



# Choice or technological determinism? Innovation and job quality in retail banking

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Technical progress - the digital revolution - has again become a major concern, not only for economists and labour market specialists but also for public decision-makers and workers (Valenduc and Vendramin, 2016). The fear that unemployment will result from replacing human with machine (nowadays robots and artificial intelligence algorithms) is fuelled by some particularly alarmist - and contested - estimates (see Kucera's (2017) overview). The banking sector has not escaped these alarmist predictions.

Not only the number of jobs but their nature need consideration. The challenge is to analyse how innovations can affect the different dimensions of job quality (referring to all conditions of work and employment) but also the extent to which job quality affects the innovation capacity of workers, and hence of organisations. Indeed, certain essential dimensions of job quality (autonomy in work, learning opportunities, job security - components of what Gallie (2018) calls the 'innovation-conducive job quality') might explain the emergence of 'innovative organisations'.

The interrelation between innovation and job quality forms the core of Quinn's<sup>1</sup> research, funded by the European Commission as part of its Europe 2020 program. The project, from April 2015 to June 2018, included in-depth analysis of several sectors, based on case studies in seven European countries (Germany, Spain, France, Hungary, the Netherlands, Sweden and the United Kingdom), each time comparing two to four countries<sup>2</sup>. Five case studies were in retail banking in France and Spain, which had the highest territorial density of banking networks in the mid-2000s.

## Innovative sector, new shocks

By 2016, banking was still one of the largest private-sector employers in Europe, with 2.8 million people - 1.5% of employees in the EU-28. Nearly 70% of these work in retail banking. The retail bank, traditionally organised in a network of branches as main points of contact with customers, faces profound changes to its modes of organisation.

Changing customer behaviour is seen as the most powerful driver of change in the industry. Banks have to cope with increased contact through channels such as email, phone, and social networks, and correspondingly decreased visits to bank premises. Digital technology has made information on banking services widely available and comparable. Better-informed clients are considered more knowledgeable and therefore more

demanding and challenging *vis-à-vis* their advisors. Moreover, following the 2008 crisis, the idea that stagnating interest rates could be offset by faster macroeconomic improvement is used to justify reducing costs, notably through restructuring banking networks (Kirov and Thill, 2018).

Partly encouraged by European directives, competition is increasing in the sector, particularly as non-banking players such as digital companies and large retailers offer cheaper means of payment than traditional banks. Adapting to new customer demands - more accessibility and streamlined transactions - is at stake, notably for incumbents. In this context, fintech companies - usually start-ups combining technology and finance to provide various applications for connected devices - become strategic partners coveted by banks for their innovative capabilities and the competitive advantages that may result.

Technological innovations underlie the changes underway in the sector, but this is not new. In the 1980s, dematerialisation of payment methods - with the credit card and ATM - was a turning point for the sector, paving the way for providing banking service outside branches. Alongside, the 'cognitive solutions' offered by artificial intelligence have recently penetrated the banking sector with many applications: chatbots, risk-predictive algorithms, email analysers, and customer referrals to adapted products. Nevertheless, these technological changes, like ATMs, provide opportunities for workplace reform but do not determine the effect on job numbers or quality.

Between 2008 and 2016, branches in Europe decreased by 21% while jobs decreased by 17%. These figures, however, reflect contrasting realities across countries and banking networks. Some networks chose to diversify service delivery channels while keeping the same organisational structure. Others opted to create online banks. These organisational choices are key for understanding how technological innovations affect employment and working conditions.

## Same technologies, different organisational choices

Our case studies<sup>3</sup> identified two business strategies with different outcomes regarding job quality. On one hand, online banking aims at offering a banking service cheaper than traditional banks through continuous rationalisation and standardisation of work processes. On the other, traditional banks start to sell products and services via websites to reach new customers and diversify distribution channels; the challenge is to maintain the network of branches by raising the quality of the service provided.

<sup>1</sup> Quality of Jobs and Innovation Generated Employment Outcomes.

<sup>2</sup> 58 case studies were done in 8 industries (aerospace, automotive, agri-food, retail banking, computer games, retail logistics, home care, hospitals). Project publications are available at <http://byder.nu/>

<sup>3</sup> Five case studies were conducted, in two commercial banks operating worldwide (one French and one Spanish), in a cooperative/mutualist bank and an online-direct bank (both French), and in a Spanish independent fintech company. See Perez and Martin, in Jaerhling (2018).

These strategies are not always exclusive. One of our cases tried to reconcile creating online banking with the planned reduction of branch activity. The new entity, the online bank, was created within the bank as an additional department, not as a subsidiary, to facilitate internal mobility: 'It was a political and strategic choice in favour of job quality', says a union steward. However, this strategy did not succeed: customer advisors in branches considered moving a downgrade, and few eventually did so. The bank had to recruit young advisors or promote employees from a call-centre to fill the new positions.

### From polarisation to job enrichment?

According to our results, *job polarisation* derives from creating new units exclusively dedicated to online banking activities. These units mainly recruit young customer advisors with medium-level skills and relatively low wages, who work exclusively online, with long opening hours and fewer career prospects than counterparts in the physical network. Seniority in the company is low, and HR policy makes no effort to retain them. By contrast, customer advisors in physical branches in the 'traditional' bank have standard opening hours, selected customers, and face-to-face interactions. New occupations related to IT and digital are held by 'experts', most recruited from a 'professional' labour market rather than internally. Among customer advisors, the online sphere is separated from physical networks. Branch closures make it more difficult for online workers to move to the physical network, even if they would prefer to. Mobility from the physical to the online sphere is rare, although desired by management, because it is perceived by workers as degrading working conditions (particularly working hours) and downgrading to work on the flow with unknown customers.

*Job enrichment* most likely occurs in traditional banks that develop online services *within* their existing banking network, trying to accompany employees, particularly customer advisors, through changes: with new tools that help them handle customer demands coming through all channels, specific training to improve their skills, and different work organisation and performance assessment. Here the introduction of AI (Artificial Intelligence) through 'cognitive solutions' (a natural language search mode in the bank's regulatory databases, also being tested as an e-mail analyser at the time of the survey, developed by IBM's supercomputer, Watson) is presented by management as a way to alleviate customer advisors' workload.

Technological innovations are entangled with structural and cyclical changes affecting the banking sector. They are both constraints and opportunities for redefining an economic model of retail banking. Digitisation and artificial intelligence, like computerisation, led to redefining trades and job content alongside a slow reduction in the workforce.

A trend common to these organisations is intensification of work that might undermine job conditions enhancing creative and innovative capacity at the workplaces. Besides, according to our

case studies, the virtuous circle between job quality and innovation is seldom thought of as such. Innovation is still a top-down process which employees have to adapt to, and even an external process in which traditional banks finance incubators of Fintech or acquire start-ups to absorb innovation, rather than fostering internal innovation capacities.

Until now, working conditions represented a real issue for unions trying to moderate the effect of digitisation by bargaining over working time. Because technological changes are too often considered unavoidable, unions are focused on their consequences. If IT and AI can be used for controlling and prescribing work, to the detriment of innovative human capacities, our conclusions invite awareness of a leeway in strategic choices at the level of the firm that might offer different pathways to promote autonomy, motivation, and, therefore, involvement and initiative. It is not the least challenge of the new age of digitalisation.

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