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Restructuring and the Psychological Contract in the Australian Banking Industry

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ABSTRACT: *This paper examines the employment trends in the Australian banking industry and assesses the impact of restructuring. How have the organisational changes in the big four banks affected the psychological contract? Utilizing quantitative and qualitative data from a survey of 1500 managers in one large bank, it concludes that the traditional psychological contract is crumbling. However, it has not been replaced by a new human resource management strategy by the big four banks who remain uncertain how to proceed in the current environment.*

INTRODUCTION

For Australian banking, the 1990's involved major HRM change. The degree of change meant significant change in employment levels and career structures. Banks could no longer guarantee their employees a job for life and steady progress in return for loyalty and effort. While deregulation produced a new competitive environment, bank managements were faced with the task of maintaining profitability while remaining competitive in the fiercely aggressive marketplace which emerged throughout the 90s.

Banks have encountered considerable difficulty in dealing with the changing environment. Burdened with costly infrastructure they have faced competition from new institutions whose service delivery mechanisms avoided the need for expensive branch networks. While banks were struggling to regain profitability lost following initial reactions to the deregulated environment, their competitors were concentrating on marketing strategies and product innovation. On the periphery of the financial services arena meanwhile hovered communication and software providers already beginning to offer financial services.

The banking industry's response to the changes occurring in the financial services industry has taken place at both macro and micro levels. At the macro level, banks have attempted to cope with increased competition through a process of consolidation/ rationalisation.

Over the last decade, deregulation has led to an intense spasm of consolidation and corporate restructuring unparalleled by few other industries (Aley, 1995). The recent recommendation by the Wallis Inquiry suggesting the scrapping of the 'six pillars' policy which up until now had constrained rationalisation within the Australian financial sector is likely to result in further merger activity. McDermott and Berry (1995) argue that industry consolidation is vital to the survival of the banking industry - offering opportunities to reduce the costs of financial service provision through elimination of redundant operations and by taking advantage of economies of scale. Hoeg (1995) takes a somewhat more pessimistic view suggesting that the merger boom will peak as deals become too expensive while banks will still be left facing a shrinking customer base.

At the micro level the response by individual banks has been complicated by the need to set in place means of recovery from severe loss of profitability in the early 1990's. Cost reduction strategies have involved Australian banks in two on-going conflicts - with their customers and with their employees. Post-deregulation measures taken by the banks in order to try to compete with new financial service entrants have alienated many customers. Reduced levels of personal service brought about by closure of branches and the push towards automatic tellers did not mesh well with the level of personal service expected by many bank customers. This reduction in face-to-face service levels also upset many bank staff who were removed from branch positions and placed in centralised areas such as loan processing or customer service.

The forces which have driven restructuring within the banking industry are discussed in the next section.

DRIVERS OF CHANGE

Restructuring in the Australian banking industry could be described as resulting from a combination of environmental, industry and organisational factors. These factors are set out in Figure 1 and are briefly discussed below in order to provide a context for HRM changes.

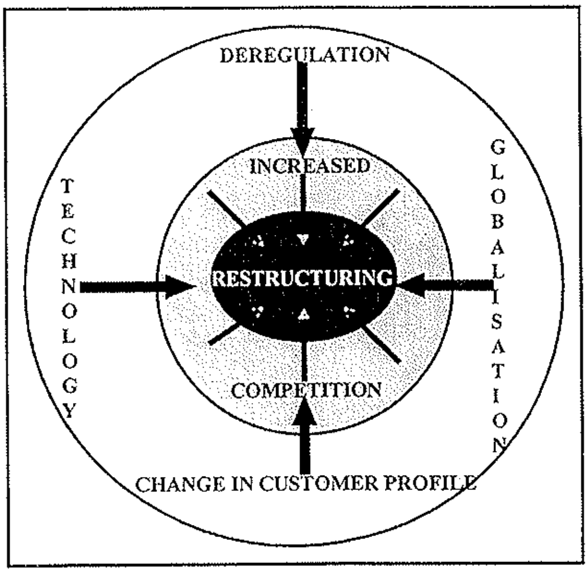


Figure 1: **Drivers of Change in the Australian Banking Industry**

Environmental Change

Environmental factors which have led to restructuring in Australian banking include deregulation, globalisation, technology and changes in customer profiles.

