Market Segmentation and the Restructuring of Banking Jobs

Katherine Hughes
Annette Bernhardt

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ABSTRACT

One of the most pressing questions facing researchers and policy makers today is how economic restructuring has affected the nature of work in America. In a case study of retail banking, we investigated how changes in the banking industry over the past two decades have affected branch-level jobs. We find a strategy of market segmentation that has had variable effects on job quality. While platform workers have been upgraded and their job quality has improved, for tellers we find mixed changes. In general, branch work at all levels has been transformed, entailing more complex functions, greater use of technology, and a less rigid division of labor. This is a restructuring process still underway, one that is redefining the role of branch-level employees.

INTRODUCTION

One of the most pressing questions facing researchers and policy makers today is how economic restructuring has affected the nature of work in America. The nature of competition and product markets, the structure of workplaces, and attachments to employers all look very different now than they did at the height of industrial capitalism. There is a growing sense that the environment in which firms make choices and pursue competitive strategies has shifted, and that trends in the labor market and wage inequality are part of an unfolding system of industrial relations. Compared to the post-war period, the American employment relationship appears to be changing – in how the workplace is organized, in how workers are matched with jobs, and in how wages and the terms of employment are set.

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 substitution of contingent for full-time workers. Even the classic mainstream review of the field ended with a recognition of this diversity:

> Some firms may choose to compete for larger shares of standardized products produced by low wage workers carrying out relatively simple tasks. Other firms may choose to tailor production to a high value-added, high quality product at the upper end of the same market. Both strategies may prove successful in generating profits, but with quite different consequences for workers' wages. (Levy and Murnane 1992, p. 1374)

Such variability poses the critical question of how firm restructuring is affecting different groups of workers. Effects on wages, working conditions, and upward mobility differ markedly depending on where in the labor market individual workers are located: "Perhaps the most important implications of the new employment relationship concern increased inequality in the workplace and, ultimately, in society as a whole" (Cappelli et al. 1997, p. 11).

In the 1980s, researchers began documenting stagnant wages and an unprecedented rise in earnings inequality.[1] The situation was becoming especially alarming for parts of the black and Hispanic population, whose poverty rates were increasing and whose labor force participation was decreasing. To varying degrees, these trends continue to the present despite a strong economy and tight labor market. To explain increasing inequality, researchers have turned primarily to the roles of technology and skill.[2] Workers with a college degree saw growth in their real wages, while those with less education saw stagnation and even declines. Therefore, the prevailing argument in both public and academic spheres is that skill has become more important in the American labor market and that it has been driven by rapid technological change, in particular the broad influx of information technology into the workplace (Bound and Johnson, 1992; Krueger, 1993; Berman, Bound and Griliches, 1994). While this is an intuitively appealing and parsimonious account of the rise in economic inequality, it does not by itself suffice. The growing gap between those with high and those with low levels of education explains at best half of the total increase in wage inequality. There is a substantial residual increase that has occurred within groups of workers of the same age, education, and experience, and this residual has so far not been explained.

An emerging field of industry studies, both qualitative and quantitative, is therefore focusing explicitly on changes in firm strategies over the past several decades, how these have been driven by the economic and institutional environment, and how they have affected labor market outcomes, especially wage inequality.[3] The hope is that understanding how restructuring has played itself out in particular workplaces, and its effects on jobs and individuals in those workplaces, will contribute to our understanding of growing inequality. This entails going inside the “black box” of the firm.

A New Focus on the Firm

While there is an established literature on firms and workplaces, until recently its usefulness has been limited on several fronts. First, the prevailing focus has been almost exclusively on manufacturing firms, neglecting the service sector where the large majority of American workers are actually employed and where reengineering often takes very different forms, especially in how it is linked to technological change. Second, much of this research was motivated by testing for the productivity effects of the “high performance workplace,” a model of restructuring which in the 1980s was seen as the route to American global competitiveness (e.g. Blinder, 1990). Thomas Bailey’s (1993) review summarized the history of work reform as a search for a means to elicit “discretionary effort,” the extra exertion, knowledge, and creativity that managers believe workers can contribute to their organization. Labor market outcomes for workers took a distinct second place in these studies, and often were not measured at all.

Third, this literature has tended to result in a simplistic division between firms that have taken the “high road” and those that have taken the “low road,” with considerable effort going into measuring the prevalence of the former. This is a problematic and limiting focus, since the types of jobs that are of most concern, those that are low-wage and semi-skilled, do not tend to be found there.[4] Moreover, 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. In fact, practices such as externalization, subcontracting, and reliance on part-time and contingent workers may well be concomitant with high performance strategies that protect a core group of stable, participative employees (Pfeffer and Baron, 1988).

A new body of research on the service sector is beginning to address these shortcomings, with the recognition that a wide range of approaches to restructuring exists and that differential outcomes for workers – especially those without a college degree – are therefore a key object of study. This work is also distinguished by a contingent, as opposed to determined, understanding of technology and its effects. So far, this literature suggests that deregulation, industry consolidation, the saturation of domestic markets, and deunionization have transformed the nature of the workplace in the service sector (for a general review, see Batt, 1998). Both case studies and quantitative research show that service firms are strategically stratifying their customer markets and the services provided to them. This has resulted in a similar stratification of service work, and of the job quality and wages associated with each sub-market.

