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When French Banks Encounter their Clients

Bank Employees and Financial Inclusion

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Most banks have now abandoned their previous function of providing advice. Instead, they view their services as products designed to maximize profits. They have started invoking the client's autonomy as a way of passing on the risk of financial exclusion to their customers. In what ways have bank employees reacted to these new circumstances?

No one, it would seem, is against financial inclusion, which seeks to facilitate social inclusion and contribute to economic growth by increasing appropriate access to bank services to those who need them. A broad consensus seems to reign among policy makers (as can be seen with the Global Partnership for Financial Inclusion adopted at the Seoul G20 summit of December 2010), banks (which are constantly praised by the French Banking Federation), and voluntary associations (as seen in the recent publication of a Manifesto for Financial Inclusion by the French Red Cross, Secours Catholique, and UNCCAS). However, such a consensus is very superficial. While this issue is often seen as being secondary to the fight against poverty, in which banking is confined to the peripheral question of corporate social responsibility, examining ways of promoting financial inclusion could well call the very essence of banking into question. As one can see in the rising number of clashes between clients and bankers since the financial crisis began[1], bank employees who interact with their clientele find it difficult both to promote financial inclusion and to assume the consequences of its failure. The issue of financial inclusion also requires us to question a conception of the banking industry that sees branch employees as nothing more than the cogs in well-oiled machine designed to promote banking products of all kinds. Promoting financial inclusion cannot occur without these employees and must be coordinated with the often controversial sales they make on a daily basis. But do the banks that employ them make such relationships possible?

[1] The clashes between bank employees and customers are constantly on the rise: +24% in 2008, +14% in 2009, and + 14.7% in 2010. For more information, see the website of the Association Française des Banques

Bank Employees: The Key to Financial Inclusion

Promoting financial inclusion means giving individuals access to the financial products they require to satisfy their needs. It thus consists in providing appropriate access to relevant products, as bank employees typically do. Most of their clients have access to the products they need to receive, save, and distribute their money through deposit accounts and modern forms of payment. These products also assist clients in spreading out the budgetary impact of major expenses or fluctuations in the level of their resources through various forms of credit or by anticipating them through savings products. In practice, bank employees help bring financial inclusion to most people.

Far from being a peripheral concern, financial inclusion is an issue that pertains to the very essence of banking—namely, the quality of the services that banks offer to their clients. However, it is not illegitimate to grant financial inclusion special importance. Unlike other commercial products, the quality of the services that banks offer to their clients and the difficulty that some people face in accessing these services has now become a political issue. The problem of financial inclusion makes it necessary to question the failure of the banking industry, and to see how this failure is inherent in the way in which banks organize their practices.

To identify the causes of these failures and to understand why employees find themselves in a particularly uncomfortable situation, one must define exactly what it is that banks sell. In theory, this is obvious: banks sell deposit and savings accounts, cashless payment instruments (cheques, payment cards, and so on), credit, and savings and investment products. This perception is, however, entirely false. Banks "sell" none of these products. Rather, they make them available to their clients, but banks retain ownership of these products, which can be taken away from a client at any moment. In fact, banks are service providers.

As research on the service economy, notably by Jean Gadrey[2], suggests, banking services can be defined as the provision of a range of technical capacities (accounts, payment cards, and so on) and human abilities (such as their employees' knowledge) to their clients for their use and to produce the effects that they desire. "Sales," such as opening an account or granting a credit line, do not represent the delivery of a completed service, but rather just one step in the process of achieving the effects the client desires. Herein lies all the ambiguities inherent in banking services: what we generally regard as the service product (the granting or adoption of a financial product, advice, and so on) is really comparable to one stage in the production process, while the real product depends on the service's results—namely, its useful effects for the client and the service provider. These results, if they are of good quality, mean financial inclusion for the client and customer loyalty (resulting from customer satisfaction) for the bank – so long, as this relationship remains profitable.

[2] Jean Gadrey, "Les relations de service dans le secteur marchand," in Jacques de Bandt, Jean Gadrey, *Relations de services, marchés de services*, Paris, CNRS Editions, 1994, p. 23-41.

Banks must thus reconcile satisfying their clients' needs with the profit motive resulting from the commercial character of banking institutions. The role of bank employees in resolving this tension is critical. As with many services, the quality of banking services depends on client participation. The latter depends on the unique and partially subjective character of the expected result. Insofar as one client's expectation differs from another's and each client remains the judge of his/her own satisfaction, it is imperative that the client be involved in the definition of the service being offered. This participation is also necessary insofar as clients who use the products made available to them transform the process of producing the service into a process of joint production. Clients and employees should, in theory, collaborate:

- when a new product is granted. It requires the client to tell the employee what he/she wants and to provide the information that will allow the employee to evaluate the request and provide the advice and explanations the client needs;

- when any changes in the client's circumstances require adjusting the product features he/she uses (for example, increasing authorized overdrafts or reducing monthly payments on a loan);

- when banking rules and norms are implemented as a result of the way in which a client uses particular products (by making a payment using an account with insufficient funds or repaying a loan ahead of schedule, clients impact the results of the service for themselves as well as for the service provider).

