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Employment in multinational banking: Recent trends and future prospects

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Note:
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CHAPTER 1 INTRODUCTION AND SUMMARY

The central focus of this study is the employment patterns of multinational banks (MNBs) domiciled in market economy countries. It has four objectives:

a. to highlight the recent trends in the MNBs' employment on a world-wide basis;

b. to uncover the changes in age, sex, nationality, skill and occupational structure of their employment;

c. to assess the relative importance of factors influencing these trends and changes; and

d. to consider the extent to which the MNBs complement or displace employment in the host countries.

A MNB is defined as a bank domiciled in one country, but also having operations in others through one of four avenues: a representative office; a branch; a subsidiary; or a consortium involving other overseas banks.

The study relies on two sets of sources: primary and secondary. The former includes case studies of four MNBs constructed on the basis of structured in-depth interviews with the senior executives of the banks concerned. The latter cover published data sources and recent empirical studies. In terms of the four objectives stated above, the secondary sources are used to pursue **quantitative** issues that feature prominently in objectives (a) and (d); and the primary one to pursue **qualitative** issues that feature in (b) and (c). Such a compartmentalisation, however, is only indicative: wherever possible, the sources are used simultaneously in order to present a balanced and rounded view of the issues involved.

The report has six Chapters. Chapter 2 discusses the data sources and other aspects of the research method used in the study. Chapter 3 considers the global trends in the employment of MNBs. Chapter 4 describes the case studies of four MNBs who have participated in the research. These are used to answer a number of key questions raised by the analysis of the global trends. Chapter 5 has a narrow, yet no less important, focus: namely, whether MNBs complement or displace employment in the domestic banking sector of the host country. The country chosen in this context is the United Kingdom. Amongst other characteristics, it has been the single most important host to the MNBs, despite its long established indigenous banking industry. Each Chapter carries a summary of the findings at the end.

The last Chapter draws together the salient features of these findings and presents the main conclusions and their implications for the future. The conclusions focus separately on the quantitative and qualitative aspects of the recent employment trends and their prospective evolution in the rest of this decade. The bibliographical references appear in brackets and are listed at the end of this report.

Since the findings are summarised extensively elsewhere in the report, here we present only the main ones:

a. employment in the world-wide banking industry grew rapidly in the last decade. In this decade, the rate has slowed down distinctly.

b. the deceleration is indicative of structural changes in the evolution of multinational banking. In this context the causative factors are: maturity, new technology, competitive pressures, the debt crisis and the pre-eminence of the securities market in channelling international capital flows.

c. significant changes are also evident in the quality of employment. They suggest greater segmentation in occupational structure, career opportunities and personal development.

CHAPTER 2 RESEARCH METHOD

2.1 Introduction

This study constitutes a modest research attempt at identifying the recent trends in quantitative and qualitative aspects of employment of the multinational banks. As a phenomenon in its own right, multinational banking has been extensively documented and researched. A truly voluminous amount of data are regularly published on every facet **except** employment. Such employment data that are published suffer from two limitations.

First, they have only become available on a regular basis since 1981. As a result, it is difficult to consider recent trends in a historical context. After all, whether recent trends constitute a favourable or unfavourable development can only be judged against the background of how they compare with the past. Second, the available data are too quantitative and aggregative. They give employment numbers of the MNBs on a global basis. There is no breakdown by country, age or sex. More importantly, qualitative aspects such as skills; occupations; the expatriate/local ratio are not documented at all.

Given these limitations, the study adopts a research method that relies on three independent but complementary sources of information: published data; other empirical studies; and case studies. The three sources are used in tandem to identify employment patterns. The first two sources serve mainly to provide an overview of the recent trends. The third one, covering original material emanating from new research, serves not only to identify the factors that explain these trends but also highlight the compositional and qualitative aspects discussed above. The sources are discussed individually below.

2.2 Published Data

The only reliable source of information on employment in the MNBs is the annual survey carried out by the London-based magazine called THE BANKER. The survey is reported in the June issue. The survey covers the 500 largest banks in the market economy countries.

Some of these are not multinational in the sense that most of their business is confined to the country of origin. Their international business is conducted on the 'correspondent' basis: namely, arm's length dealing, sometimes involving an intermediary. This form of banking was the norm for most banks prior to the growth of international banking in the sixties. The exceptions were the British, French and Dutch banks who had extensive overseas presence under colonial rule.

In marked contrast, the top 100 banks are unarguably multinational. Their overseas operations are carried out abroad, using a physical infrastructure in the form of one or more of the four conventional outlets: representative office, branches, subsidiary company or a consortium.

The employment data in THE BANKER have the merit that individual reporting of bank's figures is on a consistent basis, from one year to the next. They suffer from certain limitations as well, however. As already mentioned in Section 2.1, the time period they cover - 1981-84 - is rather short for the purpose of identifying the longer term trend; and also they are too aggregative. In order to counter these limitations we have constructed detailed case studies. There still remains a further limitation, albeit a minor one. It concerns the criterion for assessing ranking in the international pecking order. THE BANKER uses assets (less contra accounts) as the sole criterion of size. In banking, this is valid since assets form the basis of day-to-day operations and lie at the heart of prudential regulations for banking in every country. But banks with large assets are not necessarily large employers, as the following comparison shows only too clearly:

Year	Bank	Assets $m	Employees (thousands)
1984	Citicorp	142,732	71.0
1984	State Bank of India	25,434	257.2

Source: THE BANKER, July 1985

The example is an extreme one, however. As we shall see in the next Chapter, the number of banks with a large labour force and falling outside the top 100 group is very small. In any case, the top 100 banks account for over 50 per cent of employment in the world-wide banking industry in the market economy countries. The focus on the top 100, therefore, enjoys the twin advantages: not only has it a clear emphasis on the MNBs, but also a high coverage of world-wide banking employment.

2.3 Case Studies

These have been constructed on the basis of face-to-face structured interviews with four MNBs. The criteria for their choice are described in Chapter 4. These were principally influenced by the nature of the issues arising from the detailed analysis of the data from THE BANKER. The issues hinge on a number of diverse and complex forces facing multinational banking in this decade. The case studies have attempted to capture this diversity.

In all, four case studies were constructed, representing MNBs with origins in four different countries: Japan, United States of America, United Kingdom and Belgium-Luxembourg. Between them, they have physical operations in every trading region (excluding the socialist countries). They also engage in every kind of banking activity. But within this totality, there is notable diversity, as we shall see in Chapter 4.

The case studies rely extensively on in-company interviews with senior executives, who were sent a structured checklist of questions beforehand. All case studies involved multiple interviews. The questions were formulated in the aftermath of the preliminary analysis of the data from THE BANKER. They had two objectives: to shed light on the issues arising from the analysis and to fill the notable gaps in our knowledge on the disaggregated elements of employment and other qualitative aspects. The case studies have incorporated all the available information. Inevitably, not every aspect is covered. Like other multinational enterprises, the MNBs do not collect or centralise information on different aspects of employment. Nevertheless, the case studies have thrown up some interesting and novel ideas not documented anywhere so far. These serve to enrich the analysis and provide useful insights.

2.4 Other Empirical Studies

These are few and far between because the subject of employment in the MNBs has not received much research attention. Three sets of sources have, nevertheless, provided a useful general background.

The first of these concern the Organisation of Economic Co-operation and Development. Two empirical studies have been carried out there recently: The Internationalisation of Banking (1983) and Costs and Margins in Banking (1985).

The second set covers various publications by the International Federation of Commercial, Clerical, Professional and Technical Employees (FIET). The most notable amongst these are: Trade Union Strategies in Multinational Banks (1985) and the proceedings of the Second FIET World Conference at Copenhagen in September 1985.

The final set incorporates two detailed studies by this author: New Technology and Employment in Insurance, Banking and Building Societies: Recent Experience and Future Impact and Services - The Second Industrial Revolution?

Apart from these, a number of other sources are used. These are cited at the appropriate places. In any event, all the sources used are listed in the bibliography.

2.5 Research Method: A Summary

To conclude, therefore, this Chapter has outlined the research method adopted and the sources of information used for the purpose of identifying:

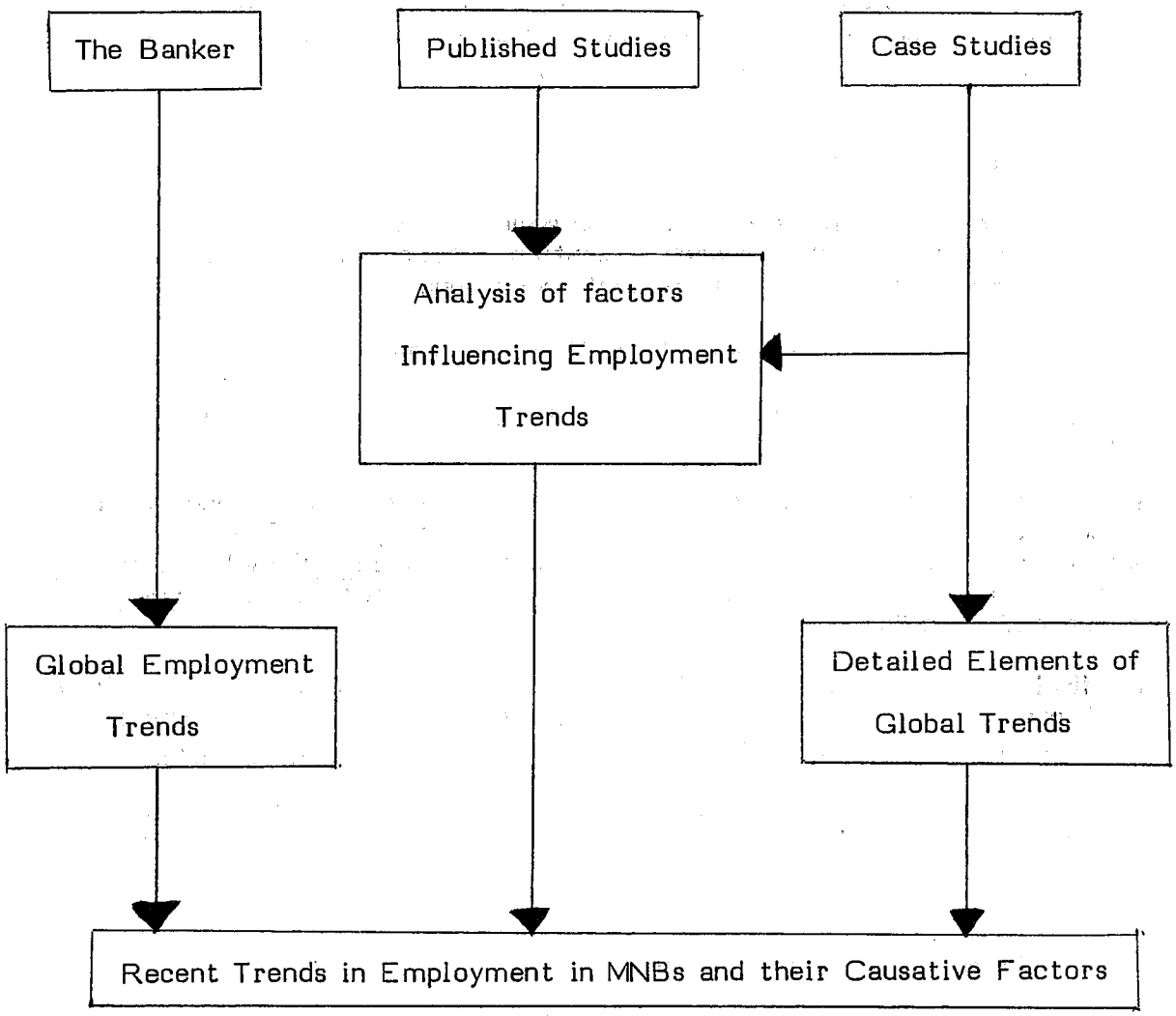
a. the recent employment trends in the MNBs;

b. various elements of these trends; and

c. the causative factors.