Deregulation

Until the 1980s, in Australia, the financial system comprised clearly segregated banking, building society and insurance sectors and limited competition between banks (Morris, 1986; Cressey and Scott, 1992). Heavy regulation of the finance sector was evidenced by interest rates set by government, rationing of finance for consumers and small business, rampant cross-subsidisation between consumers; and new banks being discouraged from entry (Williams, 1996).

Deregulation removed many of these barriers to competition leading to the need for banks to restructure in order to remain competitive.

Globalisation

The deregulatory process hastened the 'inevitable move toward a global financial system' (Lindsey, 1993). The 1980's saw invitations to sixteen foreign banks to operate in Australia and the recently concluded Wallis Inquiry has paved the way for foreign takeover of Australian banks including the big four (ANZ, CBA, NAB, WBC).

Technology

Takac (1996) claims that growth in card ownership and transactional activity in Australia resulted from financial institutions seeking sources of competitive advantage following deregulation. Technologically driven delivery systems in banking have been associated with a reduction both in number of employees and number of branches and a marked increase in the number of employees working in centralised service centres (Crutchfield, 1994). With the future of financial services certain to include smart cards, digital money and Internet transactions (Furash, 1996), such trends in employment are likely to continue.

Changes to Customer Profiles

Much of the increased demand for financial services has been caused by baby-boomers moving through middle age. However, this group of borrowers is expected to decrease by 10% by 2010 reducing growth rates in lucrative loan products such as home equity loans, mortgages and bank cards (Pare, 1995).

Demand for corporate borrowings is also likely to decrease because of -

- disintermediation whereby borrowing takes place directly from investors
- trend from manufacturing to service industries which tend to be smaller borrowers (Pare, 1995).

Customer behaviour has changed as well. Traditionally individuals selected a bank based on convenience as defined by branch location (Bottorff, 1995). Today's bank customer is increasingly willing to shop around between financial institutions (Lewis, 1991) with convenience being defined by anyhow, anywhere, anytime banking. This trend combined with customers' increasing acceptance of technology in accessing banking services (Wallis Inquiry, 1997) is likely to decrease the importance of branch networks.

More discerning customers together with a highly competitive market have forced banks to reduce net interest income, placing further pressure on infrastructure and staffing costs.

Industry Level

At industry level banks have attempted to cope with competition through consolidation and rationalisation which have the potential to further reduce staffing levels.

Boundaries between financial instruments and institutions have been blurred (Wallis Inquiry, 1997). Widely expanded product choice is offered by new entrants to the financial system. New competitors are emerging from outside the financial services sector and from overseas.

Banks have had difficulty in competing with the newer entrants to the financial services market. The most public face of competition has been the residential mortgage market (KPMG, 1996). Bank market share for housing finance approvals fell from 91% (1993/94) to 84% (1995/96) (RBA, 1997), despite the fact that bank lending is currently higher than at any time prior to 1992.

Organisational Level

As set out in Figure 1 the drivers of change described above impacted on the banks' restructuring strategies. The process was however complicated by recession and resultant bank losses at the beginning of the 1990s. Banks were restrained in their choices of competitive policy by the need to regain profitability. Throughout the late 1980s and early 1990s the focus shifted from market and asset growth to cost control and improvements to shareholder value. Benchmarking with US banks suggested three fundamental weaknesses (Takac, 1996) -

1. Processes were found to be inefficient and expensive.
2. Distribution, branches in particular, was a major cost line offering strong opportunities for improvement.
3. Anticipated efficiencies resulting from technology-delivered services had largely not materialised.

Increasing profit levels involved cost reduction or revenue generation or both. The lure of downsizing is always the apparent quick return available from cost reductions. Within the banking sector competition negated the possibility of decreasing interest expense by reducing interest on deposits so the focus of cost reduction turned to personnel and infrastructure costs. Rationalisation of branch networks provided banks with a means of reducing both capital and personnel costs and most major bank branch networks underwent restructuring during the early and mid 1990s.

