



# Innovation and Job Quality in Retail banking

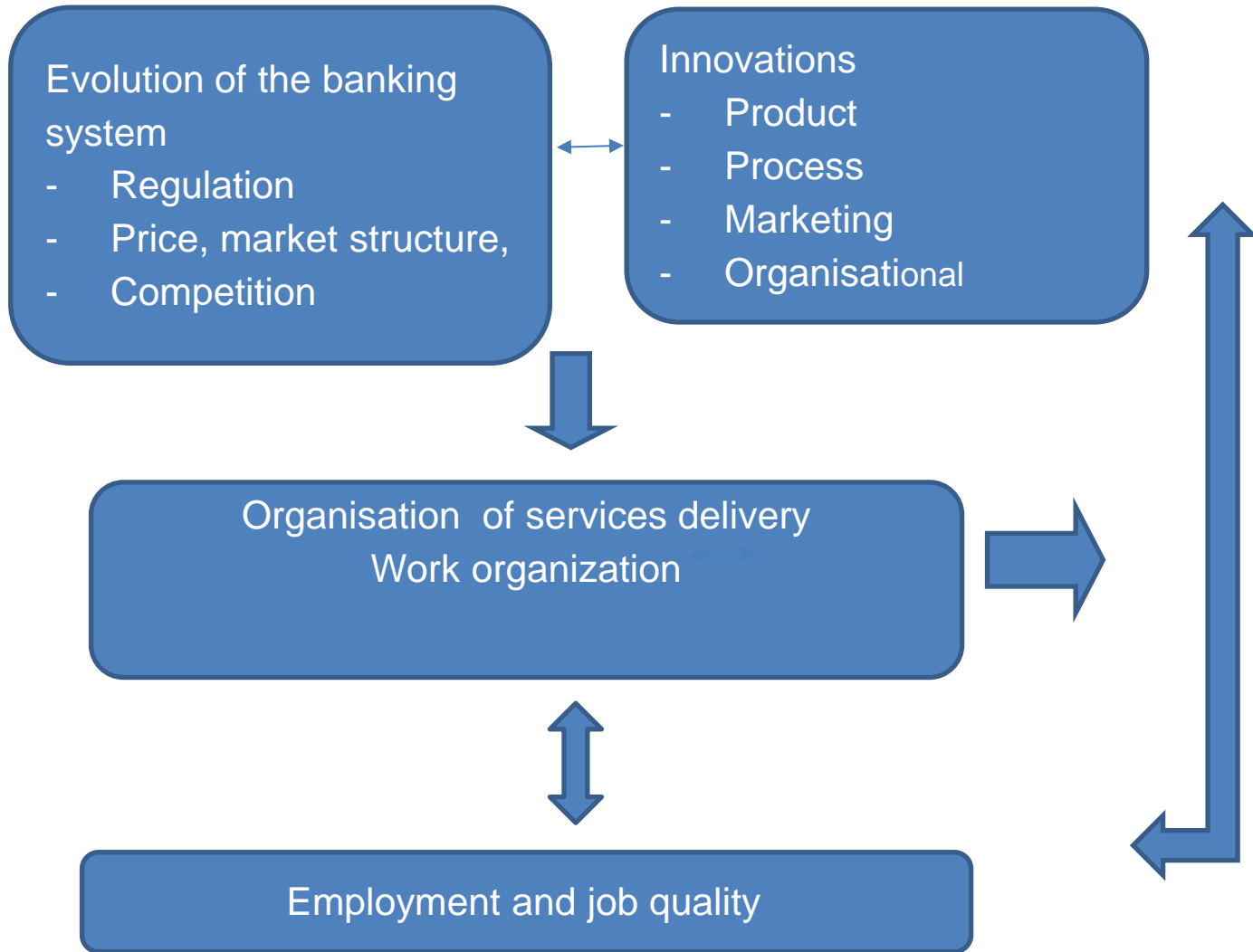
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# Introduction

- Aim of the paper: analysing the interactions between innovation (product/process/organization) and job quality (i.e. *employment* and *work conditions*).
- Scope of the study : Retail banking (RB)
  - Nearly  $\frac{3}{4}$  of employees in the Banking sector work in RB ;
  - Innovative industry offering high Job Quality (cf. Erhel & Guergoat-Larivière, 2016, WP5);
  - Facing significant changes (regulation, competition... - + technological innovations), that impact (directly and indirectly) JQ.