The trend toward market segmentation has been found in diverse industries such as fast-foods and retail sales, computers and high-tech, financial services, insurance, and telecommunications.[5] The key outcome is not just a divergence in job quality and wages, but rather a splitting of the paths that previously connected jobs and constituted a career, often geographically. For example, separate department stores now specialize in either high-income, middle-income, or mass markets; thus it is unlikely that a Wal-Mart customer service representative can make a career advance to Bloomingdale's. In telecommunications, customer service workers have been divided by market segment and segregated geographically so that traditional internal career ladders have been broken up (Batt & Keefe, 1998). This market segmentation is very complex, as it is both external and internal to firms, and it does not augur well for the mobility prospects of entry-level and semi-skilled workers.

Moreover, while there is no doubt that new information technologies have had a pronounced impact across a variety of industries (McConnel, 1996), the picture is clearly more complicated. Detailed analysis of changes in the skill requirements of jobs over time yields a mixed picture. Following in the vein of the classic critiques of a uniform technology (Zuboff, 1988; Braverman, 1974), the new case studies show that technology has served to both upskill and deskill jobs as well as eliminate them. Moreover, restructuring and technology interact to produce different outcomes for workers, within the same industry or even firm (Hunter and Lafkas, 1998). The story that unfolds across a number of industries is that firms often use the same technology (e.g. computers) to differentially reorganize jobs, upskilling in some parts of the organization, automating and routinizing in others.[6] This is simply to recognize that technology does not drop out of the sky to impose its will on employers, but that rather technology is expressly developed and applied in the context of pre-existing markets and business strategies.

RESEARCH QUESTIONS AND METHODOLOGY

We continue in this line of research, and present findings from a case study of retail banking at a large multi-national bank, which we here call GlobalBank. Banks have traditionally provided solid entry-level jobs and career potential to workers without a college degree. The banking industry has also undergone a transformation over the past several decades as a result of new technology, globalization, and regulatory changes that brought about increased competition, and GlobalBank has traditionally been an industry leader. Thus GlobalBank is a strategic site through which to explore the impact of a firm's restructuring on the nature of jobs and opportunity, particularly at the entry level.

With this in mind, we ask the following questions: How has GlobalBank reorganized retail banking over the past two decades, and why? What role has technology played? And what have been the effects on job quality within the branch system, especially for tellers? We take a broad definition of job quality, encompassing job content and skill requirements, training, wages and benefits, and the opportunities for upward mobility within the organization. Our goal is that by focusing on this nexus of measures, we can begin to comment on how economic restructuring has affected the nature of work and mobility, and hence inequality, in America.

Our findings are based on fieldwork at GlobalBank's retail banking division in a large metropolitan region (which has about half of the firm's U.S. workforce). We interviewed human resource managers and recruiters at bank headquarters; conducted site visits to two branches serving very 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.

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). The loosening of interstate banking laws allowed banks to expand their operations across state lines and encouraged a wave of banking mergers, which increased fourfold between 1980 and 1994 (Morisi, 1996). Restrictions that had segmented financial services were weakened, so that banks could now sell more insurance and investment products such as mutual funds. These results of deregulation brought about intense price competition among banks, as well as competition between banks and other financial services providers. As margins became slim, reducing payroll costs through tighter and more flexible staffing arrangements was integral to survival in the industry.

At the same time, new information technology was having radical effects on cost, productivity, and service delivery that would be hard to overestimate. Over the 1980s, banks spent about $60,000 per employee on information technology (Keltner, 1995). Yet this sizable outlay served to reduce labor costs and simultaneously increase consumer convenience; for example, transactions performed by an ATM cost about one-quarter of those done by tellers (Morisi, 1996). GlobalBank, among others, increased both the number of alternative distribution channels (ATMs, point-of-sale terminals, telephone and computer banking) and the complexity of transactions possible through these means. Finally, the diversification of financial products would have been impossible without the technology that enables linking across accounts, loans, mortgages, and investments.

According to Keltner and Finegold, most American banks reacted to these changes by de-emphasizing human resources (1996, 1998).[7] Banks have increased contingent employment and decreased training for front-line employees. Hunter (1995) agrees, finding that practices associated with high-performance workplaces are generally not found in retail banking, and, given a competitive climate rife with takeovers and mergers, will not be implemented until they are proven to deliver positive outcomes. However, a few banks are using training and other human resource strategies to create a more skilled and stable labor force in order to attract and keep a particular customer market. Benton et al. (1991) give an example of one bank which has used training, in combination with new recruitment policies, technology upgrades, and the restructuring of work, to make jobs less routinized and to improve its international competitiveness.

The Move Toward Market Segmentation

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; so, in practice, most banks use both, although previous researchers have portrayed different banks as choosing different strategies (Keltner & Finegold, 1996). The transaction approach, a "mass market" approach which targets those customers with low profit potential, is characterized by price competition, and less investment in human resources and more in technology (teller service is thus replaced with automated self-service).

For the higher end of the market, however, this strategy is inadequate. To compete for and keep wealthy individuals and small business clients (who have direct access to capital markets), some banks are providing customized service and financial advising. The heart of this strategy is known as relationship banking: providing a single, broadly-skilled banker to serve all the financial needs of a client. Banks using a relationship strategy attempt to increase the number of high-end accounts and boost the revenue of these accounts by providing a wide range of financial services. Thus, maintaining the satisfaction of repeat customers over time is more important than boosting quick sales to a mass market through price incentives. In the past, relationship banking had been used mainly for corporate clients. It is now making inroads into retail banking, facilitated by newly available insurance and investment products.

