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New Patterns of Recruitment and Training in German, UK and French Banks

An examination of the tensions between sectoral and national systems

Sigrid Quack
Jacqueline O'Reilly
Swen Hildebrandt

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Abstract

In this paper we examine debates concerned with national models of industrial organisation. One school of thought has argued that distinct national models, or business systems are a prevelent and enduring paradigm. Critiques of such an approach argue that common global competitive pressures will encourage greater convergence in organisation, so that national models will become outdated. We have argued that a sectoral approach to understanding the affect of contemporary supranational pressures on national regimes can provide a useful empirical analysis of these debates. Actors at the sectoral level represent a primary force for adaptation processes in national production systems because they are seeking concrete solutions to problems generated from global competitive pressures.

To examine these debates we focus on competition and developments in the recruitment and training practices of the retail banking sector in Germany, Britain and France. The comparison reveals that market pressures have actually led to considerable changes in each of the national banking sectors, but that the outcomes are rather different. Between countries, there is considerable variation in the relative significance of price-, quality- and innovation-led competition in different market segments. This is also true for recruitment and training practices with which German, British and French banks have responded to changes in market competition.

Furthermore the analysis shows that banks' recruitment and training strategies are not only shaped by national educational and training institutions, but that national educational and training institutions themselves have undergone changes which in turn have influenced labour supply in the banking sector. The explanation of differences between countries and changes over time, however, would remain fragmentary without specific training institutions and regulations at the level of the sector. These sectoral arrangements have not only significantly influenced recruitment and training practices at the company level. In all three countries, banks have also been actively involved in the reform of these sectoral institutions and regulations in order to adapt them to their changing demands. From these results, we conclude that the sector is an important intermediary arena in which actors negotiate changes in the regulatory systems between the company and the national level.

Zusammenfassung

Mit dieser Studie greifen die Autoren in die Debatte um den Vergleich nationaler Modelle industrieller Organisation ein. Vertreter institutionalistischer Ansätze betonen, daß unterschiedliche nationale Modelle oder „business systems“ das bestimmende Paradigma bleiben. Kritiker solcher Ansätze argumentieren demgegenüber, daß globale Wettbewerbsverschärfungen zu größerer Konvergenz in Organisationen führen, wodurch nationale Modelle an Bestand verlieren werden.

In der Auseinandersetzung um die Erklärung der Auswirkungen supranationaler Wettbewerbsstrukturen auf nationale Regimes stellt ein sektoraler Ansatz - so die Autoren - eine hilfreiche empirische Analysebasis dar. Die Akteure auf der Branchenebene müssen konkrete Antworten auf die Probleme finden, die sich aus den verschärften Wettbewerbsbedingungen ergeben. Ihre Aufgabe ist es, den Anpassungsprozeß in den nationalen Produktionssystemen zu organisieren. Die Autoren untersuchen Veränderungen der Rekrutierungs- und Ausbildungspolitiken deutscher, britischer und französischer Banken im Privatkundengeschäft.

Dabei wird gezeigt, daß Marktdruck zu beachtlichen Wandlungsprozessen in jedem der Banksektoren geführt hat, aber auch, daß damit unterschiedliche Resultate verbunden sind. Dies betrifft einerseits die Natur und das Ergebnis dessen, was als verstärkter Marktwettbewerb bezeichnet wird. Zwischen den Ländern variiert die relative Bedeutung von preis-, qualitäts- und innovationsorientiertem Wettbewerb in verschiedenen Marktsegmenten beachtlich. Andererseits betrifft dies auch die Rekrutierungs- und Ausbildungspolitiken, mit denen die Kreditinstitute in Deutschland, Großbritannien und Frankreich auf die verschärften Wettbewerbsbedingungen geantwortet haben. So kann gezeigt werden, daß Einstellungs- und Ausbildungsstrategien nicht nur durch nationale Bildungsinstitutionen beeinflußt sind, sondern daß diese Institutionen selbst Wandlungsprozessen unterlagen, die wiederum das Arbeitsangebot im Bankensektor beeinflußt haben.

Folglich würde die Erklärung länderspezifischer Differenzen und Wandlungsprozesse unzureichend bleiben, sofern die Ausbildungsinstitutionen und Regulierungsweisen auf der sektoralen Ebene der jeweiligen Länder nicht in die Analyse eingeschlossen werden. Die Arrangements auf Branchenebene beeinflussen nicht nur die Rekrutierungs- und Ausbildungspraktiken in den Unternehmen; in allen drei Ländern haben die Banken sich aktiv an der Reform der sektoralen Institutionen und Regulierungsweisen beteiligt, um sie ihren veränderten Bedürfnissen anzupassen. Ausgehend von diesen Ergebnissen ziehen die Autoren den Schluß, daß die Branche eine wichtige intermediäre Arena ist, auf der die Akteure den Wandel von Regulierungssystemen zwischen dem Unternehmen und der nationalen Ebene verhandeln. Vergleichende Analysen, die diese Ebene stärker berücksichtigen, tragen zu einem besseren Verständnis von Wandel bei und weisen die Richtung der Weiterentwicklung theoretischer Modelle.

Contents

1. Framework of analysis[1]

During the last two decades, there has been a renaissance of theoretical approaches which analyse different patterns of economic organisation as a result of distinct institutional regulatory systems. The main focus has been on the relationship between firms and markets on the one side and national institutions on the other side. Companies' market strategies, investment and innovation behaviour as well as their management and personnel policies have been explained by differences in financial systems, corporate governance structures, labour market, training and industrial relations regulatory systems. Most of this work follows a structuralist approach in which organisational outcomes at the company level are determined by the characteristics of the social system. The social system itself is constituted by a coupling of coherent social sub-systems of economic, social and political life. Change is conceptualised, if at all, as a process of reciprocal reinforcement of the relations between actors and social institutions. Scant attention is given to the possibility of change occuring through conflict and tension between these actors and institutions. As a result, national "production regimes" or "business systems" models have rather stable, or even equilibrium properties, and are analysed as being independent of each other.

More recently, however, it has been questioned whether this approach is still appropriate in a world in which national systems are increasingly open to supra-national markets and regulation. In order to capture the impact of these changes, a more dynamic and cross-country orientated approach to production regimes is necessary. Whereas several authors have made suggestions how to improve such a theoretical framework (Wilkinson 1983; Rubery 1992; Whitley 1992a and 1992b; Sorge 1994), in reality only few attempts have been made to empirically study the transformation processes of production regimes. One reason why operationalising change has proved to be difficult, is that most analyses focuses on the national level which necessarily implies a high degree of abstraction. The result has been an overemphasis on continuity and stability. Existing research, however, suggests that firms' strategies and how collective actors are organised at a more meso- or micro-level varies significantly within national models (Räsänen and Whipp 1992). In particular, there is considerable sectoral variation resulting from economic and technical

[1] Financial support for this research has been provided by the CNRS Programme Europe, The Leverhulme Trust, the ESRC, The Nuffield Foundation and the DAAD. We would also like to thank the banks who cooperated in this research and Sigurt Vitols, Hilary Steedman, David Soskice and the participants of the Production Regime Conference held in Berlin, July 1993, for their helpful comments on an earlier version of this paper.

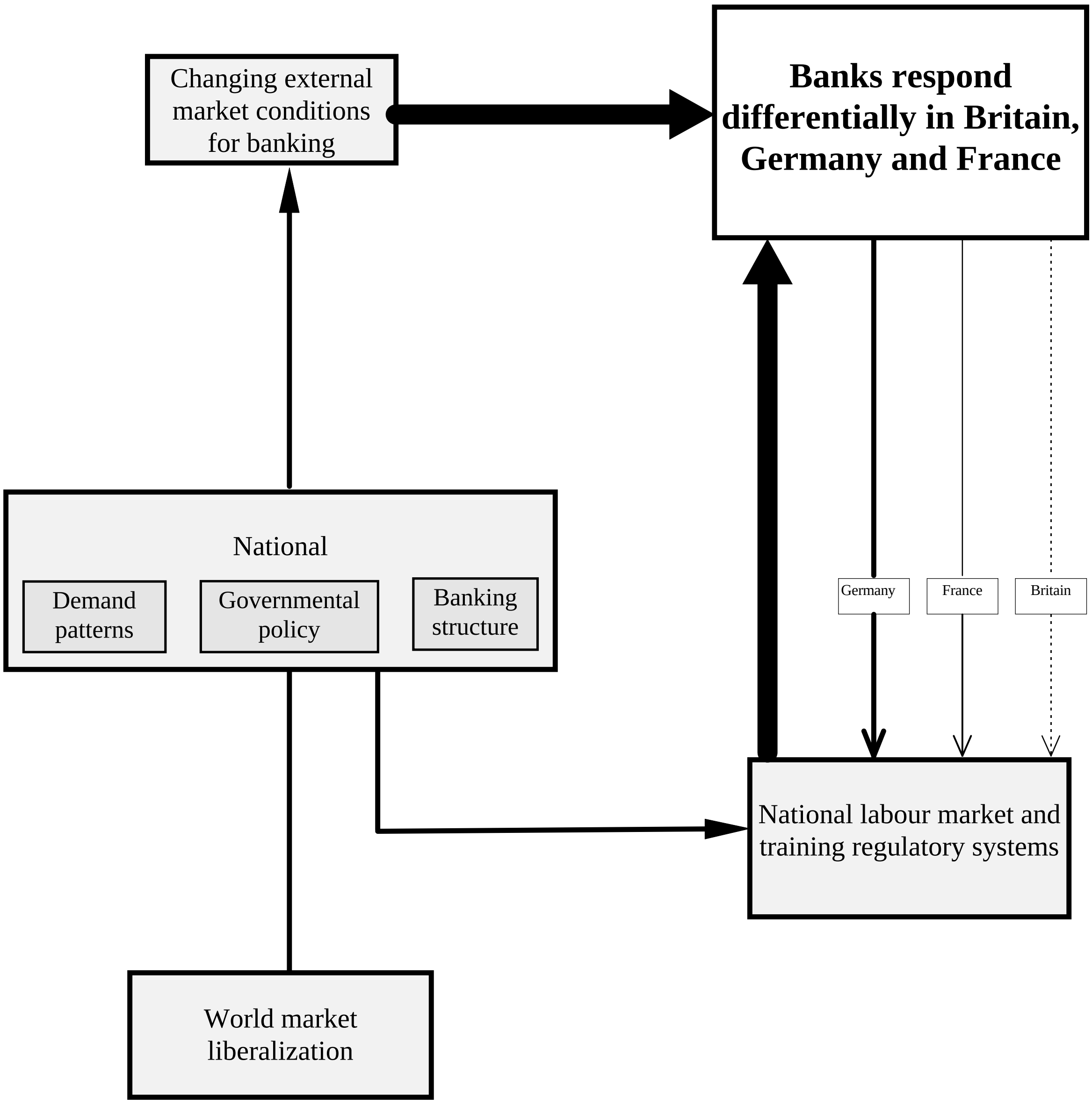
imperatives of different industries, but also from social characteristics such as network and control relationships and the way collective actors are organised. According to this view, national regulatory systems provide generalised solutions to different problems at the sectoral level and change is likely to take the form of adjustments between the sectoral and national level (Sorge 1991).

In order to examine these debates we have choosen a sectoral approach to analyse the dynamics of national regulatory systems. Examination of the banking sector is particularly timely because since the 1970s, it has been subject to an increasing internationalisation and to regulatory change both at the national and European level. As a result, the banking sector is undergoing rapid restructuring in all European countries. Furthermore, we have choosen a comparative approach because this enables us to study the affect of global pressures for change in different countries. The three countries we have selected for comparison, the UK, Germany and France, not only cover a considerable variance in terms of financial systems (Zysman 1983), labour market regulations and industrial relations (Lane 1989) but also represent key examples for liberal, organized and statist market economies (Soskice 1993). The research presented here is based on interviews with personnel and training managers in major German, British and French banks which were conducted over the time period from summer 1993 to spring 1994.

In this paper, we argue that although common market pressures are a major driver for change, the outcomes of these changes produce nationally distinct paradigmes. This is because common pressures are mediated by the problem perception and behaviour of the main actors within national and sectoral regulatory systems. Change comes about through the interaction of key actors at both levels. So, although we can observe attempts to adapt to common international pressures these are likely to take place within national systems, resulting in persisting differences *between* countries.

