, for the stakeholders who created the shareholder value, for staff, for customers or for the community, another stakeholder. Apart from the human side, it was necessary to take an economic view of job losses and the impact on communities. Banks and financial institutions that drew sizeable profits from a community had a responsibility to that community. It was quite unacceptable to suggest that small, poor and needy communities from which banks withdrew should be left to provide a banking alternative. Citing examples from France and the United Kingdom, and with regard to the Meeting's

outcome, they suggested that the focus be moved from shareholder to stakeholder value. In this context, the economic regulation exercised by supervisory bodies was very important for the workers.

26. The spokesperson for the Employers' group replied that there was need for a more realistic approach to these questions. In the last 15-20 years the banking sector had faced the need to reorganize. This had led to M&As, sometimes "sponsored" by governments, because in a completely changed, competitive economy, only banks with assets, capitalization and a strong organization structure could reasonably face market competition. The Employers' group did not say no to existing antitrust regulations. Many M&As had fully respected laws and regulations in different countries. Government action was needed, for example, to liberalize the banking sector, which in many countries was still in public hands, contrary to free market and competitive economy concepts. A more flexible approach was negotiated in many countries between the social partners rather than being imposed. Through compromise, business, governments and trade unions could work reasonably well together, notwithstanding their different interests.
27. The Workers' spokesperson concluded by recalling that the Meeting's purpose was to review practical experiences with antitrust regulation. In the view of the Workers' group, existing antitrust arrangements were flawed, unable to keep pace with the size and scale of M&As in the sector. National policy was often deficient and took little account of their impact in terms of public interest, consumer issues, employment, regional economies and other questions. Financial services were not just another part of the national economy; they comprised an essential service. The example of the Community Reinvestment Act in the United States which protected poorer socio-economic communities from being deprived of ready access to and availability of financial services was cited to underline the point made about the legitimate responsibility of government to provide social settings, to direct public policy and to ensure that all interests were taken into account. The report to the Meeting had noted that sectoral consolidation and reduction in competition offered no immediate benefits for customers or staff who found themselves having to bear the brunt of rationalization.

Employment

28. The spokesperson for the Employers' group did not deny that there had been a reduction in levels of employment in the financial services sector, but it was not possible to say whether the aggregate level of employment across industries was truly down. As noted earlier, there was insufficient evidence on the extent to which full-time employment had been replaced by part-time employment. The same applied to the possible proliferation of part-time, casual or outsourced work. These types of employment could provide options to employees who were seeking employment of that nature. Outsourcing also involved activities that could, in the view of the organization, be more capably supplied by the outsourced provider. Outsourcing was not only driven by the desire for cost reduction, but often by the desire for the best services. From an employee perspective, outsourcing could give them access to a job with an employer in which their work opportunities were enhanced compared with those available to them in a vertically integrated financial service organization.
29. Moreover, the Employers' group insisted that, while there were fewer jobs in the industry, the remainder were better paid, filled by highly educated workers with more job satisfaction. In this context, older forms of employment were inevitably on the decrease. In the longer term, new and better jobs would be created within and outside the industry. With regard to part-time/casual employment, it was the experience of employers in the industry that, in order to retain some of the very best talent, some accommodation had to be made in traditional employment policies. New social patterns were emerging in which

people opted for a better balance between work and family responsibilities. Recognizing this shift, companies had to introduce organizational changes in order to retain a competitive edge in their ability to attract people to work for them. They thus sought to emphasize two perceived benefits: (a) to be seen as an attractive employer and a good place to work; and (b) to be seen as an enterprise that people wanted to do business with. Employers wondered whether atypical forms of employment were not in fact becoming typical, driven by the abovementioned considerations.

- 30.** To illustrate some of these points, an Employer member (Canada) related her experience with the acquisition by the Bank of Nova Scotia of a bank in Argentina which faced significant capital shortages threatening its viability. The Canadian bank invested heavily in the Argentinian bank's employees, systems and operations to enhance liquidity and treasury management, bringing policies into conformity with those of the Canadian operation. This had led to improvements in benefits for the employees (increased salaries and bonuses, medical and leave benefits, professional development opportunities, enhanced communication), who thus benefited from higher quality and better paying jobs, as well as improved job security in a more financially stable organization as a result of the acquisition.
- 31.** The spokesperson for the Workers' group reiterated earlier comments on the causes of job losses. In the opinion of the Workers' group, M&As were driven by the need to reduce costs, principally that is to reduce employment. Some people sought part-time or atypical employment, but the majority of union members were looking for more security or permanency, and a large proportion of part-time workers sought more full-time employment. There might be a range of legitimate reasons for outsourcing, but there were equal concerns that those reasons were linked to the management concern to drive down fixed costs, or as a deliberate strategy to avoid union recognition and collective bargaining. The report to the Meeting and other surveys estimated that during the 1990s more than 130,000 jobs were lost in Europe as a result of M&As. Therefore, the Workers insisted that M&As must not lead to job losses, and measures should be taken to guarantee job security and proper working conditions. Moreover, the Workers' group was deeply concerned about the impact on women, who were increasingly in the lowest paid and most insecure work within the industry. It was precisely these jobs in more flexible or peripheral functions that would be targeted for rationalization, redundancy or outsourcing. A social plan should be negotiated with trade unions if redundancies were contemplated or if early retirement was proposed. Full-time jobs must not be replaced by atypical employment.
- 32.** A Worker member (Spain) underlined the job losses which had resulted from certain M&As in his country. He believed that enterprises' proposals for job reductions had to be transparent and the subject of social dialogue with the trade unions in order to minimize as much as possible the effect of M&As on levels of employment and working conditions. Until now, this had been the case in Spain, where the trade unions had negotiated satisfactory merger agreements with banks and insurance companies. It was therefore correct that the statements in the report had turned out to be misleading, apart from being biased, since they had referred to only part of the Spanish banking system, namely the banks, but not the savings banks and rural banks in which the number of jobs had in fact increased during the period concerned. The end result was that to date there had been no change in overall levels of employment in the Spanish banking sector. It also had to be noted that the agreements signed with Spanish banks had been respected by all sides. At least to the knowledge of his trade union, COMFIA-CC.OO, a guarantor of the agreements, it could not be confirmed that the employees of the banks concerned had been forced to take early retirement. The representative of the Government of Spain supported these positions, and mentioned that the report gave the impression that only one union operated in the banking sector, while in fact a number of unions were active. In reply, the Deputy Secretary-General said that the information in the report was provided by UGT, a

union in the banking sector and not the union as referred to in the report. Since the document had not been published, no footnote could be inserted.

33. Another Worker member (Republic of Korea) said that there had been a large reduction in employment in the banking sector in her country since the financial crisis in 1998. Women workers were increasingly marginalized as a result; in 1998, the proportion of women workers in banking was 42 per cent, while now it was only 30 per cent. The concept of stakeholder value mentioned earlier in the meeting needed to be supported. In one case involving employees with shares in two big banks in her country, the Government had only focused on the value of major shareholders, and not the small ones.
34. Another Worker member (South Africa) pointed to a success story in her country involving a hostile takeover bid by one bank of another with a very large network. Fortunately, after review by South African regulatory bodies, the Competitions Commissions Board and the Financial Services Board, and the Supreme Court, the case eventually ended up with the Minister of Finance. After weighing various factors such as social responsibility, potential unemployment, stakeholder and shareholder interests, he finally decided not to authorize the takeover. Key factors in this success were the Government's intervention and timing, the need to retain jobs, the existence of regulatory bodies and good labour relations legislation. Commenting on the case, an Employer member (South Africa) said that the circumstances in this case were very unique. Within the business community there was opposition to a very hostile takeover bid. Among the arguments against it were that it would allow one domestic bank to dominate the other banks in the sector, with the attendant risks for the whole sector in case of a crisis. The merged bank would also have a near monopoly in the credit card business. In this case, the Minister made the best decision in the interest of the country.

Employment concerns and business restructuring

35. The spokesperson for the Workers' group reiterated that structural changes needed to be acceptable to all stakeholders, including the employees, consumers and local or regional communities facing reductions in service access; they should not just be seen from the point of view of competition and shareholders' demand for higher rates of return. Concerning shareholder interests, he referred to the report and a number of studies which questioned the expectations of enhanced shareholder value through M&As. In fact, studies by trade unions going back to the 1950s showed declines in profitability as much in the acquiring as in the acquired company. Only 15 per cent of mergers were successful and as many as 60 per cent had negative results. Recent academic research was starting to pose very serious questions about whether or not the shareholders were actually deriving any benefits from M&As. There was clearly a need for a social dimension to underpin the process of M&As. There should be a genuine commitment to dialogue at early stages, based on accurate and transparent information, on merger protocols with appropriate criteria and safeguards, and on a social plan if redundancies were proposed.
36. The spokesperson for the Employers' group on the point under discussion contended that lay-offs were a way to preserve the enterprise and those jobs that remained, since without M&As the enterprise might disappear altogether. There had been consultation with unions in several instances of M&As, and unions had been cooperative in seeking to reconcile their concerns with business imperatives. In order to capitalize on their advantages in a competitive environment, organizations should, however, be allowed to address social issues related to M&As through their own initiative and not by mandate and compulsion. As the report suggested, M&A failures often resulted from the cultural dimension of relations between the organizations involved. Reconciliation could be achieved in a variety of ways, such as consultation, avoiding the assumption that M&A equalled job losses, and through a focus on reskilling and other alternatives to redundancy. Meaningful

consultation was fundamental, but the consultation process should not be prescribed in too much detail. Existing ILO standards had established a sufficient framework for this, and it was in the interest of companies wanting their M&A to succeed to observe those standards. Another consideration was that too many constraints on the consultation process with customers and employees might cause them to flee the national setting in long periods of uncertainty. The practice of outsourcing which had been referred to earlier in the meeting as a form of atypical employment associated with M&As offered a way to retain employment levels in a form perhaps more beneficial to employees in terms of motivation and personal development. Downsizing was not simply a matter of reducing numbers but a response also to the need for different kinds of skills. On the other hand, payment levels and other employee benefits that were not enjoyed by the wider community or the wider industry were not sustainable. Employers considered that consultation was a key to reviewing rights and employment practices in the context of M&As, though in some countries legislation was a barrier to change.