	1960-70	1980-90	2000-2017
<b>Evolution of the banking system (regulation, competition)</b>	<p>Expansion of banking networks.</p> <p>Highly regulated activity.</p> <p>Separation between deposit bank/ corporate&amp;investment-equity bank</p>	<p>De-regulation and internationalisation of stock &amp; securities market.</p> <p>Increased competition</p> <p>Mixed activities (insurance, deposit, savings...).</p> <p>Universal banking principle (FR)</p>	<p>New regulation after the 2008 financial crisis.</p> <p>Low interest rates.</p> <p>Fierce competition with non-banking players.</p> <p>Galloping expansion of direct banking</p>

	1960-70	1980-90	2000-2017
Main Innovations	<p><b>Computerization</b> (limited to back-office procedures).</p> <p>Heavy and centralised technical systems</p>	<p>Development of <b>ICT</b></p> <p>Computerization of workstations;</p> <p>ATM, Cash points, Credit card.</p>	<p><b>Digitalization</b> (ATAWAD concept);</p> <p>Artificial Intelligence</p>

# Outline of the presentation

- Impacts of innovations on JQ in retail banking are mediated by organizational choices
- Work organization and JQ : potential impacts on innovative capacity
- ⇒ Focus on customer relationship activities (« sales force » /customer advisers  $\approx$  half of the workforce in Retail Banking)

# Methodology

- Five case studies :
  - 2 commercial banks (FR-COM & SP-COM);
  - 1 cooperative bank (FR-COOP);
  - 1 Fintech (SP-FINTECH);
  - 1 direct bank (FR-ONLINE).
- Two countries : France and Spain
  - Similarities : high territorial density of the banking network ; digitalization occurred later than in other European countries
  - Differences : French banks less hit by the 2008 crisis than Spanish; institutional and regulatory context (particularly regarding labour market)
- One aim: to understand if, why, and under which conditions companies do (or not) reconcile innovation with JQ and inclusive jobs (Jaehrling, 2017, introduction WP6).

# Impact of innovations on JQ : widely mediated by organizational choices

Different organizational forms for delivering banking services to customers:

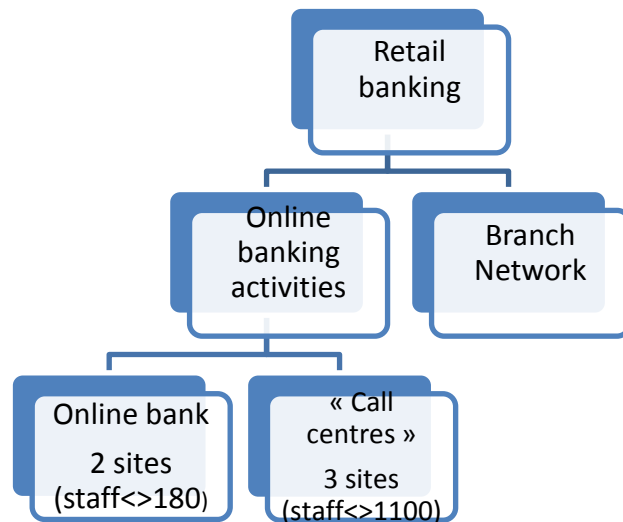
- Exclusively Online => FR-ONLINE
- An integrated (and hierarchical) model=> FR-COMMERCIAL
- A multi-channels « traditional » bank => FR-COOP and SP-COMMERCIAL



# Exclusively Online => FR-ONLINE

- Recruitment : Two-year university undergraduate degree (no experience nor specialization needed)  
« There is a difference between us and a traditional retail bank: our adviser do not recommend banking products. Clients manage themselves using the website » [HR manager];
- Few opportunities for promotion (within FR-ONLINE or towards the parent company) => no HR policy to retain them
- « *Lean banking* « : segmentation according to customers' assets, performance indicators (sales, customer satisfaction – response times... - ), low autonomy in setting work methods and work pace... continuing process of standardization to reduce costs...
- Work intensification, high turnover : « This kind of job is not sustainable throughout a working life » [HR manager],

# An integrated (and hierarchical) model=> FR-COMMERCIAL



- Call center contact agents : young, middle-skilled, no previous job experience, then OJT. Permanent contracts.
- E-customer advisers (ONLINE bank)
- Customer advisers in local branches ; long tenure employees, medium to high skilled (technical banking)

Online bank launched in 2013 as an internal component of the bank as a way to facilitate **internal mobility**.

