

Report – Italy
Case study: Monte dei Paschi di Siena (MPS)

Daniele Di Nunzio
Fondazione Di Vittorio

November, 2019

1. Introduction

As analysed in the national report, banking sector in Italy employs almost 300.000 workers and is characterized by substantially higher levels of remuneration, a traditional jobs stability and security, high qualification of staff by levels of education, high incidence of female employees and the highest unions membership in the Italian economy.

However, this sector is affected by strong processes of restructuring due to the increase of the international competition and to the changes in the customers' services as well as in the production processes led by digitalization and innovation.

In this scenario, Monte dei Paschi di Siena (MPS) has faced an intense economic crisis during the last decade with deep restructuring processes governed by a solid system of industrial relations. This restructuring process is oriented on the one hand towards a deep reduction in the number of employees and, on the other, to a push towards digitalization, which continues a trend of continuous innovation that has been progressing slowly but gradually since the 2000s (Rajola, 2003; Mottura, 2011; Skinner, 2015).

1.1. Methodology

This case study was carried out through a desk analysis (business documents, scientific literature and online articles), four in-depth interviews to unionists. For their availability for the information collection and interviews, I would like to thank Roberto Errico (Workers' Representatives of MPS), Stefano Carli (coordinator of MPS Unions Group for Fisac Cgil), Alessandro Lotti (General Secretary of the Fisac Cgil of Siena and member of the national coordinating trade union secretariat of MPS), Nicola Cicala (director of ISRF-LAB, Institute for Studies, Research and Training on Labor Insurance and Banks). Their support helped me to clarify the long-term and recent changes in the business assets and in the working process in MPS due to digitalization and innovation, both in terms of product and process, and their impacts at socio-economic, organizational and contractual level.

2. General background

Monte dei Paschi di Siena S.p.A. (MPS) Bank was founded in 1472 as a *Monte di Pietà* (charitable institutions founded by Christian religious orders) to help the needier classes of the population of the city of Siena. In 1936, MPS became a public law bank, later being transformed into a joint-stock company in 1995, before being listed on the Stock Exchange in 1999 (Asso & Nerozzi, 2016).

Today, MPS is active throughout Italy (where it is the 5th banking group by turnover, after Intesa Sanpaolo, UniCredit, Banco BPM and UBI Banca) as well as on the international market, with about 1,500 branches and 200 specialised centres, for 4.5 million customers. In addition to traditional banking activities, it provides private banking services (mutual investment funds, asset management for private customers, pension funds and life insurance policies), investment banking and innovative business finance (project finance, private equity and financial consultancy). MPS is also the only one shareholder of the online bank “Widiba”, a company without physical offices for banking and insurance services by the web. Finally, through the Monte dei Paschi di Siena Foundation, it also maintains its assistance and charitable activities.

The administration and control system adopted by the Bank is a traditional one, with a Shareholders’ Assembly, a Board of Directors with strategic supervision and management functions for the Bank, and a Board of Statutory Auditors that monitors compliance with the law, regulations and articles of association.

Since 2011, it has suffered a profound financial crisis (due in part to the acquisition of Banca Antonveneta for 9 billion euros). Between 2013 and mid-2017, the bank has lost around 50 billion euros in credits and almost 40 billion in total funding. After various reorganisation plans (conversion of bonds) and failed capital increases, the bank was rescued on 22 December 2017 by the Italian Government with the “bank-saving” decree. In 2017, following the burden sharing operation as foreseen by the European directive, with an investment of 5.4 billion euros the State entered the capital of MPS, becoming the main shareholder. The capital of MPS is 10,328,618,260.14 euros and is represented by 1,140,290,072 ordinary shares, with no nominal value (each share gives the right to one vote). Currently, the majority shareholder of the Montepaschi Group is the Italian State which holds, overall, 68.2% of the share capital, through the direct participation of the Ministry of Economy and Finance. The other shareholders with over 3% of shares are “Assicurazioni Generali S.p.A.” (4.3%) and “Banca

Monte dei Paschi di Siena S.p.A.” itself (3.2%). All employees of the Montepaschi Group, holders of ordinary BMPS shares resulting from the execution of the previous stock-based incentive plans (stock granting), can exercise their right to vote at ordinary and extraordinary shareholders’ meetings.

