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AUTHOR	Hughes, Katherine; Bernhardt, Annette
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ABSTRACT

The banking industry has undergone marked changes over the past 20 years, driven by deregulation and new technologies. Two strategies have emerged: the low-cost transaction approach and the high-road relationship banking approach. The number of employees in commercial banking has fallen significantly, and average hourly earnings for nonmanagerial employees have remained low. A case study of a large, multinational bank showed a reduction in employees. Reengineering has had important effects on the staffing, task content, and quality of jobs at the bank branches. Back-office jobs have been eliminated or moved to national customer-service phone centers, whereas some jobs have been upgraded toward customer service. Teller jobs have become mostly part time, especially for entry. Although the bank requires high levels of communication skills for tellers, it has difficulty attracting the type of people it needs to a job with low status and low pay. Tellers have a high rate of attrition because of low pay and few opportunities for upward mobility. At the same time, tellers are expected to participate more in sales while still making accurate transactions, leading to more job stress. The process of restructuring is ongoing and is redefining the role of bank employees. Low-level employees are expected to have increased commitment to and performance for the firm, whereas rewards--compensation, upward mobility, and rewarding job content--usually lag behind. (KC)

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MARKET SEGMENTATION AND THE RESTRUCTURING OF BANKING JOBS

Katherine Hughes
and Annette Bernhardt

Economic restructuring has dramatically affected the nature of work in America. The business press abounds with examples of innovative companies that have created high-quality and well-paid jobs; yet just as prevalent are accounts of low-wage strategies, deskilled jobs, the imposition of two-tiered wage systems, and the substitution of contingent for full-time workers. Effects on wages, working conditions, and upward mobility differ markedly depending on where in the labor market individual workers are located.

An emerging field of industry studies, both qualitative and quantitative, therefore focuses on changes in firm strategies over the past several decades. The hope is that a better understanding of how restructuring has played out in particular workplaces—and how it has affected jobs and individuals in those workplaces—will contribute to our understanding of the growing wage inequality in America. This entails going inside the "black box" of individual firms.

While there is an established literature on firms and workplaces, it focuses almost exclusively on manufacturing firms, neglecting the service sector, where the large majority of American workers are employed. Further, this literature leads to a simplistic division between firms that have taken the "high road"—i.e., the high-performance workplace—and those that have not. But the good firm/bad firm dichotomy does not do justice to the diversity of firm restructuring, where conflicting policies are often instituted simultaneously, for short periods of time and in piecemeal or *ad hoc* fashion. Indeed, a new body of research shows that restructuring and technology interact to produce different outcomes for workers within the same industry or even firm (Hunter and Lafkas, 1998). Firms use the same technology (e.g., computers) to differentially reorganize jobs, upskilling some; automating, routinizing, or eliminating others.

CHANGES IN THE BANKING INDUSTRY

The banking industry has undergone marked changes over the past two decades, driven in large part by deregulation and new technologies (Keltner & Finegold, 1998). Deregulation brought about intense price competition among banks, as well as competition between banks and other financial services providers. At the same time, new information technology radically affected costs, productivity, and service delivery. Transactions performed by an ATM cost about one-quarter of those done by tellers (Morisi, 1996). As margins became slim, reducing payroll costs through tighter and more flexible staffing arrangements was integral to survival in the industry, and most American banks de-emphasized human resources—increasing contingent employment and decreasing training for front-line employees. However, a few banks use training and other human resource strategies to create a skilled, stable labor force to attract and keep a particular customer market.

Changes in the Organization of Work

Two polar strategies have emerged, the low-cost *transaction approach* and the high-road *relationship banking approach* (Keltner & Finegold, 1996). At the heart of these approaches lies a segmenting or stratification of the customer market. The emergence of this new set of service strategies in the banking industry has required changes in work organization. Thus, two trends are occurring, often within the same organization, with opposite effects on job quality.

One is a significant increase in quality service, which potentially calls for an increase in skills and product knowledge throughout the branch organization. In the relationship-banking approach, branches are the focal point for the selling of a wide range of financial services by knowledgeable bankers. New technology gives these bankers quick access to all product and customer information. One study has found that the use of sales-supporting software in bank branches is associated with higher wages (Hunter & Lafkas, 1998).

The other trend, cutting costs through the transaction approach, relies on technology to simplify and speed up work, and often replace human labor altogether. In the past, tedious and time-consuming tasks were performed by a range of specialized employees. Tellers now perform an expanded set of computer-facilitated tasks, and back-office tasks and jobs have been reduced and consolidated, enabled by centralized computer networking. Technology that primarily automates branch banking work, combined with reduced employee discretion, is associated with lower wages (Hunter & Lafkas, 1998).

