



Globalization and Jobs

Financial Services

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Intel and J.P. Morgan Chase to Expand Indian Operations

J. P. Morgan Chase said it would add 4,500 employees in India by 2007, mainly by setting up operations in Bangalore to support its growing structured finance and derivatives businesses globally. The company will hire a mix of recent graduates and experienced workers and will double the size of its operations in India. All 4,500 of J. P. Morgan Chase's current employees in India are based in Mumbai.

J. P. Morgan Chase said the new employees would process complex derivatives settlements and structured finance transactions. The company will hire about 400 people a month. By 2007, it will have almost a third of its back-office and support jobs, or about 3,000, in India.



Outsourcing in Financial Services

- Historically relatively reluctant to outsource even domestically
 - ◆ Regulation
 - ◆ Risk management
 - ◆ Customer perception
 - ◆ Customer poaching
- Concerns may be heightened offshore
 - ◆ U.S. financial services especially likely to use captive operations
 - ◆ “Pure Third Parties” are very rare in financial services
 - ◆ Europeans may be more willing to source and to undertake joint ventures



Are privacy concerns real?

- Most countries outside the U.S. and Europe have no general data protection laws
- Government interference is also a concern (e.g. China)

RESPONSE: Captive subsidiaries and joint ventures



What jobs are going

- IT
 - ◆ Tech support
 - ◆ In-house development
- Processing
 - ◆ Simple transactions
 - ◆ Loan origination
 - ◆ More complex transactions
- Higher-level decision support
 - ◆ Credit analysis
 - ◆ Equity analysis
 - ◆ Underwriting

In short...

nearly everything seems fair
game!

Scale matters a lot:

Large firms are clearly leading the
way.



What's not going (yet): Direct Customer Contact

- Insurance
- Commercial banking
- Retail banking
- Growth in bank branches
 - ◆ 1995: 80,000
 - ◆ 2005: 91,000
- Employees
 - ◆ Tellers
 - ◆ 1994 559,000
 - ◆ 1998 565,000
 - ◆ 2004 573,000
 - ... despite forecasts of dramatic declines
 - ◆ Other branch workers and managers
- Call centers??
 - ◆ Considerable domestic growth
 - ◆ Customer migration from branches is a key goal
 - ◆ Will offshore call centers succeed?



Customer Service Tasks

- Transactions
- Account status and information
- Account maintenance
- Account servicing & changes
- Card verification
- Helpdesk services
- Queries & complaints
- Adding products & services



What will customers accept?

- Will customers' concerns over offshore privacy and competence persist?
- Are financial services at all unique here?
- Example: Indian agents adopt American personas
 - ◆ Is this sustainable?
 - ◆ Does it need to be?



Do U.S. employees have any special skills?

- Knowledge of regulation and other aspects of American banking system
 - ◆ Has accumulated over time
 - ◆ (Partially) Supported by education and training
 - ◆ Advantages will erode as expertise develops in other countries
 - ◆ Will (Indian, Phillipine, etc.) workers become experts on aspects of American financial services?
- Licensure and associated knowledge
- Firm-specific knowledge
 - ◆ Historically important but now may be less so with pace of mergers
 - ◆ Employees move within firm internal labor markets
 - ◆ “Campuses” now emerging in Mumbai, Bangalore, Hyderabad
- Ability to communicate with American customers
 - ◆ How much of this advantage is real?
 - ◆ How much stems from face-to-face contact?



Human Resource Management

in the global financial services firm

- Much recent disruption of internal labor markets
 - ◆ Centralization of processing and customer contact
 - ◆ Establishment of campuses
 - ◆ Very unstable
 - ◆ Functional silos
 - ◆ Little thought to coherence of ILM
 - ◆ Informal career paths
- Regional approaches to employee development
 - ◆ Support of local systems and efforts
 - ◆ Local ceilings



What does globalization mean for HRM?

- Further disruption of ILMs
- Reluctance to invest in firm-specific training and employee development
 - ◆ By both employers and employees
- These same issues will develop internationally

- Key domestic jobs
 - ◆ Feature direct customer contact
 - or
 - ◆ Management of those in contact with customers
- Other jobs are now in the international market