3. Process of restructuring linked to digitalisation

Following the relaunch of MPS, in 2017 a Restructuring Plan was approved with the aim of increasing the profitability of the bank, with an ROE (Return On Equity) of over 10% by 2021. This recovery plan is based on strengthening of the processes of digitalisation, rationalisation and evaluation of production processes, with the following main objectives:

- full enhancement of retail and small business customers thanks to a new simplified and highly digitalised business model;
- a new operating model, with a continuous focus on efficiency, which will lead to a target cost/income ratio of less than 51% in 2021 and a reallocation of resources engaged in administrative activities to commercial activities;
- radically improved credit risk management, with a new organisational structure of the Chief Lending Officer (“CLO”), which will strengthen the early detection processes of the bank and improve the recovery rate, and bring a risk cost of less than 60 bps and a gross NPE ratio of less than 13% in 2021;
- strengthened capital and liquidity position, with targets for 2021 that include a CET1 higher than 14%, a Loan to Deposit Ratio of 150%, with at the same time a significant decrease in the cost of funding.

Digitalisation in the banking sector and MPS has been taking place from a long-term with an impact on two areas: a) on the one hand, the progressive digitalisation of current accounts and functions for private and public customers; b) on the other, the digitalisation of internal work processes.

- a) The digitalisation of accounts has become increasingly complex and sophisticated with the aim of making the customer as independent as possible in the management of ordinary banking operations (checking accounts, making payments and transfers, credit card management) as well as more advanced ones, such as the management of

investments and stock shares. To these services, in recent years, others have been added which are indirectly connected to the management of current accounts, such as the remote digital signature and the Certified Electronic Mail (PEC) (to sign contracts with the bank and communicate with third parties). Digital services are provided primarily through the automation of cash desks (now usable even without credit cards, via mobile phone), the use of the website, smartphone applications, without however completely eliminating a relationship with staff, also in cases of remote access, through the possibility of contacting operators by phone.

- b) Digitalisation also impacts on internal organisational processes, redefining the relationship between the phases of the value chain, in particular between the 4 structures that define the MPS organisational model: the central direction and management coordination structure represented by the Capogruppo Bancaria (Banking Parent Company), which also carries out operational activities on behalf of the commercial network; the production structure, consisting of the product companies, dedicated to the development of specialised financial instruments to be placed on the market; the distribution structure, made up of the business units of Banca Monte dei Paschi di Siena and Banca Widiba, with the network of Financial Advisors; the service structure, consisting of the companies responsible for IT, real estate and other business support activities. Digitalization increases the integration between these phases, with a centralization of the programming, coordination and control activities with an impact on the working conditions, as analysed in the following paragraph.

Overall, therefore, the organisation of work is highly digitalised: banking services are based on the ability of workers to manage economic resources for customers through IT processes that are highly secure and dynamic as well as on the ability of customers to be able to access services via digital platforms.

Furthermore, from 2013, MPS has intensified and diversified its consulting activities by strengthening digitalisation processes, creating a bank with online consultants, “Widiba”. This initiative saw 14 million euros invested to cover start-up costs and 82 million euros in capital, part cash and part through the contribution of the business segment of Mps financial advisors. Since then the digital bank “Widiba” has done nothing but accumulate increasing losses as reported by the company financial statements: 7.7 million in 2014, 11

million in 2015, 12.2 million in 2016 and 14.9 million in 2017. Following the rescue of the bank in 2017, the 2017-2021 business plan promoted *“a digital group programme which, thanks to technological infrastructural investments and leveraging the capacities developed by Widiba, will make it possible to reduce the absorption of resources on manual processes from 34% in 2016 to less than 20% in 2021”*.

Widiba has very few employees compared to MPS: about 199 employees (with few units transferred from MPS), high skilled workers that operates as in a permanent laboratory to develop and apply innovation in the services and working processes. Widiba has also a network of promoters, about 590 financial promoters with agency contracts focused on the commercial services (by the “agency contracts” workers operate as self-employed professionals with a “para-subordination” form because the bank is the single exclusive customer).

Finally, again through a strengthening of digitalisation processes, MPS is working to facilitate accessibility to its services, for example by collaborating with the Institute for Research, Training and Rehabilitation (I.R.I.FO.R.) of the “Italian Union of the Blind and Visually Impaired” to make digital banking inclusive, making the main functions accessible, via the web and apps, also for people with visual impairments.

4. Impacts of digitalization on work organization and working conditions

The analysis carried out by the ISRF-LAB of Fisac-Cgil shows that’s there are two complementary process in the banking sector in Italy:

- a) at one side, an increase in the incidence of current banking accounts enabled on the internet (from 53% of the total in 2010 to 74% in 2016) with one out of thee of regular users, especially by smartphone;
- b) on the other, a decease in the number of banking local offices (from 34,139 offices in 2008 to 27,374 in 2017), with a negative impacts on the number of workers (a decrease of about 50,000 units).

