Working in the Turbulence of Mergers and Acquisitions: 
The Shape of Careers and Labour Markets in Three 
Divisions of an International Investment Bank

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Abstract

In the accounts of Cappelli and others, the influx of mid-level outside hires and the more general extinction of internal career ladders are two of the many indicators that external market forces have fatally compromised firm internal labour markets. What better place to revisit this account of the emerging workplace than in an organisation whose business units and personnel have been subjected to a decade of mergers and acquisitions. This paper first describes the work of employees in three such units of an investment bank – Equities, Futures and Project or Structured Finance. We then assess the extent to which external hires and collapsed career ladders characterise the jobs employees have held, based on data from employee surveys, interviews with heads of units and corroborating information from human resources. Our findings should raise new questions as to the adequacy of common understandings of the foundations of firm internal labour markets and the mechanisms of their expected demise.

INTRODUCTION

According to Abraham (1990), Cappelli (1995: 573) and others, contemporary employment relationships in Western capitalist countries are moving toward “complete market determination” and away from “‘pure’ internalized arrangements” (e.g., internal labor market practices).

Notwithstanding argument (Jacoby 1999) and some evidence (Kalleberg et al. 1996) to the contrary, a growing body of research has underscored the decline of internal labor markets. Concepts like ‘boundaryless’ careers (Arthur and Rosseau 1996), ‘broken’ job ladders (Osterman 1996) and a
recurring list of apparent changes -- declining job tenure (Farber, 1996, 1997; Diebold, Neumark, and Polsky 1997; Swinnerton and Wial 1995) flatter job hierarchies (Cappelli et al. 1995: 575; 1997: 50-51), earnings instability (Gottshalk and Moffit (1994); wage dispersion between and within firms (Groshen and Levine 1998) and less reliance on fixed versus variable remuneration (Cappelli, 1999: 47-8, 85-6, 150-2; 1995: 589) -- are taken to illustrate the new or enhanced determination of employment practices by external labor -- as well as product (Bertrand, 1999) -- market conditions.

This literature has stimulated new looks at the history of employment relations, including the rise, widespread utilization and current transformation of internal labor market practices. According to Cappelli (1995: 564; 2000) and Jacoby (1984: 23), market-based arrangements dominated the United States for most of the 1800s and early 1900s. These gave way to bureaucratic arrangements ‘where employee management was regulated inside the firm through a series of rules, referred to as internal labour markets’ . More recent developments, however, are read as an impending return to the past (Cappelli 2000:70).

Researchers will continue to empirically assess the presence or absence of hypothesized forms of enhanced ‘market determination’. But as this research goes forward, along with the fresh historic work, interpretations of this ‘shift’ are far from convergent (see Baron’s comment on Cappelli 2000: 90-101). Questions remain about how we can best understand both ‘traditional’ and newer forms of employment practice. What precisely is meant, for example, by ‘external labor markets’ and internal responses to external market forces?

No research to date, using a large sample of firms, has exhaustively catalogued the many forms of expected, market-driven changes in employment relationships, at least on the scale found in Applebaum and Batt’s (1994) review of organizational changes between 1982-1993 that are supportive of greater worker participation. Much of the research cited above tackles important if rather discrete topics like firm tenure or wage elasticities to unemployment rates(Bertrand, 1999). Some research explores key dimensions of change, e.g.,Kalleberg et al’s (1996: 94-5) Firm Internal Labor Market scale that taps the “probability of internal job mobility”. Future research may well assess multiple dimensions of change over a large sample of organizations using the most recent of data. But such commanding heights of aggregation gloss over theoretically and empirically significant case studies whose understanding may facilitate the design and interpretation of aggregate-level research.

The task of identifying the core elements of the employment practices undergoing change is critical, whether to individual case studies, wide-ranging empirical assessments or historic studies of significant changes in employment relationships. What is central to internal labor markets, or what Baron and Kreps (1999:168) would prefer to call “‘administrative systems for allocating labor’”? In the documented absence of consensus (Althauser and Kalleberg, 1981, Althauser, 1989) on its key
elements, the alleged demise of **internal promotions** on **skill and promotion ladders** (Kalleberg et al. 1996) is a central focus of the research on recent changes, e.g., “broken ladders” or “dead career jobs”. Internal promotion and skill ladders are two items from a textbook’s recent list of ILM features ((Baron and Krep’s 2000: 167-8). Less central in this change literature are the other items on this list, e.g., changes in institutionalized features or byproducts of such systems, such as ‘formal rules and procedures’, an emphasis on seniority, grievance procedures, or long-term attachments to employers. Internal promotions, of course, suggest limited, or ‘entry-level ports of entry as well.

**HYPOTHESES**

Clearly, any business caught up in current or recent mergers and acquisitions, downsizing or outright business failures, facing highly competitive, probably global market pressures, and dependent on professional, knowledge-intensive workers could prove a well-chosen case study. We consider here an investment bank whose business divisions or units in the last decade or so have either survived previous corporate dissolutions by transplantation into surviving firms or somehow remained more or less intact within a changed organization.

