

# LABOUR FORCE AN IMPORTANT FACTOR IN A BANK SYSTEM

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*This work belongs to a more ample paper: "Evolutions and tendencies of the human resources in the Romanian banking system after 1990" and presents the results of the first stage of the research: documentary analyse.*

## **Introduction**

Human resource is complex, it can't be easily measured and to be efficient it requires, from the organization, a permanent supporting and developing effort. It also has:

- an active role within the framework of the economic process;
- it communicates with the medium where it works;
- it offers an unlimited potential profit.

## **Analyses**

The manpower of the banking system is a priceless active, it has a very important role in a bank's success, performance and competitiveness. The banking system manpower is very important in the promotion the products and of the services of the bank where she/he works. Among the indicators aggregated by the performance the most important are:

- the clients' satisfaction;
- the profit
- the efficiency
- the staff turnover

The real profit growth is the most important factor which determines the bank's share increase. The real profit development is realized only through a lasting increase, increase which is mainly influenced by the growth of the loyal clients base. Loyal clients may constitute an important, oral and unwarranted selling force. But to increase the number of the loyal and contented clients the banks need employees who involve themselves<sup>233</sup>. The employees who involve in their activity influence the profit either indirectly through the productivity increase or directly through turnover decrease. Each bank has to assure itself that its staff is in good relation with the clients, because the success depends on the hired staff. Each employee of the bank interacts both with inner clients (colleagues, superiors) and with external clients<sup>234</sup>, on the employee's attitude and behavior also depends the image and the reputation of the bank. There is a strong connection between the quality of the services offered to the colleagues and the quality of services offered to the clients. The way in which colleagues help one another to solve different problems makes an impression on the offered services. On the service quality received by the inner clients depends the service quality extended to the external clients. There is a proportional report between the number of the services used by the client and the productivity of the bank.

A study realized by BNR underlines that one of the most important competitive advantage of a bank is represented by the qualified staff. The competent employees, who like what they do, who feel good in the staff they work with, tend to be more productive, try to know better their clients and their clients' desires. The benefits resulted from the clients reward represents the key to the drawing of the new clients.

In this moment the banking market is concentrated around five banks, which hold more than 60% of the market share<sup>235</sup>. The Romanian capital of banks has significantly decreased (52,2% in 1998 in regard to 6%

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<sup>233</sup> Marcus Buckingham, Curt Coffman-Manager against the stream-Editura Allfa 2007

<sup>234</sup> Iuliana Cetinã, Emanuel Odobescu, Banking Marketing Strategies, Editura Economicã, 2007

<sup>235</sup>Yearly Reports BNR

in 2006), while the foreigner grew from 24,3% in 1998 to 54,7% in 2006). Last year, the banks from Romania accomplished a cumulated net profit of 2,74 billions lei, more with 24,5% comparative to the result obtained in 2006 according to the information reported by the credit institution to BNR. Over 50% of the net profit realized by the banking system belongs to BRD – Groupe Societe Generale and to Banca Comerciala Romana (Romanian Commercial Bank).

The net profit for each wage-earner has grown with 10,5%, from 38.000 lei/employee at the end of 2006 to 42.000 lei/employee at the end of the last year, taking into account that the staff from the banking system has been supplemented with 7.565 employees, to 65.655 employees.

Once with the buying-out of the banking system, foreign experienced managers have been named to manage the banking institution from our country, to develop the business according to the new business lines from the modern banking. But the most important leading positions of the banks are occupied by Romanian bankers. That's why it is very important to know how to train that persons from these key positions, what has to be done not to lose them and how to get an important position. It is very useful both for the universities and for the banks from the banking system to know the tendencies of the human resources, the favorite staff qualities in the banking system, the working conditions, how to form those indispensable specialists, how to prevent the human resource migration in order to succeed to keep and to motivate the staff.

The establishment of the correct politics, the determination of the necessary abilities, finding the applicants, the elaboration of some registration forms, the recruitment and the interview of human resource has a very important role in order to have "the right man in the right place"<sup>236</sup>.

A bank employees are its most important clients. In our days there is a crisis of human resources in the banking system due to the fact that this field is developing now<sup>237</sup>. At the end of September 2007, in the banking system there were over 62.000 employees, with 17% more than at the end of the same month of the last year. Many banks have announced to extend in 2008. BCR aims, for 2008, to reach to a network of 700 units, form over 550 in the present, and UniCredit Tiriac has planned to open other 70 new branches. Raiffeisen Banks wants to open 250 units until the end of 2008. Volksbank Romania plans to extend its network of branch offices till it gets to 200 units in 2008, from the 135 units estimated for the end of 2007 and to increase at least twice and a half the number of franchises, from the 90 of this kind of agencies at the end of this year<sup>238</sup>.