- 37.** An Employer member (Canada) presented the meeting with experiences of good practice to mitigate the impact of downsizing and job losses. Companies had an interest in reducing the consequences of downsizing on employees' morale and productivity, as it was known that satisfied employees made satisfied customers. According to the culture of each enterprise, involuntary lay-offs could be avoided through measures such as hiring freezes and increased internal transfers despite small skill mismatches. Transfers could be accompanied by targeted training as it was cheaper to retrain existing employees than to bring in new ones. In one acquisition by her own bank, employees were informed of possible job reductions, but the bank expected to manage most of the reductions through normal attrition over the integration period, transfers within the group, accompanied by retraining, and external hiring restrictions across the whole group. A telephone service increased access to internal job postings whilst a call centre answered employees' questions on the acquisition. A human resources transition team assisted affected staff with their job searches; external career transition companies were hired to facilitate résumé preparation and provide interview training. As a result, employees were made to feel confident about their continued employment and the quality of their jobs.
- 38.** The representative of the Government of Luxembourg pointed to the lack of data and uncertainty as to the actual consequences of M&As, especially as regards share value and employment. Observatories like the tripartite Observatory for Professional Relations and Employment in his country, and a similar body being set up by the European Union, could help observe the impact of M&As on employment. As a result of two mergers involving banks operating on a global scale, job losses had indeed been recorded in Luxembourg initially, but these were accompanied by the hiring of new staff, having fundamentally different qualifications, within a short period of time. While some employees could be assigned to these new jobs even after a social compensation plan had been established, others were made redundant and had to seek work elsewhere in the sector. As the spokesperson for the Workers' group had pointed out, better planning and more remedial actions such as continual in-service training were needed in such cases. As noted earlier, such training was supported by tax reductions in Luxembourg. Generally, underlying tensions over employment questions arising from M&As could only be solved through timely negotiations based on early reciprocal information. Collective bargaining also could play a forward-looking role, covering reskilling and other remedial measures.
- 39.** The Government representative of Belgium reinforced some of these points by referring to his country's system of social dialogue (*concertation*) and, specifically in the sector, the Joint Belgian Bank Commission composed of representatives from the banks, the shareholders and trade unions. As one of the results of long but successful negotiations in 1999, an agreement had been reached to carry out a stress survey amongst the 74,000

banking employees in order to advance consultation on this point within financial service companies.

40. Responding to the Employers, the spokesperson for the Workers' group first questioned expectations that governments or trade unions would as a normal part of their activities support M&As. Second, the management of acquiring companies should not undercut employment and working conditions in the acquired company. Assurances to this end should be achieved through national legislation as well as collective bargaining. Third, early social dialogue and full involvement of trade unions were necessary in order to make M&As successful, and fourth, this should be guaranteed by legislation. Finally, management should make a commitment to protect jobs, at least for an initial period of say two years, and agree to reduce staff through voluntary programmes which, however, should not be subsidized by public funds. ILO instruments mentioned in the report, such as the Termination of Employment Convention, 1982 (No. 158), and the accompanying Termination of Employment Recommendation, 1982 (No. 166), set out key principles governing termination based on appropriate consultation. These instruments required consultation as a measure to minimize adverse effects and recognized the role of workers' representatives in the consultation process. Moreover, the ILO Declaration on Multinational Enterprises called for stable employment to result from proactive manpower planning or human resources development, and for multinational enterprises to assume the leading role in setting high standards within developing economies. The Workers expected such standards to include the promotion of employment security.
41. The Employer Vice-Chairperson contested the Workers' claim that M&As should be acceptable to all stakeholders. M&As were a business answer to competition and the need for rationalization, with positive benefits for other stakeholders. In Italy, for example, regional communities and employees in southern banks had been saved by M&As, and similar examples could be cited in many other countries. Elaborating social plans and engaging in social dialogue were therefore up to the social partners at local or national level. Bureaucracy should not limit their options.

Support for M&A objectives and safeguarding the levels of employment

42. The spokesperson for the Employers' group considered that the words "safeguarding the levels of employment" was a misnomer, since levels of employment could never be guaranteed. Reiterating previous ideas of the Employers' group, some of whom thought that governments had no role to play, the principal role for government should be limited to providing the framework for dialogue and facilitating processes for conflict or problem resolution through appropriate infrastructure. The partners should work out the extent of this engagement. An example of local initiative came from Australia, where vitality was restored to rural communities with infrastructure provided by government and based on incentive strategies worked out between local partners. A long-term perspective on M&As was needed which would take into account their influence on redefining roles and the creation of new jobs, rather than perpetuating obsolete employment practices for which there was no demand. Higher quality jobs were available for those who remained in restructured employment, with more satisfying work, better pay and higher security. In this perspective, governments could play an important role by ensuring transferability of benefits like pension entitlements between employers. Matters regulated by employment contracts, however, should be open for change after a defined period of time during which they remained unaltered. Their adjustment should be based on bilateral agreements without legislative barriers, having regard, however, to the observance of established industrial relations frameworks. As a conclusion, jobs for life could not be guaranteed. Rather, more focus on the development of skills was needed. The experience of employers was that they increasingly had to compete for skilled staff outside their sector, notably with ICT and

retail employers who were seeking similar skills. There should also be more attention to equity for the different beneficiaries of those skills – community and customer interests for instance – in calculating the costs of unsustainable employment conditions in the financial services sector.

- 43.** The representative of the Government of Luxembourg challenged some of the Employers' views concerning the role of government and pointed to his country's quite restrictive labour legislation based on employment contracts without time limits. These provisions made it possible to discuss issues in a more tolerant atmosphere and enhance the national economy. There was a contradiction in calls for liberalization of labour legislation grounded in more short-term employment while at the same time employers complained about a lack of qualified manpower and workers' motivation. It was important that labour markets were conditioned by a decent social environment and the loyalty of employees resulting therefrom.
- 44.** A Worker member (Japan) commented on the need for social dialogue and for legislating such practice. In Japan, M&As triggered by three banks in 1999, followed by many more alliances, had produced thousands of redundancies. Restructuring in Japan was the way out of a recession which followed the bursting of the country's economic bubble. Legislation to regulate restructuring had been adopted based on economic priorities and corporate competitiveness which had the effect of sanctioning corporate actions that ignored workers' rights. Traditionally, workers' protection from dismissal was based on laws incorporating notions of legal precedent which made dismissals possible only after fulfilment of four conditions: justifying the absolute necessity of staff reductions; making all possible efforts to avoid redundancy; establishing objective means to select the workers to be dismissed; and completing all possible consultations with the workers or trade unions. Such consultations had encouraged the development of shared values between workers and management and contributed to corporate growth. However, some companies had recently implemented practices in M&A situations which left workers unprotected. A law on the continuation of employment contracts was adopted to complement legislation regulating corporate splitting. It was expected that a forum to discuss workers' protection would soon be established by the Government. This Meeting should seek a broad framework for worker protection based on social dialogue and with the objective of protecting employment. The representative of the Government of Japan added that his Government was aware of the issues associated with mergers and acquisitions and recognized the importance of social dialogue. He pointed to a new legislative framework to protect workers and guarantee prior consultation. The Government had established a study group, and ILO developments were taken into account in Japanese practices.
- 45.** Several Worker members cited developments in their regions which illustrated many of the points made earlier by the Workers' group, as well as others. A Worker member (Togo) noted, for example, the scandalous situation which existed in West Africa, where banks were set up by governments and pilfered by the same leaders. Deposit banks for farmers limited their access to credit as conditions were unacceptable, and in the event of retrenchments, credible workers' organizations had no access to negotiations. Trade unions therefore preferred privatization of these banks in the hope of finding managers willing to negotiate with them. At present, it was the bankers themselves who were setting up cooperative banks and savings institutions in the informal sector.
- 46.** Another Worker member (Argentina) stated that it was very difficult to reconcile job security with the objectives of M&As, which included getting rid of employees, sometimes

on the basis of insufficient skills. As stated in the ILO's Tripartite Meeting in 1993,³ workers believed that social dialogue should balance the rule of competition, yet in Argentina there had been a constant marginalization of basic trade union rights – collective bargaining and freedom of association – as employers were driven by competition. Facts revealed more than legislation. No collective agreement had been reached in the sector since 1975, and in the context of certain M&As involving foreign banks, all unionized employees had been laid off. Through dialogue, trade unions sought ways and means of diminishing these traumatic effects for workers, but it was difficult to expect the commitment of workers to such processes and to enterprises when most enterprises replaced people over 40 years of age with younger workers on cost grounds. The criteria for equity could not be determined solely by employers. Trade unions were not opposed to modernization, but the process should be driven by a vision of solidarity as well as by competition.

47. Another Worker member (Mexico) pointed to the need for countries to have healthy banking systems in view of the financial crises that had occurred throughout the world since the last Tripartite Meeting in 1993. Governments should therefore back up those systems by also supporting the banking sector's fundamental obligation to secure sound labour relations and especially to help in workers' skill development. In Mexico, the majority of banks negotiated M&As with workers, in the process respecting workers' rights such as information for employees, negotiations with the trade unions, provisions of labour legislation and collective agreements. They had also drawn up agreements establishing criteria for the selection of the workers to be made redundant in the course of M&As, which included acceptable conditions such as medical insurance, pre-retirement arrangements and protection for pregnant women. In addition, skills training was important to enable the laid-off workers to find employment and the remaining workers to cope with their increased work requirements. Job rotation within the larger groups of companies would allow for redeployment of redundant workers.
48. Responding to points made by the Employers earlier in the discussion, the spokesperson for the Workers' group first of all contested the benign view of M&As and their consequences. The evidence presented in the report to the Meeting suggested the contrary, especially the data presented in the KPMG survey, and therefore these were serious issues that needed to be dealt with. Second, the Workers did not disagree with the reality that there was no longer lifelong employment, but the Employers could not unilaterally replace the traditional notion of job security in the industry with the concept of "employability" without having proactive employment strategies in place which would include projections on future needs, assessment of skills, evaluation of prior training and wage levels. Third, the discussion this morning had given the impression that the jobs left over after sometimes painful employment reduction would be better. However, those remaining could suffer from the "survival syndrome complex" as the workload would be intensified and they would have to deal with a restructuring process involving two companies, which often had a negative impact on worker morale. Fourth, the impression was often given that mergers and acquisitions saved jobs since a distressed entity was being taken over. While true in some cases, in the majority of cases M&As occurred between two highly successful companies, hence the need to question whether shareholder value was the only factor to consider. Fifth, the impression was also given that mergers and acquisitions were inevitable so we had better get used to them, since without them there would be no lifelong employment, job losses would occur and there would be downward adjustments. He posed two questions in response to this logic. First, since highly profitable entities would result

³ Tripartite Meeting on the Social Effects of Structural Change in Banking, 23 November-1 December 1993.

from M&As, why would the adjustments have to be downwards? Second, since the level of executive compensation was skyrocketing and often could be considered as “obscene”, why should the brunt have to be borne by the employees?

Working and employment conditions

Human resource development and M&As

49. The spokesperson for the Employers’ group stated that his group had no doubt that good human resource (HR) practices at industry and enterprise level were pivotal in realizing mutual advantages for both employers and workers. There was strong evidence of complementarities in the development of competencies at the industry and enterprise level and in varying degrees of union and employer involvement since, overall, the employability of people would be increased. Another Employer member (Ghana) provided a concrete example of an industry-based attempt to meet the needs of workers. In her country, the Bankers’ Association together with the Bank of Ghana had set up a banking college for the industry as a whole which was paid for by subscription from the banks. The training managers of the individual banks planned the training for the industry, essentially in core skills. In addition, her own bank gave generic training in interpersonal customer-related skills. Much of the training was modular and paper-based, which provided employees with marketable skills outside the industry, and also function-related (team-based), and employees could devote their own time to it, thereby upgrading their skills. The training was accredited by an institute in the United Kingdom which granted recognized certificates. The onus was on the employee to take advantage of these opportunities.
50. The spokesperson for the Employers’ group indicated that when job losses occurred as a result of M&As, there should be a robust selection process with objective selection criteria so that redundancies could be implemented in a fair and objective manner. Often employers from the dominant partner would appoint someone from the old brigade to implement the restructuring plan without regard for merit. With regard to training, he emphasized the point made by the Employer member from Ghana that, although employers could create the framework in which the learning could take place, employees had the responsibility to take advantage of it and to acquire new skills. It was also important in this context for unions to understand what employees needed. An Employer member (South Africa) referred to the need to speed up skills acquisition. In this context the technology of one of their national suppliers could draw on its position as an international firm to provide desktop learning which the employees could take advantage of either in their own offices or in the training centre. The content of the courses could be negotiated, which were relevant both to the industry as well as to personal enhancement.
51. The spokesperson for the Employers’ group referred to the fact that employee development was often the mirror image of company development. Companies often took over another one in order to acquire a particular skill and, without M&As, development would not occur. Likewise, employee development had to keep pace. In conclusion, three levels of training could be distinguished:
- the technical level for which the industry and the enterprise were responsible;
 - the generic level in the sense of skills which were required for financial services which were in demand outside the industry (for which the enterprise or industry was also responsible); and
 - the level of other industry skills which were not specifically required by the financial services industry and which would be of use to the employee when seeking

alternative employment. At this level governments, other employers and perhaps the unions could take responsibility.