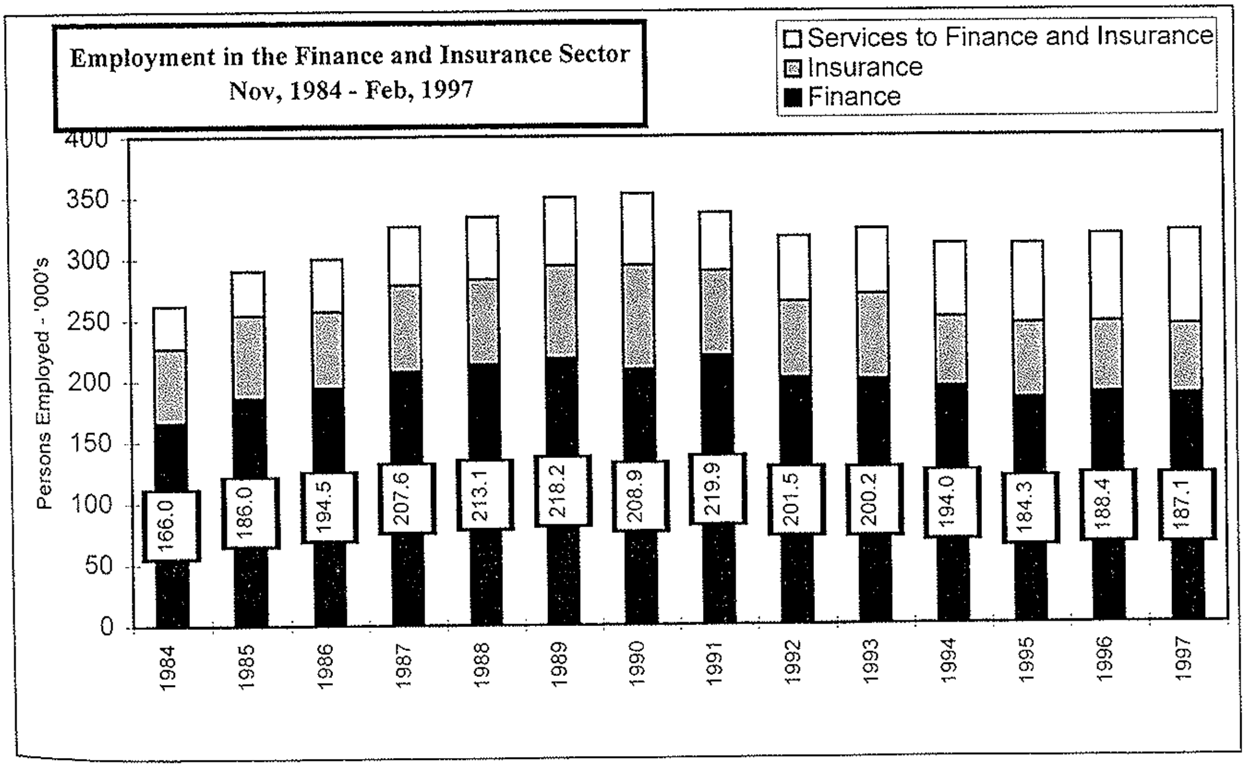
While branch rationalisation reduced demands on staffing, downsizing initiatives removed many managerial positions and increased automation and centralisation of processing further reduced the number of full-time staff required. The effect on employment trends in Australia's four major banks is discussed in the next section.

EMPLOYMENT TRENDS - DOWNSIZING AND DELAYERING

Deregulation had a marked impact on banking employment. In the post deregulation, intensely competitive environment of the 1980s, loan growth surpassed GDP growth by a wide margin Employment in the finance and insurance industry Figure 2) grew at double the rate of the country's workforce - with employment in the finance sector alone increasing by 32% between November 1984 and November 1990.

Finance industry employment peaked in 1991. Then came the crashes of the early 90s. Financial institutions struggled to regain profit margins and dramatic cost cutting moves were implemented.

Figure 2: Employment in the Finance and Insurance Industry Nov 1984 - Feb 1997



S, 1996, *1978-1995 Labour Force Australia*, Catalogue No 6204
ABS, 1997, *Labour Force Australia*, April, Catalogue No 6203.0)

Since personnel costs typically account for about 55-60% of total expenses (Colwell, 1991; Cannals, 1993), a primary consideration in cost-cutting was the reduction and restructuring of employment. Between November 1991 and November 1995 finance sector employment dropped by 15%. The implication of industry employment trends on Australia's four major banks is depicted in Figure 3. Full time equivalent staff numbers for the period 1991-1996 show the extent of job losses in the four major banks.

It can be seen that three of the major banks (CBA, ANZ and WBC) downsized by 25%, 14% and 20% respectively over the six years. The NAB was the one bank to resist this trend (+18%). This leaves an aggregate loss of over 20,000 jobs.

Part of the decrease in employment in the big four over the period 1991-1996 is associated with the rationalisation of branch networks (Figure 4).