This is due, following the opinion of a trade unionist, to the *“backwardness of the Italian bank model dependent on direct credit to small businesses, lack in innovation and technology, a strong capillarity at territorial level but also a lack in dynamicity to move and change”*. Therefore, the strong and quick digitalization of the last decade have a strong impact on the working process and workforce.

These processes characterizes the sector at national level as well as the specific context of MPS, with both a reduction in the local offices as well as a restructuring process with an intense decrease of the workforce. This decrease, from the point of view of the trade unions, is excessive compared to the innovation processes introduced, with a strong intensification of individual loads and a reduction in services for customers in terms of territorial distribution. As reported by the consolidated financial statements, starting from 2011 the number of workers has decreased of about 5,600 units and the number of local branch of about 880 units. Moreover, after the 2017 there is a further reduction defined by the restructuring plan of about 2,450 employees by 2019 (a total reduction of 4,800 employees planned between 2017 and 2021).

Number of employees and local branch in MPS, 2011-2016

	2011	2016
Number of employees	31,170	25,566
Local branch (in Italy)	2,915	2,032

Source: MPS consolidated financial statements

Beyond the risk of job loss, which is mediated in MPS by the industrial relations by the agreements with programmed exit plans (as showed in the next paragraph), there are other relevant widespread impacts due to the digitalization, on the work organization and employees' working conditions, as emerged from the interviews:

- *a reduction in the workers autonomy* in favour of a strengthen of the decisional power and control for the high management, in a more and more codified and pre-established working process organized through IT assessment and management programs, in example in the evaluation of the disbursement of mortgages and investment plans for customers;
- *increase in the quantitative (numeric) evaluation and control with a decrease in the qualitative approaches* and in the opportunities for dialogue between workers and management; this control is often “informal” with a daily pressure from supervisors to monitor the achievements of the individuals' results;
- *a shift from the work on “cash and services” operation (increasingly automated) to a “commercial” role* to propose services and solutions to the customers' needs,

considering in example provision of loans and mortgages, insurances policies, investments and funds, banking account management and consultancy services, etc.;

- *work intensification*, due to the increase in the number of operations and services offered by the bank to the customers as well as to the increase of the work given by the administrative operations;
- *need for a continuous training*, due to the frequent introduction of new products and new working methods, with the difficulty to learn how to manage new complex procedures, such as financial and insurance services, and the consequent growth of complexity in the relationship with customers;
- *work speed-up* due to the greater speed of the relations with customers and management;
- *extension of the working time*, with a continuous use of digital communication systems as email, personal account of the MPS website, etc..

On the other side, digitalization offers a greater capacity for the workers to manage and control their individual tasks and operations by the use of ICT technologies, with a reduction of the individual risks for errors (e.g. in case of economic damage): at one side there is a reduction of autonomy, on the other the formal procedures help the workers to avoid mistakes with a reduction of individual responsibility from a legal point of view.

Focusing on the promoter with an agency contracts, they operates with a strict individual relation with their clients as well as with the bank and this work organization leads to a high work fragmentation. In Widiba, trade unions signed a company agreement that interests the employees (with the aim to guarantee equal rights comparing to MPS workers) and they try to cope with the problems related to the promoters at national level, by the next renewal of the National Collective Labour Agreement for the banking sector. Trade unions aim to avoid any confusion and overlap between dependent work and self-employment counteracting the risk of an unregulated diffusion of autonomous professional figures. At the same time, trade unions oppose the trend towards the affirmation of a culture of individualization of the employees' wages (linked to individual performance) and they fight against the commercial pressures on the workers.

Finally, considering the IT workers, digitalization led to an increase in the number of IT professionals and to a greater specialization of IT figures operating within the bank for the software and hardware development, maintenance and management. MPS has an operational consortium for IT activities and massive back office operations (about 8790 employees). The IT staff is composed by employee of the various banks of the MPS on secondment to the

consortium. However, during the last years, the use of external companies for IT services has increased.

5. Role of industrial relations

Industrial relations in MPS are solid and built on a long-term path that has led to the definition of numerous procedures and structures to support second-level bargaining, such as:

- “Company Observatory” for the analysis of corporate management dynamics with a view to monitoring working conditions and the internal atmosphere;
- “Joint Committee on Equal Opportunities”, to enhance people through “diversity management”, in particular to identify and remove organisational and cultural obstacles that inhibit women’s progress in management;
- “Commercial Policies Committee”;
- “Joint Welfare Committee” to allow the diffusion and permanent development of internal welfare policies, with particular regard to measures to reconcile life and work times, also through experimentation with Agile Labour;
- “New Model of Bank Committee” for the joint examination of organisational and operational aspects of strategic planning, involving changes in operations that are significantly reflected in the management of human resources.