A comparison of developments in Britain, Germany and France suggests that the main actors within each national banking sector have introduced change at two levels, but in different ways (see Chart 1). First, the impact of internationalisation on competition and market structures has varied depending on govermental policy, national market developments, the existing banking structure, informal barriers of entry and banks' strategies. As a result, British, German and French banks are confronted with distinct market changes and distinct competitive environments. Secondly, banks in each country respond differently to changes in external market conditons in terms of personnel recruitment and training. These differences are rooted in the existing national labour market and regulated training systems which shape the strategies of the main sectoral actors. National labour market and training of systems have undergone changes introduced by macro economics, government policy, and

Chart 1: Analytical framework



the banks themselves. Changes in training and recruitment policies at the company and sectoral level are reciprocally interrelated with changes in national labour market and training regulatory systems.

We will develop this argument in two stages: First, we ask how have banks responded to changing market conditions given the existing regulatory system. We are interested in understanding how banks use existing systems as a resource for organisational adjustment. Second, we examine the capacities of the banks in different countries to reshape the regulatory system to make it meet their needs. Here, we are interested in seeing how gradually different structures emerge from a changing interplay of the major actors involved. Our main concern is to relate changes in employment practices at the sectoral level to changes in the labour market and training system at the national level. More specificially, we look at new patterns of recruitment and training practices as an indicator for transformations in the broader field of employment practices.

2. Markets, competition and human resources

From the 1970s, international banking competition began to intensify as many governments pursued the liberalisation of financial institutions and financial markets became more accessible for foreign competitors. On the one hand, these changes resulted from developments in the economy such as growing world trade with the banks following their corporate customers. On the other hand, they were also stimulated by developments in the financial sector itself such as the growth of Euromarkets and the strategies of multinational banks. Inflation and high nominal rates of interest increased the prospective returns from innovations around existing restrictions, and technology lowered the costs of financial innovation. These economic forces, combined with a growing commitment of many governments toward monetarist policies and market solutions produced an environment of structural deregulation and growing international competition. Alongside this trend, there has been growing supervisory re-regulation in many European countries and the international banking system in order to improve prudential monitoring of financial institutions (Gardener and Molyneux 1990). As a consequence of these developments, a number of multinational and global banks emerged which dominate internationalised market segments such as Eurocurrency, syndicat loans, security trading, investment banking and financial services for large corporate customers.

Growing international competition, however, has had no immediate and direct affect on banking institutions which retain a strong national home base. In Germany, the UK and France national banks still dominate domestic core markets for retail banking and financial services for small and medium sized enterprises and personal clients. This is because different societal factors have mediated the impact of international competition on national markets and national banking institutions. The most important factors are government legislation, the structure of the banking sector, informal barriers of entry, distinct national demand patterns and developments of financial markets. In the following paragraphes we will concentrate on changes which came about as a result of EC integration during the 1980s.

2.1 Governments: Negotiating reforms, deregulating or adapting to external pressures

National governments have responded differently in terms of legislation. *In Germany,* capital movements were liberalised rather early. Due to the rather broad definition of banks in the German universal banking system there was no need for regulations concerning despecialisation. Furthermore, the implementation of directives on solvency and capital ratios has been negotiated between the banking association and the national government. Therefore, the legislative framework has remained rather stable in Germany. Increased competition has emerged from new competitors entering the market, rather than from legislative changes. In *Britain*, on the contrary, increasing competition in the banking sector was mainly a result of national government policy of deregulation. The overall aim of the conservative British government was to increase the efficiency of the financial services sector by introducing more competition and removing existing cartel agreements. The implemention of EC directives into UK law was also dominated by the conservative government's interest to stimulate competition and efficiency. This involved less negotiation with representatives from the banking sector than was the case in Germany. *France,* traditionally a weak-currency country exposed to structural external deficits, was forced by external constraints to enact reforms. These reforms have sought to introduce innovations into the financial system, maintain international competitiveness and enhance the role of Paris as a financial centre (de Boissieu 1990). In addition, the implementation of EC directives has also led to a despecialisation of financial institutions, particularly for the saving banks. The main financial institutions, the markets in which they are competing and the problems they are seeking to solve differ significantly from country to country.

2.2 German banks: Advising „Allfinanz“

Competition between *German* private, saving and mutual banks increased particularly because markets for standardized bank services became increasingly saturated. By the end of the 1980s, 90% of the private housholds were covered with basic products and services such as current accounts with automatic overdraft credit and payment transfers as well as saving books (D'Alessio and Oberbeck 1994). This was a result of the bank's succesful „Allfinanz" strategy during previous years when German banks attracted new customers and expanded their business by diversifying their traditional saving products into fixed-term investment deposits, bonds and insurances. The „Allfinanz" strategy was also orientated towards changing preferences of private customers who increasingly invested in bonds and life insurances. This increased not only the competition between banks, but also between banks and insurances, and banks and investment funds. Although banks could not prevent loosing business to non-bank competitors, the „Allfinanz" strategy enabled them to control a considerable part of the growth in insurances and investment funds. At the same time, banks had to cope with a loss in profitability of their lending business for corporate customers which has traditionally been one of their core businesses. This was mainly because large companies rely more on internal and less on banking finance. Compared to other countries, however, German banks still have a strong corporate base among small and medium-sized companies (Quack and Hildebrandt 1995). In both, private and corporate markets, for a long time German banks seemed to compete more on the quality of advice and the terms and conditions than just on price. This is changing gradually as the large private banks, but to some extent also saving and mutual banks, implement a more segmented approach which limits personal and qualified advice to more wealthy private and corporate customers. Competition for these customers will still be on advising „Allfinanz" in the future. For the majority of private customers with routine business, however, banks want to reduce costs by introducing front-office automation and new distribution channels like telephone-banking. These trends have been pushed by the entrance of a few new competitors like Citibank and Crédit Lyonnais who mainly compete on new distributions channels and products (credit cards etc.).

2.3 British banks: Intensified competition on prices and new products

In *Britain*, competition since the mid-1980s has increased between the main clearing banks and the building societies. The building societies began to encroach on the banks traditional markets, both in the level of deposits they were able to attract, but also in the number of loans they made, in particular for mortgages (O'Reilly 1994:67). Throughout the 1980s, price competition became fiercer. Banks and building societies competed on interest rates for current accounts, deposits and mortgages as well on fees for these products. At the same time non-price competition shifted from branch networks, which were cut down to reduce costs, to diversification into new products such as high yielding accounts, product packages of mortgages and insurances etc. for which the market in Britian was not yet saturated. Even the most basic level product - a personal account - indicates how open the market was during the 1980s: from 1981 to 1989 the proportion of British adults with a personal account rose considerably from 61% to 80% (Bailey 1990). The economic and political environment at the beginning 1980s offered good opportunities for market expansion in mortgages and insurances: The boom in the housing market together with changes in tax regulations led to a rapid expansion of mortgages. As banks and building societies increasingly shifted to a higher proportion of unsecured lending, more private household income become available for life insurance. This had, together with the Social Security Act of 1986, a rapid impact on the purchase of personal pensions (Morgan et al. 1993). However, by the beginning of the 1990s signs of market collapse were apparent, with a subsequent affect on bank employment with the annoucement of redundancies. A fall in the market forced the banks to reassess their provision of services through branch networks and impose higher fees for customer transactions. British banks have also developed a service segmentation strategy to distinguish not only between the range of services provided, but also between high and low net worth clients.

2.4 French banks: Promotion of financial innovations

In *France* deregulation and despecialisation increased competition which according to Cieply (1994) led to a „profitability dilemma“ for the French banks. The abolition of state administered credit ceilings and interest rates exposed their lending business to more market risks at the same time as their refinancing costs increased as a result of private customers’ growing preference for investment products. The shift from traditional saving to investment funds was supported by higher yieldings, a favourable taxation and smaller denominations which increased their attractiveness for private customers. As a result, during the 1980s France experienced a veritable „escape“ from saving. The proportion of deposit saving in personal sector assets decreased from 42% in 1980 to 26% in 1990, wherease the proportion of shares increased from 14% to 41% (OECD 1992). The possiblity of French banks to pass increased refinancing costs to their customers, however, was limited. Investors expected increasingly a high and short-term profit on their investment. Due to the despecialisation of the French banking sector commercial banks belonging to the AFB (Association Française des Banques) and regional banks now competed not only with the saving and mutual banks (with Crédit Agricole as the largest) but also with new „Sociétés Financières“. During the second half of the 1980s, French banks diversified their business with regard to customer groups, products and geographic location. The saving and mutual banks gradually expanded their saving and lending business into new customer groups whereas the large commercial banks increased their fee-based income by selling investment funds and insurances. As a result, in 1992 only 18% of the banks' balance sheet total came from traditional deposits compared to 70% in the early 1980s (Cieply 1994). As another strategy to increase fee-based income AFB-bank invested largely into real estate during the boom which - similar to the expansion in lending to small and medium-sized companies - involved high losses during the following economic crisis and resulted in a risk-adverse lending and investment policy in the 1990s. Furthermore, some of the AFB-banks followed a strategy of internationalisation. In 1991, the three largest AFB banks generated about half of their business volume and income from abroad (Connor 1994). French banks have a high degree of front-office automation and develop similar strategies of service segmentation to those of banks in Britain and Germany.

2.5 Implications for human resource management

Market developments are relevant to human resource strategies of banks in several ways. The degree of standardisation or sophistication of products has an impact on work organisation and automation. Whereas standardised products can easily be distributed by technology and customer self-service, more complex products demand advice and consultancy. As we have argued, the product range in Britain seems to be most polarised between standardisation on the one hand and highly sophisticated products on the other. British banks have tended to use technology more for large centralised processing operations, in order to handle their labour intensive cheque based payment system. In contrast, in Germany the majority of payments has been automated at an earlier stage. During the 1980s the introduction of new technology was orientated more to front office jobs. In France, too, there has been a move to decentralise access to computer terminals used for service and administration operations (Child and Loveridge 1990). The provision of Automatic Teller Machines (ATMs), in 1991, was highest in Britain. According to the Bank of International Settlements (1992) there were 3.240 inhabitants per machine compared with 3.509 in France and 5.840 in Germany.

Previous research has indicated that there are significant differences in the way the work of bank clerks is organised in each country. D'Alessio and Oberbeck (1993) have shown how in Germany bank clerks are expected to perform a wider range of tasks which corresponds to the provision of universal banking services. In comparing German and British studies Lane (1987) points out that while British banks are more likely to segment the tasks their staff perform, in Germany staff perform a more comprehensive range of tasks (Crompton 1989; Baethge and Oberbeck 1986). Lane argues that these differences are related to the more extensive provision of training in Germany. This is supported in the comparative work on Britain and France conducted by O'Reilly (1992b) which shows how British banks have developed a service segmentation policy with a more extensive use of part-timers, in comparison with

French banks who have in recent years been trying to encourage a policy of "polyvalence" (Bertrand and Noyelle 1988; Cossalter 1990). Higher expectations of increasing task variety in France have been accompanied by an increased level of recruitment and training.

Although the banks have been subject to extensive challenges in relation to the consequences of automation, competitive pressures, product diversification and an increased emphasis on customer orientated services, we have seen how the relative significance of these varies between countries. It has been claimed that the banks increasingly need better qualified, skilled labour to sell more complex products and services to an increasingly sophisticated market. From the different market segments in which competition has increased in each country and the varying importance of price-led and quality-led competition, we would argue that in Britian there has been a polarisation of skills whereas in Germany and France staff has in general been encouraged to develop a wider range of skills. Therefore, it would appear that work organisation has been organised in different ways in each country as a means to adapt to emerging competitive pressures.

3. Training and recruitment

In this section we will examine how German, British and French banks have responded to the growing demand for a skilled work force. Human resource policies, at the company level, depend on the available labour, given the affects of the existing national educational and training systems. The same is true for the extent to which companies recruit employees from the external labour market or whether they decide to invest in firm based training. Therefore, we will shortly characterise the main features of the German, British and French educational and training system and the most significant changes which appeared during the 1980s before we analyse changes in recruitment and training in the banking sector of each of these countries.

