



Anticipating and managing
the impact of change

**Restructuring trends in retail
banking: Case study on Novo Banco
(Portugal)**

[Going digital: Restructuring trends in
retail banking](#)

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Introduction

This case study analyses the restructuring process in Novo Banco – a private bank born in 2014 upon the resolution of the Banco Espírito Santo S.A. (BES) as a transitional bank, wholly owned by the Resolution Fund (Fundo de Resolução), a Portuguese public law legal entity, providing financial support for resolution measures applied by the Bank of Portugal (Banco de Portugal - BdP). The Novo Banco restructuring process is divided in two phases: the first phase started formally in 2015 when the Restructuring Plan was agreed with DG COMP (EU), the European Central Bank and the Portuguese Government. The second phase started in 2020 and is still on-going. This second phase is closely linked to the bank profitability, following the approval of the Strategic Plan 2019-2021, which aims at implementing a new commercial distribution model with implications in the renewal of the physical network and in rejuvenating and enhancing human resources of the bank.

The restructuring process has been mainly implemented unilaterally by the management. In order to fulfil the targets set by the approved restructuring plan, the Novo Banco adjusted its costs, by closing branches and reducing staff mainly on the basis on mutually agreed terminations and early retirement leaves. No specific measures to support the affected workers were developed.

The restructuring plan of Novo banco has been heavily criticised by the National Commission of Novo Banco's Workers (Comissão Nacional de Trabalhadores do Novo Banco - CNT) and the trade unions of the sector, since the workers and their representatives were not involved or consulted in its design and implementation. The social dialogue overall is seen as difficult and lacking transparency.

National level: context and sectoral trends

Since 2020, the Portuguese economy has been experiencing severe changes particularly due the impact of the measures enacted to contain and mitigate the COVID-19 pandemic: the ‘state of emergency’ was renewed eight times, successively, without interruption lasting until the 30 of April 2021, with the temporary closure of specific economic activities and the imposition of a lockdown and limitations on people’s mobility within the country and across borders.

In 2020, despite various measures to prevent dismissals and company closures, registered unemployment in job centres increased from about 320,000 in January, to 402,254 people in December (+25%), and increased by about 29.5%, compared with 2019 (GEP/MTSSS, 2021).

A significant wage loss was avoided through the implementation of some income protection measures - layoff or short-time schemes. In 2020, the number of establishments/employers benefiting from layoff schemes increased 757% (from 33, in January 2020, to 283 in December 2020) (GEP/MTSSS, 2021).

Over the year 2020, the number of workers covered by layoff measures (temporary suspension of work and reduction of working time) increased significantly from 940 in January to reach the highest number of 8,435 workers in September 2020 and decreased in the following months to reach 6,748 workers, in December 2020 (GEP/MTSSS, 2021).

According to Statistics Portugal (Instituto Nacional de Estatística - INE), 2020 became the year with the biggest contraction in economic activity since 1995. In 2020, the GDP dropped by 8.4%, after seven years of consecutive growth. This evolution is mainly explained by the negative contribution of the domestic demand, mostly due to the sharp fall in private consumption. Net external demand also had a more negative contribution compared with 2019, due to the more significant reduction in exports, especially tourism, than in imports (INE, 2021). The Portuguese economy experienced the most significant fall in activity during the first lockdown period (Q2 2020) when GDP fell 16.5% (INE, 2020).

In 2021, the Portuguese economy has been showing signs of a slight recovery, which translates into an increase in employment and a reduction in the unemployment rate to levels below pre-pandemic levels. In the third quarter of 2021, unemployment dropped to 6.1%, less 7 p.p. than in 2020.

Table 1. Economic indicators (2015-2021)

	2015	2016	2017	2018	2019	2020	2021
GDP (% of change)	1.8	2	3.5	2.8	2.2	-8.4	4.5 ¹⁾
Unemployment rate	12.4	11.1	8.9	7	6.5	6.8	6.1 ²⁾
Employment rate	63.9	65.2	67.8	69.7	70.5	69	56.1 ²⁾

Note: ¹⁾ Estimation. ²⁾ Data for 3rd quarter 2021.