Changes in the Organization of Work

The emergence of this new set of service strategies in the banking industry has required changes in work organization. Traditionally, retail banking jobs have been highly specialized and vertically organized (Keltner & Finegold, 1996). In the current competitive environment, two trends are occurring, often within the same organization, which may have opposite effects on job quality.

One trend 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 used as the focal point for the selling of a wide range of financial services by knowledgeable bankers who sell different products to repeat customers. The shift is from an assembly-line model to a "case management" model – the customer is provided with complete, efficient service, by a single, broadly-skilled employee (Davenport & Nohria, 1994). New technology has made possible a strong information infrastructure, giving these bankers quick access to all product and customer information.[8] One study has found that the use of sales-supporting software in bank branches ("informating" technology) 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. New technology is accompanied by more use of contingent employment, low training expenditures, increased external recruiting for high-skill positions, and lack of employment security as a loyalty incentive. In the past, tedious and time-consuming tasks were performed by a range of specialized positions.[9] The traditional teller hierarchy has been flattened in many organizations, and tellers now perform an expanded set of computer-facilitated tasks. Back-office tasks and jobs have been reduced and consolidated, enabled by centralized computer networking. Researchers have found that technology that primarily automates branch banking work, combined with reduced employee discretion, is associated with lower wages (Hunter & Lafkas, 1998).

The role of tellers remains in flux and is clearly still being determined, as will be shown below, even among banks leading the relationship strategy. Whether tellers will become an integral part of cross-selling and servicing, or will merely serve as courteous transacters, remains an open question.

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.[10] As the volume of electronic transactions has grown and back-office tasks have been automated and consolidated, technology has increasingly replaced human labor. Thus we would expect to see a decline in employment occurring in the lower-level positions. This is indeed the case; the relative proportion of higher-paying occupations within the industry has increased, while the relative proportion of lower-paying positions has decreased (Demsetz, 1997). The number of bank tellers, while falling by 40,000 between 1985 and 1995 (Morisi, 1996), appears to have reached a plateau at about half a million, as the Bureau of Labor Statistics projects a tiny increase of 0.1 percent between 1996 and 2006.[11]

At the same time, there has been a striking increase in the prevalence of part-time work, especially among tellers, over 90 percent of whom are women.[12] 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). Morisi (1996) contends that the shift toward part-timers has prevented the number of teller jobs from eroding further. Other researchers (Benton et. al, 1991) say that increasing the number of part-time workers can help banks recruit candidates with higher levels of education, such as college-educated women and college students; the latter currently comprise a large proportion of new hires for entry-level, part-time teller positions. Yet Keltner and Finegold (1998) make the opposite argument, that the need for flexible staffing, not the need for particular skills, drives the hiring of college students.

In 1996, real average hourly earnings for non-managerial employees in commercial banks was $9.46. Following the general economic trend of wage stagnation, in real terms wages have remained in the nine dollar range since the mid-1970's.[13] The median weekly earnings of full-time bank tellers in 1996 were $315 (which works out to $9 an hour); ten years previously bank tellers were earning the inflation-adjusted equivalent of $327.[14]

That wages for non-managerial employees are so low and have not risen over the years may be partly due to the fact that the industrial relations system in banking is (and has always been) weak and poorly coordinated. In 1993, union membership density in the banking industry was less than one percent; contract coverage density was about one and one-half percent. Ten years previously the percentages were only slightly higher (Hirsch & McPherson, 1993). Unlike the regulations governing the industry's product market, rules affecting its labor market have not changed. 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.[15]

Keltner and Finegold (1996; 1998) argue that the trend toward transaction-based banking is not simply a strategic decision but is also driven by a low-skill labor market. They report that human resource departments have noticed a decline in the quality of applicants for entry-level branch positions, with deficiencies in basic reading, math, and also social skills, leading the companies to plan around these low skills. The work of Benton et al. (1991) underscores that banks have a choice about their strategy; they agree that banks are experiencing a skills problem, but give examples of how some banks increase training and reorganize work in order to succeed in the changing industry.

CHANGES AT GLOBALBANK

Twenty years ago, GlobalBank had a traditional focus: it was mainly a depository institution emphasizing checking and savings accounts. Thus the main source of profit was treasury (i.e., deposits) and mortgages. GlobalBank has responded to (and at times initiated) the industry changes described above, diversifying its products and shifting to risk and credit products, some of which are quite innovative. The product market has become much more complex and much more competitive. Technology allows quick, cost-efficient duplication of new offerings, so the bank is in a constant race against its competitor banks as well as new competitors such as brokerage houses like Merrill Lynch. Moreover, retail banking has grown enormously in its importance to GlobalBank. It is now at the forefront of the bank's strategy, and there is strong pressure from corporate headquarters on branch managers to generate profits, in a market where margins are already slim. Whereas branches were once rewarded according to the number of accounts they opened, they are now judged on the basis of profit and loss statements. The main source of profit is sales of a range of credit and investment products.

Thus, revenue growth is the bottom line. If consumer banking can be seen as consisting of sales (of financial products) and services (the processing of transactions), at GlobalBank it is now clearly the former which dominates. The sales side of the branches (consisting of the personal bankers, the platform workers of old) generates virtually all of the branch's revenue, while the transaction side (consisting of tellers and some back-office staff) loses money. But there is potentially a conflict here. An overriding emphasis on sales threatens to compromise service quality, and yet the latter has also become a key basis of competition. GlobalBank attempts to balance these two imperatives by adopting the market segmentation strategy: high-quality relationship banking for complex financial services, and low-cost electronic transactions for basic financial services.

