# Occupational employment in commercial banking, 1987-90

*Despite the many changes in the economic and legislative climate for commercial banks in the latter part of the 1980's, the industry maintained its traditional occupational staffing patterns*

Jeffrey C. Kuster

The banking industry is a central part of the U.S. economy, directly affecting the lives of nearly all consumers and the operations of almost every business. Commercial banks offer a wide variety of financial services, including making loans, accepting deposits, clearing checks, and many more complex operations.

The commercial banking industry was challenged in the closing years of the 1980's by internal and external forces promoting restructuring, by economic and legislative change, and by pressures to streamline operations. Commercial banking operations became more consolidated between 1987 and 1990, as a declining number of banks controlled an increasing number of branches. (A branch is an office of a bank, other than the head office, where deposits are received, checks are paid, and money is lent.[1]) In many cases, the decrease in the number of banks was due to mergers and acquisitions within the industry.

Banks faced an uncertain economic and legislative climate during the closing years of the decade. Real estate values declined sharply in some areas of the country, weakening the loan portfolios and earnings of some banks. For this and other reasons, a number of banks failed. Banks also were affected by Federal legislation and deregulation, which changed the ways in which they could operate, allowing some interstate activity and limited participation in securities markets.

Many banks responded to the new environment by speeding up the implementation of new technologies and processes to streamline operations. Of particular importance was the growing use of automation and computer technology to achieve productivity gains. In addition, the numerous mergers and acquisitions often led to economies of scale, enabling many banks to consolidate certain operations, such as bookkeeping, in central offices.

This article describes occupational staffing patterns in the commercial banking industry between 1987 and 1990. The many changes in the industry and in its environment over this period might lead one to expect significant shifts in occupational employment staffing patterns. Analysis of detailed occupational data, however, shows that industry developments had little effect on staffing patterns.

## Background

The data used for the analysis of occupational staffing patterns in the banking industry are from the 1987 and 1990 Occupational Employment Statistics (OES) survey.[2] The OES survey is a Federal-State cooperative survey of nonfarm establishments that produces estimates of current occupational employment by industry. The survey follows a 3-year cycle. In the first year, manufacturing, hospitals, and agricultural services are cov-

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ered, followed by mining, construction, financial services, and services industries in the second year. In the third year, trade, regulated industries, and State and local governments are studied. The survey is based on a probability sample, stratified by industry, geographic area, and employment size of firm.[3]

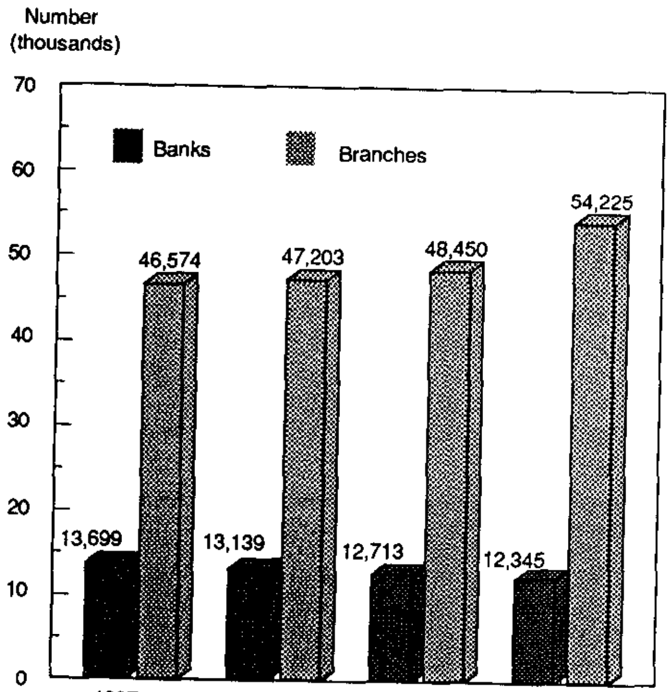
## Industry developments

Increased competition, difficult economic conditions, and legislative activity at the Federal level contributed to the consolidation of the commercial banking industy from 1987 to 1990. Even so, employment in banking increased slightly over the same period, as indicated by the annual estimates shown below:

| | *Employment* |
|---|---|
| 1987 | 1,539,700 |
| 1988 | 1,534,800 |
| 1989 | 1,556,300 |
| 1990 | 1,564,800 |

*Branching.* The most obvious evidence of consolidation was the decline in the number of banks, although the number of branches increased. In 1987, there were 13,699 banks and 46,574 branches. By 1990, there were 12,345 banks and 51,225 branches, a drop of 10 percent for banks and an increase of 10 percent for branches. (See chart 1.) These developments are consistent with a longer historical trend.[4]

Chart 1. **Number of banks and branches, 1987-90**




SOURCE: FDIC Structure database.