As organizing hypotheses, we offer two simple but basic specifications of the increasingly market-driven or market-determined human resource practices argued in Cappelli and others:

1a) **New and vacant positions should be filled with external hires.** As a corollary to this idea, because firm internal labor markets with entry-level hiring are passé, 1b) **Employees recently hired should no longer enter the firm solely in jobs that serve as traditional entry points** into this particular -- investment banking -- business. Points of entry from the ‘external market’ should cover the whole range of jobs to be staffed.

2) **Internal progression**, including promotions, **especially based on growing authority, skill or knowledge, should be absent.**

The rest of this paper is organized as follows. First we introduce the investment bank under study, and in particular, the distinctive histories and characteristics of the three business units studied. A review of research methods then follows. This covers the nature of an employee survey and employee records data and how we assess in subsequent analysis the presence or absence of current entry-level hiring and internal progression in individual employment histories. Following this assessment, we summarize and sketch the possible import of our findings for the current literature on the contemporary workplace.
THE INVESTMENT BANK AND ITS BUSINESS UNITS

History. Figure 1 succinctly describes the way in which the four business units we studied at an investment bank – BZW/ABN-AMRO -- came together. The units studied include a core Equities sales and trading unit, a supportive Equities Research unit (often combined with the first but here, treated as a separate unit), a Project Finance group and a Futures business unit. As the figure suggests, the core Equities unit came from a Meares and Philips brokerage house (itself a merger in 1974) that was sold to BZW -- itself a legacy of Barclays (of London) group. Another unit of Barclay’s/BZW was devoted to Structured or Project Finance, and this unit together with the Meares and Philips Equities and a nascent Research unit comprised BZW in 1986. The unit last to join the current organization was a Futures group bought intact from ANZ bank in 1990. Finally, in 1998, BZW dissolved, but its Australian and New Zealand branch engineered its sale to a Dutch bank, ABN/AMRO, its current corporate home.

Nature of Work. What follows next is a brief treatment of the work of each of these business units based on interviews conducted by the first author with personnel from the bank in 1996-8 and by both authors early in 2002.

In competition for market share with its counterparts in other banks, equities units in investment banks provide advice, execute and otherwise facilitate the purchase or sales of equities on the part of institutional clients, such as mutual funds. Secondarily to this, individual or “private clients” are served and proprietary trading (on the banks own account) is undertaken. A substantial back office staff lends support to those in the lead occupations -- sales and sales traders -- that deal directly with clients and with the equities market. (The current back office support staff was not included in this study).

The nature and organization of the institutional sales and trading work reflects the changes that followed the early 1990s replacement of a stock exchange floor (similar to the current NYSE) with an electronic trading system (McGrath and Viney, 1997:101, 107). Brokers are now able to ‘constantly monitor the market in various shares, enter bids and offers for automatic execution, and monitor any outstanding orders and adjust them if necessary’.

Within this equities unit, sales personnel work in teams as the primary managers of client accounts, proposing or responding to queries about possible purchases of specific equities. On the side of execution of transactions, sales traders (in separate teams working in parallel with sales teams) deal with the fund’s traders or “dealers”. The traders and dealers focus on the speedy execution of trades at acceptable prices. On the bank’s side this sometimes entails facilitation of trades, e.g., anticipating sales in advance (e.g., sell stocks short) and then ‘covering’ such sales with the purchases completed for clients.
FIG 1   HISTORIC EVOLUTION OF THE BUSINESS UNITS STUDIED IN ABN-AMRO

KEY:                                      Current name of bank
DATE  M&A event:

1974  Merger of Meares & Philips
Meares & Philips brokers

Late 70s  Barclays opens BZW in Australia
(One unit of Barclays group)

1986  Meares & Philips sold to Barclays/BZW
BZW

1988-90  Acquisition of Futures Group from ANZ
BZW

1998  ABN-AMRO buys BZW
BZW/ABN-AMRO

1974
Merger of Meares & Philips

Late 70s
Barclays opens BZW in Australia

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1988-90
Acquisition of Futures Group from ANZ

1998
ABN-AMRO buys BZW

ABN-AMRO employees
EQUITIES: Sales and sales traders

The sales personnel’s broad knowledge of market conditions and financial products and their careful case management of individual client relationships are critical for a unit’s competitive standing. Having sales traders who know market flows, and execute orders at the best prices, is equally important.

In the days preceding the present electronic trading system, seats operators (various described as an entry-level or near entry level actually executed orders on the exchange floor, while sales traders took orders from clients and supervised the operators. Operators typically progressed into positions as sales traders. With the advent of electronic trading, operators shifted their activities to their trading desks alongside of sales traders. This progression of job titles is slowly giving way to a progression within the expanding title of sales trader. Entry-level sales traders move from the simple execution of private client orders to smaller, then larger institutional orders. Some move further -- from talking about price execution to talking about stocks -- hence to talking with clients, taking and overseeing the execution of orders or otherwise just sharing responsibility with more senior traders for the quality of order execution. This is part of a flexibility in titles and in the work of title holders that is attributed to the wider investment banking industry, according to one human resource manager with an employment history in several banks in Sydney attributes. Smaller numbers of employees staff jobs as Private Client Advisors, who work apart from these institutional sales personnel. PC advisors provide personal service to their often-extensive list of high net-worth clients. Maintaining close relationships, serving as financial planners to a degree, they operate as if they owned their own business but are attracted to set up shop with a succession of investment bank employers. Their remuneration, commissions plus a smaller fixed salary, reinforces their quasi-independent role. The nature of the work undertaken, however, does not evolve or change, over time or with movement to new employers.