In practice, then, GlobalBank, like others, follows both a relationship approach and a transaction approach by segmenting its market into high revenue transactions and low revenue transactions. While GlobalBank stratified its customer base to some degree in the past, it is doing so more now. The “private banking” subdivision still handles the very wealthy individuals. But within the “GlobalBanking” division (for the rest of us), additional stratification is occurring. Customer accounts are centrally screened, and the individual branches receive lists of both individual and small-business accounts that have enough money to warrant hands-on management, via a personal banker and personal portfolio. Roughly 20 percent of a branch’s accounts fall into this category, meriting relationship banking, and they generate roughly 80 percent of the revenue. If a branch has a sufficient number of such accounts, it qualifies for on-site certified brokers.

For the rest of the accounts, the transaction banking approach means that great effort is put into convincing customers to end simple transactions with tellers and use ATMs instead. For basic financial services handled by tellers and back-office staff, the bank tries to cut costs and automate as much as possible, since these services lose money. Payroll costs have been reduced with tighter staffing and a dramatic increase in the percentage of part-time tellers. The labor-saving ATMs, telephone and computer banking have also increased the scope of transactions that are done electronically. In short, GlobalBank’s goal is to reduce the cost of simple transactions (and the human labor devoted to them) and to increase sales and service to customers who are potentially profitable.

Restructuring

In pursuing this goal, in the early 1980s GlobalBank began a massive reorganization of its branch system. This system 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. Each area's operations and support services were reorganized and collapsed into one set of *functional* groups and another set of *support* groups, serving the entire region. Branch operations, strategies, products, training, hiring, and job definitions were made uniform. At the same time, the top-down autocracy that had prevailed within the old areas was broken down, so that the few remaining area directors (reduced from 20 to about 4 or 5) now manage by coaching branch managers rather than directing them.

A critical part of this process was the national consolidation of several back-office functions, which before had been performed within each region and even within individual branches. The idea was to centralize all work that did not require face-to-face interaction with customers, thereby reducing overhead and management and creating uniform practices. Thus all customer service, operations, and investigations functions have been moved to one location. Consumer credit management and mortgages have also been centralized. Deregulation played a major role in allowing GlobalBank to cross state lines and target states with low interest rates. The major function that remains in its home area is check processing, because it needs to be physically proximate.

Almost everyone knowledgeable about the reorganization process agrees that while it was painful, it has cut down on managerial layers and significantly improved coordination and efficiency.

Technology

GlobalBank has also been the industry leader in technological innovation. It was one of the first to introduce ATMs on a large scale, but the continual upgrading of the bank's technological infrastructure has been just as important. Computerized account information and processing were centralized, so that a customer's entire banking profile is now linked and accessible nationally, including accounts, credit cards, loans, mortgages, and investments. This technology has clearly been instrumental to the goal of cross-selling and account management. It has also enabled the consolidation of the back-office functions. Finally, the near automation of tedious processing tasks remaining in the branches has enabled the shift to service delivery, by freeing up time for customer interaction.

The dominance of technology in the GlobalBank story is no accident. Organizational change to increase productivity at GlobalBank has clearly targeted the following hierarchy. First and foremost, the focus has been on reengineering the *process*, most often via technology. Sometimes these changes affect *customer service*. Last in line for the trickle-down effect are *employees* and their work. All three levels have been affected, but the point is that the impetus for and cause of change has come from process reengineering – not for example, from starting with a fundamental restructuring of the workplace, via teams or other high-performance workplace practices.

Employment Levels

Measuring the effects on employment levels is difficult, because the work entailed by retail banking is now very different than it once was. Counts before and after restructuring are not strictly comparable, as clearly some of the "lost" jobs have been shifted out of the area. As well, GlobalBank was hit with several severe financial crises, which set off a large wave of downsizing. On balance, though, there has certainly 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 8,000 to10,000 in the entire metropolitan retail banking division, with about half working in the branches themselves. In 1996, total employment was only about 4,800, with more than two-thirds working in the branches. The total number of branches has declined over time in the region, and the trimming process continues. Especially in recent years, there has been a big move to close inefficient branches that show little potential for revenue growth, so that 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.

At the same time that branch employment declined, however, the number of transactions has skyrocketed. In 1980, tellers and ATMs handled a total of 139 million transactions, with the tellers' share at 67 percent. By 1997, the total had climbed to 214 million transactions, with the tellers' share at just 23 percent. One would be hard pressed to overestimate the effect of ATMs and other automated technologies in allowing for expanded volume without expansion of the workforce. Moreover, human productivity increased so that both tellers and back-office workers (such as phone representatives) can now handle roughly double the transactions they did in the past.

EFFECTS ON JOB QUALITY

The reengineering at GlobalBank has had important effects on the staffing, task content, and quality of jobs at the branch level. In the past, the majority of branch jobs were transaction- and processing-oriented. Tasks were highly routinized and often time consuming, and job content was narrow. Numerous position titles were organized into vertical hierarchies in three clusters—tellers, back-office personnel, and platform workers. Most tellers performed a limited number of simple services, such as cashing checks and processing deposits. Back-office work was performed at the branch or within the region by a staff of clerks, who were roughly equal to tellers in status and career potential. 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 by GlobalBank's segmentation strategy and technological development. The most obvious effect is that the majority of back-office jobs have been either eliminated or moved out of the metropolitan branches, to national customer service phone centers. While these call centers were not the main focus of our research, we did ask about changes in the quality of the relocated jobs, and other researchers have been studying these centers.[16] There is no consensus as to whether these jobs have generally been upgraded or downgraded, but it does appear that the classic deskilling argument holds for the entry-level, lowest-tier phone jobs. Wages are low and automation has routinized and speeded up this work and also allowed for very close monitoring. There are also, however, increasingly higher-level call jobs with better wages and more autonomy, as workers have to master more information about bank products and provide tailored customer service.