The flow chart presents an overview of the approach used.

Figure 2.1 An Overview of the Research



CHAPTER 3 GLOBAL TRENDS

3.1 Introduction

This Chapter highlights the recent employment trends in the MNBs. In themselves, such trends are revealing: they tell us in a systematic way how employment levels have changed in recent years in the world-wide banking industry. But they only become interesting when considered in the context of developments over the last, say, twenty years. After all, it is only within a historical context that one can say whether recent trends imply an 'underlying' change or not.

As mentioned in the last Chapter, there are no long-term **consistent** data series on employment of the multinational banks. Accordingly, we are forced to use proxy indicators for the period leading up to 1981 in order to discern the longer term trend.

Beyond a historical comparison, we are also interested in identifying the key issues which are the subject of case studies.

This Chapter, therefore, attempts to highlight the recent trends; puts them in a historical context; and singles out the issues for further discussion.

3.2 Global Trends: 1981-84

The employment figures of the top 100 banks have been extracted from THE BANKER's annual survey of the top 500 banks. The cut-off point at 100 is far from arbitrary. First and foremost, the top 100 group covers most of the MNBs. As we proceed down the rank order after 100, the banks concerned tend increasingly to be national rather than global; and those that are global do not necessarily have a physical presence abroad that involves more than 10 per cent of their total employment. In other words, their overseas operations are relatively small in employment terms. In marked contrast, those in the top 100 group have a high proportion of offshore staff - anywhere between 10 and 95 per cent. Furthermore, despite the cut-off point, it is clear that the top 100 group accounts for over 50 per cent of the total employment of the top 500 banks. This much is evident in Table 3.1. The table also shows that the world-wide (excluding the socialist countries) banking industry employs more than 5 million staff - a figure well in excess of previous expectations (see, for example, FIET 1985a).

Table 3.1 Employment Share

Size Groups	Employment (millions)	Share in Total Employment of Top 500 (percentages)
Top 100	2.6	51
Top 200	3.5	68
Top 300	4.0	78
Top 400	4.6	90
Top 500	5.1	100

The employment figures of each of the top 100 banks are presented in Table Appendix A1 and their salient features summarised in Table 3.2. The table gives: the 1984 ranking by asset size (first column); the number of employees in 1981 and 1984 (third and fourth columns); average annual growth and the direction of trend in employment over the period 1981-84 (fifth and sixth columns).

The last two columns provide summary measures that warrant brief explanation. The average annual growth rates are simple averages. In each case, they have been compared with actual outcomes in every year between 1981 and 1984 in order to identify the direction of the trend. Where there is considerable annual variability in the rates, the trend in the last column is designated as variable. This is particularly the case where mergers and organisational changes have rendered employee numbers highly volatile from one year to the next.

In the summary table (that is, Table 3.2) figures are also shown separately for the top 40 MNBs. This is because they constitute the largest MNBs, representing over 50 per cent of the assets held by the top 100 and 35 per cent held by the top 500. That apart, their offshore staff component is well in excess of 15 per cent. For comparison purposes, the figures for the last ten banks in the top 100 are also given. Between them, Tables A.1 and 3.2 show that over the period 1981-84:

a. employment has grown, irrespective of how the top 100 banks are sub-divided;

b. the larger banks have, on the whole, experienced a lower rate of employment growth than the smaller ones;

c. at the level of individual banks, there is considerable variability in the registered trends; and

d. in terms of inter-country comparisons, the French MNBs have had the fastest employment growth and the Japanese the most consistent decline.

The results raise three questions which are tackled individually in the next three sections.

Table 3.2 Evolution of Employment in 1981-84: A Summary

Banking Groups:	Employment (thousands)		Average Annual Growth (%)	Trend
	1981	1984		
Top 40 Banks	1,331	1,426	2.3	UP
Top 100 Banks	2,409	2,595	2.7	UP
10 Smallest Amongst Top 100 Banks	103	117	4.5	UP

Source: Table Appendix A.1

3.3 Where are the Variabilities Most Notable?

As is evident from Table 3.2, the average rate of growth for smaller MNBs is relatively higher. That is one dimension of variability. The other is incidence: how is the trend distributed between its four categories. The distribution is as follows:

	Percentage Distribution			
	Up	Down	Static	Variable
Top 40	34	33	7	25
Top 100	38	31	9	22

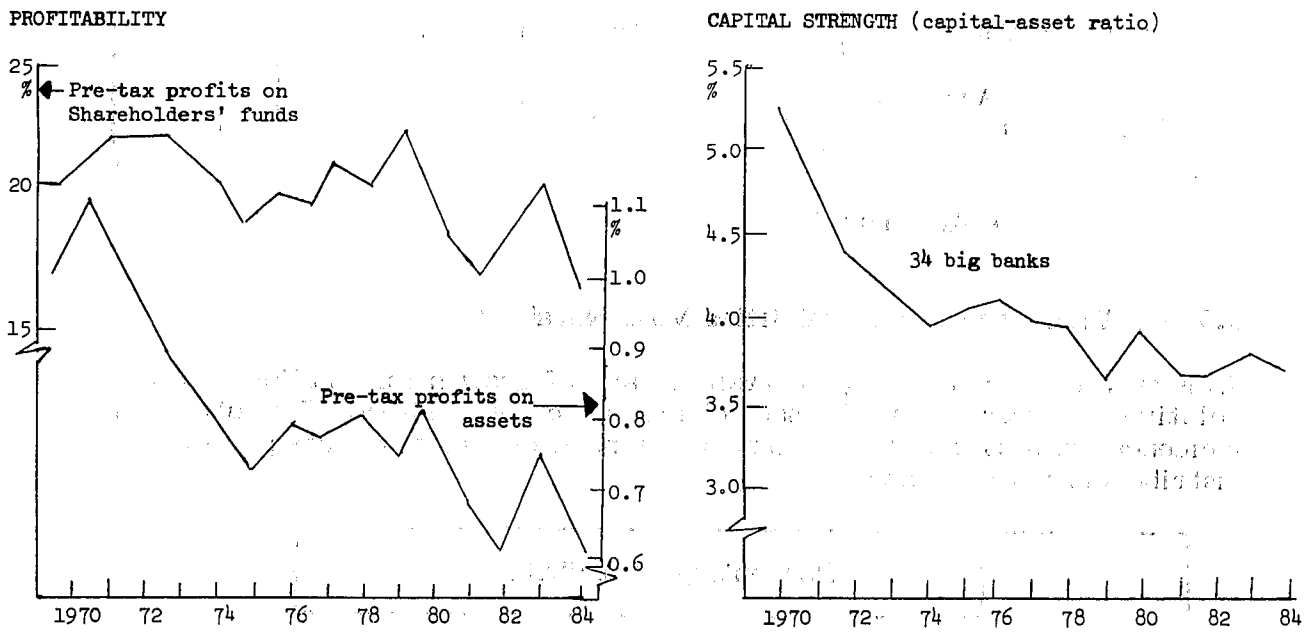
It emerges that the top 40 have not only had a lower rate of growth on the whole, but also has a lower incidence of increases. By obvious corollary, growth has been both high and widely based in smaller banks.

It is worth emphasising that this is a broad assessment. Within it, there are major exceptions. For example, Citicorp, the world's largest bank, has had a strong employment growth. In contrast, two smaller banks - Continental Illinois (another US bank) and Banco Espanol de Credito - have had marked declines. This seeming diversity is one issue investigated in the case studies in the next Chapter.

This apparent variability, nevertheless, does not detract from the general point that the larger MNBs in the top 40 have had a lower employment growth. The immediate cause is not hard to discern. Chart 3.1 summarises the profitability and capital strength of the 34 largest United States, United Kingdom, Japanese and Canadian banks (most of whom are in our top 40 group). On all three conventional measures of financial strength, the MNBs appear to

have experienced a decline since 1980. The prime cause is the third-world debt crisis.

Chart 3.1 Financial Strength



Source: The Banker, July 1985

The profits of MNBs have continued to increase, but so have the provisions for bad debts. This much emerges clearly from the examination of the accounts of the largest United States and United Kingdom banks, in Table 3.3.

Table 3.3 Profits and Loan Loss Experience: 1982-1984

	14 US banks[1]			5 UK banks[2]		
	1984 $m	1983 $m	1982 $m	1984 $m	1983 $m	1982 $m
Profits						
Before loan loss provisions	10,620	9,563	7,667	5,047	3,931	3,265
Loan loss provisions	4,408	3,507	2,554	2,481	1,649	1,234
Before tax	6,212	6,056	5,113	2,566	2,282	2,031
Taxes	1,856	2,022	1,248	1,457	773	494
Dividends	1,820	1,748	1,442	394	368	318
Retained profits	2,536	2,286	2,323	715	1,141	1,219
Net loan losses	3,511	2,918	1,976	1,524	748	525
% average loans	0.66	0.61	0.44	0.76	0.35	0.27
Loan loss provisions[3] (cumulative)	6,883	5,661	4,569	4,939	3,862	2,793
% total loans[3]	1.24	1.13	.97	2.27	1.79	1.45

[1]Excluding Continential Illinois [2]Currency conversions at 31 December 1984 [3]Total at year end

Source: The Banker, July 1985

3.4 Is the Performance of Japanese Banks Paradoxical?

In employment terms the Japanese banks, even within the top 40 groups, are relatively small. Most of them have been consistently reducing staff numbers: this at a time when their assets were growing fast enough to alter their ranking in the international pecking order. Table 3.4 shows how the ranking amongst the top 40 have changed. The main feature of these results is the unremitting ascendancy of the Japanese banks. On the face of it, it is paradoxical that whilst their asset positions are improving strongly they are shedding staff. This is another question considered in the case studies.

3.5 How do the Recent Trends Compare with the Past?

That there has been growth in employment in the MNBs is undeniable. But that begs the obvious question: do the recent trends mark a continuation or departure from the past? In other words, has the trend accelerated, decelerated or remained unchanged? In the absence of long data series for all the MNBs, this question is answered more comprehensively in the case studies in the next Chapter. For now, we can do no more than use some proxy indicators to shed light on the subject. The use of proxy indicators necessarily means that the answer has to be qualified. Even so, it will enable us to appreciate the phenomenon of multinational banking in the post-World War II period.

The proxy indicators used here look at this phenomenon from three separate angles: on a global basis; from the point of view of country of origin; and

Table 3.4 Ranking by Asset Size : 1981-84

Bank (Country or Area of Origin)	Rank			
	1984	1983	1982	1981
Citicorp (USA)	1	1	1	1
Dai-Ichi Bank (Japan)	2	3	8	8
Fuji Bank (Japan)	3	4	10	13
Bank of America (USA)	4	2	2	2
Mitsubishi Bank (Japan)	5	7	12	14
Sumitomo Bank (Japan)	6	5	13	11
Banque Nationale de Paris (France)	7	6	3	3
Sanwa Bank (Japan)	8	9	16	17
Credit Agricole (France)	9	10	4	4
Credit Lyonnais (France)	10	11	5	5
Societe Generale (France)	11	13	9	9
Barclays Group (UK)	12	8	6	6
Norinchukin Bank (Japan)	13	17	25	20
National Westminster (UK)	14	12	7	10
Industrial Bank of Japan (Japan)	15	18	21	25
Chase Manhattan Corp (USA)	16	16	15	15
Tokai Bank (Japan)	17	22	29	27

Bank (Country or Area of Origin)	Rank			
	1984	1983	1982	1981
Deutsche Bank (Federal Republic of Germany)	18	14	11	9
Manufacturers Hanover Corp (USA)	19	23	20	21
Midland Bank (UK)	20	15	14	12
Mitsui Bank (Japan)	21	37	23	24
Bank of Tokyo (Japan)	22	21	18	22
Long-Term Credit Bank of Japan (Japan)	23	25	35	36
Royal Bank of Canada (Canada)	24	20	17	16
Mitsubishi Trust & Banking Corp (Japan)	25	28	38	46
J.P. Morgan (USA)	26	29	28	30
Taiyo Kobe Bank (Japan)	27	32	40	37
Hong Kong & Shanghai Bank Corp (Hong Kong)	28	27	24	29
Mitsui Trust & Banking (Japan)	29	36	48	56
Sumitomo Trust & Banking (Japan)	30	35	47	55
Bank Paribas (France)	31	24	32	32
Dresdner Bank (Federal Republic of Germany)	32	26	22	19
Bank of Montreal (Canada)	33	38	34	35
Daiwa Bank (Japan)	34	41	55	53
Lloyds Bank (UK)	35	31	27	26

Bank (Country or Area of Origin)	Rank			
	1984	1983	1982	1981
Union Bank of Switzerland (Switzerland)	36	33	31	28
Chemical New York Corp (USA)	37	40	37	44
Canadian Imperial Bank of Commerce (Canada)	38	34	30	31
Banco do Brasil (Brazil)	39			
Yasuda Trust & Banking (Japan)	40	50	64	68

Source: THE BANKER, June 1981, 1982, 1983, 1984 and 1985.

from the point of view of host country.