Another subset consists of Derivatives Sales Traders. Derivatives are contracts to trade in paper equivalents of physical investments such as stocks. Hence their value depends on the price of the underlying security. These products are used to manage the risk of a client’s stock portfolio. A derivatives sales person must be able to assess the degree of risk and to design the combination of stock and derivatives sales required to manage that risk. Hence they typically possess more quantitative, financial engineering skills and often actuarial skills than equity sales persons. They are the most elite of the equity sales people.
**Equities Research**

The nominal function of the equities research in an investment bank is to conduct thorough research investigations into all aspects of the current and prospective financial condition of a publicly listed companies and to provide an analysis of the findings in the form of a research report which serves as a basis for making investment recommendations to clients. This product is of particular use to sales and sales traders. Paralleling the contribution of the sales traders’ capable execution of orders, equities researchers make equally critical contributions to the competitive standing of a bank’s equities unit. Research employees in various banks are competitively ranked each year by institutional clients and these publicized rankings, diffused across professional networks and markets, have a direct bearing on the amount of business the Equities division, and in many cases other areas of the bank, receives from major clients. Analysts’ favourable reputations positively affect their job mobility, career advancement and pay benefits’ (Mathews, Hayward and Boeker, 1998: 8).

The relationship of sales to research personnel displays the kind of evolving flexibility we found in sales trading and operator work. According to one top manager we interviewed, research analysts think of themselves as the stars. In some instances, they market their research reports directly to the priority clients. Some of them even think that the account managers are unnecessary. From top management’s perspective, both are vital. Sales can provide a service only if they have analysts who can really offer them something of value. Sales personnel view themselves as client account managers who lubricate the bank-client relationship and provide top managers with an ongoing record of each account. Account managers talk with many people and know things of value to both clients and the researcher. While some analysts can work around account managers, management attempts to prevent this with a rule that account managers must go along when the analysts visit clients. These managers can acquire useful information from clients during analysts’ presentations.

The internal development of valuable skill and knowledge is fairly informal in equities research work. Some start as ‘research assistants’ or ‘assistant analysts’, either at this or other investment banks. Either by dint of developing a specialty in particular sectors or by making key contributions to research in ‘hot sectors’, analysts reach a more senior status and began to make presentations directly to clients and enter the industry competition for ranked analysts.

**Futures**

The futures unit trades or facilitates for others the trading in commodity and here, primarily financial, futures contracts. The latter are based on interest rates, bank bills and share prices indices. As a competitive unit, it tries to position itself as a leading executing and clearing broker on the Sydney Futures and on an after-hours automated screen-dealing system SYCOM (the Sydney Computerised
Market) (Carew, 1996: 269). Mirroring to some extent the same division of labor found in Equities, traders and client advisors are the primary job titles (each junior or senior). The skills and knowledge utilized in this work are largely acquired on the job, often on a Futures trading floor with its open outcry system.

From our interviews, futures traders are described as craftsmen interested in the mechanics of their work. They identify themselves with their products, not with investment banking. They work in strong teams. But as one informant said, “Futures is not necessarily a hard business.” Whatever added internal training they receive is optional. The range of futures products is limited, by comparison, say, with those of a bond salesman. Execution of orders often given to favored and familiar traders is key; yet there is little difference in execution of orders between firms. The integration with other units is minimal; this is a ‘standalone’ unit.

Project Finance

The work undertaken in Structured or Project finance contrasts that seen in Equities and Futures in one fundamental way. Futures units deal entirely in secondary markets with existing financial instruments. Project or structured finance facilitates deals that require the creation of new financial securities or instruments, e.g., creating a flow of funds between clients with projects and funding sources. (McGrath and Viney, 1997: 10, 11). For example, a project finance team would structure a deal in which a new power station is constructed using bank financing, debt or capital markets. In contrast to both Futures and Project Finance, Equities serves both primary and secondary market functions.

Given the linkage often entailed between project engineering and financial matters, this unit requires team members with diverse areas of specialized training. Engineering, accounting, actuarial, banking and law backgrounds are drawn upon. Financial modeling and analysis, problem-solving, writing and analysis skills, knowledge of regulations and market forces, as well as leadership, presentational and managerial skills are fully utilized. Some clients will specify that the unit place specific, highly reputed employees on the teams created for their projects.

RESEARCH METHODS

Data collection

During 1996-1998, the first author collected most of the information utilized here by a combination of methods. To establish the historic context, she studied organizational and industry histories provided by the bank’s human resources department or found in its business library. She also obtained HR
Workforce Databases and documents dealing with the recruitment, career, training and development areas for the three units under investigation.