Source: Statistics Portugal, available at: https://www.ine.pt/xportal/xmain?xpid=INE&xpqid=ine_main

In December 2021, Banco de Portugal raised its forecast for GDP growth over the period 2022-2024: this is expected to reach 5.8% in 2022, 3.1% in 2023 and 2% in 2024 (BdP, 2021).

Following this national level data, it is crucial to address the commercial banking sectoral level context.

In Portugal, the commercial banking sector is mainly private. The Caixa Geral de Depósitos is the only public bank operating in Portugal.

The Associação Portuguesa de Bancos - APB (Portuguese Banking Association) is the main representative of the banking sector in Portugal. APB was founded in 1984 and currently has 24 members, accounting for over 90% of the assets in Portugal's banking system.

The APB produces and discloses publications on a regular basis that systematises and contextualizes the evolution of the banking sector activity in Portugal, in particular of its associates.

At the end of 2020, the Portuguese banking system comprised 145 institutions, 60 of which were banks (including 30 branches of foreign banks), 82 mutual agricultural credit banks and three savings banks. The number of bank employees stood at around 1% of the total active workforce, with the five largest banks accounting for 77% of total assets (EBF, 2021).

Table 2. Credit institutions, branches and number of workers (December 2015- December 2020)

	2015 ²⁾	2016	2017	2018	2019	2020
Credit institutions	159	157	152	150	148	145
- Banks	67	65	61	60	60	60
- Mutual agricultural saving banks	88	88	87	86	85	82
- Saving banks	4	4	4	4	3	3
Workers	50,110	47,136	47,031 ¹⁾	46,683	46,444	45,889
Branches	5,127	4,739	4,411	4,054	4,029	3,827

Note: ¹⁾ data for September 2017. ²⁾ Data for November 2015.

Source: Portuguese Banking Sector Overview - [2020](#), [2019](#), [2018](#), [2017](#), [2016](#), [2015](#) - Portuguese Banking Association – APB. APB's associates (branches, employees) and Banco de Portugal (credit institutions).

In the last two decades, the Portuguese banking sector experienced important challenges, particularly evident in the framework of the economic and financial crisis of 2008. In consequence of the crisis, on 11 May 2011, the Portuguese Government was forced to sign the Memorandum of Understanding on specific economic policy conditionality with the European Commission, the International Monetary Fund, and the European Central Bank ('TROIKA'). The State support funds were reinforced under the Programa de Assistência Económica e Financeira 2011-2014 (Economic Adjustment Programme for Portugal), which included a €12 billion that was allocated to the Bank Solvency Support Facility and €7.25 billion of this facility have been called upon for the recapitalisation of four banks: Banco Privado Português (BPP), Banco Português de Negócios (BPN), Banco Internacional do Funchal (BANIF) and Banco Espírito Santo (BES)¹⁾(OECD, 2017).

¹⁾ Banco de Portugal decided to transfer most assets and liabilities of BES to the newly created bridge bank 'Novo Banco', which received a €4.9 billion capital injection from the Portuguese Resolution Fund, which in turn received a €3.9 billion

The progress made by the Portuguese banking sector after the great financial crisis of 2008 has proved extremely important in the current context of the pandemic crisis. According to the Portuguese Banking Association (Associação Portuguesa de Bancos – APB), the banking sector is better prepared and more resilient, especially in terms of liquidity and solvency, and has been playing a critical role in supporting the economy’s financing and liquidity needs in the context of COVID-19 (APB, 2021).

Employment trends

Data from Banco de Portugal show that the number of workers from banking institutions has been falling over the years. In 2020 there were 45,745 workers in the Portuguese banking sector, representing a decrease of 5.2%, compared with 2015. The job cut affected particularly men: in 2020 there were 8.8% fewer male workers, and 1.4% fewer women than in 2015.