Each of these critical moments in the service relationship implies that the banker and client have reached an agreement through a common language and common interests. Despite the many reasons that could result in the failure of this collaboration (economic discrepancies, sociocultural distance, and so on), it is an essential ingredient in mitigating uncertainty regarding the quality of the service's outcome. Only the banker's expertise, based on experience and an ability to negotiate and advise, guarantees that the particularities of the client's needs and expectations will be considered[3]. Yet structuring the service in this way is particularly costly for the bank, as it requires the employee to spend enough time with the client to come to an agreement. The emphasis on profits that influences such institutions often leads them to adopt other choices.

Commercial Strategies and the Redefinition of the Role of Client-Focused Employees

Since the early 1980s, the liberalization of the banking industry and the evolution of the relative profitability of its various activities (particularly finance) have led banks to come to see their individual customers as a profitable market. To this end, the services they provide have

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[3] Frank Knight, Risk, *Uncertainty and Profit*, Boston/New York, Houghton Mifflin/The Riverside Press, 1921. For an analysis of the uncertainty tied to bank services, see Georges Gloukoviezoff, *L'Exclusion bancaire. Le Lien social à l'épreuve de la rentabilité*, Paris, Presses Universitaires de France, 2010.

been largely rationalized, thanks to new information technology and marketing theories[4]. While the banker's expertise once made it possible to determine, in collaboration with clients, the products that were best suited to their needs, databases analyses of clients' banking data could now offer suitable approximations of these needs at a much lower cost.

Bank employees' capacity for action has thus been gradually restricted by a number of decision-making tools based on scoring and data-mining. Bank computer systems provide their employees with a range of products that are available to clients depending on the scores they receive, which reflect past experiences with other clients possessing similar profiles. This trend, which can be seen across the banking industry, has deeply transformed the role of employees who interact with clients: they are no longer experts who try to determine what is best for their clients, but salespeople who draw upon a set of pre-established options to make a sale. Bank employees are no longer advisers, but salespersons that are evaluated, promoted, and often paid on the basis of the number of products they manage to sell to their clients. This trend would appear to be a pragmatic response to the challenge of managing a mass clientele. But it is also an assertion of the bank's power over its employees, who previously had considerable knowledge of the markets in which they were operating[5]. This transformation remains, however, incomplete. It continues to run up against banking's most distinctive feature: the client's unique needs and expectations, which is precisely what makes banking services useful.

This is one of the limitations that the problem of financial exclusion brings to light. The use of computerized tools to define the parameters of banking services has many advantages: databases draw on a body of clients that is far greater than the experience of any individual banker; potential ethnic or gender biases are neutralized; decisions are quick and cheap, and so on. Yet the efficiency of this approach rests upon one crucial hypothesis: the client must be able to determine whether the "readymade" service he/she is offered will or will not meet the client's unique needs. Indeed, the databases that banks use are totally ignorant of whether a service is actually useful for particular clients. They keep records of credit payments, payments by card and cheque, account activity, and possible problems. Yet this data provides no information about a client's personal satisfaction. Furthermore, these databases tell us nothing about the clients who were denied access to particular products. They make it possible only to evaluate the quality of the service's outcome from the standpoint of the service provider, leaving it to the customer to evaluate other aspects of the service on his/her own. The banking relationship thus consists less in cooperation than in a division of labor.

This approach is relatively unproblematic for simple products (like deposit accounts) that are widely used by a socioeconomically stable clientele which is well represented in bank databases. Yet as soon as one is dealing with client profiles and products that are more complex, the appropriateness of the solutions offered by the databases diminishes dramatically. The

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[4] Gloukoviezoff, *L'Exclusion bancaire*

[5] David Courpasson, *L'Action contrainte. Organisations libérales et domination*, Paris, Presses Universitaires de France, 2000.

application of these pre-established solutions, while they generally protect the interests of the service provider, can prove devastating for clients who are unable to predict their effects.

This is the experience of clients who, because their income fluctuates from month to month, are regularly charged bank fees when they are unable to meet monthly credit payments or cover directly debited rent or utility payments. From a banking perspective, these fees are justified by the clients' failure to honor the terms of the contract and by the fact that they are profitable, as long as the client assumes the costs. For low-income clients, such expenses entail financial hardship, which often means cutting particular items in their budget (food, health, etc.). Yet clients with stable incomes seeking to build up financial assets can experience similar effects. The ignorance of these unique needs on the part of bankers who are exclusively or primarily dependent on databases led many, following their banker's advice, to invest the totality of their retirement savings in the stock market in the first half of the 2000s, resulting in partial or total loss of their savings during the financial crisis.