52. The spokesperson for the Workers' group indicated that it was the responsibility of management to ensure that a human resource development plan was in place in the event of a merger or acquisition, that new job classifications not be too detrimental to the acquired rights of workers, and that the social partners had a role to play in monitoring stress and productivity. The report to the Meeting highlighted the importance of staff motivation and, in relation to this issue and training, the Workers fully endorsed the example of Barclays Bank mentioned earlier, but emphasized the need for union support as the first step in applying the concept. The ILO report also presented a darker side of the future than that presented by the Employers with regard to substituting the concept of employability for that of lifelong employment. Worker members cited examples from their countries to underscore these points. In Malaysia, job losses had been avoided since the Government had called the trade unions and employers together and received assurances that there would be no retrenchment. The CEO of one bank made an effort to travel throughout the country speaking with the employees and the unions, and trade union support based on prior consultations had been key to success. Why could industrialized countries not implement such successful M&A practices? Another Worker member (Ireland) felt that the positive situation described in Malaysia could only result from a correct mindset. One did not preserve jobs just to feel good about it but because it paid dividends in terms of profits given that workers were a valuable asset. Early communication was a necessary ingredient to success of a M&A, which were condemned to failure if the recognition of "culture" was ignored until the post-deal phase of the transaction as indicated in the ILO report.

53. The representative of the Government of Slovakia indicated that the same trends described in the report existed in her country, resulting in a loss of 500,000 jobs during the 1990s. No new staff had been hired, although some which had been displaced in the downsizing had found jobs in insurance companies or with brokers. Further staff reductions were expected as a result of strategic investments.

Job security and employees' commitment and performance

54. The spokesperson for the Employers' group felt that the promotion of job security was the wrong approach in today's world, since it was not sustainable in a global economy. It was more realistic to talk about the person in the job providing the security he needed to maintain the job. It was the job of employers to support employees in acquiring those skills needed to match emerging and future needs. There was no realistic alternative to promotion of a new paradigm emphasizing employability over job security, and employers wondered whether job satisfaction might not be a more important indicator when looking to the future. Both employers and unions had an interest in seeing to it that banking employees did not drift to other industries.

55. The spokesperson for the Workers' group welcomed the Employers' reference to the need for lifelong learning and career development based on strategy and resources provided by the employer, with criteria which were transparent and fair. Job satisfaction was critical, but stress and insecurity were more often than not the case where there was lack of recognition for collective bargaining and social dialogue. A Worker member (Spain) echoed the right for everyone to training based on objective criteria. However, in the search for profitability employers often found it more profitable to train younger workers or those with a higher standing, rather than older workers who could be replaced by those with a lower salary. All workers needed an opportunity to adapt to change.

Collective bargaining, incentive plans, reward systems and employment conditions

56. The spokesperson for the Workers' group felt that on the question of collective bargaining the Workers' views were diametrically opposed to those of the Employers. M&As clearly challenged their members' lives, the principles of Conventions Nos. 87 and 98 and other existing standards. Governments needed to encourage social dialogue and collective bargaining so that M&As did not weaken collective bargaining and thereby negatively affect working conditions. Specifically with regard to atypical workers, they should enjoy the same benefits as full-time workers on a pro-rata basis. Worker members supported these and other points with country examples. A Worker member (Morocco) questioned whether social dialogue and collective bargaining were respected in all countries, and stated that team-based reward systems went against collective bargaining. Another Worker member (Nigeria) referred to the need to promote collective bargaining at three levels: the legal nature of agreements; their actual implementation; and the impact they had on competition. As a result of liberalization, more banks thought in terms of profitability, and therefore refused to allow their employees to unionize, resulting often in a 15-hour workday. Severance pay was often not granted in case of redundancies and this Meeting needed to provide guidance on these questions. Another Worker member (Thailand) noted that part-time employees were paid less, had contracts for only a month and did not enjoy other benefits such as annual leave, medical care or bonuses. She predicted that in the future the banking sector in her country would only be made up of part-time employees as the larger banks split into smaller companies providing specialized services, and as new employers offered different working conditions. Workers in the smaller companies were afraid to join unions to defend their interests. Government legislation was therefore required to put part-time workers on the same footing as other employees.
57. The spokesperson for the Employers' group felt that the question of individual incentive plans and team-based reward systems in relation to collective bargaining had nothing to do with mergers and acquisitions; therefore the Employers had nothing to say about it. With respect to "atypical" employment, there was no need to have different standards for a situation which was difficult to define as such. Alternative arrangements were a very prevalent trend already in the banking industry and, as already mentioned, many workers might want part-time work. They should not be excluded from the labour force by imposing unnecessary standards.
58. The representative of the Government of Luxembourg disagreed with the Employers, referring to the fact that collective bargaining and information and consultation in general should always be left to the judgement, and at the discretion, of the social partners, and that in his country there was a law requiring the social partners to enter into a dialogue for training and lifelong learning. Many of the conditions of atypical employment should be negotiated at levels as good as those for workers with full-time employment. Job security would also depend on the conditions of the contract.

Training

59. The spokesperson for the Employers' group affirmed a strong commitment by industry to training. Several Employer members supported this point with specific country examples. One Employer member (Mauritania) indicated that banks were putting considerable amounts of money into training over and above companies in other industries. It was a practice in West Africa for all training to be paid for by the banks to enable their workers to take on new responsibilities or change to other jobs. Liberalization as a result of M&As had led to other employment opportunities related to microfinancing and banking services for the poor. Reforms in the monetary sector had also attracted skilled employees from

banking into this kind of work, thus expanding employment opportunities. Another Employer member (Uganda) referred to a holistic approach to training, beginning with recruitment and tailored to the needs of the employee. His bank even offered training to its competitors to upgrade the overall level of professionalism in the industry. Another Employer member (Mexico) pointed to the need for employment credentials and for a continuous dialogue between the bank and the unions with regard to continuous training. There was a need especially for certified training in attitudes and skills for customer services.

- 60.** The spokesperson for the Employers' group concluded that employers were providing sufficient training but that they could not be indefinitely concerned with training as employees changed jobs. Employees had a responsibility in this matter, as did governments in forecasting employment and unemployment rates and in gearing the school system towards lifelong learning. When employees left a bank they often did not find employment in a similar large institution but rather in some small fledgling organization. These newer organizations especially required government support. One could not set a standard for how much employees should invest in their own training but, in addition to self-motivation, employees could be expected to train on their own time with support from unions. In conclusion, banks were already doing their fair share and governments should do more, particularly in resource-poor developing countries.
- 61.** The representative of the Government of Luxembourg agreed with the Employers but emphasized the need for a strategy to involve all three parties in recognizing the need for continuous training. Retraining had to be focused on maintaining a job or finding a new one, not just for the sake of training. For their part, the banks must cooperate in providing governments with employment forecasts.
- 62.** The spokesperson for the Workers' group hoped for consensus on the issue of training. A key suggestion was that the social partners should put measures into place to establish an employability strategy based on skill needs and a proactive employment policy, with governments taking a leadership role on the issue. Employers would also benefit from such an approach. A Worker member (France) was pleased with the Employers' viewpoints, although the general situation was not all that rosy. Inequalities existed between countries and within banks in the same country. The training provided at subsidiaries abroad was often not the same as that provided at headquarters. Older workers were often let go without being given the opportunity for retraining. Training should not be regarded as a cost, but rather as an investment from which everyone profited.
- 63.** The spokesperson for the Workers' group agreed with the Employers that individuals should invest in their own training, provided that the amount of required training was reasonable, appropriate and would lead to self-development. Reference was made to individual learning accounts for the industry in the United Kingdom to which trade unions could jointly apply for funding along with companies. Governments did not have a purely passive role in forecasting future trends, but needed to take an interventionist role by intervening in the labour market when it was in the country's interest. The concept of employability should be subject to four critical tests:

 - commitment to ILO standards, especially Convention No. 158, Part A (provision of information concerning terminations) and Part B (consultation on measures to avert or minimize terminations or the adverse effects of them);
 - respect for freedom of association and collective bargaining as enshrined in Conventions Nos. 87 and 98, which constituted a prerequisite for effective discussion on the concept;

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- wide-ranging, legitimate, effective and genuine processes for social dialogue on matters of substance;
 - identification of generic skills, development of ongoing training and lifelong learning, and respect for gender equality as core elements of a definition of employability.

Since work and workers were not merely commodities, given the increasing globalization and flexibility in the contemporary economy there was a need to engage in dialogue on the basis of these four elements.

Social dialogue

64. The spokesperson for the Workers' group recalled the disparities between trade in financial services – \$1.5 trillion per day – and world income – 1.3 billion people worked for less than a dollar a day. Incomes were lower than in 1970, and the three richest people in the world had greater assets than 600 million people in 48 poor countries. Social dialogue was critical to addressing these inequalities, yet he repeated that basic freedom of association was not respected in many countries. At company level social dialogue required consultation, collective bargaining and other concrete elements – not artificial constructs that purported to be social dialogue. More broadly, social dialogue depended on a full, sustainable framework permitting employers and workers to dialogue at enterprise and industry levels on issues like training and employability. A genuine commitment was needed from employers at industry level. At the third level – national – the impact of ICTs and convergence with other industries necessitated dialogue on macro issues (economic or otherwise) with other industries. At a fourth level of dialogue – international – the ILO was to be applauded for its high-level sectoral dialogue through other standing forums and as represented by this Meeting. Dialogue within the IMF, World Bank and WTO needed to be further encouraged and deepened. The World Bank had a major impact on trade union members, and WTO influence was increasing, so unions needed to be able to engage them in social dialogue.
65. Specifically in relation to M&As, social dialogue was required on synergistic savings, financial implications, effect on jobs, and other issues. To secure the success of M&As, information and consultation were required before, during and after. The Nordic model of co-determination was to be commended, with its counterbalancing responsibility of unions to explain change and work to downplay any negative outcomes through fruitful social dialogue. Penalties should be charged against employers that failed to respect requirements on information and consultation. Social plans derived through dialogue could help mitigate the effects of M&As.
66. Several Worker members (Brazil, Spain and Venezuela) stressed the importance of social dialogue as a means of addressing different challenges before the Meeting, such as how to practically implement agreed measures and monitor legal requirements, as well as engage in global dialogue on cross-border M&As. This was particularly important as ILO Conventions were not sufficient, nor was national legislation, especially as these were not always effectively implemented. Without strong unions there was no defence against bad practices in M&As. Experiences in Brazil and Venezuela were cited as alarming examples of the job losses that invariably accompanied M&As and on which no statistics were available for Central and Latin America, and of the negative consequences of M&As on workers, investors, employers – because of bank closures – and customers. They suggested concrete ways to improve social dialogue:
 - ratification of international labour Conventions on this topic;
 - ensuring respect for trade unions as partners in the process;

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- information and communication before and during M&As;
 - government action to promote legislation and regulations to ensure that information was provided and dialogue took place;
 - adoption of clear ILO guidelines for M&As in future acquisitions.