She also conducted thirty-six semi-structured interviews with Human Resource professionals at monthly intervals over the three-year period. A survey focused on characteristics of current jobs, educational backgrounds and employees’ career histories prior to and within this bank was disseminated and retrieved by the heads of the business units described above. The overall response rate was 85%. To check on the accuracy of respondents’ answers, the first author was able to question the bank’s human resources personnel (and indirectly, their files) about each specific respondent. This proved helpful in resolving inconsistencies between the records and corresponding survey questions about present, prior and first jobs with this bank, years of tenure in the present job and firm, and the number of organizations worked in while in the same profession. Finally, in the winter of 2002, both authors conducted nine follow-up interviews with top staff in Equities (3), Futures (2), Project Finance (1) and Human Resource (3) units.

**Analytic Methods**

The information on each of 110 employees in the sample was analyzed for the purpose of sorting the employees within each of four business units according to whether they were hired into entry level jobs, or were hired above that level; and whether their career data suggested, or failed to suggest, formal promotion or an ascertifiable if informal progression in skills and responsibilities.

**First job = entry level job** The relevant data for this determination was two fold. 1) respondents to the employee survey listed their most recent job with a prior employer as they responded to the question: “If you worked in a full time position before joining BZW, what occupation and title did that job have?” 2) An answer of zero to another survey question: “How many organisations have you worked for in the same profession?” The latter answer was separately checked against the HR department’s records as reported to the first author.

**Progression** To assess this, we drew upon the first author’s observations and interviews with managers familiar with the work of the business unit (BU), as well as the employee’s response to survey questions about their years of tenure with the bank current job title, held for how many years, the job title of the most recent previous job in the bank (if applicable), “the job title of your first position when you first joined BZW” and, (if present) the occupation and job title of the job held previous to joining this bank. We assessed progression primarily within bank jobs held; given the heavily occupational context of work in this and competing banks, we also considered evidence for progression in plausible linkages between the work done for the previous employer and current work.

**There were several specific indicators** we drew upon of this.
1) **Promotions** (from career histories) The bank’s policy within each of the BUs was to ‘promote’ some employees through the titles of ‘executive’, ‘manager’, ‘associate director’ and ‘director’. Actual management responsibilities were assigned to associate directors and directors. Apart from possible supervisory duties, our interviews suggested that some of these promotions were both strategic and symbolic moves to retain key employees, even though a multi-step formal process preceded each promotion. All units have utilized formal promotions, though the percentage of “directors” and “heads” varies a great deal across units.

2) **“Heads of…. Titles.”** (career histories) A related bank policy was to award “heads of” titles to some key individuals. According to our interviews with bank staff, this was mostly a matter of status but often for the purpose of retaining key workers. “Heads” do the same kinds of work as the group they lead.

3) **Skills/knowledge required of those in titles** (interviews with staff). The knowledge-intensive work undertaken, more so in some than other units, reflects varying degrees of analytical skills and their maturation over years of experience, general knowledge of economics, project engineering, financial markets and the like, and the more specialized study of various equity and commodity sectors.

Business units, in general, differ on this third dimension more than on the first two. In the area of project finance, projects are assembled in diverse financial and engineering sectors. Highly skilled teams of individuals with diverse expertise must creatively work out deals that are almost invariably unique (Eccles & Crain 1988). In equities research, increasing global market environments and evolving quantitative methods of evaluation again suggests a non-stagnant growth of knowledge and experience. Informants made clear that the work within the area of ‘equities’-- sales, institutional sales, sales-trading, and equity derivatives - has experienced considerable change engendered in part by the displacement of floor trading by electronic order fulfillment. In contrast, the work done in futures trading, and private client equities sales has not prompted the same order of magnitude of change in the degree of developed skill and knowledge. In general and relatively speaking, with managerial responsibilities excluded, work in these units is routine and does not entail growing skill and knowledge.

**ANALYSIS: ASSESSMENT OF HYPOTHESES**

We will assess both hypotheses together, taking the business units in turn

**Equities (N=47).** This is largest and most heterogeneous of the units studied. Unlike the others, subdivisions into its four subunits are useful -- equities sales, sales-traders, derivatives, and private client advisors -- because the nature of the work and the products involved differ in influential ways.
Some eleven (23%) of this unit’s current (as of 1999) employees began at entry level jobs distinctive to equities, like those shown in the table below. With very few exceptions, none of the remainder began their employment at these low entry-level jobs.