Competent persons are needed in banks, persons who posed the pluralism of knowledge, abilities and behavior necessary for the banking system. Financial-banking or economical studies are not compulsory to hire in a bank as long as you can adapt and as long as you are competent. Concerning the persons with experience, they are coming either through internal promotion or from other banks, the fluctuation in the banking system is on average of 25-30%, as results from the specialty reviews. In the most cases, the lack of specialists from the financial-banking field is recorded in the case of middle and top management positions. If in the administrative field, of entry-level, of human resources or of IT, the vacant positions are easier to cover, there are specialty and technical positions, such as the ones from the operations, sales and the department manager, which are more difficult to cover if there aren't specialized people. A well-known phenomenon in the subsidiaries and the branch offices in the small towns, where relationships between people are warmer, is that the branch office manager goes together with a part of the team and more than that it is possible to go together with the clients. A departure from one bank to another brings to the employee an increase of the wage with 30%, and, if the position needs relocation, the percentage in almost always bigger.

The banks declare different rates of fluctuation of the staff: BT – 12% in 2007, Raiffeisen Bank – 0,7% in 2006, BRD – 3,5% in 2007, RBL – 11% in 2006<sup>239</sup>. The staff fluctuation implies certain costs for the banks such as: direct costs for the staff substitution, costs related to the lost of the key persons in organization, costs related to the lost of the relationship with the clients and of the acquaintances.

To assure the staff, the banks have found many methods in order to attract the possible employees. So, the banks have implied, more and more in the last years, in collaboration with different institutions of higher education in the field, trying to attract, from the university years, the precious persons and the ones with potential. The banks have to identify their staff qualities and then to install them in a position which offers

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<sup>236</sup> Manolescu A.-Human resources management, the 4<sup>th</sup> edition, Editura Economica, Bucuresti, 2003

<sup>237</sup> Financial Week, A new crises on the working market: we don't have any bankers, Art. published in 15.01.2007

<sup>238</sup> [http://www.ghiseulbanancar.ro/articole/54/8619/Romanian\\_banks\\_extended\\_very\\_much\\_in\\_2007\\_si.htm](http://www.ghiseulbanancar.ro/articole/54/8619/Romanian_banks_extended_very_much_in_2007_si.htm)

<sup>239</sup> [www.wall-street.ro](http://www.wall-street.ro)

them the possibility to develop these abilities. The banks have to assure their staff: mentoring programs, carrier management, the company values reconfirmation, training and team building.

Generally, the feeling of affiliation towards the employer is direct proportionally with the satisfaction of the activity which the employee develops and with the reward system offered by the company. But if the banks don't pay too much attention to their employees, if they don't motivate their employees then they risk to lose the best employees, they risk to suffer due to the lack of the staff and to increase the operational risk. Motivation can be made through financial methods:

- direct rewards which include: wages, benefits, prizes, participation to the profit, commissions, the possibility of buying shares from the bank where they work, etc. The remuneration policy of the banks takes into account, besides the wage, performance bonus and other premiums, granted depending on the bank performances (yearly, after the publication of the results for the ended financial year) or depending on the individual performance of an employee (the participation to an important project, the attraction of a strategical client, special results) or, if there is the case, there are decided certain promotions<sup>240</sup>.
- indirect rewards are the help offered to the staff during the labour contract, but even afterwards, in certain conditions and can include compulsory legal rewards such as indemnities for holidays, unemployment support; rewards regarding the pension such as inheritance pensions, smart money, additional pensions, etc; different assurances; the charge for the free time, for instance some free days with the occasion of some events in the family; special easements for employees; other indirect rewards such as the deflations to the commissions for operations, discounts for the credits interests and errands, free confectionery products, Christmas parties, different championships, etc.

Non-financial motivation is more and more used:

- merits public recognition;
- respect from their chief;
- promotion conditions.

But the solution isn't the wage increase, the most important factor is the satisfaction at the workplace. The main reasons which determine the employees to direct to another workplace are<sup>241</sup>:

- the lack of a professional evolution vista;
- the lack of correlation between the results and the wage interest;
- the lack of the results appreciation;
- the appearance of an opportunity in another company;
- the wage interest;
- the relationship with the chief;
- the team atmosphere;
- the work volume is too high.

**Proposals for a bank with content employees:**

- communication with the employees
- resistance to change diminution
- the creation of a medium perceived as being just
- organizational culture evaluation
- changings observation
- employees reallocation

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<sup>240</sup> <http://www.wall-street.ro/articol/Finante-Banci/28542/Transylvania-Bank-has-doubled-the-number-of-employees-since-the-beginning-of-the-last-year.html>

<sup>241</sup> Study published in Financial Newspaper 04.02.2008; Sample achieved on 920 persons, (19-28 years), students and graduated of higher education

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7. [www.wall-street.ro](http://www.wall-street.ro)