Over this period, rationalisation decreased the number of branches operated by CBA and WBC by over 20% while the number of NAB branches decreased slightly and ANZ branch numbers showed a slight increase.

In summary -

- the big four banks downsized significantly over this period;
- downsizing reduced a greater proportion of subordinate jobs than management jobs;
- three of the big four (ANZ, CBA and WBC) deliberately pursued a strategy of delayering;
- despite the delayering trends, the percentage of management jobs rose rather than decreased.

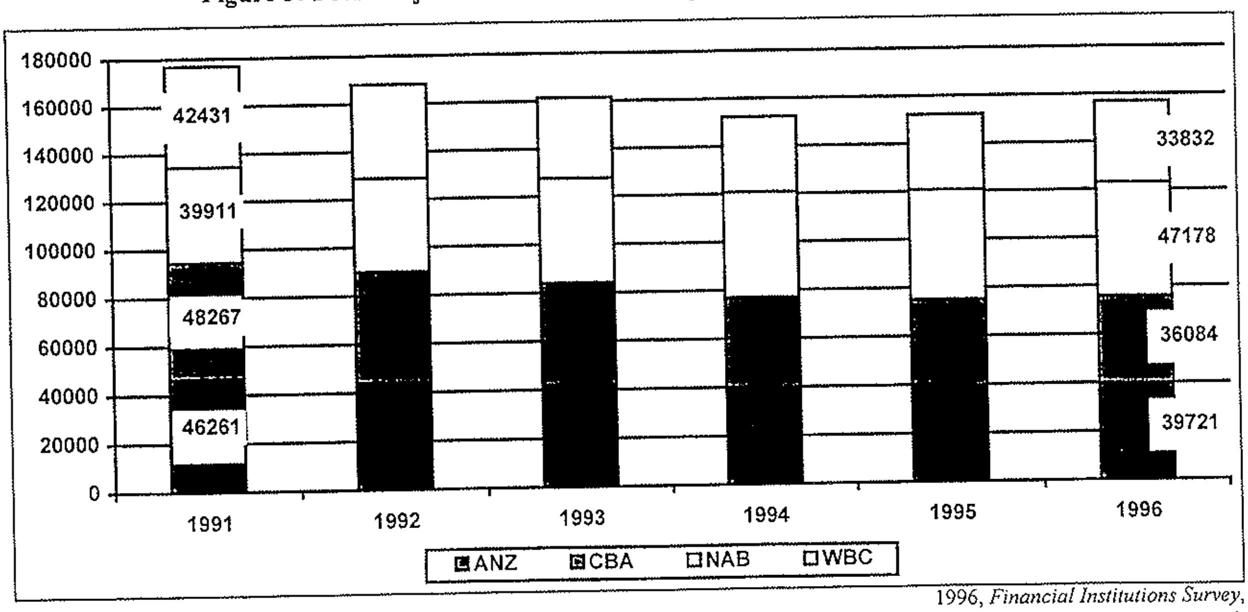
The changes discussed in the previous sections have led to what Sparrow (1996) describes as 'schizophrenia' in bank human resource policies and practices. Uncertainty appears to exist about the future role of bank branches, managers and staff and whether branches become simple sales outlets or re-empowered deliverers of a wide range of customer-focused services. This uncertainty has been associated with changes in the relationship between banks and their employees.

Having briefly discussed employment trends in the big four banks, we are concerned to focus on the issue of changing psychological contracts. In order to do so, we need to examine the concept of a "psychological contract".

PSYCHOLOGICAL CONTRACT

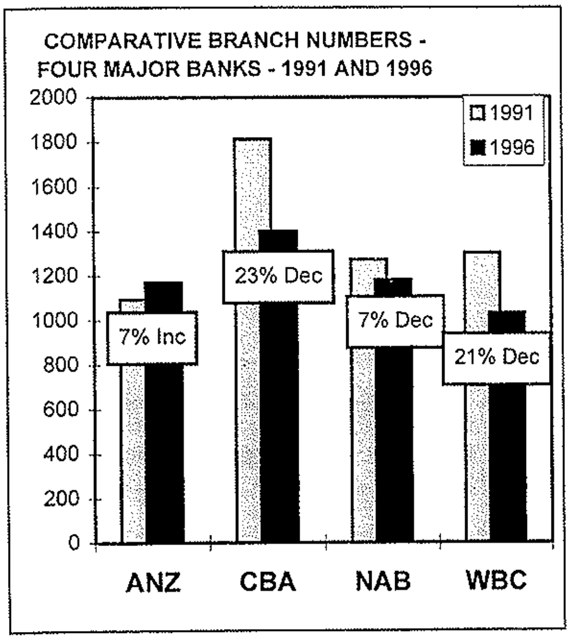
The concept of psychological contract proves a useful framework for studying the employee-employer relationship (Ruden, 1995).

