



Introduction/background

Finsec represents over 1600 staff in Westpac, who have continually campaigned against targets and their impact on staff, customers and our community.

This submission is made on behalf of Finsec members and is based on the feedback members provided through a survey circulated by Finsec. We received 317 responses from Finsec members on the changes to targets for roles in the retail network for the new financial year 2008/2009. The responses originate from both metropolitan and provincial geographic regions.

New Zealand is in a recession, with nearly all economic forecasters predicting tightening for some time to come. Government guarantees for retail deposits and wholesale funding for financial institutions demonstrate that there are major concerns about the financial health of individuals, businesses and institutions. The banks have also agreed to act in good faith with regards to borrowers disadvantaged by rising unemployment and the recessionary economy. Raising targets at this time is arguably inconsistent with commitments made in exchange for government guarantees, and it is also arguably irresponsible given the origins of the credit crisis in sub-prime lending.

The housing market has slumped, retail spending is down, the combination of high food and oil prices is putting real pressure on household budgets and the ongoing effects of the credit crunch have made a big difference to the economic circumstances of customers and to the affordability of, and demand for lending and other associated products. Despite the recent reduction in the OCR, banks are retaining high interest rates, and justifying this on the basis of the increased cost of overseas credit.

New Zealand household debt is at record levels, and recent research (Consumer Credit Expectations Survey by Dun and Bradstreet) found that one





in four Kiwis expect to use their credit card to cover purchases they otherwise cannot afford in the next three months. The figure jumped to 31 percent from 22 percent in the last quarter, for those aged 18 to 49 and earning between \$30,000 and \$50,000.

Veda Advantage, New Zealand's largest credit information provider, reported in mid October a huge increase (24%) in the numbers defaulting on bills from the same month a year earlier. There was also a 32 percent increase in the number of telecommunications bill defaults in the first nine months of this year. While they reported increases in credit card applications, mortgage applications were down 17 percent, their lowest level in six years, and applications for other forms of debt were also down.

Given the current economic conditions, Finsec members are of the view that many of the changes proposed by the bank are unrealistic and will negatively impact on customers, staff and the business. Members do not believe that the bank's targets for the new financial year take into account the current economic situation.

Members that provided feedback are of the view these targets could create unnecessary stress, de-motivate staff, lead to unethical lending, compromise the quality of service being provided and disenfranchise customers by creating an environment where the drive will be to achieve quantity over quality. Such an outcome would be negative in our view and would result in unwelcome consequences for staff, customers and the bank.

Tellers

Tellers are concerned the increase in targets from 5 to 10 per week is unachievable. Many have commented it will all be about numbers and not the needs of customers.





Many also commented that customers are becoming dissatisfied with the constant questioning from staff about their banking needs and that this is negatively impacting on both customer service and satisfaction.

They also commented that the bank has encouraged staff to promote to customers alternative methods of banking (i.e. internet, drop box deposit, etc), which customers have taken up, but that also result in fewer customers in the branch.

The increase in targets creates added pressure on staff to achieve the targets with the same number or fewer customers.

Customer Support

Members in this role said the 50% increase in targets is unachievable in the current environment.

Staff would be constantly conscious of the number of targets they would be required to achieve and this would negatively impact on the quality of service being delivered to customers.

They strongly believe that customers will avoid coming into the branch and will become frustrated with the constant pressure from staff bombarding them with sales speak.

Customer Consultants and Home Loans Specialists

Members would like to acknowledge that the bank has not increased sales targets in this area, but they did comment that the changes in the weightings and scales will impact on their ability to meet their targets. They also have similar concerns outlined earlier about the impact of the current economic climate.





Members believe the bank needs to review its calculation of targets required on a weekly basis so that the annual number required is based on 45 working weeks per year.

General feedback

Member feedback is that the setting of unrealistic work standards and expectations through the target process will create a working environment where there is a significant risk of falling service standards and would create undue stress on employees.

Staff believe the bank's targets would lead to unethical lending, that the focus would move away from customer-needs based selling to a numbers-based selling game and that customers will be pressured into products they neither want nor need.

Respondents to the survey commonly expressed the concern that the changes would make it easier for the bank to manage staff out and to reduce the cost of bonus and incentive payments.

Members from smaller branches say they have already saturated their market base and they do not have the same opportunities as staff in sites with higher foot traffic.

In addition, there was substantial feedback that the customer NPS be amended so that the individual branch results are used as the measure rather than the region.

Many staff noted that staff shortages in their branches further impacts on their ability to reach targets, when they are continually overworked just keeping the branch going.





Potential negative impact of new targets

The potential consequences of the new financial year's targets being adopted as currently proposed are:-

- ✓ Lost time and productivity
- ✓ Increased stress
- ✓ Low staff morale
- ✓ Reduced levels of quality service
- ✓ Loss of experienced and trained staff who resign due to performance management related to not meeting targets, or to disagreeing with the changes brought about by targets
- ✓ Loss of knowledge through staff leaving Westpac
- ✓ Increased costs of appointing and training new staff
- ✓ Inability to capture new business due to insufficient staff being available within a reasonable time to meet with the customer

What changes are needed to ensure Westpac is a better place to work?

Many staff told us that the move to a competency based pay system is a positive step but that the increase in targets for the new financial year undermines this good work and will create unnecessary stress in this recession.

Staff would like to work in an environment which is positive, free from hazards, where they are respected and valued as individuals and team members and where they can focus on providing the best possible products and service to their customers.





In order to achieve this, the bank needs to seriously consider whether increases to targets, adjustment to weightings and scales is appropriate given the current economic environment in New Zealand and the feedback from staff that their targets in the previous financial year were only just achievable at a “stretch”.

Recommendations

Finsec and its members want to work pro-actively with the bank to remedy this situation and suggest the following as positive steps in that direction:-

- ✓ Targets remain the same as those set for the financial year 07 to 08 for all roles across the bank.
- ✓ The bank and Finsec agree to an annual consultation process on targets.
- ✓ The customer net promoter score is based on branch results rather than regional results.
- ✓ The subjectivity is removed from targets.
- ✓ The divisor is reduced to take into account 4 weeks annual leave, as well as other forms of leave (i.e. domestic, sick and bereavement leave as well as public holidays) – meaning that targets are set on a 45 working weeks per year basis.

Summary

In conclusion, members’ feedback suggests that the bank needs to seriously address the inequality that is created in a work environment by unreasonable demands placed on staff through targets. We would like to thank the bank for taking the time to consider the points made in this submission, and ask for a written response to each of the points raised.