Table 3.5 Number of Branches and Agencies Owned by Foreign Banks

Host Country	1968	1978
United States	34	241
United Kingdom	40	466
France	39	142
Federal Republic of Germany	16	87
Switzerland	6	27
Other Europe	123	250
Latin America	229	356
Japan	34	79
Far East	1018	1518
Middle East	134	425
Africa	2530	249
Caribbean Area	187	466
Total	4390	4329

Source: Comptroller of the Currency (1981)

On a **global basis,** the phenomenon took hold in the aftermath of the last war when trade and payments liberalisation stimulated foreign trade at unprecedented rates (see FIET, 1985a; pp 8-13). As a result, a new banking infrastructure came into existence on a world-wide basis. Table 3.5 shows its geographical evolution. Except in Africa, where the policy of indigenisation reduced the MNBs' presence, every identified region has experienced a dramatic growth.

No figures after 1978 are available. However, on the basis of a selection of annual reports of various banks, it seems reasonable to suggest that the total of 4,329 in 1978 has increased to around 5,000 in 1985, with much of the growth concentrated in the OECD Europe and North America. When **annualised,** the implied growth is about 2.5 per cent; compared to about 6 per cent over the period 1961-78. Arguably the rate of new overseas openings has decelerated.

Taking the second proxy - increase in **offshore presence** - the most valid example is that of the United States. Now, it is held universally that in the post-war period the US banks have dominated the growth in multinaional banking. Their growth has been explosive until 1974, and decelerating thereafter (see Table 3.6).

The last proxy indicator relates to the United Kingdom - the single largest **host country** to the MNBs in the post-war period (OECD, 1983). Table 3.7 shows the rates of growth of the number of foreign banks in London and their staff numbers. Here, too, the signs of deceleration are obvious.

Table 3.6 Evolution of Offshore US Banking

	Number of United States Banks with Overseas Branches	Number of Branches
1960	7	132
1964	11	180
1974	125	732
1979	130	800
1985 (estimate)	136	900

Source: Marsh (1983)

Table 3.7 Evolution of London as a Host for Foreign Banks

	Average Annual Growth in:	
	Number of Banks	Their Staff Numbers
1971 - 1981	10	16
1981 - 1985	2.5	7

Source: The Banker, November 1985

Together, the three proxy indicators suggest that the growth in employment in the period 1981-1984 in all probability indicates a departure from the performance in the previous two decades. On a priori grounds, this is not surprising because the exceptional growth in the past was a reflection of the creation of an infrastructure.

As we shall see in the next Chapter, the world-wide banking industry is now in a consolidation and/or rationalisation phase that has typified the experiences of other multinational industries. What is probably more noteworthy in the case of multinational banking is that on top of the natural growth-consolidation-nationalisation cycle, there are forces accelerating the sequence. The actual and prospective de-regulation in the United States, United Kingdom, France and Canada is one factor. The regional disparities in international economic growth rates and information technology are others. They are all considered in detail in the next Chapter.

3.6 Summary

The main points emerging in this Chapter are:

a. employment in the MNBs has grown annually at the rate of 2.5 per cent in this decade;

b. within this overall trend, there has been a tendency for larger banks to have a lower rate and the smaller ones a higher rate, reflecting among others their differential exposure to international debt crisis;

c. the tendency is far from uniform. There are notable exceptions, causing pronounced variability. Also, the Japanese banks appear to be reducing their employment at a time when their importance in multinational banking is uniformly improving; and

d. in a historical context, there is indirect evidence to suggest that the recent employment trends mark a deceleration.

CHAPTER 4 CASE STUDIES

4.1 Key Issues

The statistical analysis in the last Chapter raised a number of questions which were systematically investigated in the case studies, covering four MNBs. In fact, the case studies went beyond these questions and attempted to obtain a perspective on the following employment-related issues which have not been studied before:

a. why are the Japanese banks reducing their employment?

b. why has the recent employment growth pattern of MNBs been so variable?

c. in a historical context, do the recent employment trends indicate a departure?

d. what have been the trends in four key ratios on the quality of employment: male/female; full-time/part-time; expatriate/local; and career/non-career?

e. what have been the main changes in the skills and occupational structure, given the application of information technology and other structural changes?

In other words, the issues attempted to cover every important aspect of quantity and quality of employment in the MNBs. On the face of it, the number of MNBs participating in the case studies may seem small to bear the weight of such a varied range of issues. In practice, however, researchers have found it meaningful to explore a small number of issues **at a time**, but in depth with banks most pre-occupied with them. (See Kirchner, 1984, for example.)

Accordingly, the four MNBs were chosen on the basis of the maximum possible light they could shed on the issues affecting them most. Between them, the four chosen MNBs appeared to straddle the whole spectrum of diversity within the multinational banking industry in terms of services, regional coverage, asset size, use of technologies, diversification, growth strategies, rationalisation and wholesale-retail balance.

Each of them originated in one of four countries: Japan, United States, United Kingdom and Belgium-Luxembourg. Before agreeing to participate in the case studies, the MNBs concerned had requested that we conceal their identity in our report because of the sensitive nature of the information we were seeking. This is normal in a study of this type. So, when it comes to employment data for the period 1981-84, only qualitative judgement is offered in the tables: otherwise, cross references with Appendix Table A1 will easily reveal the

identity.

For each bank, some key data are given for two periods: 1970-81 and 1981-84. In each case, the data in question refer to global operations and are expressed as annual averages over these periods; the object being to place the recent trends in a historical context.

4.2 The Japanese Bank

Providing a complete portfolio of services in Japan, this bank has had a strong presence in South East Asia in both retailing and wholesaling; and in Western Europe in wholesaling. It would be fair to say that the mainstay of its international business is in wholesaling.

percentages

Employment Data:	Approximate Annual Averages	
	1970-81	1981-84
Growth in employment	3.0	negative
Ratio of full and part-time staff	80:20	95:25
Ratio of male and female staff	not known	not known
Ratio of expatriate and local staff	20:80	25:75
Ratio of career and non-career staff	30:70	20:80
Staff costs as a percentage of total operating costs	62.0	52.0

In the last decade, two factors promoted overseas expansion: the success of the Japanese manufacturing industry in international trade and the growth of the Eurocurrency market, aided and abetted by massive surpluses of the OPEC. Apart from traditional international banking services - letters of credit, foreign drafts and collections, international money transfers, foreign exchange - the bank entered the Eurocurrency market in a significant way, usually acting as a major partner in syndicate loans. Japan's foreign trade facilitated the bank's multinational expansion in two ways. It led to a rising demand for traditional corporate services on the one hand; and generated the financial wherewithal and prestige on the other to enter the Eurocurrency market. Accordingly, employment on a world-wide basis increased by an annual average of 3 per cent in the last decade.

Since 1981, however, employment has declined absolutely in response to two factors. The first of these concerns the reversal in the balance of payments of the OPEC:

	US $bn
1980	+ 100.0
1984	- 5.7
1985	- 9.0

Source: IMF (1985)

This has severely reduced the recycling possibilities in the Eurocurrency markets.

The second factor concerns dramatic developments in the balance of payments position of the OECD countries. The United States is emerging as the main net debtor nation and Japan the net creditor nation (see Table 4.1).

Table 4.1 Balance of Payments on Current Account: OECD Countries

US $bn

	US	Japan	F.R. of Germany	Others
1980	6.6	-10.0	- 8.3	-27.6
1981	10.7	6.2	0.8	-14.7
1982	- 3.8	8.1	10.2	-13.2
1983	- 35.5	22.2	10.0	5.5
1984	- 93.4	36.4	13.1	9.6
1985	-117.5	40.9	17.7	8.4

Source: IMF (1985)

Under the combined effect of these two factors, both the Eurocurrency market and traditional wholesale banking have contracted.

In 1983, this bank initiated a strategic shift in two respects: regionally and compositionally. Its Eurocurrency operations in Europe and South East Asia have been drastically scaled down. The mix of customer portfolio is changing. Ordinary commercial lending, too, has been on the decline; and being gradually replaced by business from pension funds and insurance companies who are participating more actively in the worldwide (but especially the United States and Japanese) securities market. The latter is now viewed as a prime vehicle for international capital flows, dominated hitherto by bank loans. The securities business is commercially attractive because it is high-volume, high-value and technology-intensive. It is easily accommodated by the bank's own global communications network that has increased the business processing capacity by a factor of 3 since 1982.

The increasing reliance on technology and the decline in employment in this decade are faithfully mirrored in staff costs. As a proportion of total operating costs they have declined from an average of 62 per cent in the last decade to 53 per cent in this decade.

The brunt of the decline in employment has been borne by local staff in host countries through natural wastage. As a result the expatriate-local ratio has increased. In this respect, expatriates have fared well because they occupy positions at the level of divisional heads and above - in other words all the senior positions, except in service functions like personnel and marketing. Most of the expatriates have risen from within the ranks of career employees in Japan. For them, overseas posting is viewed as an essential part of training and career progression.

business portfolio shift has undermined the retailing function in South East Asia. In this area, there is a planned reduction now in progress. The tendency is to have fewer but larger retailing units. This in turn has limited career progression. About 80 per cent of global employees can now expect no more than two progressions during their career with this bank. The figures for Europe and South East Asia suggest no more than one progression for almost all the locals. As if to underline this point, the bank has increasingly resorted to part-time employees. As natural wastage has occurred, the tendency has been to replace full-timers by part-timers, wherever possible.

4.3 The United States Bank

Like other United States MNBs, this one entered offshore banking in response to a set of legislative controls designed to discourage the outflow of capital in order to improve the United States' chronic balance of payments deficits in the 1950s. The controls in question were: the Foreign Direct Investment Program, the Interest Equalisation Tax and the Voluntary Foreign Credit Restraint. As a result, many companies had to go overseas to finance their operations. This and other United States banks, in turn, established operations abroad to tap foreign sources of funds to finance loans to their multinational customers.

percentages

Employment Aspects:	Approximate Annual Averages	
	1970-81	1981-84
Growth in Employment	8.0	decelerated
Ratio of full and part-time staff	90:10	85:15
Ratio of male and female staff	60:40	50:50
Ratio of expatriate and local staff	variable	variable
Ratio of career and non-career staff	40:60	35:65
Staff costs as a percentage of total operating costs	53	50

Its initial offshore thrust was in the Eurocurrency market, but in the last five years it has turned global, servicing the needs of not only the major United States multinational companies but also local businesses in host countries. Most of the 8 per cent annual growth in employment in the last decade was on the overseas side. In this decade, the rate has decelerated for two related reasons, one legislative and the other structural.

First, in 1981 the United States Government gave approval for the establishment of international banking facilities (IBFs). In many respects, these are like offshore branches except that they are physically located in the USA. An IBF is allowed to take time deposits and grant loans to foreigners. Its reserve requirements and interest rate ceilings are waived. Its earnings are exempt from state and local income taxes, in several states. IBFs thus favoured onshore at the expense of the offshore location for carrying out its world-wide business.