Figure 3: Four Major Banks - Full Time Equivalent Staff - 1991-1996



1996, *Financial Institutions Survey*,
CBA, 1996, *Annual Report* p 46,
NAB, 1996, *Annual Report*, pp 42-43,
WBC, 1996, *Annual Report*, pp 31-32)

Figure 4: Branch Numbers 4 Majors 1991-1996



(RBA Bulletin, 1991, September, p S19,
RBA Bulletin, 1996, September, p S35)

In times of globalisation, restructuring and downsizing, psychological contracts are playing an increasingly important role in contemporary employment relationships (Robinson, 1996). As organisations face pressure to make rapid and constant changes, they have had to alter employment relationships and the psychological contracts that underlie them. Rousseau (1990) describes the psychological contract as the

> *set of expectations held by the individual employee that specifies what the individual and the organisation expect to give and receive in the working relationship*

Research has shown that the relational psychological contract is characterised by mutual obligations with employees obliged to show loyalty and organisations obliged to provide job security (Ruden, 1995).

Robinson (1996) suggests that an employees perception of the psychological contract is likely to centre around employer obligations in respect to the following -

- high salary
- promotions and advancement
- pay based on performance
- long-term job security
- sufficient power and responsibility
- training and
- career development

Changes in this set of unwritten reciprocal expectations between an employee and the organisation (Sparrow, 1996) are increasingly assumed to have implications for employee behaviour in response to organisational attempts to manage careers, reward and commitment. Benson (1994) claims that reorganised or restructured organisations, especially previously large, highly stable firms; are highly vulnerable to the 'reorganisation fallout' of negative human consequences which decrease productivity, efficiency, quality, and employee morale. Employee commitment has also been shown to be influenced by the psychological contract Sangkaman (1995). Since banks are 'large, reorganised, restructured and previously highly stable', investigation of the psychological contract may bear strong relevance.

A number of authors have drawn distinctions between 'old' and 'new' psychological contracts - see Figure 5 - (Ehrlich, 1994; Kissler, 1994; Morrison, 1994; Rousseau, 1989, 1995; Rousseau and Greller, 1994; Sims, 1994; Sparrow, 1996) and many of the changes from the old to the new contract can be identified in aspects of human resource practice in Australian banks

Figure 5: Old Versus New Psychological Contract

	OLD CONTRACT	**NEW CONTRACT**
Change environment	Stable, short term focus	Continuous change
Culture	Paternalism, time-served, exchange security for commitment	Those who perform get rewarded and have contract developed
Rewards	Paid on level, position and status	Paid on contribution
Motivational currency	Promotion	Job enrichment, competency development
Promotion basis	Expected, time-served, technical competence	Less opportunity, new criteria, for those who deserve it
Mobility Expectations	Infrequent and on employee's terms	Horizontal, used to rejuvenate organisation, managed process
Redundancy/ tenure guarantee	Job for life if perform	Lucky to have a job, no guarantee
Responsibility	Instrumental employees, exchange promotion for more responsibility	To be encouraged, balanced with more accountability, linked to promotion
Status	Very important	To be earned by competence and credibility
Personal development	The organisation's responsibility	Individual's responsibility to improve employability
Trust	High trust possible	Desirable, but expect employees to be more committed to project or profession

(Sparrow, R. 1996, Transitions in the Psychological Contract: Some Evidence from the Banking Sector, *Human Resource Management Journal, Vol 6, No 4*, p 77)

A 1996 study by Sparrow of 200 employees of a UK bank concluded that 'the violated psychological contract had produced an introspective frame of reference'. In this situation the negative shift in the trust/commitment continuum is likely to see employees respond to the increasingly limited offer of employment for life and career development by withdrawing down the commitment scale.

Similar results came from a study by the Institute of Personnel Development which surveyed 1000 private and public sector employees. The IPD report based on this study argues that the intensification of work and radical change affecting working lives threaten employees' expectations of job security and career development and are detrimental to the psychological contract. Although the workers surveyed continued to offer some degree of loyalty to their employer, more allegiance was displayed towards their fellow employees (Pickard, 1995). The report suggests that this situation is likely to severely undermine employees' identification with the organisation's values and norms (IRS Employment Review, 1996).

