



## Royal Bank of Canada Share Price: 450 Employees Away From Perfection?

### Description

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is cutting 450 jobs in the Toronto area, less than 1% of its global workforce. It will reinvest the cost savings into technology and other high-growth opportunities.

While all job cuts are a serious matter, this really can't be considered a blood-letting, like what's going on at **Bombardier, Inc.**, where it's eliminating as many as 14,500 jobs around the world as part of its five-year restructuring plan.

If RBC's board is anything like Bombardier's, I'm sure we can expect CEO Dave McKay and the rest of the C-suite to get a big, fat raise once the severance is fully paid out to the departing employees.

Good luck. Fair well. We hardly knew you.

### Investors shouldn't be surprised

Canadian banks have been thinning their ranks for the last few years, cutting well over 5,000 jobs. After all, why have a human advisor when a machine can do the job for less without going to the press about hardball sales tactics?

From a dollars-and-cents perspective, it's an easy call. From a historical perspective, where the local banker was once a beacon of the community, it's another sign of the times.

As the saying goes, "It is what it is."

### What does this mean for Royal Bank of Canada's price?

It means a lot more than one might think.

Remember, in April, **Great-West Lifeco Inc.** ([TSX:GWO](#)) announced it was cutting 1,500 employees, or 13% of its Canadian workforce. While painful to those who lost their jobs, Great-West acknowledged at the time that it was taking these drastic measures to invest for the future — a future where

technology played a bigger part than it already does in the growth of financial services companies.

It's a cutthroat industry. CEO Paul Mahon had little choice if he wanted Great-West to remain competitive with its peers.

It's a lot like a price war. One firm lowers its price, and the rest follow. Well, in this case, one insurance company cuts jobs; the rest will follow. The same thing has happened with Canadian banks over the past three years. Once one bank cuts jobs, the others follow suit. Nobody ever said bank executives were original.

Anyway, back to Royal Bank's stock price.

### **Cost savings a big focus**

Assuming that the average salary of the 450 employees is \$65,000, we are talking about \$30 million in annual savings, not including benefits, which might account for another \$20,000 per employee on top of that, delivering another \$9 million in annual savings.

How far can \$40 million go for a bank that had \$39.4 billion in revenue over the last 12 months?

It barely covers Dave McKay's total compensation over the past two years, including vested and unvested stock and option awards.

So, not very far.

However, it sends a message to its competitors that it's serious about taking technology to the next level to capture market share here in Canada and around the world.

### **Bottom line on Royal Bank**

Fool.ca contributor Jacob Donnelly [believes](#) the 5% dip in Royal Bank's share price since March gives investors a prime opportunity to add a strong stock to their portfolio.

While I [believe](#) two [other](#) Canadian banks make better investments at the moment — **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **National Bank of Canada** ([TSX:NA](#)) — Royal Bank is definitely a force to be reckoned with in the Canadian banking industry.

If you are a Royal Bank investor, I'd continue to watch what it does from a technology standpoint to move the ball farther down the road.

No, \$40 million doesn't do much for the big picture, but it does add to the kitty, and that's the only way your juicy dividend will get paid out.

### **CATEGORY**

1. Bank Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)

2. NYSE:RY (Royal Bank of Canada)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:GWO (Great-West Lifeco Inc.)
5. TSX:NA (National Bank of Canada)
6. TSX:RY (Royal Bank of Canada)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Yahoo CA

## **Category**

1. Bank Stocks
2. Investing

## **Date**

2025/08/25

## **Date Created**

2017/06/21

## **Author**

washworth

default watermark

default watermark