The disastrous results of the influence of short-term commercial goals and the denial of the expertise of branch employees in favor of database analysis is explained by the lack of realism of one of marketing's central postulates: that clients are responsible for evaluating the appropriateness of the banking solutions they are offered. This positive discourse about client autonomy obscures the fact that, when their needs are complex, it is generally impossible for them to make appropriate banking decisions, except when the following conditions pertain:

- adequate competence in calculating and managing a budget (and in finance, when investing is involved);

- professional knowledge of existing banking products and their features;

- an ability to evaluate the medium- and long-term effects of particular products, such as the likely rate of return on an investment;

- an ability to distance oneself from the emotions (the pressures of social precariousness, concern about the future, the desire to become a homeowner, and so on) that arise inevitably from needs demanding satisfaction, in order to avoid artificially over- or underestimating the pros and cons of the products under consideration.

- access to products that meet one's needs.

Unfortunately, only rarely do these conditions obtain simultaneously. This does not mean that banking services produce systematically poor results. The bank's commercial interest will often overlap with customer satisfaction. However, when circumstances are complex and the satisfaction of the client's needs would require human resources that would be unlikely to be profitable for the bank, clients are left to their own devices.

The difficulties clients encounter when bankers are stripped of their role as experts and advisers has led lawmakers to intervene. Two recent examples arising from the transposition of European directives into French national law illustrate these efforts. The first dates from 2007 and concerns the regulation of the markets in financial instruments (known as the MiFID directive). The second relates to the regulation of consumer credit, which the Lagarde Law of July 2010 transcribed into French law. In both cases, the goal was to require sellers of banking and financial products to provide better warnings of the risks inherent in investments (particularly on the stock market) and debt. In this way, legislation was used to bolster the banker's role as an expert and adviser. Yet if one heeds assessments by the CFDT's Banking and Insurance Federation[6] and the French Senate[7], this effort has so far had little effect. Both assessments determined that it was paradoxical to ask bank employees themselves to provide advice and explanation, and both reports give the same reasons:

- bank employees lack sufficient training to provide such advice;

- they lack incentives to provide effective advice, as it is to their advantage (because of competition, bonuses, pay raises, promotions, etc.) to sell as many financial products as possible;

- they lack the resources to provide effective advice due to an increased workload (particularly in order to respect legal obligations, which often, in practice, become empty administrative formalities instead of becoming opportunities for financial pedagogy).

The failure of this legislation illustrates the power of the organizational framework within which bank employees operate. Their training, their professional development, the goals they are assigned, their human resources management practices (assessment, incentivizing, remuneration, and promotion), as well as the means put at their disposal on a daily basis generally contradict the ingredients required for quality banking services for much of the population. While its intensity can vary from one network to another, or, within a particular network, from one region to another, this contradiction can be found across the entire banking system, whether in publicly traded banks like Société Générale or BNP-Paribas, cooperative banks like Crédit Mutuel, Crédit Agricole, or Caisse d'épargne, or the postal bank. The persistence of this contradiction is explained by the commercialization of banking products by institutions seeking to make existing relationships profitable despite the fact that these products, because they are requirements for living in society, are a necessity for clients who lack the resources to take advantage of the competition to ensure that their unique needs are met. Because they offer the banks few profits, these clients find themselves engaged in a bogus game of haggling, in which they most often wind up the losers. The bank employees who interact with clients thus find themselves confronted with the consequences of the tension between the interests of their employers and those of some of their clients.

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[6] Fédération CFDT des Banques et Asssurances, *La Directive MIF : Bonnes et mauvaises pratiques dans les banques commerciales en France*, Paris, 2011. The CFDT is a French trade union

[7] The report can be consulted here.

Employees in Search of Meaning

Because they are not only the wheels that make the banking relationship turn, and because they need to find meaning in their work, bank employees who interact with their clients generally find themselves adopting one of three attitudes to the contradictions they encounter in their work. They can legitimate the organizational framework in which they operate, alter their practices to limit the most negative consequences of this framework, or call the framework into question.