Second, earlier this decade the bank established a world-wide communications network which standardised and integrated every global operation. Information technology has been a facilitating factor.

The other, and more important factor is corporate re-organisation. Until the beginning of this decade, the organisational structure was based on the concept of a bank-within-a-bank. The head office division overseeing the international operations was autonomous, duplicating all the functions performed on the domestic banking side. So self-contained was the international division that its head reported directly to the Chief Executive.

In this decade, the bank has moved towards a contrasting functionally integrated structure. The object was to integrate onshore and offshore operations in order to eliminate duplication and achieve economies of scale. Wherever possible, activities are reported on a line basis outside the international division.

For this bank, the term 'multinational banking' is now a misnomer. Banking services have no physical attributes of a tangible product. They are information intensive in the extreme, and amenable to technology. The new information network has eliminated the barriers of time and space. The IBFs have favoured overseas expansion from the long-established home base such that economies of scale can be achieved in the raising and deployment of funds; and in the utilisation of the United States-based staff and infrastructure. All the customers who are multinational companies are now services from the United States, irrespective of where the customers operate. This is one indication of growing centralisation.

Another one is in the nature of branch expansion abroad. The bank is trying to expand its retailing business in Europe by establishing full service branches in up-market localities. The object is to offer a comprehensive package of consumer and corporate financial services that go beyond mainstream banking. In each market, the target customer group has been identified as one which is relatively prosperous, engaging in high-value low-volume transactions. The financial package includes services provided directly by the bank and other well known institutions for whom the bank acts as a retailer.

The retailing networks are serviced by processing centres at green field sites in various European locations. Dubbed 'factory banking', their operations have twin objectives: to centralise all support operations on a dedicated basis so as to realise the economies of scale; and to reduce operating costs by moving out of the urban areas. The processing centres, in turn, are in continuous contact with the head office divisions in the United States via the communications network operating on-line and real-time. Overseas expansion into retailing is thus highly **integrated** into head office structure.

So far, the evolving structure has affected employment in various ways. First, there has been a higher utilisation of the United States staff than before. Overseas expansion has been achieved increasingly through the realisation of economies of scale; in other words, through increased labour productivity. Employment has continued to grow in this decade, but at a lower rate and largely in response to corporate takeovers and incursion into retailing abroad.

Second, factory banking has promoted the employment of female, part-time and non-career staff. Operating in highly localised labour markets, the bank has been able to recruit the requisite staff without offering career advancement and comprehensive training, associated with traditional banking in the urban areas.

Thirdly, the increasing reliance on technology has increased the proportion of specialist staff with data processing skills. Now nearly 4 per cent of the world-wide staff are DP specialists. In 1981 the figure was 2 per cent. Low level staff operating in urban areas are also expected to have keyboard and diagnostic skills for an effective interface with technology.

Fourthly, the emphasis on up-market customers has led to a re-skilling of the traditional clerical function. The employees on the wholesale as well as retail side are expected to have numerous skills apart from those that are computer-related. These are social skills for effective inter-personal communication; and knowledge-based skills for handling the portfolio of services.

The sum total of these four changes have been: higher productivity, lower costs and polarisation in occupational and skill composition.

4.4 The United Kingdom Bank

Thanks to Britain's colonial involvement, this is one of the earliest banks to have a multinational presence. In the post-World War II period, it has undergone three distinct phases of change.

percentages

Employment Aspects:	Approximate Annual Averages	
	1970 - 81	1981 - 84
Growth in employment	3.0	decelerated
Ratio of full and part-time staff	90:10	85:15
Ratio of male and female staff	60:40	55:45
Ratio of expatriate and local staff	10:90 (variable)	10:90
Ratio of career and non-career staff	50:50	30:70
Staff costs as a percentage of total operating costs	68.00	59.00

The first phase, occurring in the period 1945-65, was characterised by extensive divestment as the colonies concerned gained independence and adopted the policy of indigenisation. This was a period in which most of the bank's employment growth occurred in Britain; and was about enough to offset the declines abroad.

Occurring in the period 1966-79, the second phase witnessed a renewed thrust towards offshore banking in Europe, North America and the Far East. Under it, representative offices and branches were established or expanded in the main trading cities. Growth in staff numbers at home was matched by growth abroad.

The third phase started around 1980. Its distinguishing characteristics are expansion and rationalisation. Expansion abroad has continued but its form has changed. The emphasis has shifted away from creating new offices; and towards takeovers of established businesses and the upgrading of some of the branches and the closure of others. As a result, employment growth has been largely through acquisition.

Overseas acquisitions reflect the renewed emphasis on corporate business. In the United Kingdom and elsewhere, the bank is trying to reduce the personal business because it is found to be increasingly less viable and costly in the face of mounting competition from other financial institutions (like building societies and savings banks) who offer 'free banking' and/or interest bearing current accounts. In contrast, the corporate business is found to be more profitable. The bank's marketing is now primarily pitched at companies. Not surprisingly, it was one of the first to introduce elaborate cash management systems, offering electronic banking to corporate customers.

This has had implications for employment. The corporate business has proved to be high-value and low-volume compared to the personal business. It has helped to relieve pressures on branch overheads by raising staff utilisation rate. This change, however, has been achieved as a result of a major programme of branch rationalisation, in the United Kingdom initially and then abroad. The programme has created a three-tier structure. The top tier incorporates 'large area corporate offices', located in main cities. They provide a full range of services, especially to corporate customers. The second tier consists of 'satellite' branches offering traditional banking services to private customers and small firms. They are directly supervised by the corporate offices. The satellites are destined to be 'technobanks' where services will be provided increasingly on a 'self-service' basis over time through devices such as the automated teller machines and front office counter terminals. The third-tier covers branches in rural areas, and is found mainly in the United Kingdom. These are long-established full-service branches meeting the needs of private customers and farmers.

The new structure has had a three-fold effect. First, it has reduced staff numbers, partly through closures of uneconomic branches; partly through improved productivity in the corporate offices; and partly through the creation of technobanks. The bank's global employment figures since 1980 show a modest growth but this has been mainly due to overseas acquisitions.

Second, the occupational composition is changing noticeably. Above the clerical grades, re-organisation and technology have jointly induced a two-fold change: a re-skilling of management functions and a creation of a new layer of technical and professional staff. For example, those involved in corporate finance or foreign exchange have a ready access to a wealth of information. Both the availability of information and the requisite analytical competence are changing the nature of management functions - away from improvisation and ad hoc measures, and towards rational decision rules. Managers are, as a result, being retrained. This education process is occurring alongside the recruitment of a group of highly qualified staff: specialists such as programmers, systems analysts and hardware engineers; and professionals in marketing, operational research, economics and statistics (performing information and planning functions for senior management). For this bank, the extent of change in the occupational structure is evidenced by Table 4.2.

Table 4.2 Changing Occupational Structure

percentages

Occupational Categories:	Share in Total Employment in:	
	1980	1985
Senior Managers	1	1
Managers and Professionals	17	32
Clerical	82	67
Total	100	100

Thirdly, within the clerical group, two tendencies have been most evident: job restructuring and growth in part-time work. New technology in the front and the back offices has relieved clerical staff of various book-keeping functions traditionally performed at the close of business. As a result, their jobs have been structurally enlarged such that they now perform a variety of functions. Specialism has given way to generalism, creating needs of new forms of work skills. Clerical staff are increasingly expected to have a repertoire of three kinds of skills: key-based and diagnostic, to achieve a successful interface with technology; social, to have an effective inter-personal communication with customers; and knowledge-based, to develop confidence in customer counselling. Job enlargement has been confined to full-time clericals.

The bank has rapidly increased the number of part-time staff in branches in the United Kingdom and abroad for three reasons. First, their above average natural wastage rate affords a measure of flexibility that is increasingly valued in a changing market environment. Second, as they are not entitled to the full set of fringe benefits on a pro-rata basis, their per capital pay roll cost is lower. Third, the flexibility in the hours they work provides an important element in meeting the 'peak load' demand that can vary considerably between areas.

The implications of the above changes for career progression are onerous, to say the least. The re-skilling of the managerial functions has limited upward mobility for the clerical group. Increasingly, only those with university degrees are likely to become managers. Also within the clerical group, part-time staff can expect little, if any, progression. Signs of polarisation in the occupational structure are already there.

4.5 The Belgium-Luxembourg Bank

Although small in comparison with the other three banks in our case studies, this bank has extensive multinational operations. In the last ten years, its overseas operations have grown rapidly and consistently, albeit from a small base. Its experience is worth narrating because it is regarded as being indicative of a number of smaller MNBs which have become global in recent years.

percentages

Employment Aspects:	Approximate Annual Averages	
	1970 - 81	1981 - 84
Growth in Employment	Rate accelerated over period	
Ratio of full and part-time staff	95:5	95:5
Ratio of male and female staff	80:20	80:20
Ratio of expatriate and local staff	20:80	15:85
Ratio of career and non-career staff	70:30	70:30
Staff costs as a percentage of total operating costs	74.00	74.00

Its growth strategy is underpinned by extreme segmentation. In each country where it operates, it has two target customer groups: ethnic minorities and up-market 'jet setters'.

In these countries, the penetration of the banking services in the ethnic minorities is low, partly because they constitute a 'high risk' group for the indigenous banks and partly because of language and cultural barriers. This bank has identified those minority groups known for their business acumen; and high savings propensity; established branches in their geographical areas; and staffed them partly with members of minority groups. The underlying objective has been, first and foremost, to create customer loyalty and a well defined source of deposits. Lending is confined to small businesses with a good profit record. The rate of lending is usually higher than the market rate. In mitigation, the bank offers a large measure of personal service, perceived as sympathetic and helpful by the borrowers.

The other segmented group comprises international business travellers, mainly from the OPEC. The bank offers them a comprehensive package of services, including financial, travel, entertainment and medical - all on a personalised basis. In the capital cities of the countries where it operates, the bank runs a small chain of service supermarkets in prestigious locations. Under one roof each supermarket has specialist multi-lingual staff. The retail agency for these services have been acquired from the well known products, thus undercutting the traditional retailers.

The statistics in the box above do not display notable changes in various qualitative ratios. This is because the bank is still very much within a high-growth 'learning by doing' regime. Insofar as it has a clear personnel policy, this relates to segmentation. Those working in the supermarkets are highly experienced and trained. All of them have been recruited from other employers. They attract high remuneration but enjoy little career progression because the supermarkets are run on specialist lines, with only two layers of hierarchy. The branches in the ethnic areas, on the other hand, are run with the traditional hierarchical structure, with greater scope for career

progression. The supermarkets and branches have little interchange of staff.

4.6 Case Studies : Summary

The four MNBs covered in this Chapter each have distinctive features that shed light on their own employment trends as well as those of the global banking industry. Put together, their experience suggests that:

a. amongst the larger MNBs, at least, employment growth has decelerated in this decade because of a switch in their regional and business mix caused by two factors: the reversal in the balance of payment position of the OPEC and the United States; and the debt crisis that has undermined profitability.

b. in the new environment, there is greater cost consciousness. Profit rather than growth maximisation appears to be the dominant motive. The securities market rather than the bank loan appears to be the dominant channel of capital flows. The global banking industry is gripped by major structural changes. These favour banks with up-market customers, in retailing and wholesaling.

c. yet smaller MNBs continue to prosper and increase employment. Unburdened by debt crisis, they have the flexibility to capitalise on special situations through segmentation and diversification.

d. whether large or small, all MNBs appear to be increasingly innovative. Their operations are information intensive in the extreme. The new job saving information technology has a special appeal.

e. apart from affecting the quantity of employment, technology is also affecting the quality by impinging on organisation design, occupational structure and job content. Its impact in these areas has been assisted by structural changes.

f. in organisational design there is a distinct tendency towards greater central control and functional integration to achieve the economies of scale.

g. in occupational structure, polarisation is becoming evident. The content of managerial function is being re-skilled to the extent that promotion into management grades is no longer a matter of seniority; but more of qualifications and competence. Specialist jobs, relying only on graduate and professional qualifications are being created.

h. as for job content, generalism is replacing specialism, especially in clerical work. Jobs are being structurally expanded such that a single job holder performs a range of tasks, requiring a repertoire of skills.

i. the proportion of female staff is increasing, in large part reflecting the growth of part-time and non-career jobs. Technology has standardised various banking operations along 'factory' lines. The banking industry is witnessing the emergence of an unskilled group similar to the one in the manufacturing industry - highly differentiated and disadvantaged in terms of training and career progression. This, at a time when the skill content of non-routine jobs is increasing.