The banking sector has sought to rejuvenate its workforce. However, despite the evident decrease of the older workers (less 13.7% in 2020 compared with 2015) and the increase of the number of young workers aged up to 29 (that increased 89.6% between 2015 and 2020), the group of young workers still represents a small percentage of the total workforce (9%).

Between 2015 and 2020, an increase in 9.9% in workers with higher education and a significant decrease in the lower education levels is evident: less 50.5% workers with basic education and less 21.3% workers with secondary level education.

Table 3. Banking institutions - branches and number of workers, 2015-20

		2015	2016	2017	2018	2019	2020
Branches		4,995	4,454	4,411	4,128	4,029	3,827
Total Workers		48,278	46,227	46,478	46,683	46,444	45,745
Sex	Male	24,928	23,577	23,504	23,481	23,211	22,725
	Female	23,350	22,650	22,974	23,202	23,233	23,020
Age group	< 30 years old	2,129	2,395	2,736	3,156	3,610	4,037
	30-44 years old	24,980	23,036	22,100	20,859	19,376	17,631
	> 44 years old	21,169	20,796	21,642	22,668	23,458	24,077
Level of education	Basic	2,774	2,542	2,210	1,903	1,620	1,374
	Secondary	18,072	16,469	16,006	15,580	14,820	14,222
	Higher	27,432	27,216	28,262	29,200	30,004	30,149

Source: Banco de Portugal, available at:

https://www.bportugal.pt/sites/default/files/series_longas_setor_bancario_portugues_1990_2020.xlsx

The evolution of human resources in the banking sector reflects the ongoing processes of restructuring, in a context of profound changes in the banking sector, seeking the improvement of

loan from the State. Privatisation plans existed for Novo Banco. The budget impact of the BES rescue in 2014 was 2.8% of the Portuguese GDP (OECD, 2017).

the operating efficiency. This evolution has also been driven by the need to tackle the challenges posed by the digital transformation processes and technological innovation, among others, driven by the 2008 financial and economic crisis and reinforced by the current pandemic crisis.

Drivers of change

In the present and over the latest decade, the financial sector has faced constant challenges, especially those linked to digitalisation. The banks are trying to adapt to new needs through the simplification of their processes, making them less bureaucratic and by reducing costs. Portugal is moving from an electronic card-payment system to a digital payments system, mainly via smart phones. MB Way is the main payment application in Portugal. Additionally, the account aggregation services that allow their customers to access their integrated bank account information held with other credit institutions are already implemented. The use of digital tools seeks not only a better and closer relationship with the customers, but also a cost reduction, through the simplification of its operational processes and number of employees, which involved cutting jobs and closing branches, but also seeking for skilled professionals. At this level, the digital transformation is a priority for the Portuguese financial institutions and strong progress has been observed.

According to APB, internet banking users have increased from 38.1% in 2010 to 60.1% in 2020. Moreover, in 2019 61% of internet banking customers used mobile networks and in 2020 69.2% of current accounts had online access (APB, 2021a). The number of payment cards issued totalled 21.9 million and the amount of online purchases represented 12.8% of card purchases, which compares to 7.5% in 2019. Card payments using the contactless technology increased significantly and grew by 163% in volume and 271% in value, in 2020. At the end of 2020, approximately 32% of purchases in terminals (19.4% in terms of value) were made using this technology (BdP, 2021).

Digital banking and FinTech companies (Financial Technologies) are effectively changing the relationship between banks and their customers. Fewer and fewer costumers seek for a face-to face contact (in branches) and this behaviour will be reinforced over the next few years, as the younger generations have a greater enthusiasm for using new technologies. Therefore, as consequence the number of the branches is decreasing, as well as the number of employees. Between 2015 and 2020 a total of 1,168 branches have been closed and 2,533 workers lost their jobs.

