WOMEN, THE FINANCE SECTOR AND WALLIS

Address by Gareth Evans, Deputy Leader of the Opposition and Shadow Treasurer, to Adsum Luncheon, Melbourne, 19 August 1997.

It's a rare pleasure to be invited to address a business lunch where male suits are in the minority. Adsum - your title proudly proclaiming that "We have Arrived" - has been doing a splendid job for quite a few years now in bringing together in a mutually supportive environment professional women in the insurance and financial services industries, and I am very happy to have this opportunity to talk to you about some current issues affecting this sector and the role of women in it.

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I am unashamedly proud to have been a member of a Government which presided over an explosion of women in the workforce - which championed policies of equal pay, equal opportunity in education and at work, maternity leave, family friendly work policies and of course a huge financial commitment to child care. But we certainly didn't solve *all* the problems that confront women once they are in the workforce.

We are all familiar I think with the problem the glass ceiling poses to women's promotional prospects. It is only recently that I have also become acquainted with some new meanings for the expression "sticky floor" and the "glass wall" - the way most women workers start off in part-time, relatively unskilled jobs, and then find enormous difficulty moving sideways or upwards. Your industry is now one of the major employers of women, and like industry generally, has made great strides in the past fifteen years, - for example we are second only to Sweden in equal pay rates for women. But you are no different from any other in continuing to throw up barriers to women workers. The sticky floor and the glass wall exist alongside the glass ceiling - and they are barriers to equal opportunity which government must address.

"*Glass Ceilings and Sticky Floors"* is the title of a report sponsored by Westpac, and just published by the Human Rights and Equal Opportunity Commission - a body decimated by this Government's Budget cuts, and about to abolish its Sex Discrimination Commissioner. With John Howard's gutting of the Office of Status of Women - cut from 48 people to 31, reports like this one will be few and far between.

"Glass Ceilings" looks in detail at the role of women in the top 75 firms in the finance industry, and then goes on to talk to three major banks and thousands of women workers. Among its findings:

- 94.5 per cent of *part*-time employees are women, and 52 per cent of full time employees are women.

- Women are likely to start off in part-time, less skilled jobs with lower pay - clerical, sales and service and labouring - and with no career training path, they will stay there. They are unlikely to move across the sticky floor and through the glass wall to more rewarding jobs.

- Women are less likely to be in managerial, professional, paraprofessonal and trade jobs.

- Only 15 per cent are managers or administrators.

- Women earn less than men in every job they do, except for the professional arena - still dominated by men.

Women in finance find a long list of barriers to promotion and career development: pregnancy, or just being young enough to be likely to become pregnant; family unfriendly hours and working conditions; a continuing old boy network; lack of child care - and for executives, especially, out of hours care; doubts by the predominantly male culture of long term commitment; promotion based on continuing, unbroken service rather than merit; lack of appropriate training at lower levels to break down the glass wall. Sound familiar?

The Report confirms that there is still much more to be done in fostering equal opportunity for women. Now is not the time to be standing still, let alone going backwards.

The Howard Government has got it wrong in its cuts to the Human Rights and Equal Opportunity Commission and the Office of Status of Women. All the evidence is that government leadership works - it's interesting that those companies which have the highest number of women breaking the glass ceiling are those with affirmative action policies - largely sparked by federal government action.

The Government has also got it wrong in cutting child care - by a massive $820 million over two budgets, with devastating impact on the number of available places and the cost to families in now paying for them. And it's also got it wrong with the new industrial relations system, which has made it so much easier to pay part- time workers less, to give them poorer conditions, and to sack them.

These are things Labor will seek to reverse, and not only because this will make life fairer for women. If we nurture and use the skills of all Australians, male or female, we will add immeasurably to the economic well-being of the whole community. We will all be winners.

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One of the unhappiest features of the overall economy in Australia at the moment is the way in which the present Government is failing to meet the challenge not only of nurturing, but of even using in any way at all, the skills and talents of 800,000 unemployed Australian men and women.