CHAPTER 5 DO MNBs COMPLEMENT OR DISPLACE JOBS?

5.1 Introduction

Since the 1950s, multinational enterprises have proliferated. They now account for a significant proportion of world trade and investment (ILO, 1981).

According to their proponents, such enterprises have a number of virtues, not least of which is their ability to generate jobs in the host country by creating a new productive capacity within the national economy. This view has not gone unchallenged, however. Their opponents have argued that such job creation could be illusionary: as the incoming enterprises compete with their domestic counterparts, the new jobs merely displace existing ones.

Given the rapid expansion of MNBs, it is legitimate to ask whether it has complemented or displaced jobs in the host countries. That is the subject matter of this Chapter.

The question is highly pertinent. Unlike physical products, banking services are not differentiated. They do not possess obvious visible attributes that can generate 'brand' loyalty amongst customers. Few would agree with the proposition that the services of any one bank have no near substitutes. The implications are two-fold. First, the global **volume** of banking services depend on factors such as world income, payments conventions and customer sophistication. Second, its **distribution** is influenced by the relative competitiveness of national banking industries. In the latter context, MNBs have the potential to alter the international pattern of banking comparative advantage and employment.

The issues involved are complex. In order to shed some light on them, we concentrate on the experience of one specific country - the United Kingdom. Its choice has been influenced by a number of obvious considerations: it has the largest number of foreign banks (US Treasury, 1981); it is the centre of the Eurocurrency maket; and it has a long established indigenous banking system directly exposed to competition from the incoming MNBs.

There are two other considerations as well, one legislative and the other practical.

The United Kingdom banking industry is a truly open one. Prudential restrictions on national banking industries can be either **taxlike** or **quotalike**. Amongst others, the former include differential reserve requirements, and prohibitions against accepting retail deposits or foreign exchange transactions. Such restrictions invariably increase MNBs' funding or other **costs**. In contrast, the latter include restrictions in the form of, for example, credit/lending restrictions and prohibition and limitation on

Appendix Table A2 shows, the United Kingdom's regulatory structure is devoid of foreign discrimination. The de-regulation coming into effect later in 1986 has also opened up the securities market to the MNBs.

Finally the practical consideration relates to the availability of information. Data on the MNBs in the United Kingdom are much better than elsewhere. More importantly, the subject matter of MNBs has been covered during the research on a major study (Rajan, 1985 and 1987). Some unpublished results of that research has been used here.

5.2 MNBs : A Taxonomy of Job Creation

Do the MNBs complement or displace employment? We need a comprehensive evaluative framework to allow for either or both possibilities. The one adopted here does that. It posits that a MNB operating abroad can affect employment in the host country through one (or more) of three kinds of effect:

a. **macro economic effect** - creation of a physical presence can stimulate the host country's national income, balance of payment and government revenue. As a result, even after allowing for repatriation of profits, employment in the host country is higher than it would have been otherwise.

b. **vertical effect** - the newly established bank may come to develop 'forward' and 'backward' linkages with domestic enterprises, as the latter act as outlets or suppliers respectively to the new entrant. Such an integration within the local economy can generate a beneficial knock-on effect on employment.

c. **horizontal effect** - if the new arrival competes with established indigenous banks, the latter may lose their market share and, as a result, cut their own employment. Competition can thus cause a diversion in employment, from the indigenous to the foreign bank. The extreme form of diversion occurs, of course, when the new entrant buys out an indigenous bank.

All other thinks being equal and on a priori grounds, the first two kinds of effect are likely to be positive. Under both cases, the host country's employment level will be higher than it would otherwise have been. The third effect is likely to be negative, its extent being determined by the degree of competition generated. It could even be positive, if the new arrival complements the domestic counterparts through collaborative ventures.

The first kind of effect is most difficult to establish because it involves the whole economy of which the new entrant may be a tiny component. The effect is usually assessed through simulations on macroeconomic models, designed to show the outcome under an alternative situation in which there are no new entrants. The result is then compared with the actual outcome associated with the entrant. The simulations performed by the author showed that unless each new arrival was exceptionally large and investing more than £100 million (in 1985 prices), the beneficial employment effect was very small. Few new arrivals in the United Kingdom have involved expenditure of this order in one lump sum.

Accordingly, the analysis in the next section ignores this effect. For now, we can only note that over time this effect could build up and be positive as the number of entrants increase.

5.3 The Vertical and Horizontal Employment Effects

In order to assess these effects, we need first to examine the evolution of multinational banking in the United Kingdom. In this context, it is worth nothing that around 95 per cent of staff employed by foreign-owned MNBs in the United Kingdom are based in London (THE BANKER, November 1985).

Table 5.1 shows the number of foreign MNBs based in London; and Table 5.2 their staff numbers. A number of noteworthy points emerge:

a. the headcount strength of the London-based foreign MNBs is currently around 43,000. They also have about 2,500 staff operating outside London. Together, they account for around 12 per cent of the total banking employment in the UK;

b. in the last decade, the annual rate of new arrivals was about 10 per cent and staff growth about 16 per cent. In this decade, these rates have decelerated sharply, to 2 and 6 per cent respectively.

c. the foreign MNBs' employment growth is still impressive in the national context. Employment in domestic banks increased annually at 3 per cent in the last decade - a rate that has slowed down to around 1 per cent in this decade (Rajan, 1985; CLCB, 1985).

Table 5.1 London's Foreign Banking Community

Year	Directly represented*	Indirectly represented+	Total
1967	114	-	114
1968	135	-	135
1969	138	-	138
1970	163	-	163
1971	176	25	201
1972	215	28	243
1973	232	35	267
1974	264	72	336
1975	263	72	335
1976	265	78	343
1977	300	55	355
1978	318	69	382
1979	330	59	389
1980	353	50	403
1981	353	65	418
1982	379	70	449
1983	391	69	460
1984	403	67	470
1985	399	64	463

* Directly represented through a representative office, branch or subsidiary.

\+ Other banks indirectly represented through a stake in a joint venture or consortium bank.

Source: THE BANKER, November 1985

Table 5.2 Staff Employed by Foreign Banks and Securities Houses in London

Year	Numbers	% increase
1968	9,107	
1969	9,901	+ 8.7
1970	11,813	+ 19.3
1971	12,710	+ 7.6
1972	14,970	+ 17.8
1973	17,338	+ 15.8
1974	19,082	+ 10.1
1975	20,881	+ 9.4
1976	21,799	+ 4.4
1977	24,294	+ 11.4
1978	28,808	+ 18.6
1979	30,582	+ 6.2
1980	31,132	+ 1.8
1981	32,631	+ 4.8
1982	35,155	+ 7.7
1983	38,020	+ 8.1
1984	39,175	+ 3.0
1985	42,767	+ 9.2

Source: THE BANKER, November 1985

Against this background the case studies and the unpublished research (referred to earlier) have tried to identify the vertical and horizontal effects implicit in employment growth performance. In both cases, the assessment is based on structured interviews with 20 significant foreign MNBs, indigenous banks and other non-banking institutions. The assessment on the vertical and horizontal effects is as follows.

In the early 1970s when the rate of new arrivals was high, the **vertical effect** was probably small. This is because the new arrivals constituted an 'enclave' in two respects. First, most of their dealings were with multinational enterprises with origins in the same countries as the MNBs. Their global trading and financial needs were being served from global locations rather than from the country of origin, as has been the tendency recently (see the case study on the United States MNB in the last Chapter). Second, most of the new entrants tended to enter the Eurocurrency market, offering highly specialised high-value, low-volume syndicate services in conjunction with a handful of other banks. If the 'forward' and 'backward' linkages were there, their employment implications were probably very small.

In contrast, the vertical impact is more noticeable in this decade, especially on the retailing side. A number of MNBs are now involved in collaborative ventures with non-banking institutions like insurance companies, building societies and main retailers. The ventures allow the institutions concerned to add banking to the portfolio of services they provide. The MNBs are thus helping to enhance the competitive position of the non-banking institutions. As a result, around 2,000 new jobs have been generated so far this decade - more than 1 per cent of the total employment of the industries concerned. Needless to say, this is a gross figure.

It does not allow for the **horizontal effect**. Here, too, there has been a reversal over time. In the early 1970s, the horizontal effect was probably beneficial but very small. The presence of the MNBs enabled the United Kingdom banks to participate more aggressively in the Eurocurrency markets on a collaborative basis. Risks associated with recycling and loan syndicate were more diffused. The collaboration was undoubtedly mututally beneficial. In employment terms it was distinctly complementary.

In this decade, however, the scale of collaboration has narrowed considerably with the fall in the OPEC surpluses. As a result, the established MNBs are increasingly acquiring a competitive posture, as is evidenced by two typical developments.

First, Citicorp, for example, has recently announced plans to open 250 new branches over the rest of this decade. This at a time when the established domestic banks are expected to have net closures. Since 1968, the rate of their closures has been about 0.5 per cent per annum. In the last four years, the rate has doubled. The building societies, too, are reaching the saturation limits (Rajan, 1985). The underlying reasons are two-fold. First, banks and building societies have invested heavily in new technology. Their annual growth in labour productivity has been running at between 5 and 10 per cent - a rate that is enough to accommodate new business without creating capacity constraints. Second, the market penetration rate for bank, building society and the Post Office Giro accounts is near the saturation point. These institutions have service infrastructure with considerable productivity potential. Intensification of competition from the foreign-owned MNBs can only hinder realisation of the potential.

The second development relates to the recent take-overs of the securities houses (that is, brokers and jobbers) by foreign (especially United States-based) MNBs. There have been several significant take-overs in the last two years (see THE BANKER, November 1985) ahead of the scheduled **deregulation** in October 1986, that has eliminated the restrictions on the London Securities Market. For now, take-overs have inflated the employment figures of foreign MNBs. In future, increased competition could well cause a sideways displacement. It is estimated that the de-regulation will have created about 6,000 jobs in the period 1984-87 (Rajan, 1987). Of these nearly a half are accounted for by foreign MNBs. Most, if not all, of their growth is due to the creation of new dealing capacity that can over time compete with the indigenous institutions.

As a result of these two developments, since 1981 well over half of the employment growth in the MNBs in London (over 6,000 jobs) constitutes horizontal displacement. When offset against the vertical effect of 2,000, there still remains a **net displacement effect** of 4,000 (or about 5 per cent of banking employment in the UK). The figure is probably less because of the unquantifiable macroeconomic effect. In any event, these figures are indicative rather than definitive.

5.4 Summary

This Chapter has attempted to assess whether the foreign-owned MNBs operating in the United Kingdom have complemented or displaced jobs in the domestic banking industry. The main points emerging are:

a. there are three possible kinds of employment effects associated with the MNBs: macroeconomic, vertical linkage and horizontal. In theory, the first two complement and the third displace jobs in the domestic industry;

b. there has been a rapid growth in the number of foreign owned MNBs and their staff numbers since 1967. The rate, however, has decelerated. Some of the growth in recent years is purely acquisitional;

c. in the last decade, the beneficial **vertical effect** was probably small, over time, especially in this decade, it has grown as the MNBs have entered collaborative ventures with the non-banking institutions and permitted them to diversify into banking services. About 2,000 new jobs have come about as a result;

d. in contrast, the **horizontal effect** was small but beneficial in the last decade: the newly arrived MNBs collaborated with the indigenous ones to spread the risks associated with the Eurocurrency operations. In this decade, with the fall in the OPEC funds, scope for collaboration has contracted. As a result, the MNBs have started entering unchartered areas (like retail banking) and intensified competition, at a time when the market penetration rate is high and technology has increased productivity. As a result, displacement possibilities have increased. About 6,000 jobs could well have been displaced;

e. when the vertical and horizontal effects are considered together, over the period 1981-85, there is still a net displacement of around 4,000 jobs, equal to 5 per cent of UK banking employment. Probably, the figure is slightly lower, when allowance is made for the macroeconomic effect.