The closing of branches and the reduction of the ATM network increasingly have been put at risk the satisfaction of a basic financial need, access to cash, whose distribution, unlike other services, cannot be ensured by technological communication channels. This action particularly affects more peripheral and/or rural areas and the most vulnerable population without digital skills.

Banks, acting legitimately in their own interest, are leading to the gradual elimination of an essential service for the population, limiting the payment options available to economic agents and promoting specific situations of financial exclusion (BdP, 2021c). To minimise the negative effects of this action, in 2017, after the closure of many branches in rural areas, Caixa Geral de Depósitos (CGD) presented its mobile branch², a van that provide banking services in locations where the bank does not have branches. Later, Banco Português de Investimento (BPI) inaugurated its mobile branch³ with a route in the Alentejo region, one with the most ageing population.

² For more information: www.cgd.pt/Institucional/Sala-de-Imprensa/2017/Pages/Caixa-apresenta-balcao-movel.aspx

³ For more information: www.bancobpi.pt/grupo-bpi/onde-estamos/balcao-movel

The report published by Banco de Portugal on financial and digital inclusion and banking product choice in Portugal (BdP, 2021d), which assesses data collected at the start of 2020 for the third survey on the financial literacy of the population, underlines that the Portuguese people have a high level of financial inclusion: approximately 70% of respondents are at the highest level of financial inclusion, given that they regularly use their current account and have other financial products, in particular time deposits (41.6%) and credit cards (36.2%). The share of respondents who knows about the existence of basic bank accounts is significant (50.9%). More than one-fifth (23%) knows this account exists and that in order to access to it, the customer must hold a single current account in the banking system, which is a significant increase from 2015 (4.9%) and 2010 (1.4%). In terms of digital financial inclusion, nearly half of respondents use the digital channels (home banking or app) provided by institutions to access the current account and other banking products and services. There are considerable differences between age groups. Of those aged 25-39, 74.7% of respondents use digital channels, compared to 8.1% of respondents aged 70 and over. According to the report, respondents with greater levels of education and income have the highest scores in the global financial literacy index. Young people have shown higher levels than those aged 70 and over. In turn, those employed have a better performance than those unemployed, while women have in general lower results than men.

In 2018, the Portugal FinLab programme was implemented by a joint partnership between the Portuguese regulatory authorities (Banco de Portugal, Comissão do Mercado de Valores Mobiliários (CMVM) and Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF))⁴. The programme aimed at establishing an easily accessible communication channel between entrepreneurs and emerging companies and the regulators. Through it, the regulatory authorities provide guidelines to the participants on how to navigate and operate in the regulatory system.

In Portugal, Fintech are mostly start-ups that work to innovate and optimise services for the Financial System. There are more than 50 fintech entities operating in Portugal. The identification of the universe of fintech entities in Portugal is difficult since they are unsupervised institutions and because there is no specific sectoral category for them (BdP, 2021b).

The capacity to provide a fully integrated and differentiated experience to customers in their relationship with the bank (in the digital and technological area), capable of creating value, became a central factor in banks' strategy, being increasingly recognised as a key factor in retention, capture, or recovery of clients.

Additionally, the financial sector is suffering significant impacts due to the constant changes imposed in the regulatory model, resulting from the challenges brought by the 2008 financial crisis and which forced the Portuguese Government to sign the Memorandum of Understanding on specific economic policy conditionality with the 'TROIKA' in 2011, as well as with the entry, in 2014, into operation of the Single Supervisory Mechanism (Mecanismo Único de Supervisão - MUS), which is a European banking supervision system, with the aim of ensuring security, soundness in the European banking system and increasing financial stability. The financial sector and, in particular, the banks have to respond, in a context of regulation, to different competent bodies, at national level (Banco de Portugal) and European level - as the European Central Bank (ECB) and the European Bank Authority (EBA).