For the jobs that have remained in the metropolitan branches, we found a complex mix of effects on job quality. These will be detailed below, but it is important to recognize that at a broad level, the content of branch work has shifted over the past three decades. While it can still be divided into service work and sales work, the distinction has become less dominant. The sales part consists mainly of personal bankers who engage in relationship banking. The transactions of the simple services side (those that are not done by ATMs) are still carried out largely by tellers, supplemented with the few remaining back-office employees whose functions have not been automated or consolidated at national centers. Yet there is also more flexibility and movement across tasks and jobs according to need. And, significantly, the push to sell is being infused more and more into the simple services side. Indeed, in an attempt to redefine all workers' roles, a slogan used in training sessions is "service *is* sales."

The Upskilling of Platform Workers

Part of GlobalBank's move toward quality customer service was a collapsing of job titles into about half their previous number. On the sales side, platform workers with specialized duties and various titles were all recast as Personal Bankers. They are now regarded as Officers, representing a clear increase in status since the designation also applies to branch supervisors and managers. While informal distinctions in job content remain, this position has been transformed into a complex, somewhat autonomous, skilled sales occupation. The role of personal banker is being redefined as that of consultant.

Personal Bankers have access to all customer account information through the bank's centralized computer system. They manage multiple accounts for a given customer, making referrals to investment brokers when appropriate. Most of the routine tasks (such as changing addresses, issuing cards, and adding new accounts) have been taken over by tellers, so that

Personal Bankers can focus on high-level accounts. Because of the great diversification of consumer banking products, Personal Bankers must possess knowledge and expertise in a number of fields. Above all else, they must cultivate skills in cross-selling, one of the foundations of relationship banking: both individuals and businesses are encouraged to add products and services to their accounts over time. Finally, there is more flexibility in the position with movement across tasks and jobs according to need (e.g. between management, sales, and even teller supervision).

Personal Bankers today typically have four-year college degrees, which had not been true in the past, and both insiders and outsiders with proven sales savvy are recruited. Incumbents can sign onto sales and product workshops at their own initiative. Base pay has increased substantially, and performance-based bonuses can be significant. In sum, platform workers have been upskilled to multi-talented sellers.

The Attempt to Make Tellers "Sales People"

The story of changes in job content becomes more complicated when tellers, now called Customer Service Representatives, are considered. GlobalBank's stated goal is to free tellers from the traditional monotonous tasks of check cashing, deposits, and money counting and to involve them more significantly in the bank's selling process. The characterization of this shift, used by managers and workers, and emphasized by trainers, is that of tellers changing from "order-takers" into "sales people." The extent to which this has occurred is another matter.

Tellers continue to perform basic transactions, albeit more quickly and efficiently, due to technology. The bank's centralized computer system consolidates all account information and history, generates applications automatically, transfers money electronically without paperwork, and does the end-of-the-day balancing (an extremely time-consuming process in the past).

Technology has given tellers new tasks: generating ATM cards and pin numbers (which now can be done on the spot), processing ATM envelopes, and arranging for electronic payments and transfers. Tellers can now also make account changes, such as adding a savings account to a pre-existing checking account. Upgrades and improvements to the technology are a near constant, but are by all accounts easy to learn.

Tellers have become responsible for helping customers understand the different vehicles they can use to access their money, such as ATMs, and telephone and on-line banking. Assisting them in this goal is a new flexible and service-oriented position, the Customer Relations Manager, who has the main task of managing traffic flow. The CRM greets, screens and directs customers to different branch zones, gently steering customers toward ATMs and away from tellers, and filling in for tellers and even personal bankers when needed.

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 that come to his or her service window, and when account information indicates a profile for a particular product, refers them to a personal banker or investment officer. A savings account balance of $70,000, for example, would indicate a referral to investments. 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, by introducing appropriate sales and product knowledge classes.

In practice, however, the importance of referrals varies considerably by branch management and by the clientele that the branch serves. There is strong consensus among branch workers that 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 – and this hurts customer satisfaction. Finally, some types of referrals are relatively easy to make (such as suggesting a credit card application), whereas referrals to lucrative investment products are not yet commonplace. Referrals do not dominate tellers' job content.

That tellers have not to date become an integral part of the sales process is not to say there has been no change in job content or quality. Compared to the past, tellers must organize a greater number of time-sensitive tasks while not undermining courteous service. This makes the job more stressful. There is also evidence for a moderate increase in skill levels, mostly in the area of interpersonal skills. In short, at an absolute level, some upskilling and upgrading of job content has occurred, yet tellers have not been transformed into sales representatives. Finally, corresponding to the industry-wide trend toward flexible staffing, 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

Congruent with GlobalBank's overall strategy, recruitment for branch jobs is now centralized and no longer done independently in the different regions. Although managers often identify their own candidates, frequently through referrals from current employees, branches do not do their own hiring. Referrals and other applicants, including those responding to newspaper ads and walk-ins, are always sent to central recruitment. There the applicants are taken through a series of screens, and branch managers are then given the final say on whether or not to hire. However, branch managers are actually now much more involved in hiring than they were eight years ago, when the goal was simply to find dependable and accurate tellers, characterized by one recruiter as "transaction machines."