67. The spokesperson for the Employers' group noted that social dialogue was indeed important in M&As and believed that ILO Convention No. 158 and Recommendations Nos. 113 and 166 provided a comprehensive framework for all interested parties. Referring to the requirement to notify workers, the State was expected to have an effective role through Recommendation No. 113. The Employers felt that there was little need to go beyond the existing framework of international labour standards as this was very comprehensive.

68. The representative of the Government of Belgium made a joint statement on behalf of his Government and the Belgian Worker and Employer members at the Meeting, taking into account their experience in the Joint Committee on Banks, Savings Banks and Public Credit Institutions, as well as other elements of social dialogue in Belgium. The latest M&As had affected 70 per cent of the sector in the country, but no marked effect was observed on employment by M&As; in fact there were many unfilled jobs and consultation was always respected. Initiatives taken to address problems in the banking sector arising out of collective bargaining agreements included youth training and employment programmes, continual training for vulnerable workers to mitigate the effects of M&As, research on stress in banks at sectoral and enterprise levels, and cuts in working hours to 35 hours with genuine control of overtime and actual working hours.

69. Several representatives of Governments (Luxembourg, Thailand, Nigeria) endorsed the need for honest and effective social dialogue to ensure successful M&As, based on a number of elements: good faith and mutual confidence among the partners; consultation and communication; collective bargaining where appropriate; the creation of tripartite consultative forums; the effective use of international labour Conventions as a framework, derived from their ratification and application at enterprise and sectoral levels; and other ILO initiatives on social dialogue. In Luxembourg, the Government followed social dialogue and other matters extremely closely, notably through a tripartite coordinating committee at national level, a standing committee on employment, sectoral tripartite bodies in steel and other sectors, and works councils at enterprise level, the combination of which allowed wide consultation at all levels. Social dialogue was also supported at the European Works Council level, and in the work of the European Observatory on Mergers and Acquisitions. Employers should be more positive in this regard, in their own interests and that of their workforces. The representative of the Government of Thailand acknowledged responsibilities to respect human dignity, human and employment rights, and the adoption of policy to promote economic and social development, protection of workers and labour relations. The concerns of the Thai worker over precarious jobs were shared, and his Government suggested that social dialogue can be helpful in solving this problem. The ramifications of M&As in Nigeria were similar to other countries, though exacerbated by the distressed situation of the industry there, and had been addressed through established and effective social dialogue mechanisms mentioned above. With regard to gender issues in Nigerian banking, women had already shattered the glass ceiling.

70. On behalf of the Government group, the representative of the Government of Luxembourg expressed the common position of Governments in the following declaration:

Taking public interest into account, public authorities have a primary responsibility to ensure efficient financial services which guarantee financial

stability, and offer stable and decent working conditions. This responsibility also extends to the effects of mergers and acquisitions in the banking and financial services.

In this context, public authorities necessarily have a role to play in preserving an essential balance, not only to maintain the functioning and stability of financial systems, but also to prevent the negative social and employment impact of mergers and acquisitions, and to assist the social partners to find solutions that absorb the negative effects of mergers and acquisitions.

In view of the above, the Government group considers that public authorities, taking into account national conditions, may take action in the following areas:

- the evaluation of the impact of mergers and acquisitions on employment and social issues, both prior to and after mergers and acquisitions;
- establish consultation mechanisms at all stages of a merger and acquisition process, possibly tripartite, to assist enterprises and workers in reconciling their interests and contributing to the achievement of their objectives, while preserving the level, quality and equity of work in the financial services;
- encourage financial operators to forecast their skills needs as a basis for human resource development in order to foster a commonality of interests between the concerns of the employees and the objectives of enterprises undergoing mergers and acquisitions;
- promote collective bargaining in the banking and financial services so as to put in place mechanisms, on the basis of consensus, that would prevent, cushion or mitigate the negative effects of mergers and acquisitions;
- where appropriate and in so far as possible, set up social assistance schemes and schemes for reintegrating employees who have lost their jobs into the labour market;
- establish strategies for lifelong learning together with the workers' and employers' organizations, which would allow workers to continuously acquire transferable skills;
- ensure, together with the workers' and employers' organizations, total respect for the principle of equal opportunity between men and women.

The Government group considers that the social partners have a shared responsibility in the processes of mergers and acquisitions, and calls upon the social partners to establish effective social dialogue to put this process at the service of enterprises and workers alike.

71. The spokesperson for the Workers' group said that without the text of the Governments' joint declaration, it was difficult to respond, but the initial reaction was very positive. However, the Workers disagreed with the Employers' attitude regarding Conventions being sufficient in themselves – it required considerably more social dialogue to make them effective. Since the financial services industry was leading in technology, structural change and globalization, it was appropriate to have sophisticated social dialogue mechanisms, and very important for the Meeting to achieve real progress on this issue.
72. The spokesperson for the Employers' group agreed that there was a need to facilitate social dialogue. Leadership of government was required, and most of the essential elements were on paper already, but needed more effective implementation. No one should enter into M&As thinking of failure. To facilitate their success, detailed consultative mechanisms

with ample foundation in Convention No. 158 would be acceptable, but not setting up inappropriate obligations on disclosure of information and creating excessive bureaucracy. Employers were less positive about the Government statement and more favourable towards learning from good practices over the past 20 years.

- 73.** The representative of the Government of Luxembourg noted that the attitude of distrust from the Employers towards the Government group position could compromise successful M&As. In response to a question from an Employer, he confirmed that the joint statement had been presented on behalf of all Governments. The Secretary-General observed that the statement would be included in edited form in the report of the Meeting, and taken into account in consideration of the Meeting's conclusions.

ILO action

- 74.** The spokesperson for the Employers' group made three specific suggestions for ILO action:

- develop a database of success factors and pitfalls of M&As for use by governments, employers and workers;
- conduct research on what new jobs were emerging in the industry and how many; and
- study the long-term effects of cross-border M&As on the structure and strength of the financial sector in developing and industrialized countries.

- 75.** The spokesperson for the Workers' group felt that the Meeting offered a critical opportunity to agree, articulate and propose action, and the opportunity should be extended by means of the following ILO activities:

- further research, surveys and analysis on M&As in the sector to gauge the impact of M&As on employment, and specifically a project concerning their impact on women workers;
- research on fundamental drivers for intense merger and acquisition;
- intellectual and financial support for initiatives by unions to develop effective social dialogue, like the Barclays African Forum involving Botswana, Ghana, Kenya, Mauritius, Seychelles, Uganda, Zambia and Zimbabwe, which management had agreed should meet twice a year to discuss business strategies, HR practice, pay and working conditions;
- the establishment of a standing global forum for monitoring and consultation on M&As in banking and financial services and their impact on employment, working conditions and labour relations.

Regional offices of the ILO should ensure by all the means at their disposal the promotion of social dialogue and other norms around the world, especially where failure to respect basic principles had been observed.

- 76.** Other Worker members (Ireland, Spain, Venezuela) argued that the social partners should have joint responsibility in the merger and acquisition process, and a global forum could help to achieve this. An annual forum could provide ongoing research, set the agenda based on the discussion points before the Meeting, and establish deadlines for action. In addition to working actively towards full compliance with the international Conventions, particularly Conventions Nos. 87 and 98, which had enabled especially Venezuelan

workers to challenge actions detrimental to their interests, the ILO could, for example, seek to identify good practice for dissemination to others. The solutions proposed at this Meeting should be pursued, thereby rendering the discussions here more accountable. Worker members regretted that the conclusions and resolutions of the 1993 ILO Meeting had remained a dead letter. They expected that a forum would contribute to justifying the expense of the current Meeting by helping to ensure that the discussions led to practical change, and avoid delegates' sense of returning home empty-handed. A forum would be a valuable instrument to promote the kind of social dialogue which could address and offer options to render less traumatic the effects of M&As on workers that had been brought out in the Meeting; it could thus make a positive contribution to the larger ILO objectives of equity and justice for all. Finally, the ILO's support in the case of major attacks against trade unions in Venezuela was much appreciated, as it had opened up greater possibilities for social dialogue and democracy.

Consideration and adoption of the draft report and the draft conclusions by the Meeting

77. At its sixth plenary sitting, the Meeting had before it the draft report on its discussion in the previous plenary sittings and the draft conclusions submitted by its Working Party on Conclusions.
78. Paragraphs 1 to 76 of the draft report were adopted unanimously, subject to various non-controversial amendments proposed by Government, Employer and Worker members.

Draft conclusions

79. The Government Vice-Chairperson (Mr. Lessard, Canada), who had presided over the Working Party on Conclusions, reported on the results of proceedings in the Working Party. He stated that consensus had been reached in the Working Party on paragraphs 1, 2, 3, 4, 5, 7, 11 (with the exception of the last sentence), as well as on paragraphs 12 and 13 of the draft conclusions. However, no consensus was reached on paragraphs 8, 9, 10 and on the last sentence of paragraph 11.
80. In reply to a proposal from the Chairperson for a 30-minute adjournment to allow the parties to seek consensus on those paragraphs where it had not yet been possible to do so, an Employer member (Mr. Ferrara) considered it unlikely that such a period would suffice to find agreement on the major points of divergence given the long discussions that had already taken place on those issues without success.
81. The Worker spokesperson stated that there was agreement between his group and the Government delegates on the draft conclusions, and in the circumstances they would be happy to proceed with their adoption on the basis of a vote as provided for in the Standing Orders for sectoral meetings.
82. An Employer member (Mr. Ferrara) expressed his group's profound discontent with the conclusions as drafted and proposed to the plenary session. It was their view that the draft lacked balance and had failed to take into consideration the Employers' requests for a correct and modern vision of the mergers and acquisitions issue. Despite the efforts of the Employers to find a consensus on many of the points in the conclusions related to the three issues of training, social dialogue, and working conditions which they considered of major relevance, they had found the Worker members unwilling to compromise. The pressure raised by the Worker members on the phenomenon of mergers and acquisitions had, in his group's view, led to unacceptable propositions that business must be directed by public

authorities. Employers considered credibility an important issue, and accepting the unacceptable would destroy such credibility. They would therefore oppose all the paragraphs of the draft conclusions. He hoped that future meetings on the banking and financial services sector would adopt a more realistic and concerted approach.