3.1 National systems of education and training

Comparative research on business organisation has focused on the significance of the provision of vocational education and training between countries. The extent to which businesses, individuals or the state invest in the training of general and marketable skills varies between these three countries. This research has also indicated that these differences have a profound effect on the efficient and profitable performance of firms (Prais 1981 and 1985; Keep 1989; Steedman and Wagner 1989; Rainbird 1990). The main differences exist with regard to governmental policy towards higher school and higher education on the one hand, and the regulatory systems set up for initial vocational training for intermediary skills on the other (Prais 1985; Möbus and Sevestre 1991).

Although school and university education in Europe is predominantly provided by the state, there are notable differences in the emphasis state policy has given to this area. Since the 1970s, German educational policy has favoured a rapid expansion of higher levels of school and a moderate expansion of university education. In Germany university students have to study for 5 years before they obtain a recognised qualification. The French government has, particularly since the 1980s, rigourously pursued a policy of encouraging an increasing proportion of the young population to pass the "baccalauréat" (BAC) and take up university courses. In France, university students can obtain certificates after 2, 3 or more years of university studies (BAC+2, etc.). The British government has only recently developed a policy towards higher levels of general education where certification is obtained after 3 years full-time study. Despite a recent increase in the numbers of young people staying on in further education, higher university education in Britain tends to be rather elitist, although this is gradually changing. Participation in higher levels of school education has expanded most rapidly in France throughout the 1980s and has overtaken German levels, in Britain the increase in the proportion of school leavers with A-levels or at least 5 O-levels and their participation in further full-time training has been at a lower level.

With regard to vocational training, the three countries under investigation in this paper represent three very different types of systems.[2] The willingness, or reluctance, of companies, individuals and unions to participate in training can be explained by different incentive structures resulting from the national production regimes (Soskice 1992). The structure of company ownership, and capital or credit market based investments influence the time horizon of companies' investment in research/development and training. The financial system in Britain encourages short-term profit maximation, compared to the long-term investment strategies used in Germany. The influence of the state in the French financial system has more ambivalent effects. However, it tends to favour long-term strategies praticularly in large state owned companies. The characteristics of conflict or Cooperation in industrial relations also influence the overall business strategies of companies and the readiness of workers to collaborate. In Germany the system of co-determination and high labour costs makes the pursuit of low quality market strategies unfeasible for companies. In

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[2] For a detailed comparison of Germany and France see Lutz (1976), Maurice et al. (1986) and Möbus/Sevestre (1991). Similar in-depth comparisons of Germany and Britain have been undertaken by Lane (1992), Daly et al. (1985) and Steedman and Wagner (1989). A general overview on the major characteristics of all three countries is given by Lane (1989) and a detailed account of further training by Auer (1992).

Britain the traditional low-trust and conflictual nature of industrial relations has not encouraged Cooperation on training, as evidenced by the Employment Training (ET) initiative. In France the state has characteristically mediated the low trust relationship between employers and workers, when collective bargaining has failed to produce a collective agreement.

3.1.1 German corporatism

In *Germany*, the dual system, based on a corporatist collaboration between employers, unions and government at the national and local level, is the dominant type of vocational training. Employers, apprentices and the state share the costs of training. Training includes a strong practical component of on-the-job training which is closely related to theoretical instruction at public vocational schools. Examinations at the end of the apprenticeship provide state recognised certificates. In contrast to other countries, the apprenticeship system in Germany extends to all economic sectors and the majority of occupations[3] (Streeck 1988; Streeck 1991). As apprenticeships are the main entry port to internal labour markets, they have remained attractive for school leavers despite the overall increase in higher education. In 1990, 69% of the population aged between 16 and 19 years entered an apprenticeship and about two thirds of the labour force had some form of vocational training (Tessaring 1993).

3.1.2 British voluntarism

In *Britain*, the absence of both governmental involvement and cooperation of businesses in the field of vocational training has been blamed for the overall failure of training by some authors (Finegold and Soskice 1988; Keep 1989; Steedman 1993; Rubery 1993). The crafts apprenticeship system has been confined to a small number of very narrow occupations, where it was used by unions for job demarcation. As in France this was never extended to industry as a whole, or to the service sector. In contrast to France however, the state has been reluctant to take responsibility for providing vocational training on a broader level. Instead this has been viewed as a "matter for the market", and companies have been largely left to organise their own needs. Training in Britain is rather fragmented and uncoordinated, normally done on-the-job with limited certification. Since 1981, the government has urged the modernisation of occupational training by the development of National Vocational Qualifications (NVQs). NVQs are employer-led standards which are to be developed by Lead Bodies including representatives of employers, unions and

[3] In the 1930s there was an attempt to set up purely vocational schools for the training in commercial and administrative occupations. As a result of the rapidly expanding need for skilled employees in these occupations, however, training for these occupations was finally also included into the dual system (Lutz 1976).

government. The approach has received considerable criticism because competences required, especially for levels I and II, are extremely low. NVQs focus more on measurement of assessable outputs than on training per se (Steedman 1993). In general, the focus of the approach is on accreditation and not provision of training itself which is still rather low in Britain compared to Germany and France. According to Keep (1989) only a third of the labour had vocational training qualifications, even though participation of school leavers in full-time higher/further education has increased over the 1980s. It remains to be seen how effective the introduction of National Vocational Qualifications will be in rectifying this difference.

3.1.3 French state mediation

In *France*, vocational training is based in public schools and largely financed and organised by the state with a minor involvement of companies. As a result of the early expansion of public schools and the abolition of guilds during the French revolution, the craft apprenticeship system was never transferred on a large scale to industry or services (Lutz 1976; Lane 1989). In the early 1980s, the apprenticeship system was limited to the craft sector and mainly oriented towards disadvantaged school leavers. The dominance of school based vocational training in France means that there is a perceived gap between theoretical knowledge and practical experience. Companies have less influence on the quantity and quality of the skills. Despite state recognised certificates, the integration of young school leavers is difficult, as reflected in the high levels of youth unemployment (Korioth 1993). Still only 40% of the labour force have a vocational training (Möbus and Sevestre 1991), but due to the state led expansion of the vocational school system and the introduction of vocational university degrees, the proportion of young people receiving a vocational training has increased considerably during the 1980s. In order to promote alternating forms of practical and theoretical instruction, the French government issued several decrees in the second half of the 1980s. These decrees enable companies to recruit trainees on the basis of temporary contracts which include part-time work in the company and theoretical instruction at universities or professional educational institutes. The most common forms are "contrats de qualification" and "contrats d'apprentissage".

From the short desciption of national educational and training systems it becomes clear that banks, eventhough they range among the most attractive employers in all three countries, recruit from distinct populations in terms of qualification structure and that their training initiatives are embedded in very different institutional contexts.

3.2 New patterns of recruitment and training in the banking sector

We have seen that there has been a general trend to encourage an upskilling and increase in employees' qualifications. In this section we will analyse how the banks have responded in terms of their recruitment and training policies to changing market and competitive situations.

3.2.1 German banks: Recruitment of „Abitur“ candidates and more emphasis on company specific training

During the 1980s comparatively stable conditions in the German banking system and expanding employment opportunities encouraged a continuous and increasing emphasis on the recruitment of highly educated young people, coupled with a strong company commitment to training. It is only recently that the major banks have started to reduce their personnel and consider a more cautious recruitment policy.

Recruitment to the banks in Germany continues to be heavily influenced by the national apprenticeship system. During the 1980s, the banks have increasingly recruited school leavers with the "Abitur" (A-levels) to the banking apprenticeship system. The proportion of A-levels among apprentices in private banks has increased from 59% in 1983 to 71% in 1991. This is a much higher proportion than the national average in Germany, where 13% of apprenticeships have an "Abitur" (Backhaus et al. 1992; Stiller 1992). The banks argue that these higher qualified apprentices will be better able to adapt to the key qualifications needed for new forms of customer service and work organisation. They are seen as more independent, responsible, and capable of explaining complex products to customers: skills necessary for the new style of personal banking. As in the UK, the concept of "competence" is becoming more important compared to traditional qualifications like accuracy and numerical skills. However, compared to Britain, there is more commitment to training in order to produce these competences. The German banks have been able to recruit large numbers of "Abitur" candidates, partly because the expansion of higher education in Germany has increased the general level of qualifications in the youth labour market. But also, banking apprenticeships have been seen as very attractive to school leavers. This is either because these are still the main entry port to a career in German banking, or because they also offer a high level of potentially transferable skills, and thus provide good job opportunities in other sectors.

The stock of graduates is higher in Germany than in Britain. In 1989, 11% of all bank employees in Germany had a university degree, compared to only 5% of British bank employees. In addition a considerable number of graduates in German banks also hold a vocational training certificate from the banking sector. The proportion of graduates was particularly high among specialised financial advisers for private and corporate customers, specialised credit and securities departments, foreign exchange and head offices (Stiller 1992). Throughout the 1980s, banks have increasingly hired university graduates for these positions, albeit as a limited population of total employees This is because they are a relatively expensive source of labour. Overall, recruitment in the banking sector in Germany has remained fairly stable and consistent during the 1980s, which is largely due to the strength and embeddedness of the apprenticeship system.

However, since the beginning 1990s, for the first time in a decade the major banks announced the need to reduce their personnel. As profitability within the German banking system is more stable than in the UK, personnel reductions will be less dramatic and are targetted mainly on lower skilled clerical and teller jobs as well as jobs in centralised computing facilities. At the same time some employment growth is expected in qualified customer services and among specialists in securities, foreign exchange, and corporate credit. Therefore, most German banks intend to continue recruiting apprentices and graduates, eventhough some of them consider a slight reduction in numbers. In the future, however, recruitment as well as training might become more polarised in terms of qualification as the "lean banking" strategy includes service segmentation in terms of product range and quality of advice.

Training: The initial comprehensive apprenticeship system continues to provide qualified apprentices with a broad basic knowledge to perform service and advisery tasks in the branches. Compared to the national average, the German banking sector is very training intensive, both in terms of bank's training budgets and the proportion of employees participating in training. In 1991, the proportion of apprentices in relation to employees was 1 to 10 which is above the national average and has remained quite stable during the last ten years (Backhaus et al. 1992). Despite a slight fall in 1987, there has been a consistent increase in the numbers taking up apprenticeships. Since 1989 this has largely been due to reunification. Today approximately 80% of all bank employees have accomplished a vocational training in their occupation (Figge and Quack 1991). The participation in further training is also far beyond the national average. Whereas every second bank employee participated in further training during the period 1980-1985, only 26% of employees in the whole economy did so (Kloas et al. 1990). German banks spend up to 6% of their payroll on training (Kreyenschmidt 1990). In 1991, initial vocational training amounted to between 40% to 70% of the overall expenditure on training, with the saving banks investing more in initial training and some of the major private banks investing more in further training (Backhaus et al. 1992).

The major changes within the initial vocational training have been a) a reduction in the length of the apprenticeships, b) informal on the job training being replaced with formal theoretical instruction, increasingly being undertaken within banks, and c) more emphasis being given to further training and sales related skills.

The majority of banks have shifted away from the standard 3 year training to shorter apprenticeships. In 1990, 66% of all apprentices in private banks were trained for only two years and 34% for two and a half year. The main reasons given for these changes are because of better entry qualifications, a reduction in training costs and the reluctance of "Abitur" candidates to invest in a longer vocational training (Stiller 1992, Backhaus et al. 1994).

The increasing use of formal on-the-job learning can be seen from the growing emphasis on internal training. The banking sector has one of the highest levels of internal training in Germany, in addition to the comprehensive instruction given in public vocational schools. Compared to the 1970s, time spend in these company based courses ("Interner Unterricht") has increased. On average between half a day or one day per week are spent on these courses. Time spent on on-the-job training has decreased to only 90 days per year in a two-year apprenticeship. Whereas company based courses previously prepared apprentices for instruction in public vocational schools, they now provide them with more up-to-date firm and product specific knowledge. The internal assessment of apprentices has also become more important for their promotion than the grades obtained in public examinations (Stiller 1992). The trend towards more company influence on the implementation of the theoretical instruction can also be observed in other industries, but it is extremely articulated in the banking sector. This ensures German banks a more direct and rapid way of adapting the contents of vocational training to their needs than just relying on the reform of the sector specific regulations.