The first attitude consists in hiding behind the client's right to choose. The client is master of her budget and of how he/she uses the banking products at one's disposal. If he/she is penalized, it is because the client failed to respect the terms of the contract that were clearly presented to him/her. This attitude is, however, purely rhetorical, as it ignores how little room to maneuver some clients have compared to the possibilities for negotiation that are available to more highly valued customers. While this attitude may be sincerely embraced by employees who are convinced of their clients' autonomy[8], it can, for others, be a way of protecting themselves by legitimating and distancing themselves from the decisions they are forced to make. One also sees this protective mechanism at play in the way that they describe handling client requests that are deemed excessive (such as explaining the items on a utility bill, for instance) as "doing social work."

The second attitude is the mirror image of the first. Acknowledging the fact that the framework in which they act does not allow them to adequately personalize the services they offer some of their clients, some bankers adopt a "paternalistic" relationship. They take on a stern demeanor and keep close tabs on their clients to prevent them from making any mistakes. This kind of relationship represents a compromise between client expectations (who often seek this sternness, which they see as a form of protection) and a lack of the resources the banker would need to offer personalised financial pedagogy. Yet this is only a substitute for jointly produced services, in that the client remains dependent on the banker's decisions, which are based only to a very limited extent on a genuine understanding of the client's needs.

Finally, with the third attitude, the banker emancipates his or herself from some organizational constraints in order to use his/her expertise. This kind of relationship, which often leads to unfavorable evaluations and can affect the salaries of bankers who initiate it, fully embraces jointly produced services, as bankers take the time to listen and offer advice to their clients. Despite the good intentions motivating them, these attempts to reconcile as much as possible the divergent interests of clients and employers are not always crowned with success.

[8] This is notably the case of bank employees with little experience because they have only been hired recently, and whose training emphasized the client's autonomy and responsibility. For more details, see, in particular, Jeanne Lazarus, *L'épreuve de l'argent. Banques, banquiers, clients*, Paris, Calmann-Lévy, 2012.

For this to occur, bankers must have the skills required to provide such advice and the time needed to establish a climate of trust and for clients to adopt the advice that they are offered. When these elements are missing, clients find themselves, for lack of time, inundated with information and advice that may not seem particularly relevant, due to its excessively technical character and the fact that it ignores the budget constraints of those to whom it is offered.

These three types of attitudes can be found in all banking networks, though the first seems most common in banks like Société Générale, BNP-Paribas, or Crédit Lyonnais, while the second is more often found in the postal bank or cooperative banks. Yet while they do not result in the same consequences for their clients, these two attitudes exemplify the difficulties bank employees face in doing their jobs when they interact with clients who do not meet standards of solvency and professional and familial stability. They reflect the tensions that are inherent in the profound redefinition the banking profession has undergone in the past two decades. While the advisory role of bankers in the 1960s and 1970s should not be mythologized, the current malaise of employees who are approaching retirement, which employers often do not know what to do with, illustrates the extent of the shift that has occurred. It is particularly difficult for these employees to adhere to an organizational model in which their experience in building long-term, interpersonal relationships with their clients is seen as an anachronism in an age in which short-term considerations, high volume sales, and computer-assisted relationships are seen as cardinal virtues.

Reviving the Bank Adviser?

The industrial rationalization of banking activities, designed to control the risks and costs of relationships with a mass clientele, has significantly reshaped the way in which bank employees interact with clients. Due to its excessive emphasis on sales at the expense of advice and the statistical knowledge of clients over mutual knowledge, this redefinition has, for some clients, proved counter-productive, to the point of jeopardizing their financial inclusion. Yet this failure of some of the key features of quality banking service also has its own collateral victims: employees who interact with clients. Not all employees are necessarily victims, and of those who are, not all are victims to the same extent. Yet to whatever degree they are victims, they are the ones who have actually witnessed the impact of these changes on the lives of their clients and it is they who, having sold these products and applied the decisions that lie at the root of these problems, find themselves unable to respond when their clients turn to them for help.

From this perspective, it is particularly instructive to consider the results of measures that were specifically designed to promote financial inclusions, like some of the Crédit Agricole's Points Passerelle ("Footbridge Points") or the Caisses d'épargne's Parcours Confiance ("Trust Paths"). By reestablishing a banking relationship liberated from commercial goals and in which personal knowledge of individuals and problems prevails, ex-bankers have managed to provide

relevant answers to clients who find themselves in great financial difficulties. The experiments, which are occasionally economically viable, demonstrate that promoting inclusion, rather than being confined to the corporate social responsibility area, must necessarily involve questioning the role of bank employees and the organizational frameworks that provide banking services. Specifically, it raises the question of access to professionalized bank expertise. If different stakeholders choose to answer this question, this will have major consequences for bank employees, for they will have to prove that they are still able to offer such expertise in a framework requiring profound renovation or if a new profession needs to be created, finalizing the divorce between advice and sales. In any case, such a response is essential, as much for efficiently promoting financial inclusion for all and to render coherent what is expected of bank employees and the reality of their day-to-day work.

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