⁴ For more information: www.portugalfinlab.org/.

Case study: Novo Banco

Novobanco is a Portuguese bank, established on 4 August 2014, within an emergency intervention by Banco de Portugal to save the good assets of the previously bankrupt Banco Espírito Santo (BES). The rescue of BES was caused by the historic losses of 3,577 million euros.

The NOVO BANCO S.A. is part of the Novo Banco Group (NBG) which is mainly active in the Portuguese banking sector, but also in asset management. Moreover, it has equity stakes in companies operating in venture capital, real estate, renting and corporate services.

Novo Banco was born in 2014 upon the resolution of Banco Espírito Santo S.A. (BES), as transitional bank, fully owned by the Resolution Fund (Fundo de Resolução), a Portuguese public law legal entity with administrative and financial autonomy, providing financial support for resolution measures applied by the Bank of Portugal (Banco de Portugal).

BES was one of the oldest and trusted Portuguese banks and was the second largest private financial institution in Portugal in terms of net assets. In 2013, an external audit revealed several problems with the bank's accounting and concluded that BES had a severe financial problem (3,577 million euros). In 2014, after the BES' failure, the Bank of Portugal decided to inject capital into the bank and salvage the good assets, creating a new bank out of the old one. BES (the old name was kept by the 'bad bank') retained the 'toxic' assets, whereas the new bank (Novo Banco) inherited the client-base and the BES best quality assets.

In December 2015 the Restructuring Plan was agreed with DG COMP (EU), the European Central Bank and the Portuguese Government involving the separation between core and non-core assets.

In March 2016, it was announced the sale of 75% of Novo Banco's share capital to Lone Star. This process was finalised in October 2017 with the completion of this sale process.

In 2016 the Novo Banco obtained the Statute of Company in Restructuring; this statute was renewed and extended until the end of 2021. This Statute facilitates the collective redundancies and the employment terminations by mutual agreement.

In 2020 the Novo Banco deployed the strategy defined for 2019-2021, focusing its action on:

- Optimising its core activity, by striving for improved and increasingly efficient processes, and the divestment of the portfolio of non-performing loans.
- Consolidating its digital transformation by incorporating the most advanced technological developments and pre-empting the new client interaction trends.
- Continuing to build up factors of differentiation, notably products and services specifically designed for Business and Small companies (Interim Report and Accounts, 2021).

In addition to the restructuring process under the commitments assumed by Novo Banco Group with DG COMP (EU), ECB and Portuguese Government, other cost-saving programmes were carried out, particularly since 2020, related to the development of a new distribution model within the Bank.

This new distribution model is based not only on digital transformation, but also on renewal of the physical network, technological infrastructures in the branch network, redefinition of roles in the organisation, rejuvenating and enhancing its human resources and communication and engagement with the customer. This new model implies not only the resizing of the branch network, with the opening of master branches with more than 600 square metres, but also providing them with digital

equipment for the formalisation of operations, VTM (Virtual Teller Machine) for carrying out deposits and withdrawals of cash and checks, as well as spaces for holding meetings with clients and events with the local community. This new model seeks to adapt to changes in customer preferences (greater trend towards digital use, need to obtain expert advice on the various financial products, etc.).

In June 2021, the Novo Banco Group employed 4,470 workers (4,448 in Portugal) and had a total of 349 branches (348 in Portugal and 1 in Luxemburg).

Since the incorporation of the Novo Banco, following the Resolution of 2014, the Novo Banco's workforce has decreased from 7,722 workers in 2014 to 4,470 workers in June 2021, representing a decline of 42%. In addition, since 2014 a total of 326 branches were closed.