Further training for more complex tasks and sales jobs is been given for jobs like the qualified customer advisers. This training is provided over a period of a few month, up to 2 years after completion of the apprenticeship. This is also accompanied with firm-specific off-the-job instruction in specialised banking products and services. In addition, young people are also encouraged to participate in general further education at the "Bankakademie" which is an institution supported and coordinated by the major banks which provides courses leading to recognized graduate certificates as "Bankfachwirt" and "Bankbetriebswirt" which are seen as a precondition for promotion. Employees have to attend during their free time, eg. in the case of the "Bankfachwirt" for two evenings a week or on Saturdays over a period of two years.[4] The greatest part of further training, however, is firm-based and orientated towards the

[4] Participants have to pay courses on their own, but are refunded by their employers after completing the examinations.

adaptation of qualifications to changes in products, technology and work organisation.

The extensive provision of training for German bank workers also has its costs. There is a high drop out rate of 40% up to 60% of qualified apprentices who decide to leave the bank and go to university (Mahler 1992). One solution to this has been to introduce personal development plans. These plans, which offer promotion to particular groups of selected apprentices ("Förderkreise"), are discussed during their training and after examination. These candidates are expected to go into management and student programs, which include temporary jobs during vacations for those who want to go on to university. However, none of these measures has reduced turnover significantly, and in the case of students going on to university it is not clear that they will return to "their" bank afterwards.

Nevertheless, the apparent costs of the training system are not as great as initially appears.[5] The shorter duration of apprenticeships and the higher degree of self-organisation which can be expected in on-the-job training of "Abitur" candidates signifies in fact a reduction of costs for vocational training compared with the old 3-year type of vocational training. In addition, as many young people are employed in relief teams after completion of their initial training, a certain "overproduction" of apprentices provides the banks with a means of both, functional and numerical flexibility to fill in labour shortages at the branch level. This functional flexibility is supported by the fact that these employees are highly motivated because they know that their performance is important with regard to further promotion. The continuous inflow of qualified and motivated young people in lower level jobs in branches provide the banks with a high standard of customer service (knowledge of products, ability to explain products) which favours the returns from cross-selling. This is related to the differences in work organisation discussed previously. As a branch manager expressed it:

> "If you have a good person at the service desk, this will easily become apparent in the financial turnover of your qualified customer advisers because they keep sending you customers".

All these factors are likely to reduce the losses which German banks suffer from the apparent high turnover of apprentices. In the future, the envisaged service segmentation strategy might contribute to reduce turnover of apprentices because it enables faster career advancement for qualified bank apprentices into more specialised areas whereas general service tasks might be filled with apprentices from lower qualified clerical occupations. It is significant for the social embeddedness of German banks' recuitment and

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[5] As Steedman (1993) points out the costs of the German system are mitigated by the encouragement for individuals to take responsibility for learning intermediate skills upon themselves.

training that even for lower qualified positions they do not consider to hire unskilled workers but lean on the existing apprenticeship system.

In sum, recruitment and training within the German banking system has moved towards attracting more highly qualified staff with an Abitur or university degree. This in part is related to the provision of a large pool of highly qualified labour on the German labour market. The dual system has been adapted to increase the provision of more formal training and sales knowledge, so that companies can increasingly obtain more company specific skills for their employees.

3.2.2 British banks: Multi-tired recruitment and selective training

Throughout the last decade, the British banking sector went through a rather dramatic change from boom to crisis. Whereas employment expanded rapidly until 1988, since then the major clearing banks have announced high numbers of redundancies and virtually stopped or reduced recruitment. Therefore, it seems reasonable to differentiate between boom and crisis as two phases.

Recruitment in British clearing banks[6] traditionally focused on school leavers with O-levels who then received on-the-job training, firm-based training courses and eventually attended to external classes of the Chartered Institute of Bankers (CIB). Professional qualifications acquired throughout the employment career and promotion relied on seniority and experience. This model corresponded to a work organisation which entailed rather homogenous and standardised tasks at the branch level. During the 1980s, however, work organisation became more polarised. This was partly due to price competition on standardised products for low worth customers at one end of the market and product-innovation for high worth customers at the other end of the market. As a result, banks moved from single entry recruitment policy towards tiered recruitment. On the one hand, fast track management paths were developed for graduate entry; although graduates only account for a small proportion of all bank employees, approximately less than 5%.[7] The banks are also beginning to employ specialist managers with marketing, HRM or production and operations skills from sectors outside banking[8]; but again this only accounts for a minority of all staff, located in middle to senior management levels, who are often

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6 Within the British banking sector, there has always been a fragmentation in terms of skills between clearing banks recruiting primarily school leavers and merchant/specialised banks recruiting a higher proportion of graduates or experienced bank clerks. In this section, we will concentrate on clearing banks which are the main employers in the British banking sector.

7 Based on figures cited by managers interviewed in all the major clearing banks in the UK.

8 For example, production and operations managers from manufacturing have been employed to manage the large clearing centres, which are often refered to as paper processing factories.

employed to introduce change. The emphasis on cross-selling insurance products in the banks has also led them to recruit specialist financial advisers to sell insurance products. However, this is the group with the highest labour turnover.[9]

Throughout the boom period banks continued to recruit school leavers with O-levels and, stimulated by a predicted fall in the number of good school leavers entering the labour market at the turn of the decade, banks began to look for alternative sources of labour. Vigourous efforts were made to attract women returning after a period of child care to the banks. One of the most significant changes in recruitment was the increase in part-time, or key-time workers which enabled banks to reduce labour costs by matching employees to peak periods of activity. In addition, career break schemes were designed to allow junior managerial staff and above, predominantly women, to take up to a maximum of 5 years off work, or to return on a part-time basis.[10] Recruitment during the boom period, thus, became increasingly polarised with specialist managers being brought into managerial ranks, and O-level school leavers as well as an increasing number of part-timers being used for processing clerical jobs. This reflects trends in the overall labour market which have been outlined above: the shortage of good school leavers who increasingly continued into further education, a slow expansion of young university graduates and a growing number of women returners. Since the recession banks have reduced their recruitment to a minimum level. Banks are still hiring some graduates to fill specialised and management positions, but they have been less concerned about school leavers, women returners and career break schemes. Due to this recruitment embargo, there is a growing shortage of staff with two or three years experience which might create a mangement vacuum in the future. In a more positive future economic environment, there might be thus a stimulus to increase graduate recruitment to fill this gap, or alternatively, to increase training of the existing work force (Williams 1993).

Training in British banks has traditionally been provided on-the-job. There is evidence that since the beginning 1980s the banking sector also provided a considerably higher portion of off-the-job training than other industries in Britain (Department of Employment 1989). This can partly be explained by the fact that training was partially moved out of the office and undertaken in training

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9 One reason for this high labour turn over is due to the nature of regulation of these advisers. Advisers are either tied to sell the products of one company, or are independent. Once they have gained recognition by the regulatory bodies like Lautro, the opportunity of earning higher commissions in the independent sector is a lucrative encouragment to leave. Others also leave because they dislike the high pressure sales environment.

10 After the fixed period the banks claimed that these women would go back to their original grade. This was seen as a strategy to retain skills. However, only a limited number of women have been involved in these programmes. These Career Breaks vary between the banks, and were seen as individual initiatives to manage future labour supply. The publicity given to Career Break schemes was part of this strategy.

colleges and centres in order to allow mangers to concentrate on business. Nevertheless, training had a fragmented structure and its importance with regard to promotion was not very transparent. The division lines between company based training and courses at the professional institute became more and more blurred. Whereas these problems were concealed by concerns over rapid expansion during the boom period, they became more urgent when the financial market collapsed. The overall pressure to reduce costs as a result of the recession and falling profit margins has squeezed the training budgets of the banks. As banks at the same time were moving into more sophisticated product markets which required at least a part of the sales force to be better trained, they found themselves confronted with the paradoxical need of increasing training efforts and reducing training budgets. They responded with a training strategy that implied a shift towards cheaper training methods, more specialisation, a stronger focus on company specific products and services, and greater selectivity of training. The main changes which have occurred in the British banks are related to a) local delivery of training through information technology, b) sequential building of competencies, c) a fall in the use of residential training, and d) a fragmentation and specialisation of managerial skills and qualifications.

Technology investment has provided the banks with a means of reducing labour and training costs. This has taken two forms: the standardisation of procedures and the use of distance learning.

> "The Chief Exec. asked us 'How do you ensure that every cashier will provide the same quality of service as the best cashier? 'More training' we replied. 'No!' he said, 'More technology! You put the best way of thinking into the computer." (Training Manager, British bank)

Credit scoring systems can reduce the level of decision making, and the level of skill required. Technology has also been used to develop distance learning programmes in particular for processing jobs. All the banks now have basic training programmes which can be accessed through the branch computer. These are either interactive programmes with built-in testing, or they allow for the retrieval of written information. Approximately 30% of the banks' basic training is provided in this way[11].

Employees are increasingly being encouraged to take their training needs upon themselves. The banks have moved away from a blanket provision of discreet training programmes to attempts to provide an integrated cafeteria-style system where individuals are encouraged to identify their own training needs by consulting career manuals.

> "We are trying to develop a sequential build up of competence, rather than see each initiative as individually free standing. For example, if we had a new product, years ago that product would be 'trained in' with a training exercise. Often people went over

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11 Source of information: interviews with training directors in all the major banks in the UK.

> what they already knew. Now it is very much about personalising and individualising training, so that we don't go over things people have already learnt. That's the principle anyway." (Training Director, British bank)

Distance learning facilitates this approach by the use of tests and skipping over material already familiar. The emphasis in all the main banks is towards creating a learning organisation and self development:

> "The bank used to be a much more paternalistic organisation. You used to feel 'there is somebody up there managing my career', but now there is more emphasis on self development." (Training Manager, British bank)

However, these developments are still in the early stages, and in practice may have much less impact than the training directors interviewed would like to believe.

Third, the importance of residential training, especially for higher grade staff has been reduced within most of the banks, evidenced by the sale of luxurious training centers located in the South of England. Such training courses are now generally shorter than before, with greater emphasis on longer term project work, interspersed with shorter bursts of training evaluation.

The status of formal qualifications has also changed. In general these are considered less important than the need to prove that employees have the required competencies.

> "We put more emphasis now on competence rather than on abstract knowledge. It is no longer important to have the requisite number of O or A levels, although they have to have a minimum competence, most of it these days is so automated that very few people add up numbers. Personal skills are more important than numerical skills." (Training Director, British bank)

The concern with key competences has reflected the banks concern with re-evaluating core bank tasks. This has encouraged the use of subcontracting (O'Reilly 1992a) and an increasing fragmentation and specialisation of jobs performed in the bank. For example, certain posts in marketing, personnel and computing do not require the traditional generalist knowledge of banking. As a result certain employees are being encouraged to take the qualifications offered by the Institute of Personnel Management (IPM), the Institute of Marketing or the Chartered Institute of Insurance, rather than the courses offered by the Chartered Institute of Bankers (CIB). While banking qualifications are not essential for promotion to managerial posts, as in Germany, they are generally seen by the British banks as an indicator of employee commitment to the sector and are generally encouraged. The costs of supporting the CIB are comparatively low: the banks pay £17 per year to the CIB for their employees who are registered members.[12]

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[12] The banks usually reimburse examination fees of approximately £200 to individual employees who successfully pass all the exams.

In sum, banks' recruitment and training practices reflect the overall characteristics of the British educational and training system. Multi-tired recruitment corresponds to the polarised qualification structure of the available work force. Training is predominantly and increasingly perceived as a matter of the company. As banking is a high-skill-service sector in a low-skill-economy (Keltner and Finegold 1993), recruitment and training practices in British banking are more distinct compared to other British industries than it is the case for example in Germany. Not only the considerably higher level of off-the-job training, but also the existance of a professional educational institute depict a significant deviation from what has generally been regarded as the British training system.