Staffing Trends

After peaking in 1990, the total number of employees in commercial banking fell by 98,000 to just under 1.5 million in 1996. As the volume of electronic transactions has grown and back-office tasks have been automated and consolidated, technology has increasingly replaced human labor. The relative proportion of higher-paying occupations within the industry has increased, while the relative proportion of lower-paying positions has decreased (Demsetz, 1997). At the same time, there has been a striking increase in the prevalence of part-time work, especially among tellers. From the mid-1980s to the early 1990s, the percentage of tellers working part-time went from almost zero to 60 percent (Keltner & Finegold, 1996).

Average hourly earnings for non-managerial employees in commercial banks have remained in the nine-dollar range since the mid-1970's. That wages for non-managerial employees are low and have not risen over the years may be partly because the industrial relations system in banking is (and has always been) weak and poorly coordinated. In 1993, union membership in the banking industry was less than one percent; contract coverage was about one and one-half percent. There are no firm-based work councils and no legal provisions for their establishment. Outside of firms themselves, there are no established mechanisms for developing the skills of lower-level employees, and within firms, training is likely to be informal, short, and job-specific.

CHANGES AT GLOBALBANK: A CASE STUDY

We present findings from a case study of retail banking at a large, multinational bank, which we call GlobalBank. Our findings are based on fieldwork at GlobalBank's retail banking division in a large metropolitan area. We interviewed human resource managers and recruiters at bank headquarters; conducted site visits at two branches serving different customer segments, interviewing branch personnel at all levels; and interviewed trainers and observed classes at a separate training facility. The fieldwork was supplemented with background data on this bank and the industry as a whole.

Twenty years ago, GlobalBank was mainly a depository institution emphasizing checking and savings accounts. Today, it has diversified and shifted to risk and credit products. Because technology allows quick, cost-efficient duplication of new offerings, the bank is in a constant race against competitor banks and brokerage houses. Retail banking is now at the forefront of the bank's strategy, with strong pressure on branch managers to generate profits. Once rewarded according to the number of accounts they opened, branches are now judged on the basis of profit and loss statements.

The sales side generates virtually all of the branch's revenue, while the transaction side (tellers and some back-office staff) loses money. But an overriding emphasis on sales can compromise service quality, and service is a key basis of competition. GlobalBank attempts to balance these two by segmenting its market into high- and low-revenue transactions: high-quality relationship banking for complex financial services, and low-cost electronic transactions for basic services. Great effort is put into convincing customers to end simple transactions with tellers and use ATMs instead. Payroll costs have been reduced with tighter staffing and a dramatic increase in the percentage of part-time tellers.

Restructuring

In the early 1980s GlobalBank began a massive reorganization of its branch system, which had been divided into separate geographic markets and branch networks, each its own fiefdom with different rules, practices, and strategies, and duplicate support staff. Over several years, the bank centralized this system, reducing operational costs and staffing, creating one coherent strategy across the board. A critical part of this process was the national consolidation of several back-office functions, which have been moved to one location. New technology made GlobalBank's restructuring possible. Computerized account information and processing were centralized, so that a customer's entire banking profile is now linked and accessible nationally. The impetus for and cause of change has come from process re-engineering—not, for example, from starting with a fundamental restructuring of the workplace via teams or other high-performance workplace practices.

Employment Levels

Because retail banking work has changed, measuring the effects on employment levels is difficult. Counts before and after restructuring are not strictly comparable, as some jobs have been shifted out of the area. As well, GlobalBank downsized after several severe financial crises. On balance, though, there has been a net reduction in jobs because of gains in economies of scale, reduction of managerial layers, and technology-driven efficiencies. In 1985, employment was roughly 10,000 in the metropolitan retail banking division, with about half working in the branches. In 1996, employment was only about 4,800, with more than two-thirds working in the branches. The number of branches has declined, and the bank continues to close branches that show little potential for revenue growth. The 250 branches from a year ago have been cut to 179. Of 2,000 back-office jobs, roughly 1,500 were moved out of the region or automated.

Effects on Job Quality

The re-engineering at GlobalBank has had important effects on the staffing, task content, and quality of jobs at the branches. As branch employment declined, the number of transactions skyrocketed. In 1980, tellers and ATMs handled a total of 139 million transactions; by 1997, the total had climbed to 214 million transactions. In the past, tasks were highly routinized and time consuming, and job content was narrow: Tellers performed a limited number of simple services, such as cashing checks and processing deposits; back-office work was performed by clerks, who were roughly equal to tellers in status and career potential; and platform workers, one level up in the hierarchy, typically opened accounts and processed loans.