Table 4. Number of workers in NBG and branches (2014-2021) ¹

	1 st phase – restructuring process agreed with DG COMP (EU)					2 nd phase internal restructuring programmes	
	2014	2016	2017	2018	2019	2020	2021 ²
Workers	7,722	6,096	5,488	5,096	4,869	4,582	4,470
Branches	675	537	473	402	387	359	349

Note: ¹No data for 2015 was found. ²Figures for June 2021

Source: Interim Report and Accounts, available at:

<https://www.novobanco.pt/institucional/investidores/informacao-financeira/relatorio-e-contas>

Drivers and motivations for the restructuring case

The restructuring process of the Novo Banco Group (NBG) should be analysed in two different stages.

In a first stage the main expressed motivation is linked to the commitments between the Portuguese Government and the DG COMP (EU), upon the resolution measure in 2014 with the replacement of BES by Novo Banco. One of the main objectives to be accomplished was reducing costs, notably through job cuts in parallel with the optimisation of the domestic branch network, with the closure of various branches.

In a second stage, besides the obligations agreed with the DG COMP (EU), the bank profitability has become an additional main driver in the restructuring process, with a strong commitment to digital and information technology.

In line with this main objective, the 2019-2021 NBG's Strategic Plan was developed and implemented. This Strategic Plan was built to enable Novo Banco to make the leap from a bank in resolution (bad bank) to a new bank arising from the old bank (good bank).

Under the scope of the Strategic Plan a new distribution model was designed and implemented. This process led the renewal of the physical network, with the closure of branches; the redefinition of roles in the organisation/departments, in parallel with the rejuvenating and enhancing of NB human resources, with job cuts as a consequence.

The restructuring process

The restructuring plan was agreed in December 2015 with DG COMP (EU), ECB and Portuguese Government and started to be implemented in 2016, with a forecast of laying off 500 to 1,000 workers, to reduce operational costs by at least €150million, and it should have been concluded in December 2021. At the moment, the evaluation of the process is ongoing and later the DGCOMP will determine the conclusion of the restructuring process, or not.

The restructuring process was announced to the workers representatives in 2016. No consultation process was carried out.

According to the workers representative interviewed, the criteria for selecting workers for early retirement and mutual agreed terminations programmes were not clear and transparent enough. The criteria established were related to the employment contract, the extinction of functions and/or job positions, as well as the level of qualifications, performance evaluation, salary cost and absenteeism. However, in practical terms, the workers were appointed by their superiors. There were situations where workers were promoted and two months later, they were dismissed.

According to the CNT representative, it was a process of embarrassing social insensitivity, in which workers with cancer, pregnant women and single-parent families were particularly affected⁵. From the workers' side there was a feeling of insecurity and the fear of losing one's job.

The restructuring process was finished in the end of 2020 (Novo Banco, 2020). However, an internal restructuring is still in place in order to ensure the bank profitability. Additional cut jobs are scheduled, especially through early retirement of workers aged 55 and over, and also mutual agreed terminations in specific departments.

The restructuring process necessarily entailed a reduction in the number of workers. The first measure adopted in that sense was early retirement, making use of the pension fund.

A second strategy used was to identify the areas and departments that needed to be reorganised and to identify the number of workers made redundant. Between 300 and 400 workers were affected.

In a second phase, a collective dismissal of approximately 69 workers was implemented. According to the workers' representative, 33 workers challenged this decision and appealed to the court.

From the workers' side, it was expressed that these do not feel part of the process and their opinions do not matter for those in decision-making positions. According to the workers' representative it would have been important for the Bank and its restructuring process to have looked for joint solutions with the workers.

On the other hand, the employer's representative stated that the fulfilment of the objectives defined in the restructuring plan that was agreed with the DG COMP (EU), EBC and the Portuguese Government did not allow any other type of relationship with the workers' commission, other than merely informative, in particular during the first phase of the restructuring process.

However, the workers' representative interviewed underlined that the administration of the Novo Banco is going further than the objectives agreed with DG COMP, which included a reduction

⁵ The workers of the Novo Banco are, among others, represented by the National Commission of Novo Banco's Workers (Comissão Nacional de Trabalhadores do Novo Banco – CNT).

between 800-1,000 full time jobs, as this was already exceeded in 2019 as shown in table 4, and a reduction between 500 and 600 branches.