3.2.3 French banks: Graduate recruitment and modernisation of training

In reponse to their changing market and legal environment, French banks shifted since the mid 1970s from administrative to a market orientated business strategies (Petit and Vernières 1988). Although there has been a long term concern with overstaffing in the French banking sector, employment continued to expand up until the mid 1980s in AFB banks and 1987 in the sector as a whole. Since then banks have reduced the overall numbers of their personnel (CNC 1989). French banks have been less vulnerable to dramatic fluctuations in economic growth and therefore did not resort to massive redundancies as British banks did. They were also encouraged by the government to retrain existing personnel for other tasks and to use early retirement and part-time work to adapt their staff numbers to the reduced demand. At the same time, expansion into new markets, product diversification and automation of routine jobs have, like in Germany, involved a shift in the employment structure towards more qualified personnel in customer related services.

Until the 1980s, *recruitment* in French banks was based on school leavers and most of the staff, even though increasingly recruited with BAC or BAC+2, still started as a cashier in the branches where they would work for a while before entering training courses and then moving to other, more qualified jobs. Since the beginning 1980s, French banks like their German counterparts have been seeking to raise recruitment standards so as to employ staff who will be more adaptable to the future service orientation of the banks (CNC 1989). What is needed, the banks argue, are more "polyvalent" skilled people who are able to solve problems on their own and who have the social competences necessary to advise clients and explain products to them. The need of upskilling their personnel is much more articulated in French banks than in German banks, because they recruited lower qualified personnel in the past which corresponded to their more fragmented and hierarchical work organisation at that time. This is reflected by the fact that in 1987, 65% of French bank employees still had less than a BAC qualification (Gauvin and Silvera 1991). The banks themselves regard the possibilities of retraining older clerical workers for more qualified jobs as limited (Cossalter 1990). Jobs with lower qualifications, such as at the service counter, in central offices and in low level financial advice for private customers, can be filled with retrained employees from other areas. Banks recruitment from the external labour market is increasingly orientated towards people (not available from the internal labour market) with high skills for specialised positions.

As a result, French banks have changed their recruitment practices significantly since the mid 1980s in favour of higher qualifications; at the same time they sought to reduce the overall number of new recruits. New recruits are now expected to have at least two years post baccalauréat higher education, with a preference given to those doing even 4 or 5 years of university studies or those attending Grandes Ecoles (Moussy 1988; CNC 1989; Cossalter 1990; Bertrand and Noyelle 1988).

> "We have too many staff with low qualifications, we need to recruit people with higher qualifications because they will be more adaptable to the changes which are taking place in the bank." (Personnel manager French Bank)

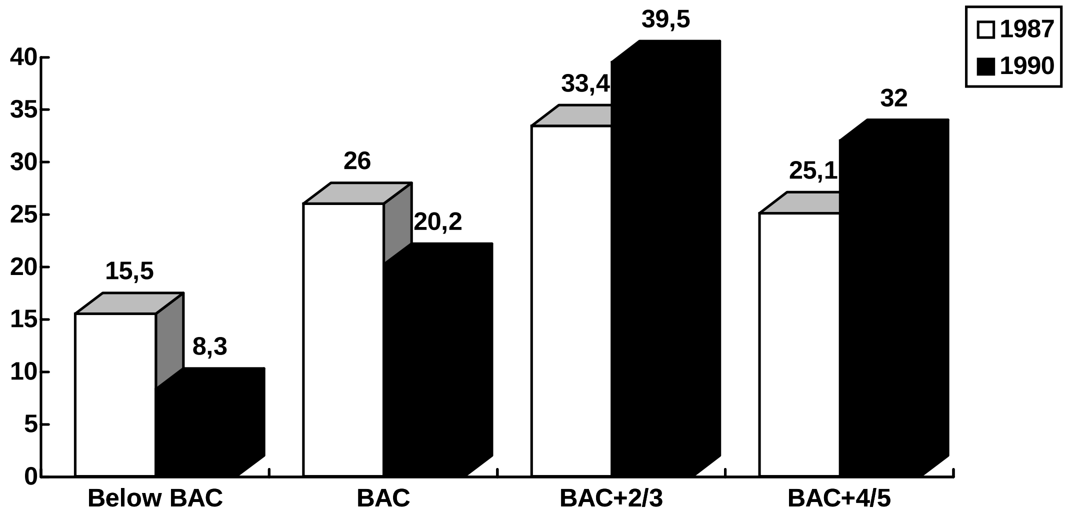
The wide spread nature of this trend can be seen from the data presented in Chart 2: In 1987, 59% of staff recruited had two or more years post baccalauréat studies. This proportion was outstandingly high compared to Germany and Britain, and increased to 72% in 1990. At the same time, the proportion of graduates from Grandes Ecoles has increased continuously. In 1990, 29% of graduate recruits came from these elitist schools and banks envisage to hire even more of them in the future (AFB 1992).

Besides the level of general education, and a commercial profile recruitment now also includes written examinations. Since the 1990s, the banks have increasingly offered temporary contracts for qualification ("contrats de qualification", "contrats d'apprentissage") to recruits with qualifications below "BAC+2". These contracts reduce costs and increase flexibility as the banks benefit from lower taxation and can use the contracts as a probationary period during which recruits are paid lower wages.

Related to these new patterns of recruitment, *training* in French banks also underwent significant changes in quantity, quality and function during the 1980s. Data from a selected AFB bank suggests that the overall expenditure in training, training hours and the number of employees in training increased considerably in order to secure more polyvalent and commercial skills needed for the bank's new business strategy (Hildebrandt 1993). This includes both, training at the sectoral training institute, the "Centre de Formation de la Profession Bancaire" (CFPB), which provides state recognised certificates and

Chart 2: Level of qualification of new recruits in France

(as a % of all new recruits)



Source: AFB cited by Gauvin/Silvera 1991 and Charpentier 1992

company-specific courses which do not provide any recognised certificates. According to the training manager in a major AFB bank, the proportion between the costs of these two parts of training is about 1:10, eg. most of the training is company specific. Enrollment on basic level qualifications like the CAP ("Certificat d'Aptitude Professionel"), and higher level courses like the BP ("Brevet Professionel de banque") has slightly decreased during the 1980s. In 1986, 2.7% of all employees were enrolled for the CAP and 9.6% for BP courses. These together are approximately equivalent to the ratio of apprentices/employees in Germany during the same period. Nevertheless, the proportion of participants who fail the exams is higher than in Germany (CNC 1989). The number of employees enrolled in the more advanced "Institut Technique de Banque" (ITB) which includes a more specialised and higher level of theoretical instruction in bank specific and management issues and hase been consistent over the 1980s. The CAP, BP and ITB courses are financed by the employers, and participants are delegated during their working time to attend these external courses at the CFPB on a part-time basis over a period of 1 to 3 years. The investment of time and money of individual employees in France is lower than in German banks, but higher than in British banks.[13]

[13] The fact that employees participate in these courses on a part-time basis while they are already employed is a sector specific arrangement. In contrast, CAP and BEP in other

The expansion of training of French banks was also related to a change in the function of training. Whereas in the early 1980s, training courses were focused on initial and further training of younger cohorts, now they have also to enable the retraining of older cohorts which otherwise would be in danger of loosing their job. Hence, the population attending training courses has become much more heterogenous in terms of age, educational background and working experience. New recruits with several years of post baccalauréat education have a broad general (and in the case of commercial specialisation even job specific) knowledge. What they need is training in special products, selling and bank management. Older employees have been doing routine jobs which have a much lower level of education and, hence, have to be trained in general as well as in more job-related subjects. Job changes within the bank are also increasingly related to training requirements.

As a result, banks have reformed the content and the form of training provision. In general, courses give more emphasis to selling and customer relationship than to general knowledge of banking. At the same time, courses have become more modularised and require more self organised learning. This is a response to the heterogenity of participants and to the need to reduce costs by decreasing periods of absence from the work place and avoiding repetition of subjects in subsequent training courses. Furthermore, modularisation allows banks to fit training more precisely to the needs of specialised jobs and to career development plans which they introduced recently. As managers and specialists are now predominantly recruited from outside, employees with lower qualifications have less opportunities for promotion into management and specialised positions and, thus, receive training specifically related to their job whereas managers receive other forms of specialised training.

Changes in content and organisational form of training can be illustrated by the reorganisation of state recognised training courses provided by the "Centre de Formation de la Profession Bancaire". The "Certificat d'Aptitude Professionel" (CAP), formerly adressed to recruits or older employees with entry qualifications below BAC, is no longer of importance because the number of potential participants is decreasing. In contrast, training programmes leading to the "Brevet Professionel de banque" (BP) and the "Institut Technique de Banque" (ITB) have been reorganised at the end of the 1980s. The BP which formerly was addressed to new recruits with BAC and BAC+2, is now also orientated towards reconversion of older employees which are guaranteed the right to participate in these courses based on an agreement between employers and unions. The old three years course was abolished and replaced by six modules ("unites capitalisables"). Examinations at the end of each module have to be passed within a five years period. This enables a better

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fields are completely school based and the examinations are passed before applying for a job.

adaptation of training to work organisation in the banks and the capacities of the individual employee. Whereas before, the BP provided general banking knowledge only, it now also includes economic, legal and management knowledge and social and communication competences (CFPB 1993).[14]

Although BP and ITB certificates are still important for those with lower education or non-commercial university degrees to get into qualified positions, they have lost importance for entry into management because of the growing number of external recruits from Grandes Ecoles who are not obliged to participate in these courses. As long as the age structure of French banks will remain unbalanced, banks are likely to develop a more fragmented training and recruitment structure in the future.

In sum, changes in training in French banks are closely related to the age and qualification structure of employees within banks which also has determined new patterns of recruitment. The rapid expansion of higher education in French society allowed the banks to draw from a better qualified youth labour market in order to fill their management and highly qualified jobs. This was supported by the fact that higher education in France has always been regarded as more valuable in term of occupational practice than, for example, in Germany. The banks are also attractive employers for young recruits, especially at times of a high youth unemployment.

In this section, we have analysed how banks in each country have responded to market changes in terms of personnel recruitment and training, given that they operate in distinct national labour market and training systems. We have analysed the capacities of these institutions to allow or enable organisational adjustment. In Germany, the labour market institutions provide a sufficient number of good school leavers for whom an apprenticeship in a bank still is attractive. And, the dual training system leaves scope for adjustments at the company level. This framework, however, is limited in its capacity to integrate initial and further training more extensively. The slow career advancement of apprentices and the resulting high mobility to university are the problems which banks have not been able to solve within this framework. In Britain, the labour market provides a polarised workforce but only very weak institutional coordination of vocational training. Thus, banks search for cheap in-house solutions or private learning to satisfy their need for skilled employees. The provision of NVQs is unlikely to provide a spring-board for obtaining higher qualifications. One of the problems for the future will be the increasing need to obtain specialists from the external market, further breaking down the traditional internal market and source of company commitment. In

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[14] The training programme for the "Institut Technique de Banque" has remained more or less the same, but the mode of financing has changed. In order to reduce the high proportion of break offs and failures, banks impose now that candidates who failed have to reimburse them the participation fees.

France, due to the rapid expansion of general education a high number of university graduates are available to the banks. Although, the French system of vocational training does not have the same rigid division between initial and further training as in the German system, it does not provide a coordination of further training either. The problem for French banks, thus, is how to provide a banking and job specific training for university graduates and less skilled, older employees. So far, changes in the overall system have been mentioned only in as far as they influenced the labour supply from which banks have recruited their new staff (illustrated in Chart 3, 4 and 5 by open ended arrows). We now need to go on to assess the relationship between sectoral needs and national systems of training provision in these countries.

3.3 Banks as actors in sectoral training systems

Banks, however, do not just react to changes in the overall system, they take also an active role in negotiating existing and introducing new regulatory training systems at the sectoral level. In the following section, we will analyse how banks as actors have influenced regulatory training systems in order to adapt them to their needs (illustrated in Chart 3, 4 and 5 by black-headed arrows). In each national banking sector, reforms have taken different directions and been negotiated between different actors depending on the historically evolved relationship between banks, unions, training institutions and the state. In order to understand some of these features, particular attention is given to the historical development of sectoral training institutions.