- 83.** The Worker spokesperson stated that it had not been his group's intention to make any comments before proceeding to the adoption of the conclusions, but felt it necessary to respond to the Employers' intervention whose tone and nature was disappointing. The Worker members had a completely contrary view. The ILO secretariat had faithfully and accurately prepared, reviewed and analysed developments in the sector and quite properly identified for the Meeting weighty issues for consideration and discussion so as to progress to a shared consensus on action for the ILO and for each of the social partners. The Workers and the Governments, in particular, had worked assiduously to reach a compromise to progress the discussion and at all times operated within the framework of the report and draft conclusions prepared by the secretariat. The Worker members remained committed to the programme and the efforts and the good faith of the parties.
- 84.** The Chairperson considered the comments from the Employers' group unfairly reflected on the integrity of the Office. The Office had, in his view, prepared a balanced set of conclusions which were open to any of the three parties to propose amendments to if they failed to properly reflect the input that was made during the course of the Meeting, or failed to properly reflect the values or aspirations of the interests they represented. He had sat through the plenary sessions earlier in the week as well as through a significant part of the discussions in the Working Party on Conclusions and could not agree in any significant way with either the tone or the content of Mr. Ferrara's proposition. It unfairly cast aspersions on both the Workers' and Government groups. It did not advance the cause of any party to state a case unreasonably however strong one's view on the matter might be.
- 85.** The Chairperson proposed moving on to the adoption of the conclusions on a paragraph by paragraph basis. Noting that according to the general report from the Chairperson of the Working Party on Conclusions agreement had been reached among the three parties on paragraphs 1 to 7 of the draft conclusions but that the Employer members were opposing the adoption of paragraph 1, he requested the clarification of the Chairperson of the Working Party.
- 86.** The Government Vice-Chairperson (Mr. Lessard, Canada) stated that he had earlier not wished to comment on what the Employer representative had said in order to avoid exacerbating the atmosphere in the plenary. It was rather surprising, however, that after lengthy negotiations which had led all to understand they were coming to the plenary session with consensus around the first seven paragraphs, there was still opposition to their adoption. The Government group continued to support the adoption of these paragraphs.
- 87.** Following this clarification and the paragraph by paragraph adoption by majority of the draft conclusions, subject to a minor presentational amendment to move the last sentence on lifelong learning in paragraph 9 to immediately after the first sentence in the same paragraph, the Chairperson proposed the adoption of the document as a whole.
- 88.** The Worker spokesperson expressed his group's support for the document but considered it important to note that in reaching the positions it reflected, the Workers had, in good faith, made important concessions on the basis of commitments made by the Employers to support a significant number of paragraphs. The unilateral change of position by the Employers without warning right at the start of the plenary session had left the Workers fatally exposed and they wished their annoyance understood in no uncertain terms.

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- 89.** The Government representative of Canada stated that the Government group supported the adoption of the document as a whole.
- 90.** An Employer member (Mr. Ferrara) stated that his group had gone as far as it could in making concessions. While the Employers agreed to many of the points in the document, they considered the draft conclusions a package on which agreement on social dialogue, training and many other issues was of importance for the coherence of the whole document. His group had moved as far as they could towards meeting the Workers' demands, but had failed to find the same attitude of compromise on these major points from the Workers.
- 91.** The Chairperson observed that in his experience as a negotiator it was rare that commitments given during the process of negotiations and which caused others to change their views during the negotiations were subsequently withdrawn. He thought it showed bad faith from the Employers to do so and did not reflect honourably on their side.
- 92.** Following this statement by the Chairperson, the Employer members of the Meeting left the room.
- 93.** The Chairperson invited the Secretary-General of the Meeting to clarify a point of procedure with regard to the remaining proceedings. The Secretary-General stated that the Meeting needed to adopt paragraphs 77 and 78 of the draft report which concerned the consideration and adoption of the draft report and the draft conclusions of the Meeting. The two paragraphs usually followed a standard format and had been drafted before the discussion which had just taken place. However, they would be adapted by the secretariat after the Meeting to reflect the gist of the discussions in the closing session.
- 94.** The Meeting adopted the draft conclusions and the report, when the Employer members were no longer present.

Geneva, 9 February 2001.

(Signed) Mr. W. Mansfield,
Chairperson.

Conclusions on the employment impact of mergers and acquisitions in the banking and financial services sector ¹

The Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector,

Having met in Geneva from 5 to 9 February 2001;

Adopts this ninth day of February 2001 the following conclusions:

General consideration

1. Banking and other financial services have a pivotal function to fulfil in national and global economic development and contribute to social development. Through the facilitation of trade, in meeting the needs of all enterprises (including the largest multinational, small and medium-sized enterprises, the sole proprietor) or the individual saver and consumer, financial services help to create wealth, jobs and social progress. A strong and dynamic financial services sector provides the essential means for a healthy economy, which is a prerequisite to employment generation.
2. Worldwide macro and sector-specific developments may be characterized in particular by liberalization, deregulation and privatization, which are linked to the processes of globalization and have generated increased competitive pressures, pushing the industry towards greater concentration through mergers and acquisitions. These pressures have been intensified by the deregulation of the international financial system, the increased volatility of financial flows, and the large number of financial crises that have occurred in recent times. It is widely considered that the next phase of the consolidation process may involve transnational mergers and acquisitions. Concurrent rapid technological changes, trends in product design, new delivery systems for customer service, changes in distribution channels, and a convergence with other sectors have compounded the competitive challenges facing financial services operators. These developments have led to major changes in work organization and skills requirements, as well as in the quantity, quality and conditions of sectoral employment.
3. Governments, employers and workers have a mutual interest in ensuring that merger and acquisition outcomes conform to the overriding need to maintain a prosperous and competitive financial industry. Taking public interest into account, governments have a primary responsibility to ensure accessible and efficient financial services which guarantee financial stability, and offer decent working conditions. This responsibility also extends to the effects of mergers and acquisitions in the sector. Governments have a role in anticipating and addressing the negative social and employment impacts which mergers and acquisitions may have, and to assist the social partners to find commonly agreed

¹ Adopted by majority.

solutions to mitigate the negative effects of mergers and acquisitions. In this context, the social partners have a role to play in ensuring effective social dialogue.

Employment

4. Restructuring, which invariably accompanies mergers and acquisitions in the financial industry, most frequently results in the elimination of jobs in the affected enterprises, sometimes on a large scale, and in a shift from traditional, full-time to part-time employment and to temporary, casual and other forms of atypical employment. Although job losses involve staff at all hierarchical levels, women and other employees at the lower levels are in particular disproportionately affected as are workers in the most economically depressed areas, whose places of work are most likely to be rationalized. Governments should assist with the social partners to develop effective measures to be incorporated in all rationalization programmes to mitigate the negative consequences for all workers, and to safeguard advances on equality of opportunity goals in financial services employment and to promote further progress in these areas.
5. Public authorities' consideration of mergers and acquisitions should include an evaluation of their employment and social impact, due account being taken of national conditions. Where appropriate, governments should set up social assistance schemes and work together with the social partners to set up schemes for reintegrating employees into the labour market who have lost their jobs as a result of mergers and acquisitions.
6. All possible measures short of terminations, such as internal transfers, restriction of overtime work and reduction of normal hours of work, should first be considered in the case of staff rationalization related to mergers and acquisitions. In the event that termination becomes inevitable, the provisions of the ILO Termination of Employment Convention, 1982 (No. 158), and its accompanying Recommendation (No. 166), should be taken into account.
7. The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, adopted by the Governing Body in 1977 and amended by the Governing Body in 2000, is applicable to international mergers and acquisitions.

Working and employment conditions

8. Successful financial services enterprises are essential for continued employment and to meet the aspirations of staff, while a skilled, stable and motivated workforce is paramount to the success of any financial organization. Secure and decent working and employment conditions significantly contribute to staff motivation, productivity and enterprise profitability. Mergers and acquisitions invariably require integrating differing enterprise systems and procedures in order to harmonize various aspects of terms and conditions of employment to ensure common practice throughout the newly merged organization. Employers must make every effort to ensure that mergers- and acquisitions-related adjustments to working and employment conditions are never adjusted to the lowest common denominator, and that the principle of acquired rights is fully respected. Performance assessments on which rewards and compensation depend must be objective and transparent and reflect changes in work organization and the need to compensate staff for erosion in job security, and increased workloads in merged enterprises. All parties recognize the importance for merged enterprises to maintain working and employment conditions which promote job satisfaction and self-actualization, minimize work-related stress and thereby safeguard enterprise productivity.

Training

9. It is of paramount importance for the financial industry enterprises to ensure increasing and effective investment in training and human resources development for enhanced employability, competitiveness and growth. Lifelong learning and self-development should also be a concern of employees. Financial operators should be encouraged to forecast their skills needs as a basis for human resource development in order to foster a commonality of interests between the concerns of the employees and the objectives of enterprises undergoing mergers and acquisitions. Governments, together with the social partners, should establish and implement sector-specific strategies to avoid the loss of skills from the sector through redundancies, and for lifelong learning which allow workers to continuously acquire transferable skills, and business to benefit from a more highly competent workforce. Examples of good practice on training and human resource development in different countries could be drawn upon to develop a proactive employability capability for finance sector workers. Fiscal and other policy measures should be adopted to support such strategies, where appropriate.

Social dialogue

10. The Meeting recognizes the essential role social dialogue can play in reconciling the interests of enterprises and workers in mergers and acquisitions. Developing a reflex for consultation and negotiation takes time and commitment as well as independent social partners that have the capacity, goodwill, confidence and mutual respect to engage in the process responsibly. Governments have a responsibility to ensure that consultation mechanisms exist, possibly of a tripartite nature, to be used at all stages of a merger or acquisition. Public authorities also have a duty to actively promote collective bargaining in the banking and financial services industry so as to put in place mechanisms, on the basis of consensus, that would prevent, cushion or mitigate the negative effects of mergers and acquisitions. Where redundancies are unavoidable, every effort must be made, in close consultation with the workers' representatives concerned, to ensure that the reduction in the number of workers is through voluntary means, such as appropriate inducements to early retirement, natural reductions and restrictions on hiring. Public authorities must take action to ensure that, where they exist, national laws, sectoral and enterprise-level collective agreements and framework agreements covering collective dismissals are properly applied in merger-related job terminations.

ILO action

11. The ILO should promote the application of all relevant international labour standards, particularly the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), the Termination of Employment Convention, 1982 (No. 158), and its accompanying Recommendation (No. 166), all of which are highly relevant to issues arising out of mergers and acquisitions in the finance sector. The rights and principles confirmed in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up of 1998 as well as the principles contained in the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of 1977 are applicable to the financial services sector. The ILO should increase its advocacy to ensure the practical implementation of the Declarations' principles in corporate practice in the financial services industry. Good practices, such as enterprise-wide regional and global forums, should be encouraged and supported.

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- 12.** Certain experiences in some countries, notably those to which reference is made in the report, provide practical, but not exclusive, examples of how effective social dialogue can balance and reconcile the interests of employers and workers. These examples highlight the elements of good practice on collective bargaining to meet the sector's evolving requirements in the context of mergers and acquisitions.
 - 13.** The Meeting invited the ILO to develop a database to identify factors which contribute to success to support the social partners' efforts in addressing the human dimension of mergers and acquisitions. The Meeting further supported ILO research and analysis of the employment impacts of mergers and acquisitions involving financial enterprises, in particular from a quantitative point of view. This should also include empirical research and case studies, including gender- and age-specific effects and the exact role of each of the drivers of today's intense merger and acquisition activity.