In different ways and to different degrees, these jobs have been transformed. The most obvious effect is that the majority of back-office jobs have been either eliminated or moved to national customer-service phone centers. Although there is no consensus as to whether these jobs have been upgraded or downgraded, it does appear that the classic de-skilling argument holds for the entry-level, lowest-tier phone jobs. Wages are low, and automation has routinized and sped up this work and allowed for very close monitoring. There are also, however, increasingly higher-level jobs with better wages and more autonomy, as workers have to master more information about bank products and provide tailored customer service.

The Up-skilling of Platform Workers. Part of GlobalBank's move toward quality customer service was a collapsing of job titles into about half their previous number. Platform workers were recast as personal bankers, and are now regarded as officers, representing a clear increase in status since the designation also applies to branch supervisors and managers. This position has been transformed into a complex, somewhat autonomous, skilled sales occupation.

With access to all customer account information through the bank's centralized computer system, personal bankers manage multiple accounts for a given customer. Because of the great diversification of consumer banking products, personal bankers must possess knowledge and expertise in a number of fields, and must cultivate cross-selling skills.

Personal bankers today typically have four-year college degrees, which had not been true in the past, and both insiders and outsiders with sales experience are recruited. Base pay has increased substantially, and performance-based bonuses can be significant. There is also more flexibility in the position, with movement across tasks and jobs (e.g., between management, sales, and teller supervision).

The Attempt to Make Tellers "Sales People." GlobalBank's goal is to convert tellers from "order-takers" into "sales people." The extent to which this has occurred is another matter. Although tellers continue to perform basic transactions, they do their tasks more quickly and efficiently because the centralized computer system consolidates all account information, transfers money electronically, and does the end-of-the-day balancing (an extremely time-consuming process in the past). Technology has also given tellers new tasks: generating ATM cards and pin numbers, processing ATM envelopes, and arranging for electronic payments and transfers.

GlobalBank aims to make sales people out of tellers by developing their interpersonal skills and by having them contribute directly to the relationship strategy through "referrals." Ideally, a teller evaluates customers at his or her window, and when account information indicates a profile for a particular product, refers them to a personal banker or investment officer. Potentially, then, referrals can require product knowledge and selling skills that are far removed from tellering in the past. The enhanced training of tellers reflects this shift in emphasis.

In practice, however, accuracy in transactions and organizational skills are still the key attributes of a good teller. And during high customer volume, no one expects or wants tellers to make referrals, since doing so necessarily slows down service. Although tellers have not yet become an integral part of the sales process, they must organize a greater number of time-sensitive tasks while not undermining courteous service. This makes the job more stressful. Finally, more than half of the tellers are now part-time workers, and almost everyone begins part-time. This is in stark contrast to the past, when virtually all tellers were full-time.

Teller recruitment. Teller recruitment, which has become significantly more selective and methodical, has several clear mandates: to find quality workers with selling and service experience, to reduce turnover, and to ensure that new hires are willing to work in flexible, part-time schedules—all of roughly equal importance. Finding applicants with good communication skills who are also willing to follow instructions in a low-status job poses the most difficulty. College graduates are considered to be overqualified, but applicants with less education often lack the needed skills. As a result, tellers most often have some college experience or a community college degree, but do not (yet) hold a four-year degree. In the past, a high school degree was the most common credential, and candidates were selected almost solely on the basis of hard transaction skills. Additionally, the applicant-to-hire ratio was roughly 3 to 1. Now it is up to 40 to 1, if all applicants who call about a job listing are counted. If one counts only applicants who make it to the stage of submitting a resume, the ratio is 10 to1. Thus GlobalBank has no problem finding applicants, but has a difficult time getting quality recruits who are willing to put in the time at a low-status entry-level job.

Teller training. Training has been centralized, standardized, and lengthened—from 12 days in the late 1980s to 20 days today. Although much of the increase is driven by the bank's new focus on quality service and selling, the additional eight days are not entirely taken up by training in soft skills and how to provide quality service. True training in customer service takes up only one day, and covers referrals and communication tips for good service. Teller training has always focused on transactions, and the fundamental learning of concepts and tasks has not been reduced. Now, however, the integrated computer system must be mastered, as well as new tasks and transactions.