« It was a political and strategic choice in favor of Job quality » [Trade Union delegate, SNB].

**It was a failure.** (Advisers thought online jobs were less skilled)

Then, management calls for mobility between Call centres and Online bank : **new failure**.

# A multi-channel « traditional » bank => FR-COOP and SP-COMMERCIAL

- customer advisors are also asked to provide online services

⇒ Previous trends are confirmed :

- Customers segmentation persist but with more clients per portfolio => heavier workload
- Multiple contacts through phone, chats and emails => imprevisible and time-consuming
- Priority on sales (financial products, insurance... cell phones) => devalorization of banking skills
- Blurring of career paths

*“There was a time when professional promotion was more agile. [Today] vacancies aren't publicised. Promotion is currently stagnating because branches are being closed, based upon the digitisation of the processes” [Trade union representative, SP-COMMERCIAL]*

- in all cases, customer advisors at local branches are more valued than e-adviser : intrinsic value of “live” and “interpersonal” customer relations.

## Two main strategies: job polarization and job enrichment

- Job polarization between:
  - customer advisors, young, middle skilled (Bac + 2), low wage, exclusively online, long hours, few career prospects, high turnover
  - **and** 'experts' in data analysis, web marketing, ... and specific profiles (law specialists, ...) with higher educational background.
- very little mobility between traditional bank and online bank; and between ILM and experts groups (more connected to external professional LM).

*“There are no more ‘career paths’ (...). We need to change our state of mind, be more agile with employment contracts, with working time schedules”  
[HRM, FR-COMMERCIAL].*

## Job enrichment:

Online services are located *within* the existing banking network

*“Our strategy is to maintain a physical network of collaborators whom we want to be more and more expert” [HRM, FR-COOP]*

Customer advisors are equipped with:

- New tools to better handle multi-channels (included AI, as a way to alleviate workload and to increase efficiency)
- Training effort to improve workforce skills

*“The idea for us is mainly to recruit young graduates and allow them to develop a career in the group. (...) we have a policy of internal promotion (...).”*

- Different work organization (‘Discretionary learning’) that relies heavily on internal resources: more job discretion (including for front-desk clerks), no individual targets, teamwork ...

*“Here, we are still more or less free, we still have a decision-making power that customer advisers do not have in other brands [i.e. banking networks]. The decision-making power is largely at the level of the customer advisor. This is still very appreciable because we are trusted. We are trained for that too” [Customer adv., FR-COOP, 15 years seniority]*

# Organizational forms and JQ in Retail banking : implications for innovative capacity?

## Innovative capacity at risk ?

- whatever the strategy (polarization vs enrichment), work intensity has increased => not enough time to be proactive (with customers), to update information...
- feeling of de-skilling, the meaning of work, commitment, creativeness are affected.

*“Defining a number of hours per project is not a good idea. It is an impediment to innovation. They should trust us and let us manage our time, let us be more autonomous. We could be more creative like that” [UD2, FR-ONLINE].*

- looking too much for ‘agility’, HR policies may neglect to retain the right people (particularly on IT)

# Organizational forms and JQ in Retail banking : implications for innovative capacity?

## How do banks innovate ?

- *collaborative approach* ('méthode agile') : small working groups involving different professionals (marketing, customer relations and IT) and sometimes clients... to mimic start-up
- mergers and acquisitions of Fintech  
*"We did not buy it back to acquire a competitor, we bought it to internalise resources, know-how and skills, to save time, we internalised this resource, to go faster down the 'road map' (sic) of development than had been planned". [Director of Marketing and Website, FR-ONLINE]*

# Conclusion

- « The bank is tomorrow's steel industry »  
(Rapport Nora Minc, 1978)=> Is this time different ?
  - Digital transformation: no disruption but acceleration of ancient trends
  - JQ (and innovative capacity) at risk : work intensification!
- Beyond technological changes, organizational choices matter...
  - There are alternatives: job polarization or job enrichment
- Explaining the determinants of « choices »...