The US literature (eg Kanter and Mirvis, 1989; Altman and Post, 1996; Robinson, 1996) suggest that

> *the traditional employment relationship of long-term job security in return for loyalty is becoming extinct..and that employees are now cynical and unwilling to trust the promises of their employers in this era of downsizing and organisational change..*

The potential negative outcomes of a shift in the psychological contract prompted us to investigate the state of the psychological contract in one of Australia's four major banks.

ONEBANK DATA

Background

Based on a review of the literature in respect to the psychological contract and on an in-depth study of empirical data relating to the banking industry, we undertook, as part of a larger study, an investigation of the impact of the restructuring process on the psychological contract at a major Australian bank (hereinafter referred to as ONEBANK).

Evidence for our study was obtained through interviews with ONEBANK head office staff as well as extensive interviews and focus groups with managerial staff. Information from the focus groups formed the basis for a questionnaire survey of ONEBANK staff at assistant branch manager level through to state general manager. 862 managers responded providing us with a response rate of 78.4%.

Over the period 1993-1995 ONEBANK had implemented its RWP program. This constituted a major restructuring exercise aimed to -

- improve competitiveness by reducing operating costs (principally through rationalisation of branch numbers)
- implement a sales culture focused on business and high income customers
- implement new technology and
- eliminate a "public service mentality"

RWP resulted in a reduction in branch numbers from 1740 to 1390 over the period of implementation. Several layers of management, including regional and zone administration were abolished. Back office operations such as customer service and loan processing were centralised in key sites to capitalise on economies of scale. The focus of branch operations changed to sales and cross-selling of a range of bank products.

All positions from senior management to bank teller were spilled and staff invited to apply for the positions that remained. In the process approximately 10000 branch jobs were lost and about 4500 new jobs created in the new central processing sites. Full-time employment fell by 16% while part-time employment increased by a similar percentage.

Payouts and restructuring costs during the period of RWP amounted to $188 million. However, in terms of operating efficiency, RWP resulted in considerable financial success as shown in Table 1. The 6.1% reduction in cost/income ratio was bettered by only one of the other major banks.

Table 1: Productivity Before and After RWP

Productivity Measure	1992/3 (before RWP)	1995/6 (after RWP)
Operating Income per FTE	$103168	$135739
Staff Expenses/Total Operating Income	38.4%	32.3%
Total Operating Expenses/Total Operating Income	66.7%	60.6%

(ONEBANK, 1996, *Annual Report*)

Investigating the Psychological Contract

Since the psychological contract comprises a set of reciprocal *perceived* obligations we investigated ONEBANK's espoused obligations to staff.

The 1996 Annual Report (p39) stated that ONEBANK's obligations towards their employees were:

> *..to provide safe, challenging, and rewarding employment to help ensure that the efforts of employees are directed to improving the business*

Since operationalisation of the aspects of employment included in this statement corresponded closely with the variables identified by Robinson (1996) as the most common features of employees' perceptions of the psychological contract, we employed a modified version (Figure 6) of Robinson's list of variables in our study . The modifications were made to enable the inclusion of work rewards identified as highly valued by managers who completed the questionnaire and to incorporate some of the aspects of employment at ONEBANK which were frequently mentioned in interviews with managerial staff.

The next step was to employ the qualitative and quantitative data obtained throughout the survey to assess employees' perceptions of the psychological contract at ONEBANK following RWP.

Figure 6: Operationalisation of Psychological Contract

Robinson's list of variables affecting the psychological contract	Modified list of variables used in the current study
High salary	Pay
Promotions and advancement	Promotion
Pay based on Performance	-
Long term job security	Job security
Sufficient Power and Responsibility	Responsibility/Autonomy
Training	Training
Career development	Opportunity for personal growth
	Terms and conditions of employment
	Management attitude to staff (paternalism)
	Workload
	Sense of achievement
	Opportunity for staff input
	Recognition

Based on information collected from managers and on data collected through the questionnaire it could be stated that employees' perception of the psychological contract between ONEBANK and themselves could be represented as set out in Figure 7.