Banks maintain branches to obtain a competitive edge. Branches allow banks to provide a variety of personal services to customers, and to maintain customer loyalty.[5] They generally are located near where people live or work, and most consumers use them as primary locations for opening accounts, making deposits, and conducting other account activities. In many mergers and acquisitions, subsidiary banks were converted to branches, accounting for much of the increase in the number of branches over the period examined. (There were a number of closings of individual branches, however, in cases in which the acquiring bank already had sufficient branches.) The number of branches also grew as many banks purchased failed savings and loan institutions and converted them to branches.[6]

*Economic developments.* The downturn in the economy at the end of the 1980's proved to be a challenging period for the banking industry. Banks with large commercial real estate portfolios were hard hit by the contraction of real estate markets in numerous regions of the country. Declining asset values put severe pressure on the liquidity and earnings of many banks, forcing them to write off bad loans and increase provisions against defaults. These actions, in turn, hurt earnings and contributed to a general shortage of capital. The combination of these economic pressures resulted in a number of bank failures, which strained the rest of the financial system, including Federal and State bank deposit insurance funds.

*Regulatory and legislative changes.* During the late 1980's, the banking industry also was affected by changes in the regulatory and legislative climate and fallout from the savings and loan crisis. A major factor contributing to industry consolidation was the relaxation of interstate banking regulations, which permitted a degree of merger and acquisition activity across State lines.[7] In addition to eased restrictions on interstate operations, deregulation in the late 1980's enabled banks to engage in new forms of business, such as the limited underwriting of securities and corporate bonds. However, the savings and loan crisis of the 1980's and the consequent failure of many thrift organizations affected commercial banking in ways that still are not completely evident. One effect, already noted, was the acquisition of a number of failed thrifts by banks.

*Technology change and "streamlining."* A final development noted towards the end of the decade was a wholesale change in the operations of many banks. Competitive pressures obliged banks to provide more services than ever before, while at the same time holding down costs. Many banks achieved such productivity increases in a number of ways, including centralizing operations, increasing automation, and implementing new processes. Mergers and acquisitions permitted many commercial banks to streamline operations. Mergers yielded economies of scale by consolidating offices that performed the same function, thus reducing the duplication of bank operations. As operations were streamlined, fewer central office banks were required to support a larger number of branches.

New machines and technologies permitted greater automation of many positions and operations, such as bookkeeping.[8] Teller positions were a case in point, as computer terminals were, in many cases, moved to the teller window. Bank transactions could thus be entered directly into a computer, improving the speed and efficiency of operations. The proliferation of automated teller machines (ATM's) is another example of the impact of technology on the banking industry. ATM's were intended to reduce the need for labor, and thus decrease operating costs. But while ATM's became a means of obtaining cash and performing other transactions at any hour of the day, they did not result in decreased demand for the services that bank or branch tellers provide.[9]

Banks implemented changes in work schedules, resulting in increased productivity and reduced costs. For example, a number of banks hired part-time tellers to work peak hours and developed flexible work schedules for other employees.[10] Flexible and part-time work schedules may often have benefited employees as well, by helping them to balance work and family obligations.

## Occupational profile

Annual employment in commercial banking increased slightly from 1.54 million in 1987 to 1.57 million in 1990.[11] Despite the small change in total employment, large changes in occupational staffing patterns might have been expected, given the many internal and external trends affecting the banking industry over the 1987–90 survey period. Changes in industry staffing patterns, however, were smaller than expected, as illustrated by the data for specific occupations shown in table 1.

For this analysis, occupations are defined according to the OES classification system, which is compatible with the Standard Occupational Classification (SOC) system.[12] Developments for major groups of occupations are discussed below. Sales, service, and agricultural workers make up a very small part of industry employment and are not treated in this article.

