Introduction

The service sectors account for a growing proportion of employment in advanced economies and for nearly three-quarters of employment in Europe. However, all service sectors are not contributing equally to that growth. Employment levels in the retail banking sector have been declining over the last two decades; this sector, which provides vital intermediary services to the rest of the economy, now accounts for fewer than 1 in 60 jobs in the EU.

The main drivers of restructuring in retail banking over the period covered in this report (2008–2021) are different in the period before and after 2015. Most restructuring up to 2015 took place in the shadow of the global financial crisis and reflected the key role that the sector played in triggering that crisis and the resulting requirement to rationalise and consolidate. As the post-crisis recovery took hold, restructuring was more geared towards the challenges presented by digitalisation, in particular acceleration towards remote or online banking services.

The principal focus of this report is retail banking, and the guiding assumption is that the sector is especially relevant for studying the impacts of digitalisation, as its main raw material is data. Financial transactions are increasingly carried out electronically and online. This trend towards cashless exchanges speeded up during the COVID-19 pandemic. Banks are investing hugely in further developing the possibilities of online banking, partly in response to emerging customer demands, but also because the investment is likely to be recouped via payroll reductions, as fewer staff are needed.

The technological investments that are occurring in the sector are radically changing existing forms of job task, work organisation and ultimately employment levels. The fact that the interests of labour as well as capital are well represented in the sector has meant that changes in work and employment are subject to developed processes of consultation and negotiation. While change is never costless, social partners have – as the case studies in this report attest – found ways to conciliate the interests of employees and businesses during restructuring and to minimise any resulting conflicts.

Policy context

Retail banking is subject to a wide range of national and EU regulations, and this regulatory burden has increased in the years following the global financial crisis. Legislation in relation to data protection, capital requirements, payment services and processing has added to the costs in providing bank services. Compliance obligations have also expanded in recent years, notably as regards money laundering and network security in a context of growing cyberthreats. These legislative developments have pushed banks to hire skilled employees in information technology (IT) and legal compliance and have contributed to growing demands for highly skilled staff.

In September 2021, the European Commission’s Digital Compass identified some challenges faced by sectors experiencing rapid digitalisation. The target of 20 million IT specialists in the EU by 2030 (more than double the current level) reflects the demand for (and shortage of) this strategic skill set, a trend especially evident in retail banking. This demand should be met by a more equal mix of men and women owing to the current gender imbalances in these specialisations. Financial services are relatively gender-mixed in terms of employment but have the highest of all sectoral gender pay gaps. Increasing the proportion of female IT specialists in the sector will contribute to narrowing these gaps.

Digitalising services also requires a digitally literate customer base and citizenry. Currently, many older customers or customers in more remote locations lack either the relevant skills or access to online banking. The European Pillar of Social Rights action plan sets out a target of 80% of EU adults having at least basic digital skills by 2030. Reaping the benefits of the digital transformation involves learning and adaptation on all sides.
Key findings
- Employment has been stagnant in financial services generally and decreasing in retail banking over the last two decades. Case studies and expert interviews suggest this trend is likely to continue.
- Restructuring in the banking sector is driven principally by digitalisation, but other drivers include the push towards corporate consolidation, compliance with an increasing regulatory burden and addressing the profitability challenges of low interest rates.
- Investments in technology, such as big data, artificial intelligence, blockchain and cloud computing, have intensified over the past decade. Greater resources have been devoted in particular to cybersecurity, given the increasing proportion of online transactions.
- The pace of the sector’s digital transformation has quickened since the mid-2010s, with evidence of ‘serial’ or ‘continuous’ restructuring whereby many banks announce restructuring in cycles of one, two or three years.
- Restructuring cases in the sector are characterised by their large scale, long length and complexity of the processes. Nevertheless social dialogue takes place through well-established institutional frameworks and uses effective tools such as social plans and agreements.
- Social dialogue has played an essential role in mitigating the negative effects of restructuring. Social measures agreed in retail bank restructuring tend to avoid non-voluntary redundancies and involve extra compensation for severance above statutory requirements and other benefits, including continuing health insurance coverage.
- Financial services employment tends to be highly ‘teleworkable’, and this sector recorded one of the sharpest increases in working from home during the pandemic. Nearly one in two financial sector workers in the EU worked remotely – either usually or sometimes – in 2021.
- Occupational and educational upgrading has been relatively rapid in the sector compared with other sectors. There has been a shift in the occupational composition of employment, with a high proportion of specialised professionals and few clerical support workers and managers.

Policy pointers
- Skills policy in the retail banking sector needs to be developed to meet demands for high-skilled jobs (IT occupations, green finance professionals, and so on) and also to enhance workers' employability in more traditional bank jobs – bank tellers, cashiers, clerical workers – whose work is increasingly automated.
- Early retirement as a means of labour force adjustment remains persistent in the sector and it has often occurred in tandem with recruitment targeting younger workers. Such generational renewal has been only partially successful at addressing the workforce’s age imbalance.
- Digitalisation has changed many of the traditional ways of working in the sector. The trend towards online banking services raises new risks for employees in relation to work intensification, which was exacerbated by the very high proportion of workers in financial services working from home during the pandemic. Occupational safety and health legislation needs to be attuned to potential stressors regarding working time, including via a negotiated or legislated right to disconnect.
- Although financial services is a high-paying sector, it has a wide gender pay gap. This reflects patterns of occupational specialisation, with men over-represented in high-paying occupations and more likely to attain high-paying supervisory and managerial roles. The proposed EU Pay Transparency Directive with its obligations for gender pay audits could serve to identify and potentially reduce unjustified pay divergences in the sector.
- The contraction of branch networks is an ongoing feature of the sector as banks focus on online banking provision. This raises the issue of the extent to which privately provided services can be considered ‘essential services’ or ‘services of general interest’ and be mandated to cover all users, including those without digital skills and online access (financial inclusion).

Further information
The report Going digital: Restructuring trends in retail banking is available at http://eurofound.link/ef22014
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