3.3.1 German banks: Cooperation beyond initial training

During the 1980s, banks in *Germany* have had an active role in reshaping initial and further training at the sectoral level. A reform of the vocational training ordinance ("Ausbildungsordnung") for bank clerks was initated by the social partners (employers organisations of the banking sector and the unions DAG and HBV) in 1988. The aim was to adapt existing curricula for vocational training to changes in products, technology and work organisation which came about since the existing curricula were established in 1979. Company based vocational training has responded to these changes whereas lessons in vocational schools and final examinations still follow the old curricula. As a result, training practice and examinations have gradually moved apart. The main issues of the on-going negotiations are the introduction of new specialities (investment, marketing, controlling) with a stronger emphasize on social competences and the use of case orientated learning[15]. So far, however, the

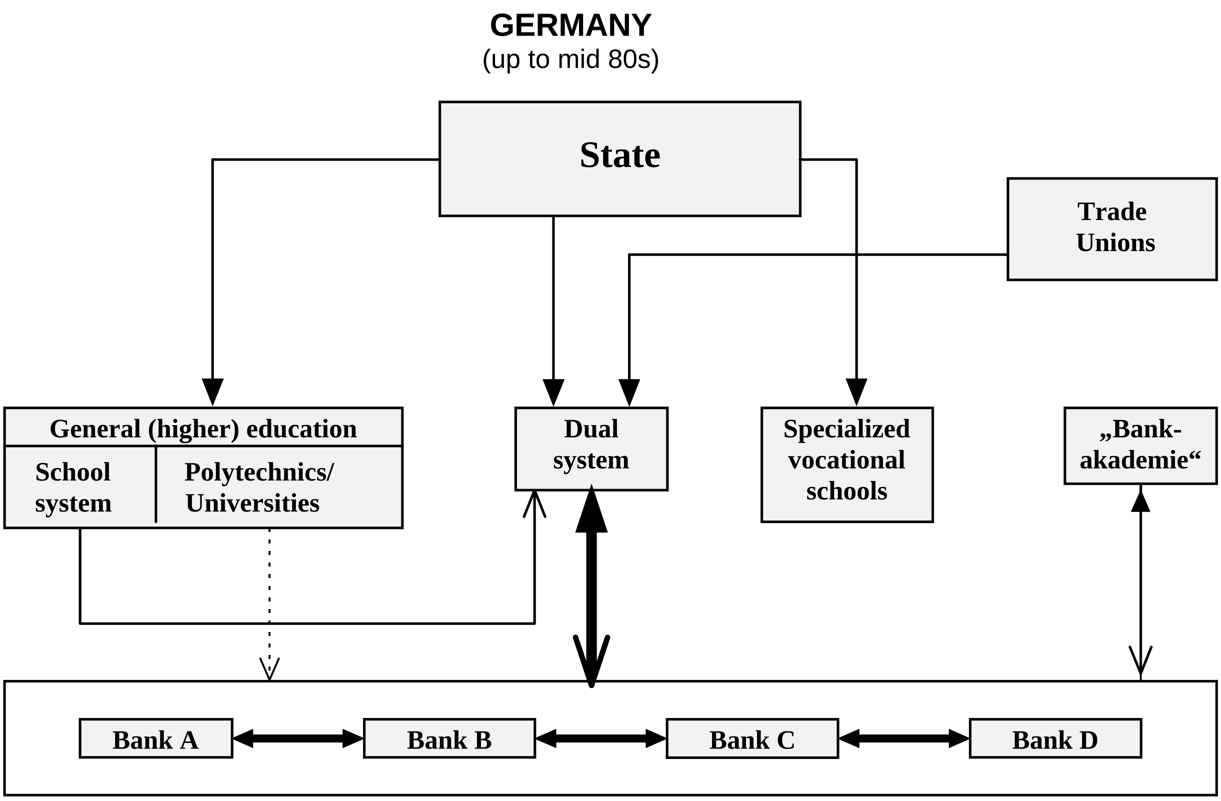
[15] Unlike earlier reforms (Schittler-Dierkes 1987), the question of splitting up the occupation into two more specialised occupations for a general and a more qualified bank clerk is not an issue.

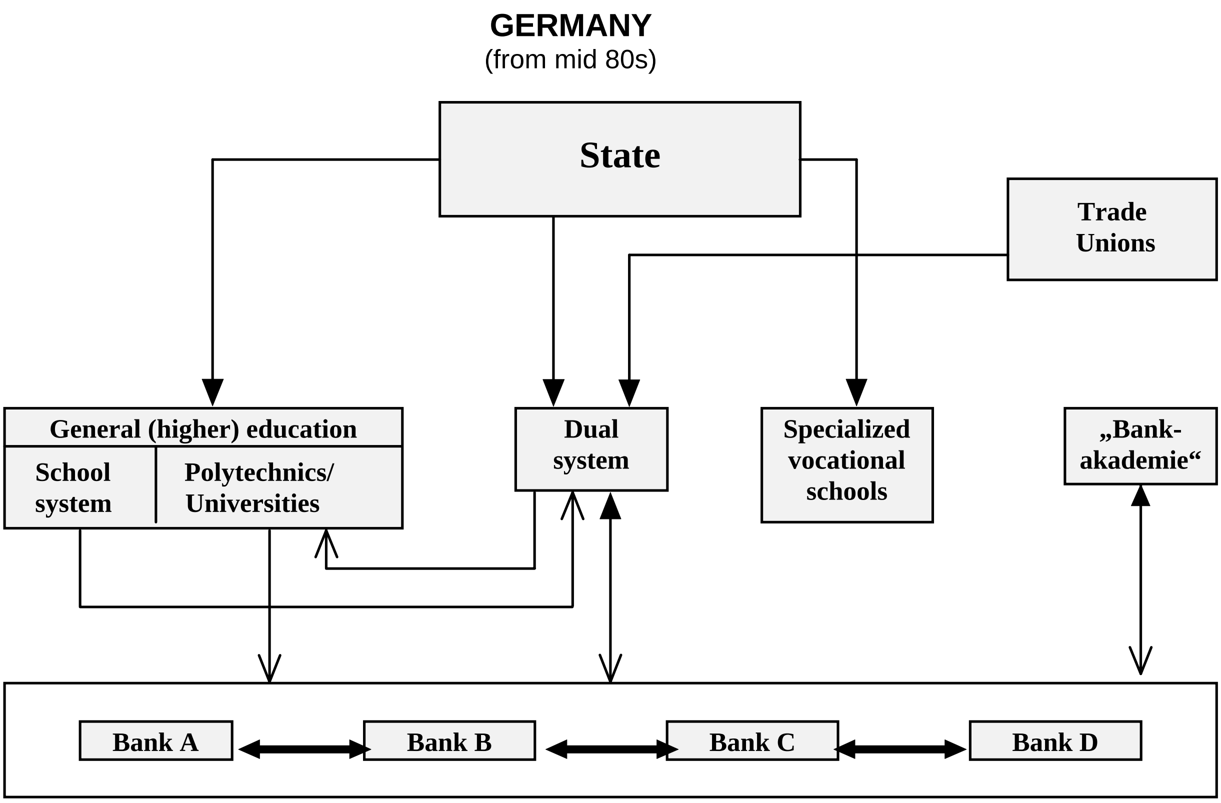
social partners could not achieve consent which is required for reforms of vocational training ordinances.

This conflict illustrates important characteristics of the German vocational training system. As the training ordinance for bank employees applies to different types of banks it has to allow enough freedom for different training practices at the company level (eg. small and large banks). In this sense, the ordinance is a generalised solution for different problems within a sector. On the other hand, it also has to keep a certain degree of correspondence with standards of other ordinances and the Vocational Training Act ("Berufsbildungsgesetz") at the national level. In order to maintain a system with such a high degree of interdependence between different social actors within and across sectors changes have to be based on consent. The cost for the stability of the system, however, is the slowness of change. But as long as the ordinance leaves enough freedom for banks to adapt company based training without damages to the attractivity of the overall vocational training, there is no reason for the banks to question the dual system as the dominant entry port for qualified employees. In the long term, internalising training at the company level, however, increases cross-sectoral differences in training standards and weakens the position of public vocational schools in the German training system. In this respect, developments in the banking sector parallel developments in other sectors which might entail a weakening of the dual system as a whole.
As German employers traditionally cooperate in the field of initial vocational training, the activity of German banks to set up an institute for further training might appear a natural consequence. Even in Germany, however, the strong commitment to sectoral level training institutions like the "Bankakademie" and the "Vereinigung für Berufsbildung" is a rather special case. In general, further training is much more company specific and fragmented than initial training. This is reflected by the fact[16] that originally the "Bankakademie" was founded in 1957 by a banking publisher, the Gabler Verlag, and not by the banks themselves which were rather reluctant to share further education and first wanted to see how it worked. As only a limited number of graduates were available at that time, further training became increasingly necessary to secure a sufficiently skilled personnel for the expansion of the banking sector. From the beginning, the course programme of the "Bankakademie" concentrated on general banking and management knowledge for those employees who expected to make a career. In 1966, six major private banks took over the "Bankakademie" from the Gabler Verlag in order to provide further training courses which would have been too expensive to provide in-house. Since then the "Bankakemie" has been formerly independent, but financed by this group of banks and participation fees of trainees. As these six major banks are

[16] The following information has been kindly provided by Brent Keltner from his ongoing dissertation research.

Chart 3: Major actors for change in the German banking sector





represented on the board of directors, and other banks have an advisery function with regard to the programme, they have sufficient influence over the contents of studies which ensures that this type of further training is still regarded as equivalent to university studies which provide more general knowledge. As the "Bankakademie" never provided courses for specific adjustment of skills and thus, it could avoid competition with banks' internal further training courses. During the 1980s, however, further training courses of the "Bankakademie", particularly at advanced levels, became less attractive as an increasing proportion of bank apprentices entered full-time university training instead of taking evening classes at the "Bankakademie". In the early 1990s, banks together with the institute decided to reorganise the former management course by splitting it up into a one year "Bankbetriebswirt" and a one year "management" course. Another initiative, the foundation of a private polytechnic for bank business management, came from the managers of the "Bankakademie". Although it was targetted at one of the most urgent problems, the high turnover of apprentices, it was opposed by some of the banks in the beginning because they regarded it as too expansive compared to the restricted number of students that could attend courses. Meanwhile nevertheless, the polytechnic has been founded in Frankfurt and received state recognition. As banks are the shareholders of the university they have full discretion over the organisation and time schedules of studies. The main motivation for banks is to reduce the high turn over of apprentices by offering part-time jobs during studies, or introducing alternating forms of university courses and full-time employment.

In sum, as illustrated in Chart 3, the banks in Germany relied heavily on the dual system for the provision of training. This involved Cooperation, not only between banks, but also with the state regulators and the trade unions. Since the mid-80s their reliance on the dual system has weakened somewhat, and greater emphasis has been given to developing stronger links between the system of higher education and the banks, as well as between the universities and the dual system. The Bank Akademie, despite reforms, continues to provide a role in offering higher level professional qualifications.

3.3.2 British banks: Reluctant cooperation

In contrast to Germany, *Britain* has often been described as a production system which is characterised by detachment of different logics of action, little cooperation between actors and actors having different skills (Räsänen and Whipp 1992). On the first view, the banking sector confirms these assumptions to the extent that historically there has been limited cooperation between banks with regard to training matters and collective bargaining. A closer look, however, reveals that there has been always some cooperation between banks within the Chartered Institute of Bankers (CIB). Furthermore, during the 1980s the banks took up National Standard Qualifications (NVQs) as another issue for negotiation. This is even more significant as sectoral collective wage bargaining broke down in the mid 1980s and wages are now exlusively negotiated at the company level. In contrast to Germany, British banks were not the active promoter of reforms but instead responded to initiatives from the CIB and the national government. This corresponds to the role of a "benevolent observer" that banks historically have taken in the development of sectoral institutions such as the CIB.

The Chartered Institute of Bankers was founded in 1879 in order to provide a minimum standard of technical competence for the growing number of salaried clerical staff in banking. From the beginning, the major aims of the institute were to provide information and to set up professional examinations. The initiative came from a kind of "grass-roots" movement of junior managers and bank clerks who were organised by some well-known personalities from the banking industry. The main objective was to improve the bargaining position of bank clerks, which had a rather low social status and low income at that time. These bank clerks aspired to the same professional status as lawyers and accountants. For the same reason, senior bank managers were not very enthusiastic about the movement in the beginning. The CIB is based on support by individual membership fees together with some contributions from the major banks. Unlike other professional bodies, it admitted membership of ordinary clerks as well as that of managers. Because of its membership principle, the banks as well as the CIB itself regard the institute as somewhat independent, although senior bank managers are represented on the board of directors and have an advisery role concerning the activities of the CIB. On the whole, the CIB is a good example for the British individualist and voluntary approach to education and training, but at the same time it is exceptional in that employers contribute to a membership body for professional education.