### TABLE 1A: Equities’ Entry-level Hires

<table>
<thead>
<tr>
<th>EQUITIES Subunit:</th>
<th>No of cases</th>
<th>Illustrative examples of careers to date: Current job ← First job</th>
<th>Age at Hire</th>
<th>Age Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2</td>
<td>W39: Institutional Sales ← Trainee, Research analyst</td>
<td>21</td>
<td>28</td>
</tr>
<tr>
<td><strong>Subunit Averages</strong></td>
<td></td>
<td></td>
<td>21</td>
<td>28</td>
</tr>
<tr>
<td>Sales trading</td>
<td>4</td>
<td>W09: Trader ← Runner</td>
<td>19</td>
<td>28</td>
</tr>
<tr>
<td><strong>Subunit Averages</strong></td>
<td></td>
<td></td>
<td>20</td>
<td>26</td>
</tr>
<tr>
<td>Derivatives</td>
<td>5</td>
<td>W20: Equity Derivatives Dealer/Trader ← Courier</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>W21: Derivatives Analyst ← Derivatives Analyst</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td><strong>Subunit Averages</strong></td>
<td></td>
<td></td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>Private Client</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL N:</strong></td>
<td><strong>11</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AVERAGES</strong></td>
<td></td>
<td></td>
<td><strong>20</strong></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>

To assess progression among equities employees, we first consider the careers to date of those hired at entry-level. [The cases shown as examples in Tables 1A and later tables are chosen to represent different patterns found across all of the cases like this in the same business unit ] Typically (as in seven out of 11 of these ), there is a simple progression apparent in the titles. This is illustrated by (W20) a trader who began to learn the equities business as a courier, just out of high school or by (W09) another who started as a runner. There are two other instances of entering as a trainee in research and moving over to institutional sales (W39 is one). The others have been only briefly employed (e.g., W21).

Among the remaining equities employees who were hired into bank positions from jobs elsewhere, the presence of progression is further explored in Table1B. Here we group a large portion of the remaining equities employees (27 or 57%) who appear by one of the three criteria listed above to display progression, whether in supervisor responsibilities or growing skill and knowledge or both. Again, examples of different patterns are selected for illustration.

In sales work (N=12), eight have a clear progression of titles (3 “heads”, 3 “directors”, and one associate director (W42). Two (e.g., W41) moved from related employment (journalism or from being a mutual fund portfolio manager) into sales. One (W26) moved from related industry work into sales. One stayed in the same (advisor) job and switched employers. This subunits among others
here hires at an older age, reflecting in its age distribution some of the progression to it from sales trading, for example.

TABLE 1B: Equities’ Mid-level Hires with Progression

<table>
<thead>
<tr>
<th>Subunit:</th>
<th>No of cases</th>
<th>Illustrative examples of careers to date: Current job ← First job</th>
<th>Occupation/title with previous employer (No of previous employers)</th>
<th>Age at Hire</th>
<th>Age Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITIES Subunit:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>12</td>
<td>W42: Associate Director-Equities ← settlements clerk</td>
<td>Equity settlements manager</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td></td>
<td>W41: Mgr, Japanese Sales ← Manager, Japanese Translation</td>
<td>TV Journalist, executive director</td>
<td>1</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td></td>
<td>W26: Advisor ← Advisor</td>
<td>Stock exchange supervisor</td>
<td>1</td>
<td>23</td>
</tr>
<tr>
<td>Subunit Averages</td>
<td></td>
<td></td>
<td></td>
<td>1.3</td>
<td>32</td>
</tr>
<tr>
<td>Sales trading</td>
<td>10</td>
<td>W22: Equities sales trader ← Equities operator</td>
<td>Equities operator</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>W24: Trader ← Trader</td>
<td>Trader</td>
<td>2</td>
<td>35</td>
</tr>
<tr>
<td>Subunit Averages</td>
<td></td>
<td></td>
<td></td>
<td>1.4</td>
<td>26</td>
</tr>
<tr>
<td>Derivatives</td>
<td>4</td>
<td>W12: Seats operator ← Seats operator</td>
<td>Funds mgmt Portfolio mgr</td>
<td>3</td>
<td>35</td>
</tr>
<tr>
<td>Subunit Averages</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>30</td>
</tr>
<tr>
<td>Private Client</td>
<td>1</td>
<td>W30: Private client advisor ← Booking clerk</td>
<td>Solicitor</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Total N:</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Averages</td>
<td></td>
<td></td>
<td></td>
<td>1.44</td>
<td>30</td>
</tr>
</tbody>
</table>

In sales trading (N=10), eight careers reflect a clear progression to oversight positions (4 “Heads”) or of skills and knowledge apparent in title changes, seen for example as a shift from an operator to trader position (W22). Two others (one of which is W24) retain the same title (sales trader of some sort) from the prior employer to the present and have been in place two years or less. The larger set of equities’ career histories show the possibility of progression from this current “sales trader” title to either supervisory or otherwise more skillful work.

In derivatives (N=4), two show a clear progression to “director” titles and a third (W12 above) has moved from a job as a mutual funds portfolio manager to an “operator” or sales execution job with this bank. Such a switch utilizes some of the knowledge on the “buy” side of transactions while adding skills and knowledge from the "sell" side. The fourth is an options dealer with experience in three previous banks.

Finally, marking an unusual pathway into Private client work, a trained solicitor (W30) enters the banking business as a booking clerk and progresses to operator and now broker to wealthy individual clients.
The careers among the remaining portion of equities employees (9 or 19%), do not display progression as seen above (see Table 1C). In contrast to those who were hired at mid-level and display progression, most of these employees are in a subunit – private client sales – known to lack the challenge or change that marks the other subunits. These employees average one additional previous employer more than those above (2.4 vs. 1.4). They were hired later (average age of 39 vs. 30 above) but not surprisingly have shorter tenures (4 years or 43-39 vs. 7 years or 39-30) at this bank.