CHAPTER 6 CONCLUSIONS AND THEIR IMPLICATIONS

6.1 Principal Issues

This study has relied on a number of sources of information. The last three Chapters, analysing this information, have each had a distinct focus. The salient points that emerge from them are brought together in this Chapter.

As the prime concern of this study is the quantity and quality of employment in the MNBs, it is only logical to attempt the synthesis under these headings. In order to be clear about its context, we consider two questions:

a. when considered in a historical context, what do recent employment trends herald for the rest of this decade?

b. what are main qualitative developments and their future implications?

6.2 Recent and Future Trends in Employment

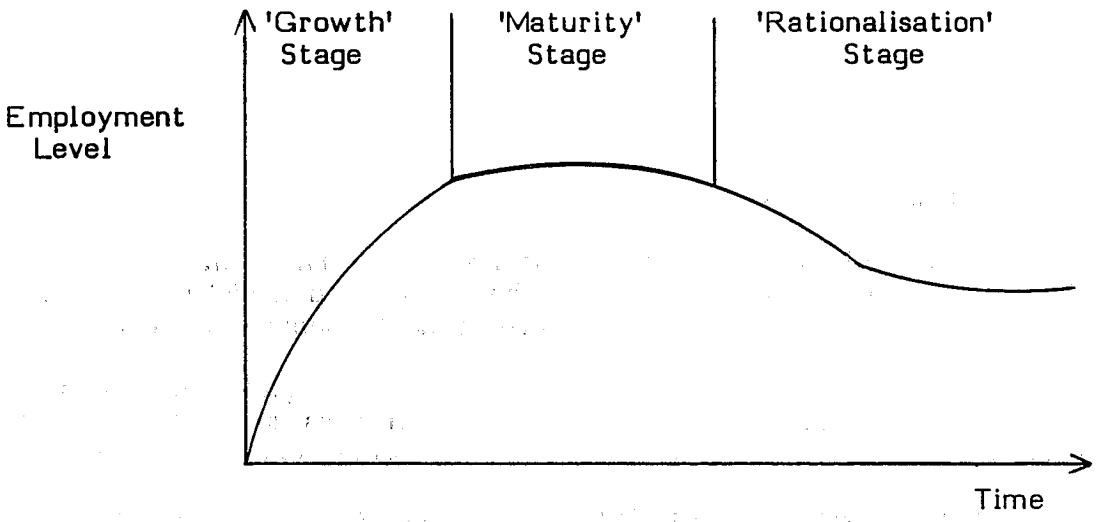
Considered together, the findings show that there has been a slowdown in the rate of growth of employment in this decade so far. In the historical context, this slowdown marks a departure from the past experience. Both the recent pattern and its causative factors show that, as an industry, multinational banking is merely following an evolutionary trajectory similar to that of many long established mature industries.

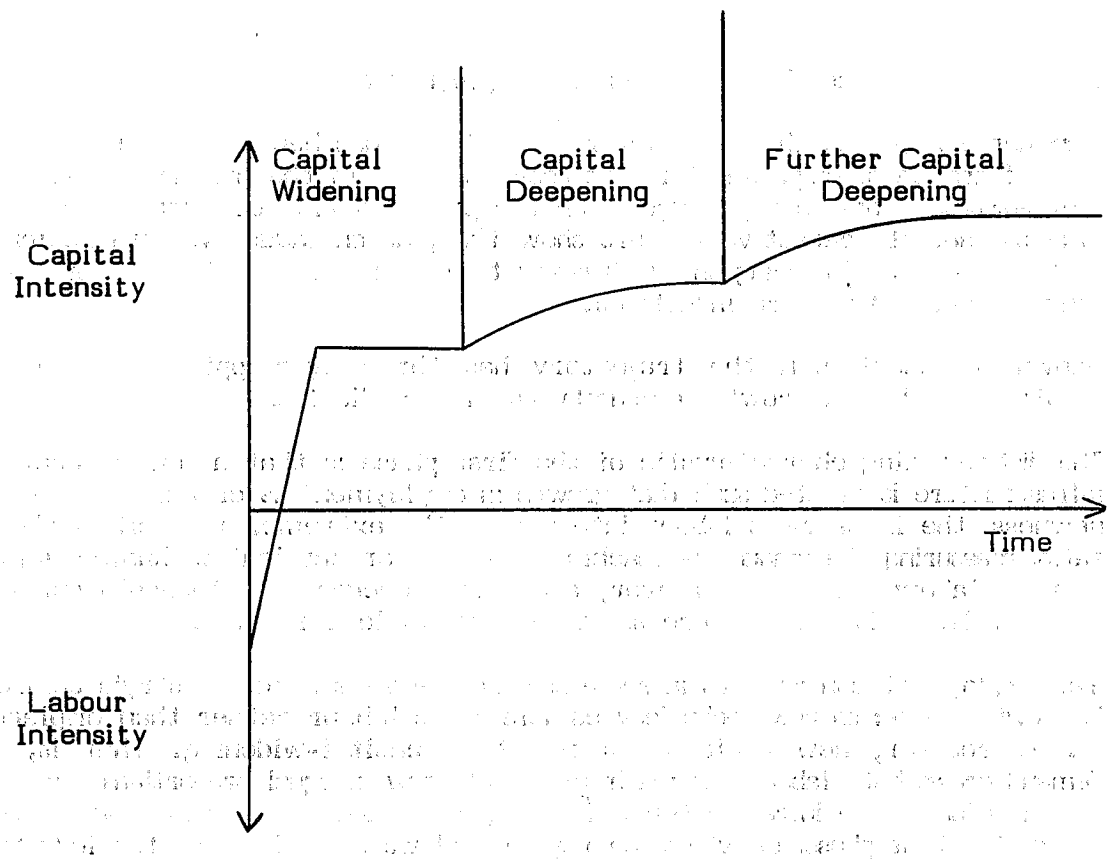
Shown in Chart 6.1, the trajectory has three overlapping but clearly identifiable phases: growth, maturity and rationalisation.

The distinguishing characteristic of the **first** phase is that a new productive infrastructure is created such that growth in employment is organic. Given its newness, the industry is labour intensive in the extreme: its capital-labour ratio, measuring the amount of machinery and other physical technologies per unit of labour, is low. However, as growth occurs new technologies are applied. There is a step increase in the capital-labour ratio.

Yet employment continues to increase because the volume of industry's demand is growing apace: so new technology complements labour rather than displaces it. Thereafter, new applications result in **capital-widening**. That is, as demand grows both labour and machinery input grow in equal proportions towards the creation of the infrastructure. However, as the industry moves towards the end of the first phase, growth in employment slows down because the industry has matured and become established.

Chart 6.1 Employment Trajectory in Historical Context





The main characteristic of the **second** stage is maturity. The market penetration of the industry's products is high by now so that demand growth slows down. Competitive pressures intensify and new job saving technologies are introduced, such that the capital labour ratio increases. The increase could be continuous because competition accelerates the pace of innovation. The industry enters the phase of **capital-deepening:** machinery increasingly replaces human inputs. Also new dynamic economies of scale associated with the phenomenon of 'learning by doing' are real. Productivity is growing rapidly and consistently. The employment level attains relative stability because the replacement process is gradual and exposed to various countervailing devices like technology agreements and social legislation which protect jobs temporarily.

Over time, however, as market penetration reaches an upper limit on a world-wide basis, demand reaches relative stability. Competition is intensified. Innovative and efficient producers increase their market shares. The weaker ones fall by the wayside. A process of rationalisation begins and the industry reaches the third phase whose dominant characteristic is rationalisation of capacity.

In the context of this trajectory, the multinational banking industry is fast approaching the second stage; some significant MNBs are already in it. The drive towards maturity has coincided with the advent of the information technology revolution and world-wide de-regulation. The timing and the length of the second phase are a matter of conjecture and vary between individual MNBs. However, for the multinational banking industry as a whole, what is now certain is that the era of high employment growth is bygone. Stability rather than growth will be the dominant thrust.

For those MNBs mature enough to be in the second phase, growth in employment will increasingly come via take-overs or product diversification that takes them into non-banking services. Such diversification will cause displacement elsewhere. No doubt, new banking services will also be produced but these will be technology-intensive. Market shares of banking services may increase but only at the expense of others. But for the industry as a whole, the balance of probability is towards stability rather than growth in the rest of this decade.

6.3 Quality of Employment

Factors influencing the quantity of employment are also affecting its quality. Chapter 4 identified a number of developments which appear paradoxical at first sight:

a. new employment opportunities are created but they are not open to all occupational groups

b. the role of specialists is increasing; but so is that of generalists in various occupations

c. the stock of human capital is increasing through education and training but its composition is very uneven

d. some tasks are being re-skilled; others not

e. job enlargement is occurring on a large scale; but so is functional specialisation

f. share of female staff is rising; but not their career opportunities

g. some occupational groups have a high turnover; others not

h. the headcount is growing; but so is part-time work.

These developments paint a highly varied picture of qualitative developments with no clear pattern. On reflection, however, the picture becomes clearer once it is appreciated that the employment structure is becoming increasingly **segmented.** This much is clear once the individual layers are identified and put together.

The structure has well defined layers, distinguished principally by the three traditional occupational groups: senior managers (including directors and chief executives); managers and professionals; and clerical. Their hierarchical order is given in Chart 6.2.

Early last decade, this structure was pyramid-shaped. Most new entrants started at the bottom with school leaving qualifications and gradually worked their way up on performance record. Now it is marquee-shaped. That is one development. But within the bottom two layers there have been a number of changes. On the one hand, they have preserved the hierarchy. On the other, they have caused pronounced segmentation. This is shown in Chart 6.3.

Taking the **second layer** first, here we have two broad groups - managers and professionals - segmented into 4 sub groups: managers, computer specialists, discipline specialists and transitional.

Managers have clear line responsibilities at the head office or branches. They have risen through career progression from within the clerical ranks. Those with university qualifications and/or exceptional talents are earmarked for senior management positions (in the top tier). In that group, they preside over extreme functional integration in more than one area, in order to achieve economies of scale. So, university qualifications and varied work experience augmented by regular modular training, are the main defining characteristics of those destined for the top tier. The non-university qualified managers do not usually rise beyond the second tier.

The **computer and discipline specialists** are usually graduates recruited from outside. They do not emerge from the third layer. The disciplines in question are usually (but not invariably) economics, banking, marketing, mathematics and psychology. Both types of specialists have come into their own as a result of the applications of new technologies. The former service the techno-infra structure. The latter perform planning, management information and advisory functions. Apart from formal qualifications, they all have regular training - in-house and external; on-the-job and off-the-job. Their jobs are highly knowledge-intensive.

The **transitional** group again is like the managerial group but only in seniority and career progression. It does not have much line responsibility but works as semi-professional semi-autonomous 'bridge builder' - between the professionals on the one hand and the rest of the bank, on the other. It does not have much formal qualifications either but is characterised by varied work experience, widely-based aptitude and regular training. They are the generalists but with a professional bent. Apart from co-ordination they perform low level technical functions like programming, forecasting, planning, data analysis and legal advice.