Figure 7: Employee Perceptions of Psychological Contract at ONEBANK

EMPLOYEE contributes	PSYCHOLOGICAL CONTRACT	EMPLOYER contributes
Reasonable level of effort Reasonable level of performance Commitment to their employer Loyalty to their employer		Equitable pay Opportunity for promotion Job security Responsibility Autonomy Training Opportunity for personal growth Reasonable terms and conditions of employment Opportunity for staff input Reasonable workload Recognition

Overview of Staff Attitudes

The study revealed considerable dissatisfaction amongst ONEBANK staff in respect to management policies at the time of the survey. 55% of managers surveyed were either fairly dissatisfied or very dissatisfied with present management policies. Such dissatisfaction did not necessarily indicate a shift in the psychological contract. However further investigation (Table 2) revealed that employee satisfaction with future career prospects were significantly lower than their career satisfaction to date ($p<.01$). This would suggest a shift in the psychological contract.

Table 2: Past and Future Satisfaction with Career

Satisfaction Level	Past	Future
Very satisfied	10.%	0.9%
Fairly satisfied	54.1%	18.4%
Neutral	14.9%	20%
Fairly dissatisfied	15.7%	34.6%
Very dissatisfied	4.9%	26.1%

Much of the qualitative data also referred to a perceived shift in the psychological contract. The following comments are typical of those made in respect to ONEBANK's attitude towards staff -

The bank is no longer loyal to its staff. It seems to be driven by the need to increase profit. Staff are expected to give more while the bank at the same time appears determined to reduce benefits.

No matter how good our results/achievements are, they are never good enough for the bank. When the targets are exceeded we now hear of 'stretch targets'.

Further analysis of data relating to each of the variables identified for use in Figure 7 revealed the following:

Perceptions of Employer Obligations

Pay

Respondents indicated slight dissatisfaction with current levels of pay (Mean = 3.32) and 56% of respondents expected a decrease in pay relative to their work within the next two years.

Opportunity for Promotion

In addition to the 61% who indicated that they were dissatisfied with future career prospects (Table 2), a large number of responses to open ended questions referred to lack of opportunity for personal growth and lack of promotional opportunities eg

Lack of career pathing no encouragement to remain in department. Lack of acknowledgment, management not committed to staff development. Lack of communication and training.

Job Security

Many of the responses to open-ended questions related to lack of job security eg

Lack of career path and little job security

A significant number of employees ($p < .05$) also anticipated a decrease in job security over the next two years.

Responsibility, Autonomy, Workload, Responsibility for Staff, Range of Duties

Table 3 summarises findings in respect to a number of related variables. Variables included here relate to the degree of challenge inherent in the employee's job.

Table 3: Variables Relating to Challenging Employment

	Effect of RWP	Current Satisfaction	Future Expectations
	1 = increase 3 = decrease	1 = very sat 5 = very dissa	1 = v likely, 5 = v unlikely
	mean	mean	mean
Level of responsibility	1.57	2.48	2.30 (dec)
Autonomy	2.02	2.65	3.55 (dec)
Workload	1.20	3.33	4.39 (inc)
Number of staff	2.09	2.32	3.7 (dec)
Range of duties	1.50	2.61	4.79 (inc)

Although moderately satisfied with current levels of responsibility, respondents indicated that RWP had increased responsibility level which were anticipated to increase further within the next two years.

RWP was reported as resulting in a slight decrease in autonomy for those surveyed and it was considered likely that autonomy levels would be further reduced within the next two years.

Training

In respect to other variables relating to the challenge posed by employees' jobs, considerable dissatisfaction was expressed in respect to training. Two thirds of staff felt that staff had been given too little training with new procedures while a similar percentage considered this situation unlikely to change.

Terms and Conditions of Employment

A moderate level of satisfaction existed in respect to current terms and conditions of employment. However 88% of respondents expected a deterioration in terms and conditions of employment over the next two years. Most employees (77%) felt that RWP had increased the number of hours they worked while 83% reported that RWP had increased stress levels which 90% of respondents expected to increase still further within the next two years. Investigations of stress levels prior to and after RWP revealed a significant ($p < .025$) increase in reported stress.

A number of responses to open-ended questions revealed further dissatisfaction with terms and conditions of employment eg

the bank is continually divising ways of downgrading our conditions of employment but expecting more from us..

Opportunity for Staff Input

In respect to opportunity for staff input, considerable strength of feeling was evidenced. 85% of respondents disagreed with the statement 'Head Office is quite in touch with what is happening at branch level' and a similar percentage of respondents felt that they would not be consulted about any future changes affecting their job.