Table 1. **Commercial banking employment by major occupational group and selected occupations, 1987–90**

| Occupational group | 1987 | | 1990 | | Change, 1987–90 | |
|---|---|---|---|---|---|---|
| | Number | Percent distribution | Number | Percent distribution | Percent | Proportion |
| Industry total | 1,537,220 | 100.0 | 1,554,440 | 100.0 | — | — |
| Managerial and administrative workers | 180,830 | 11.8 | 173,350 | 11.2 | –4.14 | –0.61 |
| Financial managers | 78,460 | 5.1 | 88,430 | 5.7 | 12.71 | .58 |
| General managers and top executives | 44,840 | 2.9 | 39,000 | 2.5 | –13.02 | –.41 |
| Professional, paraprofessional, and technical workers | 237,550 | 15.5 | 254,410 | 16.4 | 7.10 | .91 |
| Loan officers and couselors | 82,510 | 5.4 | 88,100 | 5.7 | 6.77 | .30 |
| Sales and related workers | 28,850 | 1.9 | 31,980 | 2.1 | 10.85 | .18 |
| Clerical and administrative support workers | 1,052,820 | 68.5 | 1,058,010 | 68.1 | .49 | –.42 |
| Tellers | 341,960 | 22.2 | 370,240 | 23.8 | 8.27 | 1.57 |
| New accounts clerks | 64,930 | 4.2 | 72,410 | 4.7 | 11.52 | .43 |
| Loan and credit clerks | 53,240 | 3.5 | 57,660 | 3.7 | 8.30 | .25 |
| Bookkeeping and accounting clerks | 71,240 | 4.6 | 57,690 | 3.7 | –19.02 | –.92 |
| Service workers | 29,090 | 1.9 | 27,320 | 1.8 | –6.08 | –.13 |
| Agricultural and related workers | 320 | [1].0 | 450 | [1].0 | 40.63 | [1].00 |
| Production and related workers | 7,760 | .5 | 8,920 | .6 | 14.95 | .07 |

[1] Less than 0.1 percent of industry employment.

NOTE: Data relate to May of each year.

*Managerial and administrative.* The major group consisting of workers such as financial managers, administrative services managers, and general managers declined slightly from 11.8 percent of total industry employment in 1987 to 11.2 percent in 1990. Employment in this group fell by 4 percent, from 180,000 to 173,000. Within managerial and administrative occupations, however, employment of financial managers, which includes branch managers, rose from 78,500 to 88,400, an increase of 13 percent. The largest employment decline in this group was for general managers—a drop of 13 percent, from 44,000 to 39,000.

The occupational movements within this major group are consistent with the consolidation experienced by the banking industry. The most likely reason for the increase in employment of financial managers is growth in the number of branches, the majority of which employ financial managers, as opposed to general managers. Financial managers concentrate on planning, organizing, and directing the financial activities of a bank. General managers usually are employed in central offices, as their duties are more diverse. The decline in the number of banks between 1987 and 1990 thus provides the most likely explanation for the decline in employment of general managers.

*Professional, paraprofessional, and technical.* The proportion of industry employment in professional and related occupations grew by nearly 1 percent, to 16.4 percent, between 1987 and 1990. This group consists of workers such as credit analysts, accountants and auditors, and systems analysts. Total employment increased by 16,700 to 254,400 in 1990—a rise of 7 percent. Loan officers and counselors represented 5.7 percent of industry employment in 1990, a gain of 0.3 percent from 1987. Employment of loan officers and counselors increased by 5,600, or 7 percent, to total 88,100 in the latter year.

The increase in employment for this major group again is most likely a result of industry consolidation and growth in the number of bank branches. Loan officers and counselors, who evaluate and authorize loans and provide advice on repayment methods, are employed more frequently in branch banks, where there is the greatest demand for these services.

*Clerical and administrative support.* Clerical and administrative support occupations, the largest occupational group in the banking industry, saw their share of industry employment fall slightly from 68.5 percent in 1987 to 68.1 percent in 1990. Occupations in this group include secretaries, adjustment clerks, and data entry keyers. Total group employment increased slightly over the study period, growing by less than 1 percent to a total of 1,058,000. Employment of tellers, the largest occupation in the industry, rose from 341,960 to 370,240, an increase of 8.3 percent. Another clerical occupation, new accounts clerks, expanded by 11.5 percent, from 63,930 to 72,410. Loan and credit clerks increased by 4,420 to a total of 57,660, a gain of 8.3 percent. However, the number of bookkeeping and accounting clerks declined by 19 percent, from 71,240 to 57,690.