Moving down the hierarchy, in the **third layer** the segmentation becomes even more pronounced. There are two broad categories of clerical staff: career and

Chart 6.2 Occupational Structure : An Overview

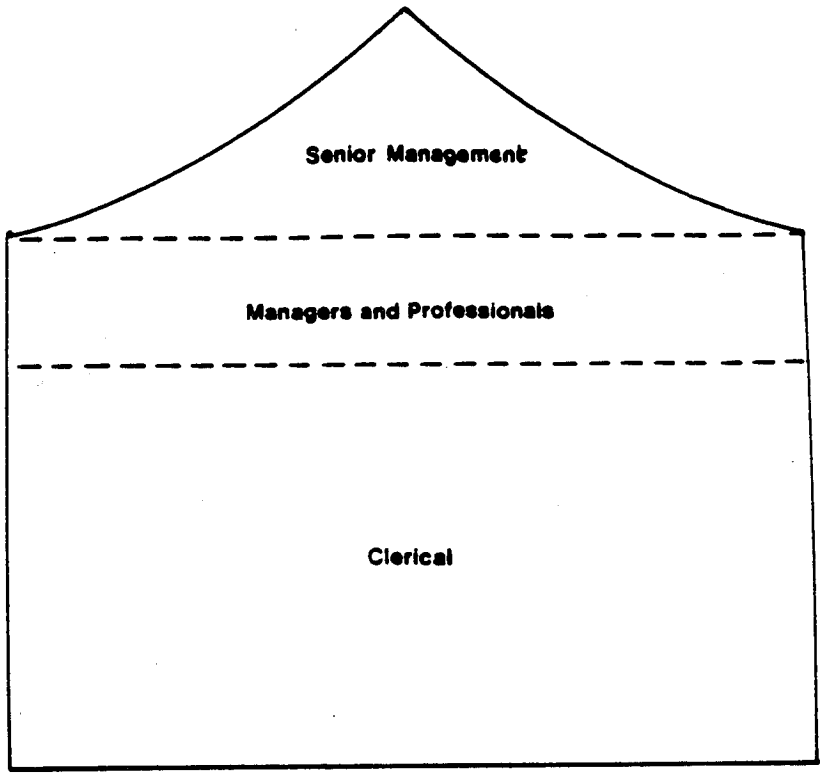
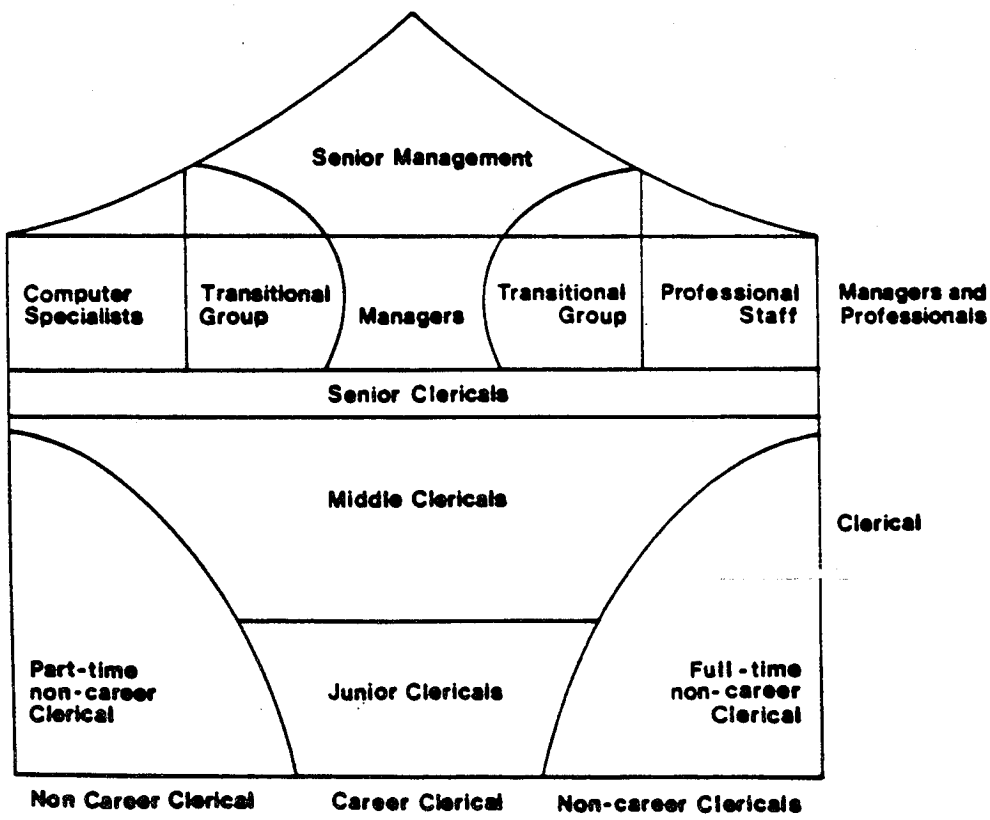


Chart 6.3 Evolving Occupational Structure



non-career, the distinguishing characteristics being the entry qualifications and the scope of career progression.

The **career group** covers school leavers and adults with good school leaving qualifications. They are usually selected through a comprehensive 'screening' procedure, designed to identify their career potential. They constitute the seed-bed for future managers. Some of them are even university graduates, receiving accelerated training on the job.

The **non career group** mainly covers women working as secretaries, cashiers, typists, VUD operators, receptionists and counsellors. They enjoy some career progression but only up to the supervisory level which, at best, puts them on par with senior clericals. Increasingly they include part-time staff. Their entry qualifications are basic numeracy, literacy and/or typing ability. They receive initial on-the-job training. But that is all. New technology and work re-organisation have standardised a number of banking operations along factory lines. Routinsation and specialisation are the norms for the non-career group. This is the fastest-growing group in banking employment.

From the foregoing we can see that the structure of employment has changed in the last 10 years. The hierarchy is maintained; yet segmentation is reinforced. So let us return to the paradoxes mentioned earlier and try and explain them:

a. employment opportunities are created but only for those with high qualifications or career potential. Most of the women who are recruited have neither.

b. technology and changing business mix have given rise to specialist skills. As a result generalists are needed to provide the interface between specialists and the bank.

c. segmentation means that advanced qualifications and continuous training are needed, but only for some.

d. the second layer and the career components of the third layer require specialist and/or generalist skills because their work is either knowledge-intensive or experience-intensive. In either case, the work tasks are complex or highly varied, requiring a wide repertoire of skills.

e. job enlargement affects the managerial, transitional and career clerical group. The structure of their jobs has been enlarged to include a variety of tasks. The non career and specialist groups, on the other hand, have extreme functional specialisation because of the routine and knowledge-intensive nature of their work respectively.

f. work standardisation permits automation. The new entrants are mainly women coming into the non career group subject to extreme standardisation. Their qualifications and work experience inhibit career progression.

g. the specialists and non career groups have a high turnover. The demand for specialists is universal. Their knowledge is not necessarily industry-specific. The non clericals, on the other hand, suffer from boredom because of extreme routinisation. They prefer to change jobs regularly to relieve monotony.

h. standardisation enables work measurement to the extent that it is possible to calculate correctly the amount of labour input. Growth in part-time work is in response to this phenomenon as well as due to greater cost consciousness in the face of gathering competition.

To sum up, therefore, the qualitative changes are far from paradoxical. If anything, they are symptomatic of the maturity of the multinational banking industry, aided and abetted by technology, competition and changing business mix. The evolving employment structure suggests dynamic equilibrium: retention of a hierarchical structure combined with segmentation caused by the drive towards maturity. In other words, the structure of multinational banking is fundamentally stable, yet changing.

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Appendix Table A.1 Evolution of Employment in Individual Banks: 1981-84

1984 Rank	Bank (Country or (Area of Origin)	Employment (thousands) 1981	Employment (thousands) 1984	Period 1981-84 Average Annual Growth(%)	Period 1981-84 Trend
1.	Citicorp (United States)	58.2	71.0	7.0	UP
2.	Dai-Ichi Kangyo Bank (Japan)	23.8	21.9	-3.0	DOWN
3.	Fuji Bank (Japan)	19.1	16.4	-5.0	DOWN
4.	Bank of America (United States)	87.5	87.3	-0.5	DOWN
5.	Mitsubishi Bank (Japan)	18.9	15.8	-5.0	DOWN
6.	Sumitomo Bank (Japan)	18.3	15.1	-6.0	DOWN
7.	Banque Nationale de Paris (France)	50.7	60.0	6.0	UP
8.	Sanwa Bank Japan	17.2*	16.1	-2.0	DOWN
9.	Credit Agricole (France)	63.3	74.2	6.0	UP
10.	Credit Lyonnais (France)	45.5	45.8	0.0	STATIC
11.	Societe Generale (France)	33.8	44.1	10.0	UP
12.	Barclays Group (United Kingdom)	117.8	125.9	2.5	UP
13.	Norinchukin Bank (Japan)	3.0	3.3	2.0	UP
14.	National Westminster Bank (United Kingdom)	84.0	90.0	2.5	VARIABLE
15.	Industrial Bank of Japan (Japan)	5.1	5.9	5.0	UP

1984 Rank	Bank (Country or Area of Origin)	Employment (thousands) 1981	Employment (thousands) 1984	Period 1981-84 Average Annual Growth(%)	Period 1981-84 Trend
16.	Chase Manhattan Corp. (United States)	34.1	43.6	9.0	VARIABLE
17.	Tokai Bank (Japan)	14.6	14.2	-1.0	VARIABLE
18.	Deutsche Bank (Federal Republic of Germany)	44.8	47.9	2.0	UP
19.	Manufacturers Hanover Corp. (United States)	26.2	32.3	8.0	UP
20.	Midland Bank (United Kingdom)	82.8	80.6	-1.0	DOWN
21.	Mitsui Bank (Japan)	12.2	5.4	-28.0	VARIABLE
22.	Bank of Tokyo (Japan)	14.9	14.6	-0.5	DOWN
23.	Long-Term Credit Bank of Japan (Japan)	3.5	3.5	0.0	STATIC
24.	Royal Bank of Canada (Canada)	38.8	38.2	-0.5	DOWN
25.	Mitsubishi Trust & Banking Corp. (Japan)	6.0	6.6	3.3	VARIABLE
26.	J P Morgan (United States)	12.0	12.9	2.0	VARIABLE
27.	Taiyo Kobe Bank (Japan)	15.4	15.8	1.0	STATIC
28.	Hong Kong & Shanghai Banking Corp. (area of Hong Kong)	41.5	45.4	3.0	UP
29.	Mitsui Trust & Banking (Japan)	5.9	5.4	-3.0	DOWN

1984 Rank	Bank (Country or Area of Origin	Employment (thousands) 1981	Employment (thousands) 1984	Period 1981-84 Average Annual Growth(%)	Period 1981-84 Trend
30.	Sumitomo Trust & Banking (Japan)	6.3	6.2	0.0	DOWN
31.	Bank Paribas (France)	25.8	28.0	2.5	UP
32.	Dresdner Bank (Federal Republic of Germany)	31.0	32.1	1.0	VARIABLE
33.	Bank of Montreal (Canada)	28.5	33.6	6.0	UP
34.	Daiwa Bank (Japan)	11.4	10.0	-4.0	DOWN
35.	Lloyds Bank (United Kingdom)	66.0	70.8	2.5	VARIABLE
36.	Union Bank of Switzerland (Switzerland)	16.5	17.5	2.0	UP
37.	Chemical New York Corp. (United States)	19.7	20.1	0.5	VARIABLE
38.	Canadian Imperial Bank of Commerce (Canada)	34.9	32.6	-3.5	DOWN
39.	Banco do Brasil (Brazil)	99.8	116.7	5.5	VARIABLE
40.	Yasuda Trust & Banking (Japan)	4.9	5.3	2.5	UP
41.	Swiss Bank Corp. (Switzerland)	13.9	14.4	1.0	VARIABLE
42.	Banca Nazionale del Lavoro (Italy)	22.1	25.0	4.0	UP
43.	Westdeutsche Landesbank Girozentrale (Federal Republic of Germany)	7.0	7.2	1.0	VARIABLE