Teller recruitment has become significantly more selective and also more methodical in recent years. The screening process consists of several different stages, many of which are new. First, a pre-employment test is administered, the core of which is a behavioral section with multiple choice questions. A short video is also shown at this time, to illustrate what the teller job encompasses and to screen out candidates who would find the work unpleasant. Then a brief phone interview is administered by an outside vendor. The applicant then comes in for a face-to-face interview, often with a branch manager present, thus facilitating discussion about particular candidates between branches and recruiters. Finally, recruitment is experimenting with a math test,[17] which would be used to screen for transaction skills.

The screening of tellers 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. These are roughly of equal importance. Recruiters obviously seek candidates with banking experience, but proven sales ability in other retail sectors (especially upscale) is a good proxy. Recruiters also look for experience in cash handling, in telemarketing, and in professional work environments. Evidence of job-hopping is a strong negative. Recruiters emphasize schedule flexibility and the willingness to start part-time (even if that means eliminating some good candidates). Applicants are repeatedly told that they will begin part-time, and that promotion to full-time depends on their performance.

Although tellers have not yet become salespeople, most recruiters ultimately stress the need for tellers who can participate in the long-term strategy of relationship banking, so new candidates are told that they need a "sales orientation." Soft skills rank high, so that the applicant's professionalism (communication skills, friendliness, and appropriate dress) is key. Finding applicants with good soft skills who are also willing to follow instructions in a traditionally low-status job appears to pose the most difficulty. Hence college graduates are generally considered to be overqualified, but applicants with less education often lack the communication skills needed for the bank's new emphasis on service and selling. The result is that 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.

There can be variation in this process, again by market segment. Branch managers in the up-scale Manhattan, Westchester and Connecticut markets can be more selective, especially of service and sales skills. But they also tend to receive applicants with higher expectations for career development. At branches that are high-volume and focused mainly on transactions, tellers might be screened more for the traditional aspects of the job.

In the past, the applicant-to-hire ratio was roughly 3:1. Now it is much higher, up to 40:1 if all applicants who simply call about a job listing are counted. If one only counts applicants who make it to the stage of submitting a resume, the ratio is 10:1. Referrals fare better, as roughly 35 to 40 percent of hires are referrals, and priority referrals (who have been actively culled by branch managers) have a 70 percent pass rate.[18] There is growing reliance on informal network hiring. Thus GlobalBank has no problem finding applicants, but has a difficult time getting quality recruits who are committed to the company and who are willing to put in the time at a low-status entry-level job.

Teller training

Consistent with an increased investment in recruiting and screening, the training process has been centralized, standardized, and lengthened over the past decade. The training period has been extended from 12 days in the late 1980s to 20 days currently, and the cost per teller has risen from $3,000 to $4,000. Lengthy training is useful in inculcating company culture (Benton et al., 1991). Much of the increase in teller training is driven by the bank's new focus on quality service and selling, but 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, and entails role playing and oral and written responses to videos on service encounters.

Teller training has always focused on transactions, and the fundamental learning of concepts and tasks has not been reduced (e.g. debits, credits, how to count and balance cash, federal reporting of certain transactions, what the FDIC is). Now, however, tellers simply need to learn a lot more. The integrated computer system must be mastered, as well as new tasks and transactions. Training has also been expanded with a branch visit, a self-directed learning module, and additional practice days.

The formal training takes place at a central location in a classroom, and is intense. In order to pass the program, trainees must earn a minimum number of points during the 20 days, which are accumulated in a variety of ways (exams, which include a service assessment, as well as take-home assignments, attendance, cooperation, and personal appearance). Some trainees have a difficult time with the technical part of the program. Although all materials are written on an eighth-grade reading level, the sheer volume of information to be learned is immense. Since GlobalBank eliminated the math and English hiring tests in the early 80s, problems in these basic skills sometimes crop up during the training period.

Tellers also gain much practical knowledge at the branches, through on-the-job training accomplished with a buddy system. To varying degrees, there also appears to be a good amount of informal cross-training, supporting the goal of integrating the service and sales work of the branches. At both of the branches that were visited, individual development and skills upgrading was seen as an important goal, benefiting both the worker and the branch. For example, a teller might help out a personal banker for a few hours a day, or will learn a specific function. Once competencies are gained in new areas, it is not uncommon for tellers to cover for the middle-man position of CRM, and for CRMs to cover for personal bankers.

Personal bankers are trained formally in a two-week program (covering product knowledge, technology, credit, loan process, and sales). It is in this training that personal bankers' role of consultant is emphasized. One of the most important workshops is a two-day class called "Customer Focus Sales." This workshop is an integral part of the personal banker training, but can also be taken by CRMs and even experienced tellers who want to move into sales. The workshop teaches a sales technique that is customer-focused and oriented toward long-term relationship banking (as opposed to pushing products for quick sales). Trainees spend considerable time practicing with different sales approaches, such as the use of open-ended questions, and learning how to initiate "high-gain" questions, frequently through role-playing.