In sum, consistent with our first hypothesis, over half of the employees in this equities unit were indeed hired from outside the bank. Yet one-quarter was hired at entry-level and contrary to the second hypothesis, both of these sets of employees (or over three-quarters of them) display some form of progression of skills and knowledge or supervisory duties or both. Moreover, once inserted into the structure of bank jobs, three quarters of all employees hired from the outside (27/36) display evidence of progression through the same job titles reached by those hired at entry-level jobs. There is no evidence here that most outside hires who experience progression are structurally separated from those hired at entry-level, e.g., face different prospects of some form of upward progression.

**Equities Research (N=27), Futures (N=21) and Project Finance (N=15)**

For the remainder of our analysis, we will treat these units together, because there are no meaningful subunits to consider. The corresponding tables again illustrate careers that typify the primary variations found among the career histories of the whole unit. The narrative that follows will be organized around the variations that are typical across units.
Some 15% to 26% of the employees within each of these units were hired at entry level jobs (4/27, 4/21, 4/15) (Table 2A). The three illustrative examples, in this instance, illustrate all of the others similarly hired in each unit. There is evidence from the titles alone of progression, typically into supervisory roles (Project Finance especially) or into front-line staff positions, all of which are also held by mid-level hires. The age at hires is similar, and typically young, across all units. The differences in average current ages reflect unit differences in age distributions that will turn up in other tables in our analysis as well.

As we can see in Table 2B, a large proportion of employees in these three units--ranging from 75 to 85% -- were outside hires. Most of these, 73% of all Project Finance and (85%) of all Equities have careers that display some form of progression. The Futures unit (24%) is the exception to this, though some progression is apparent among five of these careers. Across these business units, there are three distinct patterns evidence in these careers present. The first, illustrated among Equities Research by YERA 03 and 17, within Futures by GF12 and within Project Finance, by GF08, GF13, GF14, entails progressions of expertise, e.g., from research or economics assistant to Economist (YERA 03) or a mixture of expertise and supervisory responsibilities, e.g., from analyst to Director (YERA17), Associate Director to Director of Financial Futures (GF12), or from Senior Manager to Head of Project Finance (BSF08).

The second suggests a simple progression of expertise, ranging at times from previous employment into the present (as was true in the first pattern at times), but within a single job title, e.g., industrial analyst (YERA 17). The attribution of progression in these sorts of cases draws on the picture of the work itself suggested in the interviews with staff as described in a previous section.

A carryover of skills and knowledge from previous employment in a seemingly 'different' profession is the critical feature of a third career pattern (Table 2B). An accountant moves into research analysis as a trainee (YERA 01), a property feasibility analyst moves into equities analyst (YERA 08), a journalist and editor of a financial services publication retrains as an sector analyst and then assumes a more responsible role as a research coordinator (YERA 09), an accountant becomes a contract
<table>
<thead>
<tr>
<th>Business Units:</th>
<th>No of cases</th>
<th>Illustrative examples of careers to date: Current job ↔ First job</th>
<th>Occupation/title with previous employer (No of previous employers)</th>
<th>Age at Hire</th>
<th>Age Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities Research</td>
<td>23</td>
<td>YERA 03 Economist ↔ Economics assistant</td>
<td>Research assistant</td>
<td>1</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YERA 17: Director ↔ Analyst</td>
<td>Research Project Leader</td>
<td>1</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YERA 06: Industrial Analyst ↔ Industrial analyst</td>
<td>Industrial analysts</td>
<td>4</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YERA 01 Research analyst trainee ↔ Res analyst trainee</td>
<td>Accountant, Property Trust</td>
<td>1#</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YERA 08 Equities analyst ↔ Casual analyst</td>
<td>Property feasibility analyst, corporate</td>
<td>1#</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YERA 09 Director - Equities Research Coordinator ↔ Gold sector analyst</td>
<td>Journalist, Resources editor, Financial Services publication</td>
<td>2</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YERA 23 Senior Research analyst ↔ Senior Res Analyst</td>
<td>Fund manager</td>
<td>1#</td>
<td>33</td>
</tr>
<tr>
<td>Unit Averages</td>
<td></td>
<td></td>
<td></td>
<td>0.8</td>
<td>30</td>
</tr>
<tr>
<td>Futures</td>
<td>5</td>
<td>GF12: Director, Financial Futures ↔ Director, Financial Futures</td>
<td>Associate Director, Futures Broker</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td>Unit Averages</td>
<td></td>
<td></td>
<td></td>
<td>2.4</td>
<td>31</td>
</tr>
<tr>
<td>Project Finance</td>
<td>11</td>
<td>BSF08: Head Project Finance &amp; Advisory ↔ Senior Manager</td>
<td>Senior Manager, Project Finance</td>
<td>1</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BSF13: Manager ↔ Contract Advisor</td>
<td>Chartered Accountant, Assist Manager</td>
<td>1#</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BSF14: Associate Director ↔ Senior manager</td>
<td>Engineer</td>
<td>1#</td>
<td>35</td>
</tr>
<tr>
<td>Unit Averages</td>
<td></td>
<td></td>
<td></td>
<td>0.7</td>
<td>30</td>
</tr>
<tr>
<td>Total N:</td>
<td>39</td>
<td></td>
<td></td>
<td>1.0</td>
<td>30</td>
</tr>
</tbody>
</table>