Tellers and new accounts clerks are the most populous jobs in most banks. Tellers receive and pay out money and keep records of transactions. New accounts clerks interview prospective customers and explain the services available at the bank. These occupations are more highly concentrated in branch banks, as most customers typically use branches for transactions and account activities, as well as for establishing new accounts. The growth in employment for these occupations between 1987 and 1990 thus is mainly the result of the increase in the number of bank branches. The increased use of part-time and peak-hour, or prime-time, tellers also could have contributed to the rise in teller employment.

As indicated earlier, the proliferation of ATM's did not decrease the demand for teller employment as had been expected. Instead, the use of ATM's for routine banking transactions has been accompanied by a shift toward more sophisticated teller jobs with greater skill requirements. Teller windows have become much more automated, and tellers in many banks today have more responsibilities for customer contact and personalized service than in previous years.

The increase in numbers of loan and credit clerks also can be attributed to growth in the number of branches. Loan and credit clerks prepare papers and process applications for customers seeking loans or credit. This occupation also is more heavily concentrated in branch banks.

Increasing automation and productivity provides the most likely explanation for the decline in bookkeeping and accounting clerk employment. Many of the computational tasks performed by bookkeepers and accounting clerks are the most amenable to automation. Consolidation and streamlining also are likely factors in the employment decline, as similar departments in different banks were centralized during mergers and acquisitions.

THE CONSIDERABLE CHANGES in the economic and legislative climate for commercial banks had numerous internal and external effects on the industry over the period 1987–90. However, despite consolidation, bank and savings and loan failures, and technological change, commercial banks tended to retain their traditional occupational staffing patterns. Whether this will hold true in the medium term is open to question, however, as the industry continues to adjust to its new environment. □

## Footnotes

[1] *Statistics on Banking 1989* (Federal Deposit Insurance Corporation, 1990), p. 10.

[2] The Standard Industrial Classification (SIC) was revised in 1987 in order to more accurately reflect current industry structure. The banking industry (SIC 602) underwent significant reclassification which prevents comparing recent data accurately with those from previous surveys. For information concerning the extent of the SIC revision, see *Employment Data Under the New Standard Industrial Classification, First Quarter 1988*, Report 772 (Bureau of Labor Statistics, 1989).

[3] For additional information, see *BLS Handbook of Methods*, Bulletin 2414 (Bureau of Labor Statistics, 1992), pp. 29–31.

[4] Federal Deposit Insurance Corp. Structure Database. For additional information, contact Federal Deposit Insurance Corporation, Division of Research and Statistics, 550 17th Street NW, Washington, DC 20429.

[5] William H. Faust, "The Branch as a Retail Outlet," *Bankers Magazine*, January/February 1990, pp. 30–35.

[6] Vanessa Bush, "Why are Banks Buying Savings Institutions?" *Savings Institutions*, April 1990, pp. 30–36.

[7] Silas Keehn, "First and ten: A fresh start for banks in the 1990s," *Chicago Fed Letter*, no. 50 (Federal Reserve Bank of Chicago, October 1991).

[8] Thomas Bailey and Thierry Noyelle, "New Technology and Skill Formation: Issues and Hypotheses," Technical Paper No. 1, *Conservation of Human Resources* (Columbia University, April 1988), pp. 8–13.

[9] Stephen W. Brown, Paul W. Finch, and Ray M. Haynes, "Bridging the Gap Between ATM Myth and Reality," *Journal of Retail Banking*, Winter 1990, pp. 37–40.

[10] Kathryn K. Koening, "Reduced Staffing Ratios Reflect Productivity Gains, Restructuring," *Bank Management*, May 1991, pp. 51–55.

[11] For 1990 occupational employment estimates, see *Occupational Employment in Mining, Construction, Finance, and Services*, Bulletin 2397 (Bureau of Labor Statistics, 1992).

[12] *BLS Handbook of Methods*, pp. 29–31. The "Dictionary of OES Occupations" is available upon request.

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