Recognition

Recognition was considered an important job reward. A number of responses to open-ended questions indicated strong feeling toward lack of recognition eg

At least work effort was recognised prior to RWP - now it's expected 'or else'

Perceptions of Employee Input

Effort and Performance

Respondents reported significantly higher levels of effort following RWP accompanied by significantly lower levels of perceived performance (Table 4).

Table 4: Pre and Post RWP Effort and Performance

Aspect of Employment	Before RWP mean	After RWP mean	z-value	p
Effort	1.65	1.46	4..42	<.01
Performance	1.70	1.99	-6.35	<.01

The drop in performance levels may be related to increased workloads, increased hours of work and increased stress levels as indicated in the previous section. When disparity occurs between effort and performance, employee's sense of achievement and job satisfaction often suffer. This was shown to be the case with many of the managers surveyed. 64% of respondents indicated that RWP had decreased their level of job satisfaction.

Commitment

Commitment levels were rated on a 1 to 5 scale with 1 equating to very high and 5 equating to very low. Commitment at all levels had decreased (Table 5). It was noted that commitment to employee's branch or department had not fallen to the same extent as employee commitment to their job or to ONEBANK and its goals as a national organisation. Of most immediate concern to ONEBANK may be the fact that commitment to the bank and its goals as a national organisation has fallen more significantly than other measures of commitment as well as being the lowest of the three commitment levels.

Table 5: Levels of Commitment Before and After RWP

	Before RWP mean	After RWP mean	z-value	p
Commitment to job	1.52	1.93	-9.28	<.01
Commitment to branch/dept	1.61	1.81	-4.29	<.01
Commitment to ONEBANK and its goals as a national org	1.93	2.39	-9.39	<.01

Decreases in commitment occurred despite the fact that 83% of those surveyed considered RWP essential for the long-term success of the bank and a further 76% reported that they were fully committed to making RWP a success.

CONCLUSIONS

The problems encountered by ONEBANK which led to the implementation of RWP are not unique to the organisation nor indeed to Australian, US or UK banking. The 1990s have been described by Cressey and Scott (1992) as 'watershed years' with the 'three stabilising pillars' of stable employment, clear career structures and industrial relations coming under simultaneous attack. Patterns of HRM in the banking sector are in a period of transition (Sparrow, 1996). Hunter (1995) suggests that banks are faced with a choice between two alternate HR strategies ie:

1. to continue the shift towards empowerment and built high-performance work systems; or
2. to pursue a control model by maintaining costs and avoiding detrimental declines in quality or lost sales opportunities

The choice of HR strategy will impact upon employee's perception of the psychological contract with their employer as will failure to clearly identify the HR policy to be followed. The 'old' psychological contract identified with banking was characterised by 'steady financial rewards, investment in training and expectations of advancement, in return for hard work and loyalty' (Sparrow, 1996), Such a contract was perpetuated in a period of full employment, stability, growth and predictability but would be difficult to sustain in the current dynamic financial services sector.

The survey has revealed some negativity by managers surveyed in respect to a perceived shift in the psychological contract between themselves and ONEBANK with data leading to the conclusion that, following RWP, employees believe they are contributing more for less.

What has protected ONEBANK from loss of managerial staff is the fact that other major banks have also undertaken restructuring initiatives and it may be that employees believe that it would be difficult to better their employment conditions with one of ONEBANK's competitors.

The most problematic aspect of the findings of the current study for ONEBANK may be the falling levels of commitment and employee's perception of lower levels of performance.

These two findings together with a pessimistic attitude towards employment at ONEBANK over the next two years would suggest that senior management should take steps to improve employee's sense of trust. The majority of ONEBANK managers are highly committed to the change process. What they appear to require is more open communication and the opportunity to provide more staff input into the process, particularly in respect to resource issues.

The concluding statement to Robinson's (1996) study may provide good advice for bank management:

If restructuring and downsizing continue to be facts of organisational life, than the challenge for managers is to learn how to navigate such changes in a way that preserves employees' sense of trust. By effectively managing employees' trust, organisations may be able to avoid the negative ramifications of psychological contract breach.

REFLECTIVE COMMENT

Is HRM restructuring in banking a myth? At one level, clearly not. At another level, maybe. In previous decades the automobile industry has been the paradigm of change. At present, there is a danger that banking is being taken as the paradigm of restructuring - as a signal indicator of the collapse of hierarchies and internal labour markets. However, ILM's were always limited in the Australian labour market.

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