Collective representation, information and consultation process

The workers of the Novo Banco are represented by the National Commission of Novo Banco's Workers (Comissão Nacional de Trabalhadores do Novo Banco - CNT) and by the six unions in the banking sector, some affiliated to General Workers' Union (União Geral de Trabalhadores UGT) and some to General Confederation of Portuguese Workers - National Trades Union (Confederação Geral dos Trabalhadores Portugueses - Intersindical Nacional - CGTP-IN) confederations.⁶ The National Trade Union of Bank Workers (Sindicato Nacional dos Quadros e Técnicos Bancários – SNQTB) is the one with the highest representation (65%).

According to the workers' representative, in the first phase of the restructuring process, the CNT and the respective trade unions of the sector were not informed or consulted about the restructuring process. At the beginning, the dialogue was very difficult and not transparent. There is no proactive information flow. The workers representatives are not consulted on a regular basis, even when the law requires so. The role of the unions seems limited within the Novo Banco.

According to the information provided by Novo Banco representative, the restructuring plan was communicated to the workers and their representatives in February 2016, after it had been approved. There was no space for negotiations or other considerations.

This approach of the Management of Novo Banco led to various strikes and to several complaints by the workers representatives to the Authority for Working Conditions (Autoridade para as Condições de Trabalho, ACT). Some of these cases are in the courts, by employee's initiative, as CNT has no legal competences in this matter. In most cases, the decision was in favour of Novo Banco.

The CNT representative also stated the existence of some pressure and retaliatory measures on the part of Novo Banco's management, particularly in the first phase of the restructuring process, notably with the temporary cut of the budget allocation of the CNT.

The CNT proposed different alternatives to the already defined restructuring process. Some of the proposed alternative measures hinges on the voluntary early retirement and termination by mutual and voluntary agreement; the reduction of working hours; and the retrain and reskill of the workers. According to the workers' representative, the suggestions were not welcome.

From the Bank's perspective, the restructuring plan was agreed with DG COMP (EU), ECB and Portuguese Government and the measures implemented guarantee the commitment of the objectives stipulated in the Plan. The Bank could not fail its fulfilment.

Since the beginning, the restructuring plan of Novo Banco has been criticised by the trade unions mainly due to its design and way of implementation, where the workers and their representatives were not involved or consulted. The social dialogue overall is deemed to have deteriorated. Workers were negatively affected by this restructuring process, mainly physically and psychologically, with high levels of anxiety.

⁶ Mais Sindicato; Sindicato dos Bancários do Centro (SBC); Sindicato dos Bancários do Norte (SBN); Sindicato dos Trabalhadores da Atividade Financeira (SinTAF); Sindicato Nacional dos Quadros e Técnicos Bancários (SNQTB); Sindicato Independente da Banca.

Support to affected workers

A specific social plan to support affected workers was not developed.

Severance pay was the main type of support provided by the Bank and it was calculated according to the worker's seniority. According to the workers representative interviewed this severance pay proposed was the lowest of the national banking sector (1.3 times the basic wage-including exemptions, cash allowance and supplementary remuneration- multiplied for the worker's seniority), although it is above the standard stipulated by Law.⁷ Additionally to this severance pay, the maintenance of the credit conditions (housing, personal credit) and the maintenance of health insurance benefits for two years for those aged under 50 and for a lifetime for those aged over 50 were foreseen.

According to the Bank representative interviewed, two other measures were adopted: the outplacement is a specific measure available since 2016 for particular cases and with a limited duration. Following the implementation of the programmes for voluntary terminations of the workers, the initiative to leave the Bank was taken by to the worker, thus the outplacement measure would no longer make sense.