During the 1980s, the CIB has seen its membership falling which was partly due to the recession and redundancies. However, as the Director of Studies at the CIB commented in an interview, this fall was also due to restructuring and changing training practices in the banks themselves. Due to better levels of general education of bank recruits, competing providers of training and overlaps between company based training and CIB courses, there was a danger for the CIB programmes to become outdated and irrelevant (Williams 1993). In response to these perceived changes the CIB has attempted to reorganise the qualifications it offers. Candidates are now allowed to sit single specialist papers, whereas before they had to take all nine exams. The CIB had negotiated equivalence for the banking qualifications, so that CIB members could go on to certain new universities to study part-time for a degree. This was seen as a way of making the CIB qualifications more attractive by channelling their qualifications beyond a "dead end" banking route. New subjects have also been introduced like marketing, IT and Management for financial services. The director of studies at the CIB commented: "We struggled to get it in, it was seen as a study of the occult!"

The reorganisation of the CIB was driven more by criticism from ordinary members and the institute's self-interest in surviving, than by pressure from the banks. Reform of CIB qualifications was not of primary importance to the banks because their training efforts were concentrated on in-house learning.

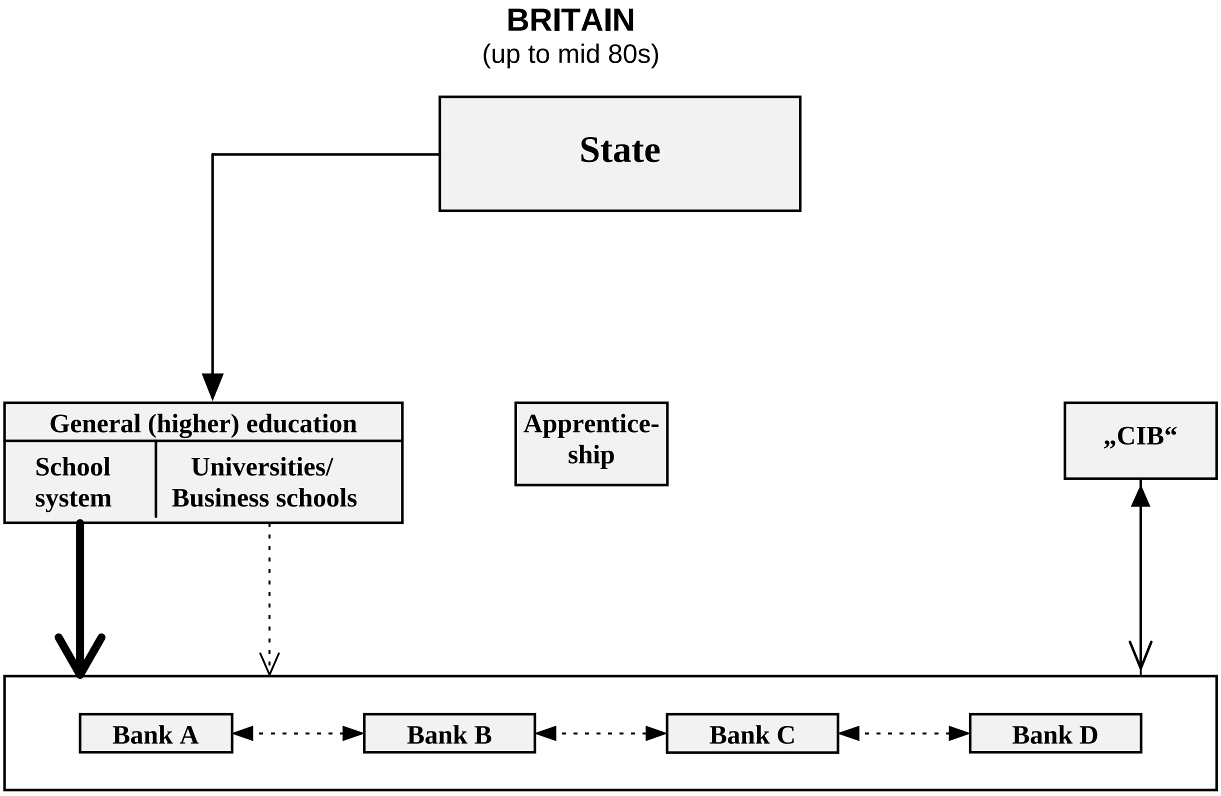
Qualifications obtained from the CIB have been targetted for employees wanting to reach supervisory or managerial levels. For lower grade employees there has traditionally been no form of certified qualification, to indicate their abilities at a specific job comparable to those offered in Germany and France. However, more recently in the UK the development of NVQs has attempted to provide a nationally recognised form of standardised qualifications across sectors. British banks have moved reluctantly towards this initiative, partly because they see little advantage for their own company: the development of universal standards and transferable skills at higher levels allows employees greater freedom to "job hop". The banks in Britain have traditionally retained strong internal markets with company specific skills. This tradition makes them reluctant to "share" what they consider to be "confidential" information with their competitors. For key middle managerial posts the banks have little interest in developing the NVQ system, as this is where their future key employees and sales staff are based. But in a period of staff reductions, banks might also have some advantages from recognised qualification standards because they could enhance the mobility of clerical workers.

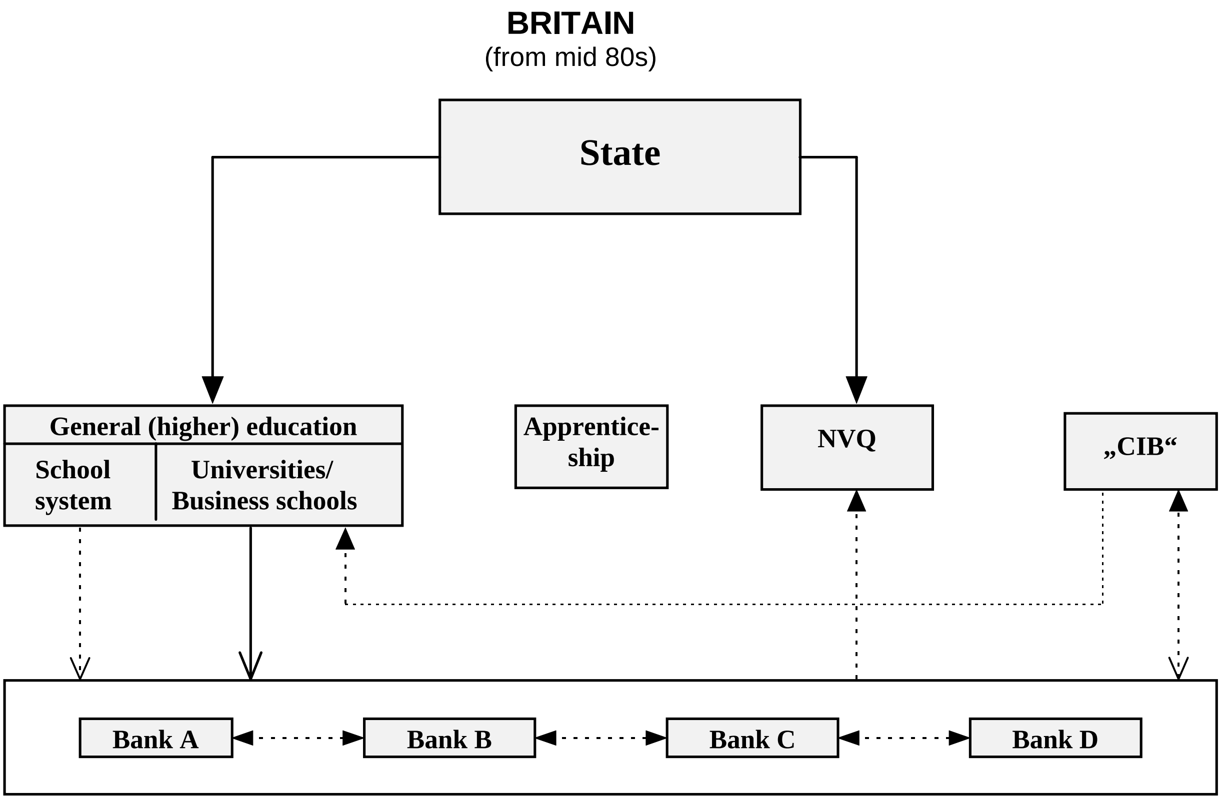
The development of NVQs in the banking sector started rather late with the formation of a Banking Lead Body in 1989 which includes representatives from banks, CIB, Institute of Bankers in Scotland, Department of Employment, bank unions, National Council of Vocational Qualifications (NCVQ), Scotvec, City and Guilds of London Institute and consultants (Rowe 1992). The Banking Lead Body opted first to develop and test NVQs at one level and for one sector of the banking industry: retail branch banking at NVQ level 2 for clerical workers. In the banking sector this includes

> "being able to answer the telephone correctly, or being able to handle a customer query" (Training Manager, British bank).

NVQs will only be expanded to other levels and sectors when success has been demonstrated at lower levels. A controlled "pilot project" has been carried out in some 250 UK clearing bank branches throughout the first half of 1992. In the meantime NVQs at level 2 have been officially accredited and the CIB and the City and Guilds Institute of London have been officially appointed as Joint Awarding Bodies in England. It is envisaged to develop standards for level 3 and 4 (supervisory and first line management) which will impinge on the existing professional qualifications of the Chartered Institute of Bankers and also involve elements of the Mangement Charter Initiative.

Chart 4: Major actors for change in the British banking sector





It is important to point out that in both cases, the reform of the CIB and the negotiation of NVQs, cooperation of British banks was orientated towards common examination standards and not on common training practices. Individual banks still keep discretion as to how and when they provide facilities and opportunities for their staff to gain NVQs (Rowe 1992). Nevertheless, the introduction of NVQs and officially recognised accrediting institutions implies basic changes in the relationship between the social actors. In the banking sector, for example, banks have for the first time taken part in negotiation of officially recognised standards of qualification and accepted an outside institution for accrediting these qualifications. Whether this will impinge on their training practice depends largely on the extent to which they will be willing to implement NVQs as an instrument of their own recruitment and training policy.

In sum, as illustrated in Chart 4, the British system has traditionally depended heavily on school-leaver recruitment, with the CIB providing professional qualifications for managerial levels. Otherwise the banks have tended to focus on company specific training, with limited Cooperation between companies. The role of the state has only had an indirect influence on the banks through the education system. More recently, we have seen the role of the CIB diminish somewhat, and greater emphasis being given to recruitment from higher education institutions; although compared to Germany and France this is relatively limited. The introduction of NVQs by the government has forced the banks to cooperate on establishing minimal standards within the industry, although these are largely for very low qualified jobs.

3.3.3 French banks: Cooperation within a state-led system

In the literature, industrial relations in *France* have been characterised by a rather low degree of organisation and cooperation between employers, low-trust relationship between employers and unions and the dominant role of the state and governmental policy (Lane 1989). From the description of the French banking sector given in this paper, it can be seen that this sector differs most from the typical national pattern. Historically, there has been a continuous cooperation between banks and the state in the field of training since the "Syndicat Professionel de l'Enseignement Technique de Banque" was founded in 1932 by the predecessor of the contemporary "Association Française des Banque" (AFB) which is the employer organisation of the large commercial banks in France. The foundation of the institute in the 1930s was a response to the growing demand for a better qualified work force as banking operations became more complex due to national regulations and new business activities. As a consequence of the rapid expansion of the banking sector entry qualifications deteriorated because educational standards of the work force were still rather poor at that time. Thus, training on the job was no longer sufficient to provide the qualifications required in banking. From the beginning, the banking employer organisation perceived a long-term need for training courses providing general education and bank specific knowledge. In order to reach a high participation and to open the course programme to employees from other banks, courses were not provided by the training department of the employer's organisation but by a separate institution.[17] Although during the following decades the name of the institute has changed several times, there has nevertheless been a high degree of continuity in content and forms of training courses. Since 1934, preparatory courses for the bank specific "Certificat d'Aptitude Professionel" (CAP) have been provided. In 1950, preparatory courses for the "Brevet Professionel de banque" (BP) and in 1951 courses leading to the "Institut Technique de Banque" (ITB) were introduced. Over this period, the employer association participated in several reforms of these state recognised diplomas. As a consequence of the 1971 further training act, the institute was renamed into "Centre de Formation Professionel Bancaire" (CFPB) and received a more autonomous status. Since then, the proportion of further training courses which are provided in addition to the CAP, BP and ITB courses has raised up to half of all training offered by the institute (van Bockstaël 1992). The CFPB is still mainly directed by the banks, who even delegate the teachers. This means, that banks have more direct influence on what is taught in the courses than if this would be undertaken by public institutions (Hildebrandt 1993).