Mobility. Management believes that dissatisfaction with mobility opportunities is responsible for its 35 percent turnover rate. If the chances for mobility are less than ideal, it should come as no surprise that tellers would choose to leave. Since these are low-status and often taxing jobs, the most important measure of job quality is the ability to move up in the organization. Roughly ten percent of full-time tellers move up in a given year. The newly created Customer Relations Manager position is often the next step up from teller, and has clearly helped to create mobility opportunity. An alternate path, available in upscale branches with licensed brokers, is for the tellers to become brokers' assistants. Movement into managerial positions occurs but is not nearly as common, as half of these positions are filled from outside.

In terms of mobility, back-office jobs have clearly suffered. While there never was much movement from back-office jobs to the branches, promotion ladders did exist within the back office. But now many of those functions are centralized in organizations that provide few pathways for promotion (Fernandez, Castilla & Moore, 1998). Among the remaining branch jobs, the chances for mobility are not apparent. The first and most common upward move is to full-time status, which takes, on average, one year. Some part-time hires quit in frustration because they feel that they are not being promoted fast enough. The relatively low percentage of full-time positions does not help, but the bank is now reversing or at

Institute on Education and the Economy
Box 174, Teachers College, Columbia University
New York, New York 10027
212-678-3091 Fax: (212) 678-3699
iee@columbia.edu
http://www.tc.columbia.edu/~iee
Director: Thomas R. Bailey
Managing Editor: Lisa Rothman

least holding steady the trend towards part-timers. In addition, branch managers have some freedom to decide whether to use their payroll for fewer full-timers or more part-timers.

Compensation. Along with the increases in training and job content, there has been some increase in compensation for tellers. Starting pay for full-time tellers now stands at $24,000, up from $18,000 five years ago. Part-time tellers now start at roughly $11 an hour, as compared to about $8 an hour five years ago. While these wages are greater than the national average, the increases are minimal when adjusted for inflation. Both full- and part-timers, however, do qualify for health benefits. Still, the wage differential between full-timers and part-timers is large. Moreover, because compensation for personal bankers has increased more rapidly in recent years, the gap in pay between tellers and personal bankers has widened noticeably.

The bank has also moved toward performance-based evaluation and pay. All branch staff are evaluated quarterly via a new "Score Card" system, which ties salary increases to individual performance, using measures of attendance, sales, service, and processing. If incumbents are "above par" in meeting their goals, they receive a bonus for that quarter. Tellers may receive between $150 and $200, and personal bankers between $500 and $600, in a given quarter. Compensation for personal bankers is heavily determined by the sales they generate, and tellers may be judged in part on the number of referrals they make.

DISCUSSION AND CONCLUSION

GlobalBank responded to increased competition with a strategy of market segmentation. For basic transactions, the bank cut costs and automated as much as possible; for the selling and management of complex financial products, it shifted to high-quality customer service. The impact of this segmentation on job quality has been variable. In terms of responsibilities, autonomy, skills, and earnings, job quality for platform workers has improved. For tellers, job content has seen some upgrading, as much of the tedious work of the past has been eliminated or made faster through technology and as tellers are increasingly asked to take part in the selling process. The bank also invests more in the screening and training of entry-level tellers. Branch work at all levels has come a long way from the past, entailing more complex functions, greater use of technology, and a less rigid division of labor.

Yet a good part of the teller job is still mechanical and process-oriented. While the job may be less monotonous, the amount of new information to be mastered has made it more stressful. As well, compensation remains low at the entry-level, and more than half of the teller positions are now part-time. Hence one problem is a disjuncture between the kind of branch employees the firm is now seeking—those with some college and high professionalism—and jobs that do not fulfill the aspirations of those employees. At GlobalBank, there are not yet enough possibilities for upward mobility, even for the best employees. It also seems clear that in most cases a college degree is now required for advancement. Thus banking is no longer a port of entry to career jobs with good wages for those with only a high school degree.

What we are witnessing is an ongoing restructuring process, one that is redefining the role of branch-level employees. The changing of platform workers into skilled consultants is complete, whereas the changing of tellers from order-takers into salespeople is not yet complete but is being promoted by managers and trainers. For both positions, however, the job content has been transformed to require more discretionary effort. The bank's competitive strategy places increasing importance on each worker's individual commitment to and performance for the firm. The problem is that the rewards to tellers for this greater effort are lagging behind—in terms of compensation, mobility opportunity, and to some extent, rewarding job content.

GlobalBank may have come up against the limits of technology-driven change. It has focused first and foremost on restructuring, cost-cutting, and technology. By contrast, there has been little emphasis on directly transforming the organization of work, for example, via teams and task redistribution. We suspect that the teller jobs will not be completely upgraded until GlobalBank explicitly adopts a human resource strategy to complement its focus on technology and restructuring.

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