Part 2

Resolutions

Consideration and adoption by the Meeting of the draft resolutions

At its fourth plenary sitting, the Meeting set up a Working Party on Resolutions, in accordance with article 13, paragraph 1, of the Standing Orders.

The Working Party, presided over by the Chairperson of the Meeting, consisted of the Officers of the Meeting and three representatives from each of the groups. The members of the Working Party were:

Officers of the Meeting:

Mr. W. Mansfield (Chairperson)

Mr. J. Lessard (Government Vice-Chairperson)

Mr. A. Ahmad (Employer Vice-Chairperson)

Ms. J. Nonde (Worker Vice-Chairperson)

Government members:

Belgium: Mr. E. Schelstraete

Chile: Mr. M. Barrera

Nigeria: Mr. A. Ahmad

Employer members:

Mr. G. Ferrara

Mr. J. Müller-Stein

Mr. J. Volio

Worker members:

Mr. C. Ryan

Mr. J. Solomon

Mr. J. Zanola

At the Meeting's sixth plenary sitting the Chairperson, in his capacity as Chairperson of the Working Party on Resolutions, and in accordance with article 14, paragraph 8, of the Standing Orders, submitted the recommendations of the Working Party on Resolutions regarding the three draft resolutions before the Meeting. As required by the same provision of the Standing Orders, the three Vice-Chairpersons of the Meeting had been consulted on the contents of his oral report.

The Working Party had before it three draft resolutions submitted by the Workers' group, which were declared receivable. The Working Party amended the text of the resolutions on the basis of proposals made by its members within the time limit set by the

Officers of the Meeting. The Working Party recommended the adoption by the Meeting of the three amended draft resolutions.

Resolution concerning the establishment of a tripartite mechanism for the banking and financial services sector

The Meeting adopted the resolution by majority.

Resolution concerning improving equality between women and men

The Meeting unanimously adopted the resolution.

Resolution concerning freedom of association in the banking and financial services sector

The Meeting unanimously adopted the resolution.

Texts of the resolutions adopted by the Meeting

Resolution concerning the establishment of a tripartite mechanism for the banking and financial services sector ¹

The Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector,

Having met in Geneva from 5 to 9 February 2001,

Considering that banking and financial services are undergoing a process of extensive and increasingly rapid change with profound effects on the employment and working conditions of large numbers of workers, and causing major changes in the conditions of many of them;

Adopts this ninth day of February 2001 the following resolution:

The Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector invites the Governing Body of the International Labour Office:

To request the Director-General to establish a tripartite mechanism, which could include a meeting of a small tripartite consultative group between the regular quadrennial meetings of the sector, for the monitoring of and consultations in the banking and financial services sector, in order to promote a constructive exchange of views on employment, working conditions and labour relations in the sector as well as for considering future ILO activities in this field.

Resolution concerning improving equality between women and men ²

The Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector,

Having met in Geneva from 5 to 9 February 2001,

Recalling the adoption in 1977 of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; that the social partners in the finance sector fully support the MNEs Declaration, which sets out principles in the fields

¹ Adopted by majority.

² Adopted unanimously.

of employment, training, conditions of work and life and industrial relations, the observance of which enhances the contributions the addressees can make individually and collectively to the overall objectives of furthering economic and social progress; that the principles and practices enunciated in the Declaration reflect good practice for all concerned irrespective of whether or not an enterprise is national or multinational,

Further recalling the adoption in 1998 of the Declaration on Fundamental Principles and Rights at Work and its Follow-up and that decent work has now been adopted as the converging focus of all ILO's four strategic objectives (the promotion of rights at work, employment, social protection and social dialogue),

Considering that a large number of women are working in banks and financial services, most of whom are employed in the lower levels of hierarchy,

Acknowledging that globalization has contributed to improved prosperity but also has resulted in inequalities,

Reaffirming that the social partners in the sector fully support the primary goal of the ILO to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity (as particularly enshrined in the Equal Remuneration Convention, 1951 (No. 100), and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111));

Adopts this ninth day of February 2001 the following resolution:

The Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector invites the Governing Body of the International Labour Office:

To call on governments and social partners to promote and fully implement the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the Declaration on Fundamental Principles and Rights at Work and its Follow-up, as well as the concept of decent work as instruments to ensure equality between men and women.

Resolution concerning freedom of association in the banking and financial services sector³

The Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector,

Having met in Geneva from 5 to 9 February 2001,

Noting that technological innovation has led to the development of telephone and Internet banking and insurance and the number of call centre employees in the banking and financial services sector has substantially increased in recent years,

³ Adopted unanimously.

Reaffirming that the Declaration on Fundamental Principles and Rights at Work and its Follow-up, the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), apply to all workers, including employees in the banking and financial services sector;

Adopts this ninth day of February 2001 the following resolution:

The Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector invites the Governing Body of the International Labour Office:

To call on governments and social partners to fully respect and promote freedom of association and the right to organize in the banking and financial services sector.

Part 3

Other proceedings

Panel discussions

Trends in mergers and acquisitions

Moderator: Mr. J. Zahlen, Chairperson of the Government group

Panellists: Ms. Gabrielle Koehler, Division on Investment, Technology and Enterprise Development, UNCTAD, Geneva

Mr. Scott Bugie, Standard and Poors, Paris

Mr. Mauro Bossola, Federazione Autonoma Bancari Italiani (FABI), Rome

Mr. Alfredo Gisholt Orozco, Grupo Financiero BBVA Bancomer SA, Mexico

Ms. Koehler stated that in 2000 UNCTAD had conducted a study on mergers and acquisitions (M&As) jointly with the ILO. The two organizations, which had common concerns, had encountered the same difficulties in gathering information. UNCTAD was concerned primarily with trade and investment. Direct foreign investment had grown considerably over the past ten years. Most investment, however, was flowing to industrialized countries. Only a quarter went to developing countries, which were intensifying their efforts to attract foreign investment to offset the drop in development aid. UNCTAD was interested only in international mergers. A distinction had to be drawn between mergers of companies of more or less equal status, and acquisitions. In 1999, most operations in developing countries had been acquisitions. The 1997 financial crisis had had a relatively strong impact in this field, with enterprises having been privatized, restructured and then sold. At the global level, a large share of investment was made in the form of M&As. In Latin American and Caribbean countries, 60 per cent of direct investment had taken this form. In Asia, that figure was around 20 per cent. This trend was likely to strengthen in the future, owing to the transnationalization of the economy. In 1999, M&As had accounted for 2.5 per cent of global GNP; this figure already represented an increase over previous years. M&As were far more numerous in the service industry than in the manufacturing industries. In 1998/1999 in Japan, 50 per cent of M&As had taken place in the finance sector, compared with 42 per cent in Central and Eastern Europe and 13 per cent in Latin America, where acquisitions had created jobs in some sectors, for example telecommunications.

Mr. Scott Bugie recalled that Standard and Poors was a company providing consultancy services to a range of enterprises and institutions active in the international markets. Concentration, deregulation and liberalization were strong global trends. Banks were making use of new technologies and this had changed the way they were selling their services. In a third of all M&As, the surviving institution emerged considerably more reliable and solvent. Cross-border acquisitions were least likely to succeed especially when a commercial bank acquired an investment bank. National transactions were facilitated by identical social and legal structures and the fact that there was greater scope for cost cutting (head office, regional offices, IT services, etc.). M&As had many macroeconomic advantages. They made the financial system more reliable and solvent, and strengthened the more vulnerable banks. The current wave of M&As had begun to accelerate in 1995. During that period bank profits had been found to improve. M&As enabled banks to improve the products on offer. M&As had also been of benefit to the total range of services provided by the banking sector. The average size of banking establishments had grown and

their health improved overall. Lastly, the effect of the business cycle had to be taken into consideration, since successful M&As took place during the positive phase of the cycle.

Mr. Mauro Bossola said that his presentation was based on the results of a survey conducted by UNI-Europe on M&As in the financial sector. In the European Union, 760 mergers had taken place in the financial services industry between 1986 and 1995. In the first quarter of 1998, the banking sector had seen 490 new mergers. Increasing use was being made of outsourcing as a way of cutting costs. According to Eurostat, in Europe there had been considerable reductions in the workforce in the past few years, with 130,000 jobs having been lost in the past ten years in the banking and financial sectors alone. Governments and trade unions were trying to implement early retirement plans. Reductions in hours of work had been put into effect as a means of creating new jobs. Cutbacks had often affected elderly workers and clerical positions. Administrative jobs requiring low levels of skill had largely disappeared. The role of labour representatives was a delicate one, since it was difficult for them to obtain information on the merits of a merger or acquisition. If given at all, information was often provided only after the event. It was generally believed that M&As would have advantages for shareholders and consumers alike. Often, however, the outcome of mergers was of no benefit to consumers.

Mr. Gisholt explained that in Mexico the banking sector had been nationalized in 1982. The Government had wanted to reduce the number of banks from 60 to 18. In 1991, 18 banks had been sold, mostly to Mexican capital. After the economic crisis of 1994, banks had been sold to foreign investors. Since 1995, the strongest banks had been buying the weaker ones. Today, a mere eight banks remained, of which two would be taken over in the near future. The main reasons for M&As in Mexico had been the following: the struggle for survival of banks that had been bought; the new structures' wish to remain competitive; the size of banks and economies of scale; and cost cutting. Banks tended towards increasing specialization, abandoning their peripheral activities and making maximum use of new technologies.

Discussion

Several participants raised the question of consumer protection, in so far as large multinational banks played an increasingly important role in developing countries. Ms. Koehler pointed out that in Malaysia the Government had compelled national banks to merge to ensure that they did not fall into foreign hands. No regulatory system existed at the international level to take into account consumer interests.

Although a directive on the protection of consumers in electronic commerce had been issued by the European Union, it was important during mergers to gather information on the regions away from headquarters. A Worker participant from the Republic of Korea recalled that in her country strikes had been held to protest against M&As, and asked how the reactions of trade union movements were taken into consideration in the rating of companies. Moreover, given the dominant position of some enterprises, consumers were no longer able to choose between different banks and therefore did not always benefit from M&As. Mr. Scott Bugie explained that when rating a company, in-depth studies were carried out of a number of elements, including the human factors. The fact that there were fewer banks did not mean that consumers had fewer choices; for example, the telephone and the Internet could compensate for the closure of branch offices.

Gender equality in mergers and acquisitions

Moderator: Mr. A. Ahmad, Employer Vice-Chairperson of the Meeting

Panellists: Ms. Linda Wirth, Bureau for Gender Equality, ILO, Geneva

Dr. Juliet Webster, Trinity College, Dublin

Ms. Mariette Kortram-Tjon A Ten, Hakrinbank N.V., Suriname

Ms. Kortram indicated that gender equality was not a specific issue. Referring to the report, which states that women appear to be more severely affected by mergers and acquisitions (M&As), especially in case of dismissals, Ms. Kortram said that if this was indeed the case, such problems should be dealt with in the wider social context. She recalled that Conventions Nos. 100 and 111 had received a large number of ratifications, which indicated that the international community was giving special attention to the question of gender equality. If any inequalities persisted this was a problem that should be discussed at the national level. Training and education played a fundamental role in the promotion of gender equality. Ms. Kortram recalled that substantial progress had been made in the banking sector as regards equality, particularly as a result of strategies implemented by the employers. Nevertheless, the question of equality was not the sole responsibility of the employers, but a challenge for the whole of society. Replying to a question by a participant concerning the importance of human resource management in the promotion of equality and corporate social responsibility in this area, she reiterated that gender equality was a priority which was not exclusively the responsibility of enterprises but concerned all of society.