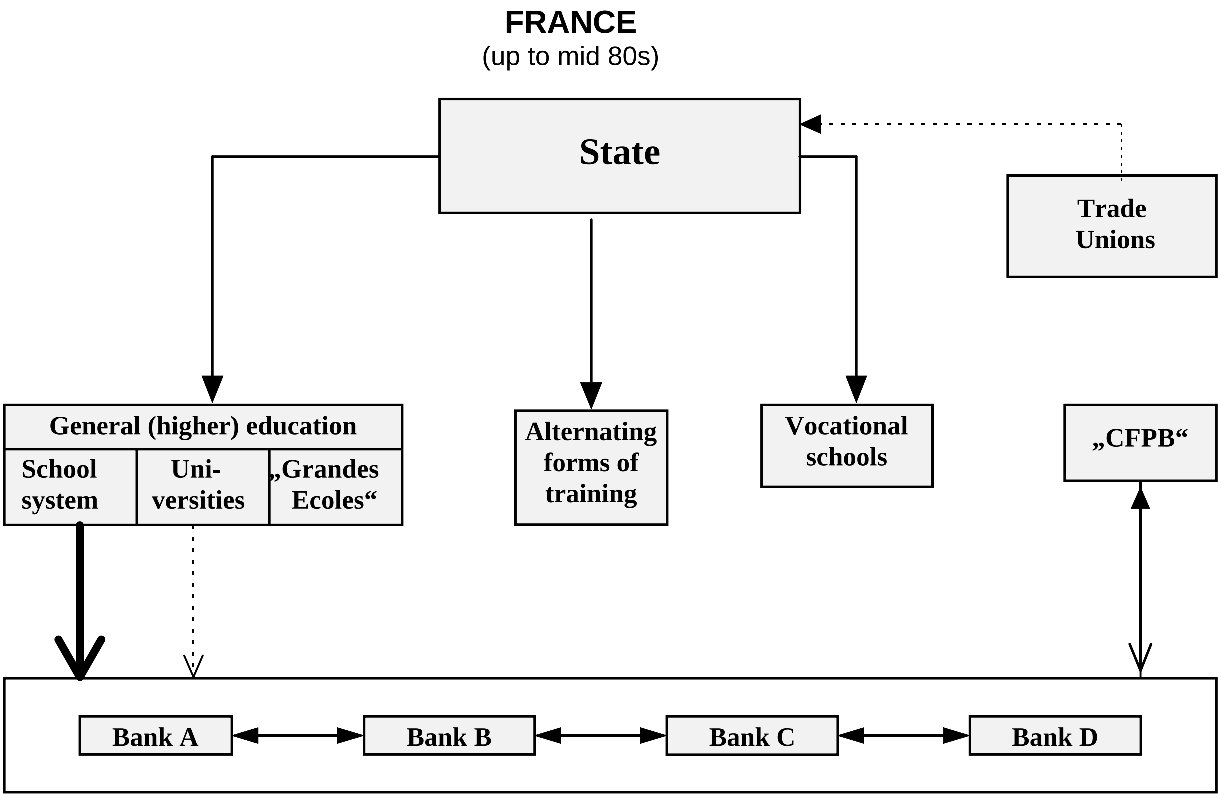
During the 1980s, banks have used their cooperation in the CFPB in order to achieve a reform of the existing state recognised training certificates. This was necessary because the existing courses no longer suited companies training needs, and the numbers of participants were decreasing. At the national level a committee ("Commission Professionel Consultative") was set up to reform the "Brevet Professionel" and at the level of the banking sector a sub-committee was charged with the task of working out a new curriculum for the "Brevet Professionel de banque" (BP).

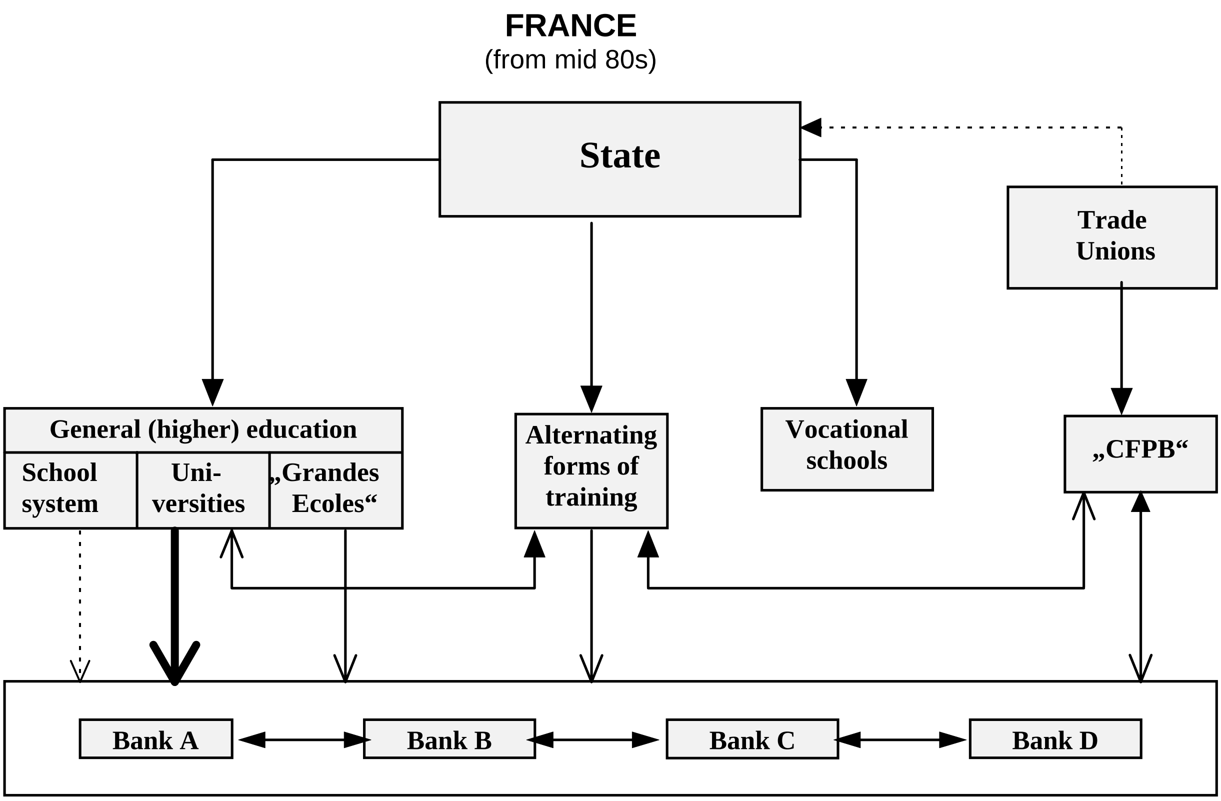
This working group included representatives from banks, bank unions, state administration and instructors. In 1991, the suggestion for reform of the BP was adapted and then officially recognised by the state.

Furthermore, as banks are interested in using "contrats de qualification" and "contrats d'apprentissage" the CFPB has recently taken up the task of implementing these alternating forms of training at the sectoral level. The CFPB has set up courses for those who have "contrats de qualification" in the banking sectors and also has initiated cooperations with universities to set up similar programmes. Banks and CFPB also plan to set up a "Centre de Formation des Apprentis" which will provide the necessary theoretical

[17] In 1936, the CGT union applied for participation in the institute which was denied by the employer's organisation.

Chart 5: Major actors for change in the French banking sector





instruction for recruits with "contrats d'apprentissage". At the moment, such a centre already exists in the region of Alsace-Lorraine, but there are plans to extent this initiative to other regions (CFPB 1993).

In sum, as illustrated in Chart 5, the French system has traditionally born closer resemblence to the British model in the sense that it largely relied on recruiting school leavers. However, since the mid-1980s it has significantly increased its recruitment of university graduates, and those from the “G randes Écoles” as seen in Chart 2. Further professional training provided by the CFPB has been more closely linked to new alternative forms of training, which in turn have closer links with university education. The qualifications provided by the CFPB cover a wider range of employees than the CIB in Britain, and the banks in France have exercised more influence over the CFPB curricula compared to British banks relations with the CIB. Cooperation between banks in France has been stronger than in the UK, although in initial training not as strong as in Germany.

3.3.4 Different capacities of banks to develop sectoral institutions

In this section, we have shown how the banks in Germany, Britain and France have been involved in negotiating reforms of existing and new forms of training. On one hand we have seen that at the sectoral level in all three countries there has been considerably more Cooperation between actors than the national models would suggest. Banking is a sector which requires employees with relatively high skill levels. This requirement led the banks in each country to be involved, to various extents, in establishing or participating in the formation of a sector specific training organisation: in Britain the CIB, in France the CFPB and in Germany the „Bankakademie“.

Nevertheless, despite this pursuit of higher qualifications, the types of institutions formed and the level of training provided vary between the countries. The level of cooperation between the banks and sectoral training provision has been strongest in France, followed by Germany, and last by Britain. One possible explanation for this is due to the important influence of the French state in encouraging and directing cooperation at the sectoral level. In Germany the importance of the dual system of initial training has tended, until recently, to overshadow the need for further training. In Britain, the tradition of Cooperation between the banks and sectoral provision of further training has always been somewhat aloof and voluntaristic. And, despite recent government initiatives to improve training for the less well skilled, the banks have been involved in minimum compliance. Banks in France and Germany, with a long standing tradition of Cooperation in the field of training have actively initiated reforms of sectoral training and examination curricula. In contrast, British banks which never cooperated to the same extent and have given greater emphasis to their distinct company identity, have more passively responded to initiatives from the national government and the sectoral professional body.

4. Conclusions

In this paper we set out to examine the debates concerned with comparing national models of industrial organisation. One school of thought has argued that distinct national models, or business systems are a prevelent and enduring paradigm. Critiques of such an approach have argued that common global competitive pressures will encourage greater convergence in organisation, so that national models will become outdated. To examine these debates we have focused on developments in the recruitment and training practices of the retail banking sector in Germany, Britain and France. We have argued that a sectoral approach to understanding the affect of contemporary supranational pressures on national regimes can provide a useful empirical analysis of these debates. We argue that actors at the sectoral level represent a primary force for adaptation processes in national production systems. This is because they are seeking to find concrete solutions to problems generated from global competitive pressures. The comparison of recent developments in German, British and French banking revealed that market pressures have actually led to considerable changes in each of the national banking sectors, but that the outcomes are rather different. This is true for the nature and issues of what has been identified as growing market competition. Between countries, there is considerable variation in the relative significance of price-, quality- and innovation-led competition in different market segments. This is also true for recruitment and training practices with which German, British and French banks have responded to changes in market competition. We have shown that banks' recruitment and training strategies are not only shaped by national educational and training institutions, but that national educational and training institutions themselves have undergone changes which in turn have influenced labour supply in the banking sector. One notable illustration of this has been the expansion of a more highly qualified pool of available labour; this is particularly true for France and Germany.

The explanation of differences between countries and changes over time, however, would have remained fragmentary if we had not included specific training institutions and regulations which exist in each of the countries at the level of the sector. These sectoral arrangements have not only significantly influenced recruitment and training practices at the company level. In all three countries, banks have also been actively involved in the reform of these sectoral institutions and regulations in order to adapt them to their changing demands. From these results, we would conclude that the sector is an important intermediary arena in which actors negotiate changes in the regulatory systems between the company and the national level. Comparative analysis at this more detailed level will contribute to a better understanding of changes and inform the theoretical models developed to account for these changes.

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