# This data is based on respondents answer to the question about number of organizations work for while in the same profession. Sometimes respondents narrowly interpreted this question to exclude prior employment we view as relevant to our career analysis. A # indicates that the original data were adjusted upward by 1, because other information employees provided about their careers indicated that they had worked for previous employers in work relevant to their current work in the bank. The numbers actually shown in the table now indicate, as labeled, number of previous employers, not total number worked for as per the original question..

advisor and then manager (BSF13), or, an engineer brings that expertise to bear as a senior manager and associate director in project finance (BSF 14).

In all three units, these ‘mid-career’ hires occur at an average age of 30. From the figures for current age (at the time of the first author’s original study), it’s clear again that the Equities Research unit has younger, less tenured, even if mid-level hires, while the average tenures for these hires in Futures and Project finance is some seven or more years greater. Having worked for an average of roughly 1.5
previous employers by the average age of 30, these average tenures suggest that these mid-level hires have some prospects for staying with their current employer.

<table>
<thead>
<tr>
<th>Business Units:</th>
<th>No of cases</th>
<th>Illustrative examples of careers to date: Current job ← First job</th>
<th>Occupation/title with previous employer (No of previous employers)</th>
<th>Age at Hire</th>
<th>Age Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Futures</td>
<td>12</td>
<td>GF18: Client advisor/Broker ← Client advisor/Broker</td>
<td>Fixed interest trader, merchant banking (1)</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td></td>
<td>GF20: Futures advisor ← Futures Advisor</td>
<td>Futures advisor (2)</td>
<td>27</td>
<td>31</td>
</tr>
<tr>
<td>Unit Averages</td>
<td></td>
<td></td>
<td></td>
<td>2.66</td>
<td>31</td>
</tr>
</tbody>
</table>

The remaining careers that lack progression are illustrated in Table 2C. The two careers on display illustrate a typical pattern of continuing the same line of work over a succession of organizations (GF 20), or of moving from a position in the financial industry into futures. In either case, the absence of 'progression' reflects key features of the nature of their present work -- in this instance -- futures, that has been described above. With the other subunit -- Private Client Sales -- that we found heavily represented among non-progression careers in equities earlier, these Futures workers share a higher number of previous employers (roughly 2.5) than we found among the mid-career hires summarized in Table 2B. These employees seem to shift to similar work for new employers, not because the new jobs provide growth or development opportunities, but simply to change who they work for, the conditions of support or their management.

The overall results from these units -- Equities Research, Futures and Project Finance units --bear a striking similarity to those found earlier for the Equities unit. The first hypothesis is again supported. The same three-quarters of employees were hired from the outside. As with the equities unit, employees have careers reflecting some form of progression, whether hired at entry level or above, contrary to the second hypothesis. The entry-level hires undertake many of the same current and previous jobs that mid-level hires either hold initially or move into later. There is no evidence here that most outside hires with subsequent progression are segregated from any of those hired at entry-level or face different structurally different prospects of further progression.

ASSESSMENT OF FINDINGS VERSUS HYPOTHESES

By Exploring Differences in Labor Markets

Amidst some variation across business units, the career histories within and to some extent preceding employment in the present bank have been sorted into three categories: those hired at entry level and typically showing progression of skill, knowledge or responsibility, mid-level hires showing, or not
showing, progression. In effect, these are distinctive labor markets. An overall picture of the
distribution of respondents among units and markets is portrayed in the columns showing N’s or
frequencies in Table 3

The juxtaposition of a still-standing first hypothesis about the utilization of outside hires and a
quashed second, about a paucity of progression, leaves us with two fundamental questions in route to
an overall interpretative assessment of these findings:. 1) What descriptive differences, if any, further
demarcate the careers of those hired at mid-levels, looking more closely at the contrast of those with
and without progression ? 2) What descriptive differences are apparent that would help differentiate
careers with progression that begin within the firm or elsewhere? We looked at a number of possible
variables that might be expected to differentiate markets in each question.

With respect to differentiating between outside hires with and without progression, several factors
(not shown in Table 3) made no difference. On average there are no differences in years of present
job tenure, current age, years with this and other similar organizations, age, gender, or identification
with their profession vs. this organization or in claims to being a member of a profession.

Where significant differences did emerge was that mid-level hires without progression at this bank
had worked for roughly 1.5 more previous employers within this industry. As might be expected
from this fact within each business unit, they had fewer years of firm tenure than those with
progression. Those with progression have significantly higher educational levels: much higher
proportions with BA degrees. Unit differences (e.g., futures has the lowest educational level of all
units) and the paucity of mid-level hires without progression makes a close comparisons of
postgraduate degrees unprofitable, but one cannot help notice that the majority of mid-level hires
showing progression in Equities Research and Project Finance employees have postgraduate degrees.
While we have not utilized educational levels as criteria for placing employees into markets, the value
of more education for careers with realized prospects for progression would seem indicated here.