Ms. Wirth spoke next and began by quoting from a speech given by the Director-General of the ILO at the Beijing +5 Conference, in which he had said that “we take another step towards globalizing social progress when we champion gender equality ...”. Ms. Wirth then presented the international labour standards relating specifically to women and gender equality, with special reference to Conventions Nos. 100 and 111, as well as to Conventions Nos. 156 and 183. She also recalled the other Conventions concerning gender equality, and the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up. In this regard, the 2003 Conference would address the issue of discrimination as part of the Global Report drawn up under the follow-up of the Declaration. She also recalled that questions relative to gender equality formed part of ILO activities at all levels, and presented these questions in the context of the Organization’s strategic policy framework for the period 2002-05.

The moderator spoke next in his capacity as participant, indicating that the problem of gender equality also concerned men, who especially in countries in transition had been the first to be affected by restructuring and mergers. Replying to a comment that M&As tended to promote peripheral and atypical jobs held predominantly by women, he pointed out that significant efforts had been made in favour of women workers and that especially in developing countries there was growing awareness of women’s contribution to economic growth. A Worker representative, regretful of the negative attitude towards women when it came to filling management posts, appealed for women holding senior management positions to ensure that the principle of gender equality was respected when men and women competed for management posts.

Ms. Webster presented the general problem of gender equality in M&As. If women were especially vulnerable during such operations, this was foremost because they held the most vulnerable jobs, requiring the lowest levels of skill. Women worked in what she described as the “peripheral labour market”, characterized by temporary part-time jobs.

These were in no way atypical for women, but rather the rule. Moreover, women's skills were too often underestimated simply because they were women; this in turn made them less visible and more vulnerable during restructuring. Lastly, women were underrepresented in both strategic management positions and the trade unions, which exacerbated their fragility. Ms. Webster continued by indicating that the above negative factors meant that women often lost their jobs as a direct result of M&As or, if they continued to be employed in the new structures, found that their working conditions changed, frequently for the worse. In the long term, M&As resulted in a new division of labour between women and men, with the accompanying positive and negative effects on career and training opportunities. This was especially true with technological systems, with women at times finding it difficult to adapt to new technology and M&As frequently resulting in longer working hours that were difficult to reconcile with family commitments. Ms. Webster concluded by stating that women should have the opportunity to benefit from continuing training programmes that would make them more employable and less vulnerable to change. Women should also be better informed and given more opportunities for consultation.

Discussion

The discussions begun after each presentation were continued, dwelling on general points. A Worker representative commented that maternity protection had to be improved if gender equality was to be improved. The speaker said that employers were not always willing to pay the price of such improvements. Replying to a participant who had stated that M&As could be successful from the social point of view, Ms. Webster said that during M&As the company taking over another one often had the better training and human resource management practices, which could be of benefit to all workers. A Worker representative, regretting that few employers had taken part in the group discussion, asked how employers could be encouraged to take positive steps to promote equality.

In this regard, Ms. Webster pointed out that the idea of the new economy being "knowledge-based" represented an ideal opportunity to motivate employers to improve training, information and consultation in enterprises. She added that the private sector had to become more involved in the debate on human rights at work.

Ms. Wirth concluded by saying that gender equality contributed to economic efficiency. Full advantage should be taken of the fact that society was undergoing a process of transformation. The promotion of equality was one of the catalysts driving this process.

Information and consultation in mergers and acquisitions

Moderator: Ms. J. Nonde, Worker Vice-Chairperson of the Meeting

Panellists: Mr. Tayo Fashoyin, InFocus Programme on Strengthening Social Dialogue, ILO, Geneva

Ms. Harriet Eisner, Manufacturing, Science and Finance Trade Union, London

Mr. Ari Antero Laakso, Merita Bank Plc, Merita, Finland

Mr. Tayo Fashoyin presented the results of work carried out as part of a process of social dialogue. Processes enabling consultation between employers and workers had been

established. The concept of bipartite relations included collective bargaining. The sharing of information was the key element in social dialogue, which in turn constituted a core element in any industrial democracy. Social dialogue at the workplace strengthened good governance and enabled the social partners to find lasting solutions. However, insufficient was made of consultation. Workers were not always organized. In several Western European and Scandinavian countries consultative processes were working well. Consultation had to consist also of the search for ideas on how to manage this process, to ensure that it caused as little disruption as possible.

Ms. Harriet Eisner presented the Worker point of view. Social dialogue between the social partners had to be continuous and attention had to be given to its human aspect. On 3 May 1996 the insurance company Royal Insurance (United Kingdom) had announced its intention to merge with another company and, at the same time, its decision to cut 5,000 jobs. The trade unions had not been consulted and workers had learned about the redundancies on the television news. This had not been the only such case in the United Kingdom, despite the fact that workers were protected against such situations by legislative provisions. Article 2 of the European Directive on collective redundancies of 1985 stipulated that when employers were planning collective dismissals, workers had to be given an opportunity to express their views. In practice, however, this procedure was often ignored. Priority was given to information released for the attention of the stock exchange. Most mergers failed in economic terms. The lack of information and consultation prior to mergers was one of the reasons for such failures.

Mr. Ari Antero Laakso recalled that he was the executive vice-president of Merita Bank, a member of the Nordea Group, and responsible for the Finnish part of the group. He presented the example of a merger involving Merita Bank, which had begun in 1995. He said that transparent information was the key factor in all mergers. Merita Bank had merged with Finland's two largest banks. Their network of branch offices had overlapped. The number of branches had therefore been reduced, resulting in the loss of more than 6,000 jobs. In most cases the cuts had been agreed to by the workers concerned. Workers had been informed. Discussions with labour representatives had been started immediately. Management had explained the strategy of the new bank and had indicated where jobs were to be cut. A follow-up committee composed of 20 Employer representatives and 20 Worker representatives had been established. A system had been set up to help dismissed workers find new jobs. The merger had taken place quickly, which had helped avoid an atmosphere of uncertainty. Mr. Laakso concluded by stating that open social dialogue between employers and workers had been a precondition for the success of the merger.

Discussion

A Worker representative from Norway shared his experiences in this area, stressing that information and consultation were permanent processes. In his country, workers were able to elect representatives who sat on the board of directors and were therefore able to obtain information on mergers and company strategy. Mr. Laakso pointed out that trust was the most important factor in this respect, and added that if no merges took place, it was common for one of the enterprises to go under. Ms. Harriet Eisner concluded that salaried workers were perfectly capable of respecting the confidentiality that was essential in today's business world. Enterprises had to trust their workers and the trade unions.

Closing speeches

The Secretary-General highlighted the statistics of attendance at the Meeting, noting that while only 16 of the 20 countries invited to the Meeting had attended, seven Government advisers and two Government observers had also been present. All 20 Employer representatives invited had attended, as had an adviser, while the 20 Worker representatives had been supplemented by seven advisers. Also in attendance had been 31 observers from intergovernmental and non-governmental organizations, with a large proportion of the latter coming from organizations representing workers. The proportion of women's representation at the meeting, almost 20 per cent, was disappointingly lower than the target of at least 30 per cent for tripartite sectoral meetings. The topicality of the impact of mergers and acquisitions in the banking and financial services sector had been made clear from the discussions in both the plenary sessions and the two working parties. The three panel sessions had also provided an opportunity for direct exchange of information and experience on important new developments related to the issue, although attendance by delegates had been disappointing even when those who would have been involved in the two working parties were taken into consideration. The conclusions and resolutions just adopted were the main outcome of the Meeting. It was therefore important that the ILO and its constituents be ready to put them into action. The Office would require the constituents' continued engagement, contribution of knowledge, experience and dedication in order to accomplish many of the activities identified and positions taken in the Meeting. On behalf of all colleagues on the secretariat, he expressed sincere thanks and warmest congratulations to the Chairperson of the Meeting for the effectiveness and fairness with which he had presided over the deliberations. He also addressed his thanks to all the participants, particularly the group Vice-Chairpersons, spokespersons and secretariats.

Mr. Zahren (representative of the Government of Luxembourg; Chairperson of the Government group) stated that the Meeting had been closely monitored by the 222 banks in his country, some of which had merged without worsening their situation even though they were required to anticipate and discuss the impacts of mergers or acquisitions in good and due time. He was somewhat ill at ease and felt almost unable to speak on behalf of the Government group as a whole because of what had just transpired. The incident was unique in his two years' experience with the ILO, and he felt personally attacked in his good faith and in his intellectual honesty. He had come to the Meeting with the firm intention of working in a constructive manner to move the debate in a very sensitive field. Until that morning, he had hopes that it would indeed be possible to achieve tangible tripartite results, which might disappoint certain delegations but which would, nevertheless, contribute to progress. That had, unfortunately, not been the case so he merely wished to express his gratitude to all those in the room who had contributed in good faith to moving the debate forward in order to make progress. He wished to thank all his colleagues who had entrusted the chairmanship of the group to him, those who had discharged specific tasks such as vice-chairmanship of a meeting and secretaries, and all those who had constructively participated in the debate. He also thanked the Chairperson for his efforts aimed at achieving an acceptable compromise; the ILO secretariat; and the interpreters who had enabled participants to understand each other.

Mr. Beck (Chairperson of the Workers' group) noted that the Meeting arose out of a Governing Body decision to provide a forum for the exchange of views on the impact on employment in the sector of mergers and acquisitions. A very useful report had been prepared enabling an interesting and detailed discussion around the importance of the sector to the global economy. The critical nature of banking and finance to the smooth efficiency of national economies, and its essential role in resource allocation and provision of the necessary capacities for economies to grow and prosper had been highlighted. The industry's importance went beyond a narrow economic to a social dimension; it provided

employment for millions of workers and livelihoods for their families, provided skills and skills development to ensure that people achieved their own self-actualization. It thus had a responsibility for good corporate citizenship and to ensure equity; it needed to be judged not only on the growth in shareholder value, but also on how it catered to the interests of other stakeholders, including the staff and consumers, rural communities and those in lower socio-economic groups, who without fair and equitable access to the industry's services would be denied the full capacity of citizenship. Discussions had also covered a wide range of issues of critical importance to all the partners, relating to the levels and changing nature of employment, working conditions, skills and the need for dialogue. The behaviour of the Employers earlier was a dramatic illustration of the struggle that Worker representatives faced in representing their members. While union officials did not necessarily require or expect respect from their employers, it was offensive and unacceptable to the employees they represented that their employers could walk out in the manner they had done. Workers were deeply concerned that such behaviour reflected not only a diminishing commitment to the processes of social dialogue, but, of even more importance, perhaps attempts by employers to damage the role of the ILO. Notwithstanding the difficulties they had had in engaging with the Employers, the Worker members wished to pay their deepest respect to the Government representatives for their commitment and constructive engagement throughout the week. Their interventions had been helpful and sought to find a middle path at all times. It gave great hope to union officials seeking to represent people who were increasingly engaged in precarious forms of work in stressful working conditions in a sector undergoing globalization that governments such as those represented at the Meeting continued to stay the course. He also wished to thank the ILO secretariat for the conduct of a meeting of such importance to the workers, and the interpreters whose help had made the process of communication so much easier. The Worker members were committed to work towards ensuring action on the Meeting's conclusions and the resolutions, and looked forward to future opportunities to discuss further developments on the subject. Notwithstanding the unfortunate tenor of the sitting, the Workers' group intended to redouble their commitment to social dialogue and to the values that the ILO stood for.