The economy is drifting badly, with the Howard Government half way through its term and showing no signs of confronting our number one social and economic problem, unemployment. The Prime Minister and Treasurer spent most of their first year talking down the economy: the obsession with budget cuts and "black holes" ripped the heart out of consumer and business confidence. Overall economic growth has slowed from nearly 5 per cent to below 21/2 per cent; the manufacturing sector has been in recession; retailers have struggled in one of the most difficult trading environments since the recession of the early 1980s; the labour market is as flat as a millpond; and above all unemployment has in fact *risen*.

The second year of the Howard Government has so far been no better than the first. Instead of effective, forward-looking public policy, we have had government by thought bubble - the launching of bizarre Prime Ministerial "debates" on free trade zones and minimum wages, and now the extraordinary exhumation of the GST, which is not only inherently and irredeemably unfair, and utterly irrelevant to solving the problem of unemployment, but which Mr Howard told us in 1995 "would not be part of Coalition policy at any time in the future".

To arrest this sense of drift, and to generate the necessary consumer and business confidence, the Prime Minister and his Government simply have to demonstrate clear leadership - to show the same passion, in going for growth and jobs, that they have poured into Budget cutting and that they are now pouring into second order issues like tax reform.

We in the Labor Opposition have spelt out on many occasions what needs to be done. In bald outline, it involves action on five main fronts: generating internal demand through appropriate budget and interest rate policy; maximising our access to external demand through effective trade and foreign policy; translating generalised demand into specific business and job opportunities through well crafted industry and regional development policy; ensuring that the skills are there to actually take up those opportunities through decently resourced education, training and job creation programs; and directly creating public sector jobs to meet areas of unmet community need.

The Howard Government has not only not been acting effectively on any of these fronts, it has given no indication that it has any kind of sustaining vision about Australia's economic future or the role of government in achieving it. For a man who fought so hard for so long to obtain government, Mr Howard seems to have remarkably little idea of what to do with it - other than reducing its size - now he has it. All is drift, indecision and muddle.

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A particular issue of immediate relevance to your industry, which is amply symbolic of this Government's go slow, lead from behind, procrastinating approach to economic leadership, is the Government's response - or lack of it - to the Wallis Report.

The Government has had the report for nearly five months and yet, apart from an early decision to scrap the "six pillars" policy on mergers between the major banks and life offices and to go slow on - if not absolutely rule out - mergers between the four big banks, the Government has still not announced a single decision.

Some of the recommendations are highly technical, but this is no excuse for a Government which has at its beck and call all the bureaucratic might of Treasury. As a result of the Government's inaction, the whole of the financial services industry has been left in limbo.

At the heart of the Wallis report are the recommendations to create two new financial regulators, for prudential and consumer regulation respectively. It is this aspect of the report which seems to have reduced the Government to immobility, because of the difficulty of satisfying everybody - and in particular because of the opposition of most of the major banks to the prudential regulation changes recommended by Wallis. Let me today at least remove one possible ground for further vacillation by the Government by making clear where we in the Labor Opposition stand on these key issues.

Labor understands the profound change sweeping through the finance industry. This change is the product of financial deregulation, stunning technological progress and globalisation.

In the past, banks, life offices, superannuation funds and general insurers operated in quite distinct markets. However, with financial deregulation and technological change, the differences between the products offered by these various institutions are becoming increasingly blurred.

Life offices are now offering deposit type products that were once virtually the sole preserve of banks. Superannuation funds are entering the home mortgage market. So are the new mortgage originators. And banks are offering superannuation and general insurance products.

There are no signs of any slowing in the convergence in the services provided by different financial institutions. If anything, the trend seems to be accelerating. As a country we must put in place a new regulatory framework to accommodate the tremendous changes that are occurring. This is exactly what the Wallis Report recommends.

On prudential regulation, the Wallis proposal is that supervision of financial institutions, including those in the insurance industry, be undertaken by a new body, the Australian Prudential Regulation Commission (or APRC). The APRC would pick up many of the current prudential supervisory responsibilities of the Reserve Bank (RBA), the Insurance and Superannuation Commission and the Financial Institutions (FI) Scheme.