The coexistence of career progression shared among mid-level and entry-level employees must be
somewhat puzzling relative to portrayals like those of Cappelli. Observations of employees doing the
same types of work while located within two distinct labor markets are not unheard of (Finlay 1983).
The employees placed in these two markets are similar in gender makeup, educational level short of
postgraduate work, identification with a profession versus this organization or claiming membership
in a profession. On the average, entry-level hires have slightly (but not significantly) longer lengths
of tenure with the firm tenure. By definition, they have worked for no other organizations.
Table 3: Distribution of Respondents by Labor Market Type and Business Unit; and Selected Demographic Facts
(Average Age, Average Firm Tenure, Percentage with BA and PostGraduate Degrees, Average Number of Previous Employers)

<table>
<thead>
<tr>
<th>Type of Labor Market:</th>
<th>Entry-Level Hires w/ Progression</th>
<th>Mid-Level Hires w/ Progression</th>
<th>Mid-Level Hires wo/ Progression</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N's (n) Age Firm BA s Grad (n) Age Firm BA s Grad Post Grad No. Prev Empl (n) Age Firm BA s Grad Post Grad No. Prev Empl</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business Unit: Subunits:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>47 (11) 25 5.8 64% 0%</td>
<td>(27) 37 7.6 70% 19% 1.4</td>
<td>(9) 44 4.5 44% 11% 2.4</td>
</tr>
<tr>
<td>Traders</td>
<td>13 (2) 28 7 100% 0%</td>
<td>(12) 40 8 83% 25% 1.3</td>
<td>(1) 56 9 no no 3</td>
</tr>
<tr>
<td>Derivative Sales</td>
<td>11 (5) 24 5 60% 0%</td>
<td>(4) 35 5 75% 0% 2.0</td>
<td>(2) 36 2 50% 50% 2.5</td>
</tr>
<tr>
<td>Private Client Sales</td>
<td>7 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equities Research</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>27 (4) 25 2 100% 25%</td>
<td>(23) 33 3 96% 57% 0.8</td>
<td></td>
</tr>
<tr>
<td><strong>Futures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21 (4) 28 5 50% 0%</td>
<td>(5) 38 7 60% 0% 2.4</td>
<td>(12) 35 4 25% 0% 2.6</td>
</tr>
<tr>
<td><strong>Project Finance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15 (4) 36 14 100% 25%</td>
<td>(11) 37 7 91% 52% 0.7</td>
<td></td>
</tr>
<tr>
<td><strong>Labor Market Averages:</strong></td>
<td>110 (23) 28 6.3 74% 9%</td>
<td>(66) 36 5.9 82% 36% 1.2</td>
<td>(21) 39 4.1 33% 5% 2.5</td>
</tr>
</tbody>
</table>
These differences that emerge are modest (see Table 3): they are younger on average and have significantly fewer postgraduate degrees than do employees in the other two labor markets. Yet within Project Finance, there is no significant difference in current age. Most of the business units employing entry-level hires have not confined their efforts on recent hires: Futures and Equities entry-level hires date back five years, on the average. Only those in Equities Research tend to be recently hired, and even mid-level hires in that unit are relatively younger than in the other units. On the whole, therefore, the overall impression we have is that apart from their current ages, employees in the two markets with career progression – entry-level and mid-level – are not that different.

By Connecting these Findings with Larger Issues

The coexistence of the entry-level and mid-level hires, without the sacrifice of career progression, and the heterogeneity of mid-level hires in the two occupational markets runs somewhat contrary to common understandings of the foundations of firm internal labour markets and the mechanisms of their expected demise. Reflections on these facts can run in two rather different but equally useful directions.

The detailed career histories above force one to rethink what movement across firms is empirically all about. Most mid-level hires do not settle down in temporary quarters while casting their eyes about for their next employer. They participate in a labor market that certainly spans organizations in the same industry, but also contains significant opportunities taken for progression within the current employer. A smaller proportion of mid-level hires – those without career progression – have careers that more closely resemble the wanderings of ‘external labor market’ employees found in currently accepted accounts of the new workplace.

In those detailed career histories above, we saw progression across banks within the same line of work and migrations into investment banking work from jobs outside of banking in accounting, engineering, and the law. Knowledge-intensive work is multi-skilled and this fact is embodied, frequently, in a team organization of work. These are not generalists, each of whom is talented and knowledgeable in all aspects of their work. These facts require us to look more carefully at the occupational and intra-industrial underpinnings of what to others are merely parsed as “external labor market” hires. We have seen that some aspects exclusively associated with firm internal labor markets like progression can not only survive among entry-level hires but structure the subsequent work lives of mid-level hires. Clearly this either means that the foundations of FILMs have evolved or that we may have originally confused historically passing correlates like seniority rights or firm-specific skills with more enduring structural features, or both.
REFERENCES