Additionally, the Bank established a protocol with the unions: the Bank paid an amount per worker to the union, thus transferring to the union the responsibility for managing the health care insurance. Workers aged 50 or over can benefit from lifetime private medical care. The remaining workers, aged less than 50, may benefit from this health care insurance for a period that varies between two and three years.

No other relevant measures to support workers were identified by the interviewees. No other external support was used, and no public entities were involved in the process to retain the employment locally. No regular information on what happened to the workers who lost their jobs as a result of the restructuring is shared.

Related to the development of a new distribution model, the Novo banco invested in the upskilling and reskilling of the workers who remain at the Bank.

Restructuring outcomes

The control functions - risk assessment, auditing, and compliance - are highly valued within the Bank, but very difficult to attract and difficult to maintain workers to perform these functions. There is a lot of competition between banks, which starts from the very beginning with contacts with universities. The Novo Banco identifies potential workers in the universities through internships programmes. In addition, digital and technological skills (data science, robotic, security, etc.) also assume particular importance in the Novo Banco. On the contrary, the profiles which are less sought after are linked to more administrative, operational tasks and consequently more susceptible to dismissal.

Since the beginning of the restructuring process, there are more women than men employed by the Bank: in 2021, 54% of the workers are women. In 2019, 71.5% of the workers have between 30 and 50 years. In 2021 the average age is 46.

⁷ The Portuguese Labour Code establishes 12 days of base remuneration and seniority payments for each full year of seniority, for contracts celebrated before 2013.

Regarding the employment contracts, most part of the workers has full-time jobs with a permanent contract. In 2019, 95.5% of the employees have a permanent contract. The part-time jobs represent less than 1% of the NB workforce.

According to the Bank representative interviewed, the COVID-19 affected particularly the form of work, with the implementation of telework. Before COVID-19, the number of workers using telework was residual. The pandemic also reinforced the importance of the digitalisation and optimisation of the processes, already taking place with the restructuring process focused on the profitability of the Bank.

Conclusions

In general, the Portuguese bank sector still has challenges to overcome. As a consequence of the pandemic crisis, several special lines of credit for companies and a moratorium regime were implemented by the Government, allowing postponements in capital and interest payments. With these measures reaching an end, a potential increase in the default risk and a severe impact on the banks' conditions are expected.

In particular, resulting from the resolution of the Banco Espírito Santo (BES), the restructuring process of Novo Banco was mainly implemented unilaterally by its administration and aimed at cutting costs, by reducing the number of workers and closing a significant number of branches.

This restructuring process has been, as mentioned above, from 2014 onwards, determined by the restructuring plan agreed with DG COMP (EU), ECB and the Portuguese Government and the fulfilment of the targets set in the Plan.

The negative effects of restructuring for the workers do not show as a main concern for the administration. Besides outplacement (to a limited extent) and a wider coverage of health care insurance for older workers aged 50 and over, no additional measures were carried out to support the affected workers. Early retirement and voluntary termination were the only restructuring tools.

From the workers point of view, the absence of dialogue, the pressure and retaliation attitudes fed a feeling of insecurity and the fear of losing one's job among the stayers, as well as the weakening of their physical and mental health. Furthermore, the number of strikes and complaints made to ACT reflect the deterioration of the company's social environment and the relation between the administration and the workers' representatives.

The lack of information and consultation of the workers and their representatives, in disregard of the Labour Code, and their lack of involvement in the process deepened the negative outcomes of the restructuring process, in particular for the employees affected, but also for the Novo Banco reputation.

The involvement of the workers representatives in the design and implementation of the restructuring process could have been seen as an asset, both for the workers and the Bank, with the aim of minimising the negative effects of the restructuring process.

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List of interviewees

Name and Surname(s)	Position
Anonymous	Trade union representative of CNT
Anonymous	Employee in Novo Banco

Note: interviewees wished to remain anonymous, in line with their request in the data protection notice.

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