We see the creation of a single national prudential regulator in this form as desirable. While the current system generally works well, there are no compelling arguments against moving to a new structure that will accommodate more naturally the profound changes that are taking place in the financial services market.

The current system of depositor protection for banks has functioned well and should be the core of future depositor protection arrangements. It has avoided the excessive moral hazard problems associated with an explicit government guarantee of deposits (which cost American taxpayers so heavily in the savings and loan debacle of the late 1980s). At the same time, consumers have been spared the European expense of a formal system of deposit insurance.

The Wallis Report envisages that the APRC would assume the RBA's current responsibilities for depositor protection. However, the RBA would continue to be responsible for providing liquidity support to ensure the stability of the financial system. Obviously there is a need for the APRC and the RBA to maintain a close operational relationship to ensure that if a deposit taking institution gets into difficulty at some time in the future, the stability of the financial system is preserved and that depositors are protected to the greatest extent possible.

When it comes to consumer protection the current regulation of financial services in Australia is highly fragmented. The Insurance and Superannuation Commission, the Australian Securities Commission, the Reserve Bank, the Australian Competition and Consumer Commission, the Australian Payments System Council, and state and territory bodies responsible for administering state fair trading laws - all have consumer protection responsibilities. It obviously makes good sense for the current fragmented consumer protection arrangements to be rationalised in a new body, as the Wallis Report proposes, and the Labor Opposition supports that.

But while it is logical that the proposed new Corporations and Financial Services Commission (CFCS) acts as the day to day consumer protection regulator for the financial services sector, we believe that the ACCC should retain its role as the economy wide regulator of consumer protection. It has real teeth, has been willing to use them and should not be gutted - although there is obviously scope for some resource rationalisation with the new body.

The real concern is that the ACCC would be completely dealt out of consumer protection in the financial services industry, and that this would be the first step towards fragmentation of the economy-wide approach to consumer regulation.

To be sure, the Wallis Report does recommend that the ACCC retains its economy wide role, with the ACCC and the CFSC entering an operating agreement to eliminate duplication of enforcement effort. However, the Report also recommends that consumer protection provisions "comparable" to those in the Trade Practices Act be included in the CFSC's legislation. The danger in this approach is that consumer protection legislation would now be fragmented. In addition, the Report does not define what is meant by "comparable" legislation. There is a clear danger that the new consumer protection legislation for the financial services industry would be weaker than the current provisions of the Trade Practices Act. This is an issue we will be looking at very closely when, if ever, the Government gets around to introducing its legislation.

There are other aspects of the Wallis Report about which we have expressed reservations and concerns of varying strength, including, of course, the proposed lifting of restrictions on mergers between the major banks. Australia already has one of the most concentrated banking systems in the world - greater concentration will mean still less competition.

We also reject the open slather approach to fees and charges advocated by the Wallis Report.

With fees continuing to increase, it is essential that a formal capacity be maintained to monitor fees and charges, probably preferably by the ACCC itself, given its community wide price surveillance and monitoring responsibilities.

The Wallis recommendations are broad brush with a lot of detail to be filled in and we will obviously reserve our right to look at that detail in the Government's legislative response before we finally commit ourselves. The Opposition is continuing to consult widely with business and consumer groups on this detail but, I repeat, we support in principle the basic regulator structure proposed, and we want the Government to get on with its implementation.

One of the great attractions of the regulatory structure proposed by the Wallis Inquiry is that it will give a new boost to competition in your industry. In particular, the new structure will create a more level playing field between the banks and other deposit taking institutions.

It is highly significant that the credit unions and building societies are strongly supporting the implementation of the Wallis recommendations - while some senior bankers are far less enthusiastic.

In an environment where many people in the community are disappointed with the performance of the banks, there's a compelling case for creating a more level playing field between banks, credit unions and other deposit taking institutions.

I hope that the long delay in announcing a response is not a sign that the Government has succumbed to opposition from influential sections of the banking industry, and is backing away from the basic Wallis structure. Of course if the Coalition Government does back away from taking decisive action on a useful economic reform, it won't be breaking its duck!