1984 Rank	Bank (Country or Area of Origin)	Employment (thousands) 1981	Employment (thousands) 1984	Period 1981-84 Average Annual Growth(%)	Period 1981-84 Trend
44.	Security Pacific Corp. (United States)	27.4	29.8	3.0	UP
45.	First Interstate Bancorp. (United States)	31.2	33.4	2.5	UP
46.	Bank of Nova Scotia (United States)	23.9	25.5	2.0	VARIABLE
47.	Bankers Trust (United States)	12.4	10.4	-5.0	DOWN
48.	Algemene Bank Nederland (Netherlands)	28.3	28.3	0.0	DOWN
49.	Nippon Credit Bank (Japan)	1.8	2.0	3.6	UP
50.	Standard Chartered Bank (United Kingdom)	54.6	55.6	0.5	UP
51.	Banca Commerciale Italiana (Italy)	21.1	22.7	2.5	UP
52.	Bayerische Vereins-bank (Federal Republic of Germany)	11.1	13.0	5.5	UP
53.	First Chicago Corp. (USA)	11.1	13.9	8.5	UP
54.	Commerzbank (Federal Republic of Germany)	21.1	22.8	2.5	UP
55.	Kyowa Bank (Japan)	11.5	10.9	-1.5	DOWN
56.	Shoko Chukin Bank (Japan)	7.3	6.9	-2.0	DOWN
57.	Rabobank (Netherlands)	27.9	29.2	1.5	UP

1984 Rank	Bank (Country or Area of Origin	Employment (thousands) 1981	Employment (thousands) 1984	Period 1981-84 Average Annual Growth(%)	Period 1981-84 Trend
58.	Amsterdam-Rotterdam Bank (Netherlands)	24.2	23.3	- 1.0	DOWN
59.	Institute Bancario San Paulo (Italy)	12.9	17.3	11.5	UP
60.	Toyo Trust & Banking (Japan)	4.7	4.8	0.5	VARIABLE
61.	Saitama Bank (Japan)	9.1	8.6	- 2.0	DOWN
62.	Toronto-Dominion Bank (Canada)	19.0	17.5	- 3.0	DOWN
63.	Bayerische Hypotheken- und Wechsel-Bank (Federal Republic of Germany)	11.6	11.4	0.0	VARIABLE
64.	Bayerische Landesbank Girozentrale (Federal Republic of Germany)	4.0	4.1	0.5	STATIC
65.	Credit Suisse (Switzerland)	12.4	12.2	- 0.5	DOWN
66.	Cariplo (Italy)	12.4	13.5	1.0	UP
67.	Credito Italiano (Italy)	18.4	18.3	0.0	STATIC
68.	Westpac Banking Corp. (Australia)	40.0*	41.0	1.0	VARIABLE
69.	Generale de Banque (Belgium)	15.7	41.0	40.0	VARIABLE
70.	Monte dei Paschi di Siena (Italy)	15.0*	16.0	2.2	UP

1984 Rank	Bank (Country or Area of Origin)	Employment (thousands) 1981	Employment (thousands) 1984	Period 1981-84 Average Annual Growth(%)	Period 1981-84 Trend
71.	Continental Illinois Bank (United States)	12.7	9.6	- 8.0	DOWN
72.	Hokkaido Takushoku Bank (Japan)	7.5	6.9	- 3.0	DOWN
73.	Bank Melli Iran (Iran)	18.2	18.0	- 0.5	DOWN
74.	Rafidain Bank (Egypt)	12.3	14.0	4.5	UP
75.	Norddeutsche Landesbank Girozentrale (Federal Republic of Germany)	4.8	4.4	- 3.0	DOWN
76.	Mellon National Group (United States)	6.3	14.8	46.0	VARIABLE
77.	Credit Industriel et Commercial (France)	24.8	26.4	2.0	UP
78.	Bank of Yokohama (Japan)	7.7	7.2	- 2.5	DOWN
79.	Wells Fargo (United States)	18.2	16.0	- 4.0	DOWN
80.	Banco di Roma (Italy)	16.0	16.0	0.0	VARIABLE
81.	Australia & New Zealand Banking (Australia)	23.8	36.8	18.0	VARIABLE
82.	Deutsche Genossenschaftsbank (Federal Republic of Germany)	2.1	2.4	5.0	UP
83.	Banque Indosuez (France)	8.4	9.8	5.5	UP
84.	State Bank of India (India)	214.6	257.2	6.5	UP

1984 Rank	Bank (Country or Area of Origin	Employment (thousands) 1981	Employment (thousands) 1984	Period 1981-84 Average Annual Growth(%)	Period 1981-84 Trend
85.	Commonwealth Banking Corp. (Australia)	31.1	31.4	0.0	VARIABLE
86.	Zenshinren Bank (Japan)		9.6		
87.	Banco di Napoli (Italy)	13.3	13.0	- 1.0	DOWN
88.	Kreditanstalt für Wiederaufbau (Federal Republic of Germany)		8.0		
89.	Banco Espanol de Credito (Spain)	25.8	20.2	- 7.0	DOWN
90.	First Bank System (United States)	10.0*	9.4	- 3.5	DOWN
91.	Interfirst Corp. (United States)	7.0	10.4	16	UP
92.	Norwest Bencorp (United States)	12.5	15.9	11	VARIABLE
93.	Banque Bruxelles Lanbert (Belgium)	11.8	11.8	0	STATIC
94.	First National Boston Corp. (United States)	12.6	16.0	9.0	UP
95.	Chuo Trust & Banking (Japan)	3.7	3.7	0.0	STATIC
96.	Bank Leumi le-Israel (Israel)	15.6	14.9	- 1.5	DOWN
97.	MCorp (United States)		11.8		
98.	Republic Bank Corp. (United States)	6.9	8.4	8.5	UP

1984 Rank	Bank (Country or Area of Origin	Employment (thousands) 1981	Employment (thousands) 1984	Period 1981-84 Average Annual Growth(%)	Period 1981-84 Trend
99.	Groupe des Banques Populaires (France)	26.0	27.6	2.0	UP
100.	Skandinaviska Enskilda Banken (Sweden)	6.8	7.8	5.0	UP
	TOTAL	2409.3	2595.1	2.5	UP

Source: THE BANKER, June 1981, 1982, 1983 and 1984

Appendix Table A.2: Restrictions on foreign commercial bank entry

Country or area	No foreign presence	No new foreign commercial bank entry	No foreign commercial banking except representative offices	No foreign commercial bank branches	No equity interest in indigenous commercial banks	No controlling interest in indigenous commercial banks	No restrictions found	Restrictions indeterminate
Afghanistan	X	X		X	X	X		
Algeria			X	X	X	X		
Argentina							X	
Australia			X	X		X		
Austria							X	
Bahamas							X	
Bahrain				X		X		
Bangladesh					X	X		
Barbados							X	
Belgium							X	
Belize							X	
Benin		X		X	X	X		
Bermuda				X		X		
Bolivia							X	
Botswana				X				
Brazil					X	X		
Bulgaria	X	X	X	X	X	X		
Burkina Faso						X		
Burma			X	X	X	X		
Burundi							X	
Cameroon				X				
Canada				X		X		
Cape Verde							X	
Cayman Islands							X	
Central African Republic						X		
Chad								X
Chile							*	
China				X	X	X	X	
Colombia			X	X	X	X		
Congo				X		X		
Costa Rica				X	X	X		
Côte d'Ivoire							X	
Cuba	X	X		X	X	X		
Cyprus						X		
Czechoslovakia	X	X		X	X	X		

Appendix Table A.2: (cont.)

Country or area	No foreign presence	No new foreign commercial bank entry	No foreign commercial banking except representative offices	No foreign commercial bank branches	No equity interest in indigenous commercial banks	No controlling interest in indigenous commercial banks	No restrictions found	Restrictions indeterminate
Denmark						*		
Djibouti							X	
Dominican Republic				X		X		
Ecuador				X		X		
Egypt						X		
El Salvador			X	X	X	X		
Ethiopia	X	X		X	X	X		
Fiji							X	
Finland				X		X		
France							X	
Gabon							X	
Gambia				X		X		
German Democratic Republic			X	X	X	X		
Germany, Federal Republic of							X	
Ghana				X				
Greece						X		
Guatemala			X	X	X	X		
Guinea	X	X		X	X	X		
Guinea-Bissau								X
Guyana		X		X	X	X		
Haiti				X	*			
Honduras							X	
Hong Kong				X				
Hungary				X	X	X		
Iceland						X		
India			X	X	X	X		
Indonesia			X	X	X	X		
Iran, Islamic Republic of								X
Iraq	X	X		X	X	X		
Ireland				X	X			
Israel							X	
Italy							X	
Jamaica							X	
Japan							X	
Jordan				X				
Kenya							X	
Korea, Republic of				X	X	X		

Appendix Table A.2: (cont.)

Country or area	No foreign presence	No new foreign commercial bank entry	No foreign commercial banking except representative offices	No foreign commercial bank branches	No equity interest in indigenous commercial banks	No controlling interest in indigenous commercial banks	No restrictions found	Restrictions indeterminate
Kuwait		X		X	X	X		
Lao People's Democratic Republic	X	X		X	X	X		
Lebanon							X	
Lesotho								X
Liberia						(X)		
Libyan Arab Jamahiriya	X	X		X	X	X		
Luxembourg							X	
Madagascar	X	X		X	X	X		
Malawi						(X)		
Malaysia				X		X		
Mali							X	
Malta				X		X		
Mauritania							X	
Mauritius							X	
Mexico			X	X	X	X		
Morocco				X		X		
Mozambique							X	
Nepal	X	X		X	X	X		
Netherlands						(X)		
Netherlands Antilles		X		X	X	X		
New Zealand			X	X	X	X		
Nicaragua								X
Niger				X				
Nigeria				X		X		
Norway			X	X	X	X		
Oman				X		X		
Pakistan					X	X		
Panama							X	
Papua New Guinea					X	X		
Paraguay							X	
Peru				X	X	X		
Philippines				X		X		
Poland			X	X	X	X		
Portugal			X	X	X	X		
Qatar				X		X		
Romania					X	X		

Appendix Table A.2: (cont.)

Country or area	No foreign presence	No new foreign commercial bank entry	No foreign commercial banking except representative offices	No foreign commercial bank branches	No equity interest in indigenous commercial banks	No controlling interest in indigenous commercial banks	No restrictions found	Restrictions indeterminate
Rwanda							X	
Saudi Arabia			X	X	X			
Senegal							X	
Seychelles							X	
Sierra Leone							X	
Singapore				X		X		
Solomon Islands				X				
Somalia	X	X		X	X	X		
South Africa				X		X		
Spain							X	
Sri Lanka							X	
Sudan				(X)				
Suriname		X		X	X	X		
Swaziland						(X)		
Sweden			X	X	X	X		
Switzerland							X	
Syrian Arab Republic			X	X	X	X		
Tanzania, United Republic of		X		X	X	X		
Thailand				X				
Togo						X		
Trinidad and Tobago			X	X	X	X		
Tunisia				X		X		
Turkey			X	X	X	X		
Union of Soviet Socialist Republics			X	X	X	X		
United Arab Emirates	X		X	X	X			
United Kingdom						X		
Uruguay					X			
Venezuela			X	X	X	X		
Yemen					(X)	(X)		
Yugoslavia			X	X	X	X		
Zaire				X				
Zambia							X	
Taiwan, China								*

* Chile: either a representative office or a branch is permitted, but not both; Denmark: de novo subsidiaries are permitted; Haiti: equity participation is unclear; Honduras: no representative offices are permitted; Taiwan, China: branch and representative offices are permitted; equity participation is unclear.

Notes: (X) Indication that the situation is unclear but entry might be possible. This table presents an overview of restricture on foreign bank entry in countries for which information is available. The classifications are based on current practices (August 1979), not statutes. In most cases where restrictions were found to be determinate, foreign banks have not attempted those specific forms of entry, so that clear conclusions about current practices cannot be drawn. Other instances represent cases where government practices are unclear or not defined.

Source: Korsvik (1983).

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