Ongoing training classes and workshops are also available, such as "listening skills," "presenting to small groups," and "Excel for Windows." These are most frequently used by personal bankers to hone their selling skills. Yet tellers can also take advantage of them. For example, one teller we interviewed told her branch manager she was uncomfortable with the new sales-oriented referrals; her manager recommended she take a course specifically focused on this added aspect of the job. Keltner and Finegold (1998) found that the use of short training modules encourages broader skill formation and cross-training among employees, and can also help to create strong career paths.

Mobility

GlobalBank's increased screening and training of entry-level workers is clearly aimed at recruiting and retaining quality labor. Although these measures have brought turnover down, management is still concerned about the turnover rate of 35 percent, given the investment made in each worker. Management believes that dissatisfaction with mobility opportunities is responsible for high turnover among the most skilled tellers. If indeed the chances for mobility are less than ideal, it should come as no surprise that tellers would choose to leave the bank. These are low-status and often taxing jobs, so from a worker's standpoint the most important measure of job quality is therefore the ability to move up in the organization.

There are several dimensions to this issue. First is the question of how reorganization and the relocation of back-office work has affected mobility. Back-office jobs have clearly suffered. While there never was much movement from back-office job to the branches in the Metropolitan region, promotion ladders did exist *within* the back office. For example, investigations clerks with 20 or more years of tenure were not uncommon. But now technology has automated many of those functions, and centralized them in organizations (such as call centers) that provide few pathways for promotion (Fernandez, Castilla & Moore, 1998).

Among the branch jobs that remain in the region, the chances for mobility are not apparent. As most tellers start part-time, the first and most common upward move is to a higher pay grade and 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 least holding steady the trend towards part-timers. In addition, branch managers have some freedom as to whether they use their payroll for fewer full-timers or more part-timers.

While human resources managers claim that job titles have been collapsed in the branches, in the two visited we found that within the customer service representative position, gradations still exist such as note teller and head teller. Of full-time tellers, roughly 10 percent move up in a given year. Tellers must decide whether to pursue mobility on the operations side, meaning branch management, or the sales side, meaning the personal banker positions. The newly-created Customer Relations Manager position is often the next step up from teller, and has clearly helped to create mobility opportunity. While the CRM is technically on the operations side, it can also lead to sales positions such as personal banker. An alternate path, available in upscale branches with licensed brokers, is for the tellers who want to pursue sales to become assistants to the brokers. Movement into managerial positions occurs but is not nearly as common, as 50 percent of these positions are filled from outside. Still, large branches have a Service and Control manager, an intermediate manager responsible for supervising the customer service representatives.

Thus the extent of mobility opportunities for entry-level employees is unclear. Skilled tellers may leave the company if they do not perceive opportunities, while others, of course, are happy with the position as they go to school and work toward a career degree. There is certainly some variation by branch. At the upscale suburban branch in particular, there was a strong belief that there is opportunity for advancement at the branch. All but one of the Officers at the branch began as either tellers or back-office personnel, although again, the ratio of Officers to entry-level jobs is low. In recent years there have been seven internal promotions and no quits. This has likely been facilitated by a culture of promotion promulgated by the branch manager, who started out as a teller herself. She insisted that an employee today can still work his or her way up to branch manager, even without a college degree. However, she earned a college degree along her way up.

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. Similarly, part-time tellers now start at roughly $11 an hour, as compared to about $8 an hour five years ago.[19] While these wages are greater than the national average, these are minimal increases when adjusted for inflation. In addition, such earnings do not go far in this metropolitan region. Both full- and part-timers, however, do qualify for health benefits, so GlobalBank does not save on health benefits to part-timers. Still, the wage differential between full-timers and part-timers is strong, and mobility between these categories remains a key issue. Moreover, compensation for personal bankers has in fact increased rapidly in recent years even taking inflation into account, and starting salaries now range from the high 30s to the low 40s. The result is that the gap in pay between tellers and personal bankers has widened noticeably. This is perhaps the most telling indicator that job upgrading at GlobalBank has occurred differentially across the job hierarchy.

The bank has also moved toward performance-based evaluation and pay. All branch staff, from customer service representatives to the branch manager, are evaluated quarterly via a new "Score Card" system, which shifts salary increases toward individual performance, using measures of attendance, sales, service, and processing. Each job has a clear set of goals, and if incumbents are "above par" in meeting these 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. Typically a third of the employees in a branch receive bonuses in one quarter. Similar evaluation tools are used to evaluate employees for annual raises.

The Score Card system is strongly tied to branch profitability. Compensation for personal bankers is thus heavily determined by the sales they generate, and tellers may be judged in part on the number of referrals they make. Correspondingly, branch managers are given a set sum that can be disbursed as bonuses, and this sum is also pegged to branch performance. But in practice, branch managers often take a more subjective and flexible approach to evaluating employee performance. Thus the implementation of the Score Card system varies considerably and is still in process.

Employee and customer satisfaction

The bank's goal is to have 80 percent employee satisfaction and 80 percent customer satisfaction; achieving these goals is considered central in the ultimate goal of revenue growth. There are mixed findings on employee satisfaction. Fieldwork at two branches showed a very upbeat atmosphere and enthusiastic support for the bank and its new strategy at all job levels. Among tellers there was a strong sense that GlobalBank tellers enjoy better working conditions, pay, and opportunities than at other banks, and that a team atmosphere has been growing in recent years. Both branch managers clearly supported staff development, cross-training, and internal promotion, and both engaged in informal practices designed to build morale and encourage individual effort. Yet, it is unclear whether the two branches we visited were typical. And, corporate human resource managers were quite concerned about turnover and the inability to retain quality entry-level workers.