The Chairperson thanked the interpreters for their excellent assistance during the week and all of the other times he had been involved with the ILO. Their professionalism and commitment was very appreciated. He had intended to emphasize the contributions by the three groups, the way in which everybody had participated, shared views and arrived at constructive compromises. Regrettably, such a speech had become largely redundant, and he hoped the actions of the Employers in not remaining for the whole of the Meeting did not indicate a rejection of the values the ILO stood for: those of dialogue, compromise, and social justice. That one of the social partners was unwilling to engage in the process of argument, debate, and compromise was a worrying trend affecting particular industries more than others. The essence of the days' actions pointed to the fact that financial services employers in a number of countries appeared especially determined to exclude the collective voice of employees in the sector. Another sad proposition he found objectionable was that governments had no role in influencing the social and economic outcomes of reforms affecting societies. Governments had a responsibility on major changes to supervise the way work was done and on the manner in which essential services such as finance were delivered. The work of the Meeting had been worthwhile and the substantial resolutions would be helpful to each of the three parties in the sector. The conclusions adopted by a majority would similarly provide a valuable reference of the values of at least two of the parties at the Meeting. Parties were unfortunately leaving the Meeting less united than they should be, but it was perhaps an illustration of the challenges ahead for the industry. He expressed his gratitude to the Vice-Chairpersons who had so ably assisted with the running of the Meeting and thanked the secretariat for both an excellent report and the behind-the-scene work which had contributed to the successful completion of the Meeting. Wishing the participants a safe and pleasant return to their

home countries, the Chairperson declared the Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector closed.

Evaluation questionnaire

A questionnaire seeking participants' opinions on various aspects of the Meeting was distributed before the end of the Meeting.

1. How do you rate the Meeting as regards the following?

	5 Excellent	4 Good	3 Satis- factory	2 Poor	1 Unsatis- factory	Average score
The choice of agenda item (subject of the Meeting)	16	9	1			4.58
The points for discussion	10	11	5	1		4.19
The quality of the discussion	4	12	9	2		3.67
The Meeting's benefits to the sector	8	11	2	3	1	3.88
The conclusions	2	9	8	3		3.45
The resolutions	2	10	9	2	1	3.73
Panel discussion on trends in M&As	3	13	6			3.86
Panel discussion on Gender aspects of M&As	4	7	7	2		3.65
Panel discussion on Information and consultation in the context of M&As market	1	9	7			3.65
Opportunity for networking	4	6	4			4.00

2. How do you rate the quality of the report in terms of the following?

	5 Excellent	4 Good	3 Satis- factory	2 Poor	1 Unsatis- factory	Average score
Quality of analysis	7	15	2	2		4.04
Objectivity	4	15	3	3	1	3.69
Comprehensiveness of coverage	3	14	9			3.77
Presentation and readability	7	14	4	1		4.04
Amount and relevance of information	6	12	8			3.92

3. How do you consider the time allotted for discussion?

	Too much	Enough	Too little
Discussion of the report		21	4
Panel discussions	2	20	3
Groups	1	22	1
Working Party on Resolutions		14	5
Working Party on Conclusions		12	10

4. How do you rate the practical and administrative arrangements (secretariat, document services, translation, interpretation)?

	5 Excellent	4 Good	3 Satis- factory	2 Poor	1 Unsatis- factory	Average score
	16	9	1			4.58

5. Respondents to the questionnaire

	Government	Employers	Workers	Observers	Total	(Response rate: 26%)
	9	6	7	5	27	

6. Participants at the Meeting

	Government	Employers	Workers	Technical advisers	Observers	Total
	16	20	20	15	33	104

7. Delegates/technical advisers

	Government	Employers	Workers	Total
Delegates	16	20	20	56
Technical advisers	7	1	7	15

8. Female participation

	Government	Employers	Workers	Total	per cent women delegates
Delegates	3	4	4	11	19.6
Technical advisers	2	0	2	4	

List of participants
Liste des participants
Lista de participantes

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of the International Labour Office
Représentant du Conseil d'administration
du Bureau international du Travail
Representante del Consejo de Administración
de la Oficina Internacional del Trabajo

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Membres représentant les gouvernements
Miembros representantes de los gobiernos

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Sr. Leonardo Marquez Suarez, Secretario General, Confederación Mundial del Trabajo, Montevideo

Ms. Joyce C. Nonde, General Secretary, Zambia Union of Financial Institutions and Allied Workers, Lusaka

Mr. Princewill O. Ojeh, National President, Senior Staff of Banks, Insurance and other Financial Institutions (ASSBIFI), Lagos

Mr. Bambang Purnomo, General Secretary, Indonesian Prosperity Trade Union, Comers, Finance and Banking Section, Jakarta

Mr. Ciaran Ryan, General Secretary, Irish Bank Officials' Association, Dublin

Sr. Francisco Fernández Santos, Secretario Federal, Federación de Servicios Financieros y Administrativos (COMFIA-CC.OO), Madrid

Ms. Pikul Siripongboonsit, General Secretary, Federation of Bank and Financial Workers' Union of Thailand, c/o Credit Agricole Indosuez, Bangkok

Mr. J. Solomon, Assistant General Secretary, National Union of Bank Employees, Penang

Sr. José Elias Torres Virguez, Presidente, Federación de Trabajadores Bancarios y Afines de Venezuela (FETRABANCA), Caracas

Mr. Kenji Watanabe, Assistant General Secretary, Federation of Non-Life Insurance Workers' Unions of Japan, Tokyo

Adviser/Conseiller technique/Consejero técnico

Mr. Eiichi Ito, Director, UNI-APRO Tokyo Office, c/o Zendentsu Kaian, Tokyo

Sr. Juan Zanola, Secretario General, Asociación Bancaria Argentina, Buenos Aires

M. Koffi Chrysanthe Zounnadjala, Secrétaire général, Fédération panafricaine des employés (FPE), Lomé

Others Autres Otros

Representatives of member States present at the sittings
Représentants d'Etats Membres présents aux séances
Representantes de Estados Miembros presentes en las sesiones

PANAMA PANAMÁ

S.E. Sr. Anel E. Béliz, Embajador, Representante Permanente, Misión Permanente de Panamá en Ginebra

UNITED STATES ETATS-UNIS ESTADOS UNIDOS

Mr. Robert S. Hagen, Labor Attaché, United States Permanent Mission in Geneva

Representatives of United Nations, specialized agencies and other official
international organizations

Représentants des Nations Unies, des institutions spécialisées et d'autres
organisations internationales officielles

Representantes de las Naciones Unidas, de los organismos especializados y de otras
organizaciones internacionales oficiales

United Nations Conference on Trade and Development (UNCTAD)

Conférence des Nations Unies sur le commerce et le développement (CNUCED)

Conferencia de las Naciones Unidas sobre el Comercio y Desarrollo (UNCTAD)

Ms. G. Koehler, Economic Affairs Officer, Division on Investment, Technology & Enterprise Development,
Geneva

Mr. M. Lim, Economic Affairs Officer, Division on Investment, Technology & Enterprise Development, Geneva

Representatives of non-governmental international organizations
Représentants d'organisations internationales non gouvernementales
Representantes de organizaciones internacionales no gubernamentales

International Confederation of Free Trade Unions

Confédération internationale des syndicats libres (CISL)

Confederación Internacional de Organizaciones Sindicales Libres (CIOSL)

Mr. Dan Cunniah, Director, Geneva

Ms. Anna Biondi, Assistant Director, Geneva

International Federation of Business and Professional Women
Fédération internationale des femmes de carrières libérales et commerciales
Federación Internacional de Mujeres de Negocios y Profesionales

Ms. Conchita Poncini, Coordinator of UN/ILO Reps., Troinex/Geneva

International Federation of University Women (IFUW)
Fédération internationale des femmes diplômées des universités
Federación Internacional de Mujeres Universitarias

Ms. Conchita Poncini, Coordinator of UN/ILO Reps., Troinex/Geneva

Ms. Eva Hansen, Representative, Bellevue

International Organization of Employers (IOE)
Organisation internationale des employeurs (OIE)
Organización Internacional de Empleadores (OIE)

Mr. Jean Dejardin, Adviser, Cointrin/Geneva

M. Dominique Coulon, Conseiller social, Association belge des banques (ABB), Département social, Bruxelles

Mr. Shalom Abraham, Deputy Head of Human Resources Group, Israel Discount Bank Ltd., Tel-Aviv

Union Network International (UNI)

Mr. Philip J. Jennings, General Secretary, Nyon

Ms. Christine Asmussen, Head of Department Finance, Nyon

Mr. Noël Howell, Head of Press and Information, Nyon

Ms. Regula Khemiri, Secretariat – Department UNI Finance, Nyon

Sr. Raul Requena, Secretario Regional UNI-Americas, San José

Ms. Kristel van Damme, Déléguée, LBC-NVK Landelyle Sediende Centrale, Berchem

Mr. Hannu Kivipato, Head of Department, Financial Sector Union Suora, Helsinki

Mr. Seapul Tavip, General Secretary, ASPEK INDONESIA – UNI, Jakarta

M. Mauro Bossola, Head of International Department, Federazione Autonoma Bancari Italiani (FABI), Torino

Mr. Dag Arne Kristensen, President, Finance Sector Union, Oslo

Sr. Delmiro Carreira, Presidente da Direção, Sindicato dos Bancários do Sul e Ilhas, Lisboa

Mr. Magnus Gissler, Assistant General Secretary, Nordiska Fiansawstalldas Union (NFU), Stockholm

Mr. Wayne Corbie, General Secretary, Bank Employees Union, Diego Martin, Trinidad and Tobago

Mr. Jose Umali, National President, National Union of Bank Employees, Quezon City

Mr. Jesus Exequiel Nidea, Executive Vice-President, National Union of Bank Employees, Quezon City

Mr. E. Biwer, OGB-L/SBA, Luxembourg

Ms. H. Eisner, International Officer, Manufacturing Science and Finance Union, London

World Confederation of Labour
Confédération mondiale du travail (CMT)
Confederación Mundial del Trabajo

M^{me} Béatrice Fauchère, Représentante permanente, Genève

World Federation of Clerical Workers (WFCW)
Fédération mondiale des employés
Federación Mundial de Empleados

Ms. Ike Wiersinga, WCL-CMT World Federation of Clerical Workers, Amersfoort, Netherlands

Mr. Piet Nelissen, Executive Secretary, WCL-CMT World Federation of Clerical Workers, Brussels

World Federation of Trade Unions
Fédération syndicale mondiale (FSM)
Federación Sindical Mundial (FSM)

Sr. A. Avella, Representante Permanente, Ginebra

Sr. Luis Narváez García, Asesor Jurídico, Ginebra