Starting from 2011, the intense decrease of the workforce has been accompanied by company agreements between the social partners (Fabi, Fisac-Cgil, First-Cisl, Uilca-Uil, Unisin) by forms of income support and anticipation of retirement benefits.

The decrease in the workforce has been implemented mainly through workers’ exit plans by social partners’ agreements. In addition, in 2013 there was also a case of outsourcing of the workforce: 1,066 employees of back-office activities who have moved from the MPS consortium to an external company (Fruendo) with a separate agreement (not signed by Fisac-Cgil). In 2015, after the appeal of some workers, the Siena court ordered the MPS bank to reinstate the workers to ascertain the illegitimacy of the transfer of the back office activities carried out in favor of the service company Fruendo.

Recently, the bank has put in place a restructuring process of the workforce in two phases, to reduce excess staff: a first phase, in 2017, which involves 1,800 employees, and a second, in 2019, with 650 leaving. The 2017-2021 Restructuring Plan provides for a total of 4,800

redundancies by 2021 through the Sector Solidarity Fund, following the basic principle of voluntary access.

Overall, the agreements signed in MPS in recent years, on the one hand, seek to improve working and economic conditions, and on the other hand to meet the corporate objectives and recovery strategies promoted by management. The key points of the company agreements are:

- the negotiation of exit paths for redundant workers through restructuring plans;
- staff training programmes in order to adapt skills to the changed internal and external contexts, also with a view to requalification to strengthen commercial and customer support activities;
- to increase the levels of staff involvement on objectives, contents and methods of implementation with particular regard to the changes that are reflected in the organisation of work;
- the establishment of an annual pool of hours of paid leave to deal with serious and ascertained personal and/or family needs;
- the negotiation of the Variable Results Award which is the institution of reference for variable incentive remuneration;
- the negotiation of economic benefits considering not only salaries, but also the opportunities for workers to renegotiate mortgages for homes arranged with MPS.

With regard to training, the agreement enhances the logic of diversification and personalisation of training by role clusters (Top Management, Management, Middle Management, Core), training interventions focused on areas of greatest need such as, for example, risk measurement, and introduces important new features aimed at facilitating easier access and consequent usability of training through the combination of integrated tools (classroom, online, webinar, etc.) and methods of fruition (protected time and use in “agile work” mode).

Considering the opportunities offered by digitalization for a better conciliation between private and working life, starting from 2017, an experimentation phase for the introduction of the so called “agile work” (remote work from home) has been launched by an agreement between the company and trade unions. “Agile work” is provided for at most one day a week and workers can access to agile work on a voluntary basis with prior authorization using IT tools provided by the company. However, this opportunity is available for a limited number of workers: for those working in the back office and in general management activities in the

Central structures, while it is not provided for those working in the territorial branches (they have only few days a years for online training from home).

6. Conclusions

During the last decades, MPS has undergone deep restructuring processes. Digitalization and innovation, in relation to the need to compete in a high competitive global market, caused a strong reduction in the workforce and profound changes in the customers' services as well as in workers' tasks, goals and work organization, as emerged by the case study.

A solid system of industrial relations has governed the reduction of workforce especially by solidarity funds and anticipation of retirement benefits, although with some disputes for the outsourcing of some activities that did not find all the trade unions agreed. However, there are several problems for the participation of trade unions in the definition of the national bank strategy as well as in the introduction of technologies and the definition of the new work organization. Work organization is increasingly centralized and constantly evolving in relation to the need for the management to introduce frequent innovations in the process and products, with a large-scale transformation that has changed the balance of power in defining national and territorial company objectives and strategies. There are some opportunity for trade unions in the bargaining of the smart-work schemes and training, moreover digitalization can help to reduce the more monotonous tasks and the individual economic risks due to workers' errors and inappropriate behaviours towards customers. On the other side, for the unionists it is critical to cope with some key issues led by these recent changes, as work intensification, increase in the commercial activities, evaluation of individual results, definition of goals, reduction of autonomy and concentration of the decisional power in the top management.

References

Asso P.F., Nerozzi S. (2016), *Il Monte dei Paschi nel Novecento. Storia di una banca pubblica (1929-1995)*, Rome, Donzelli.

Mottura B. (2011), *Banche. Strategie, organizzazioni e concentrazioni*, Milano, Egea.

Rajola F. (2003), “Data Mining Systems Supporting the Marketing Function: The Experience of Banca Monte dei Paschi di Siena”, in Rajola F., *Customer Relationship Management*, Springer, Berlin, Heidelberg.

Skinner C. (2015), *Digital Bank. La rivoluzione digitale nel sistema bancario: strategie e casi di successo nel mondo*, Rome-Bari, Laterza.