Customer satisfaction is primarily measured by regular Gallup customer surveys. The overall average at the time of our research was 73 percent, with the two branches that we visited having significantly higher scores. GlobalBank's commitment to customer service had apparently slipped in the first half of the 1980s, but has increased since that time and now compares quite favorably to other banks. Still, GlobalBank's customer service is not always stellar, so that even in recent periods, GlobalBank sometimes loses more customers than it gains. Acquiring a new account costs six times as much as maintaining an existing one, so customer satisfaction is key to revenue growth.

The idea that employee satisfaction yields customer satisfaction, which increases revenues, is being promoted in the branches and by trainers. Training also emphasizes that an employee who believes in his or her company and the company's products is a more effective employee. Thus GlobalBank is beginning to recognize the link between employee and customer satisfaction, and is attempting to incorporate that link in its human resources strategy.

DISCUSSION AND CONCLUSION

In its retail branches, GlobalBank has responded to increased competition with a strategy of market segmentation. For basic transactions, the bank has cut costs and automated as much as possible. For the selling and management of complex financial products, it has shifted to high quality customer service. Our fieldwork in metropolitan branches finds that the impact of this segmentation on job quality, broadly defined, has been variable. At the high end, platform workers have been upgraded to skilled financial consultants and generate much of the revenue for the branches. In terms of responsibilities, autonomy, skills, and earnings, job quality has improved. For tellers, however, we find mixed changes. Job content has clearly 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 (as opposed to servicing) process. The bank is also investing more in the screening and training of their entry-level tellers. In general, it is clear that 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.[20]

Yet a good part of the teller job is still mechanical and process-oriented, leading management to be concerned about its ability to retain the best employees. While the job may be less monotonous, most agree that 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 one result of the branch-level upskilling is to cut off opportunities in retail banking to the non-college-bound. 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 clearly a restructuring process that is still underway, 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 from the occupants. Managers are stressing that in order for branch employees to perform well, they must believe in the services and products they are selling, as well as believe that good customer service means selling. In the case of GlobalBank, increased competition has led to a strategy that 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. Its competitive strategy has always 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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[1] For reviews of research on inequality, see Levy and Murnane (1992), Danziger and Gottschalk (1993), and Mishel, Bernstein, and Schmitt (1997).

[2] For reviews of supply-side, institutional, and other demand-side effects such as trade, see Topel (1997), Fortin and Lemieux (1997), and Freeman (1995).

[3] See Smith (1997) for a thorough review of this field.

[4] For the prevalence research, see Osterman (1994) and Ichniowski, et al. (1996).

[5] See, for example, Moss, Salzman and Tilly (1998), Bailey and Bernhardt (1997), Hunter (1998), Keltner and Finegold (1998), Macdonald and Sirianni (1996), and Batt and Keefe (1998).

[6] For reviews, see Cappelli (1996) and Moss (1999).

[7] By contrast, most German banks spent the 1980s investing heavily in human capital in order to pursue the relationship banking strategy. See Keltner (1995).

[8] See Seaman (1992) for a description of the implementation of such software in one bank.

[9] For a good description of the work in a bank branch of the 1970s, see Kusterer (1978).

[10] Time series data from the National Current Employment Statistics (NCES), Bureau of Labor Statistics (U.S. Department of Labor). This figure includes full-time, part-time, and temporary employees. The NCES, conducted by the State employment security agencies in collaboration with the Bureau of Labor Statistics, collects information on payroll employment, hours, and earnings from about 390,000 nonfarm business establishments.

[11] From the Office of Employment Projections' National Industry-Occupation Matrix (U.S. Department of Labor).

[12] The sex composition of the teller occupation is reported in Current Population Survey statistics, Bureau of Labor Statistics (U.S. Department of Labor) 1997. The Current Population Survey (CPS), a nationwide sample survey of about 50,000 households conducted for the Bureau of Labor Statistics by the Bureau of the Census, collects information about the demographic characteristics and employment status of the non-institutional population aged 16 and older.

[13] Time series data from the National Current Employment Statistics, Bureau of Labor Statistics (U.S. Department of Labor). This figure includes full-time, part-time, and temporary employees.

[14] Unpublished time series data from Current Population Survey statistics, Bureau of Labor Statistics, 1998 (U.S. Department of Labor). Bank tellers in 1986 were making $231 a week, which is $327 in 1996 dollars.

[15] By contrast, in Germany two-year banking apprenticeships are available. See Keltner (1995).

[16] Fernandez, Castilla & Moore (1998); Orlow, Radecki, & Wenninger (1996); personal communication with Chip Heath, Professor of Management, Duke University.

[17] A math test was discontinued in the early 1980s because it was thought to have an adverse impact on minority candidates.

[18] Fernandez and Weinberg (1997) found that referrals' chances of obtaining a job offer are 22 percent greater than the chances for nonreferrals.

[19] Contrast this with what Kusterer found in his 1978 study of a bank branch: starting pay for part-time tellers was $3.00 per hour, which was only fifty cents per hour more than the going rate for part-time retail clerks. The job of teller, like that of retail clerk, required only a high school degree and no specialized knowledge or skills.

[20] Orlow, Radecki, & Wenninger (1996) state that within the tiny branches some banks are now opening in supermarkets, there is "essentially one job description" (p. 17) and "no sharp division of tasks among tellers, platform personnel, and branch management" (p. 16).

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