

Assessment of employment trends at cooperative banks and non-cooperative banks (2011-2023)

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Executive summary

Banking is in a state of flux and influenced by many trends. What has been relatively underexposed so far is how employment has developed at banks with different ownership structures. This research letter aims to fill this gap by examining employment trends at 16 European co-operative banking groups (henceforth, CBGs) from 13 European countries on the one hand, and 90 other banks in their home countries on the other for the period 2011-2023.² To this end, employment data have been collected from multiple data sources.

In our sample, CBGs and all other banks employed around 696,000 and 1,931,000 staff, respectively, in 2023. According to our calculations, average staff reduction at CBGs was about 0.6 per cent per year for the period 2011-2023, whereas the staff volume at other banks declined by around 1.3 per cent per year. That means that CBGs' share in total employment has increased from around 25 per cent in 2011 to about 26.5 per cent in 2023. In 9 of the 13 countries, the employment index (2011=100) for CBGs is substantially higher than for all other banks in 2023. We also find a higher degree of variability in employment changes within the group of non-cooperative banks. Since the standard deviation of employment swings is significantly less among CBGs, one could argue that they are more stable employers. In the last years of the period, we detected a remarkable shift from employment decline to employment growth. This turnaround happened in CBGs one year earlier.

We tentatively attempted to search for explanations for these - diverse - employment trends. Based on an econometric analysis, we conclude that, in any case, employment fluctuations are statistically unrelated to real GDP growth. Moreover, we discovered that purchases and sales of subsidiaries are in certain periods more common at larger and internationally active (non-)cooperative banks. It seems reasonable to assume that this partly explains the higher volatility in employment at other banks. The employment decline in most years of the sample can probably be attributed to IT developments. Virtualization often went hand in hand with branch closures as well as departures of employees. In this context, it is possible that the less pronounced employment decline in CBGs is partly due to their business model and ownership structure. The annual reports consulted suggest that stricter regulatory requirements, and partly linked, geopolitical developments have contributed to the surprising employment growth in recent years. In this context, the increased importance of the gatekeeper role of banks in the financial system is particularly mentioned. The whole range of gatekeeper activities is undeniably important, but on the other hand it could represent relatively large costs for smaller (non-)cooperative banks in particular that are not offset by financial revenues. Finally, the implications of Artificial Intelligence (AI) for banking employment are obviously far-reaching but uncertain. We anticipate that AI will not merely replace employment, but mainly transform it.

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² Austrian Volksbanken Group (Austria), Raiffeisenbanken Group (Austria), Central Cooperative Bank (Bulgaria), Nykredit (Denmark), Crédit Agricole Group (France), Crédit Mutuel Group (France), BPCE (France), OP Financial Group (Finland), Financial Group of the German Volks- und Raiffeisenbanken (Germany), Federazione Italiana delle Banche di Credito Co-operativo-Casse Rurali ed Artigiane (Italy), Banque Raiffeisen (Luxembourg), Rabobank (The Netherlands), KZBS (representing BPS Group and SGB Group, Poland), Federação Nacional das Caixas de Crédito Agrícola Mútuo (Portugal), combined figures for two Spanish cooperative banking groups (Unión Nacional de Co-operativas de Crédito and Banco de Crédito Co-operativo, Spain), Raiffeisen Switzerland (Switzerland).

Data

Employment figures (in full-time equivalents) for 16 CBGs in 13 countries are collected manually from public sources (annual reports) or provided by individual CBGs. We retrieved staff figures from at least 5 other banks from annual reports and/or Moody's Analytics BankFocus in their home markets. For the euro countries, this concerns a large number of banks under the direct supervision of the ECB. For non-euro countries, we have collated figures for the largest banks. All in all, we have constructed a representative sample of 90 other banks that together with the CBGs make up a sizeable part of the banking sector in their respective countries. Our sample period runs from 2011 to 2023.³ During this time span, some banks made acquisitions and/or divested group entities that prompted inevitable upward or downward jumps in their employment. When we observed extraordinary jumps in individual banks' data, we sought to identify their origin by consulting annual reports or other public information. We then decided whether a correction of the data was appropriate or not.⁴

Before we look at the employment figures, some comments and considerations are in order. First, a large diversity in the number of staff and location of employment within the group of CBGs exists. To give an indication, employment in CBGs ranges from nearly 700 to about 171,000 in 2023. This is due to differences in the size of domestically cooperative-based banking operations, the scale of international business, and the presence of other group entities in the home country, e.g., insurance, leasing, asset management. Some CBGs engage primarily in domestic retail banking and have no significant foreign operations or sizeable domestic subsidiaries, whereas others have an extensive foreign business and, consequently, sizeable employment abroad. The latter comments apply to other banks as well. Second, one could argue that for accurate comparisons and calculations, a breakdown of bank employment by (i) domestic and foreign activities and (ii) domestic banking and other home-based activities would be recommendable. Apart from the fact that these splits are not readily available for (non-)cooperative banks, we do not consider the absence of these breakdowns to be rather disturbing.⁵ After all, we also want to investigate whether both banking groups differ regarding stability in employment figures. Heavily fluctuating or rather stable staff levels reveal useful information about the banking business model, ownership structure, and strategy of the bank concerned. Moreover, history and practice have demonstrated that expansion or downsizing can trigger stress and uncertainty among staff and certainly involves integration or separation issues that consume substantial management attention. In short, we use the total number of employees at CBGs and other banks.

The third aspect concerns the fact that our methodology has to prevent the overall picture from being dominated by a few large (non-)cooperative banks. To this end, we will present the results from two different computation methods. In the first approach, we focus on employment developments of all CBGs on the one hand and all other banks on the other. In the second approach, we first calculate for each year the percentage changes in employment in CBGs and all other banks by country. Based on this, we subsequently compute the average percentage changes per year for both categories of banks in all 13 countries.

³ Selected employment data are available upon request from the author.

⁴ A telling example is the acquisition of Cr dit Suisse by UBS in 2023. To avoid breaks, we added up the employment figures of both banks since 2011. Another case was de Volksbank in The Netherlands. This bank was renamed after the state nationalised SNS Reaal in 2013. This caused a reshuffle of employees from the insurance company to de Volksbank in 2014/2015.

⁵ We acknowledge that foreign employment exceeds domestic employment at some other banks. It will require more extensive research to determine whether these breakdowns can be found or derived from annual reports or obtained from all individual banks.

Evolution of staff levels

In 2023, employment at all CBGs (see footnote 2) amounted to about 696,000 (Table 1). All other banks employed around 1.9 million staff. From this we can infer that CBGs have a share of 26.5 per cent in total bank employment in our sample. As a matter of fact, this percentage is about 1.5 percentage points higher than in 2011 (i.e., approximately 25 per cent). This means that the number of jobs has decreased at a faster pace at all other banks.

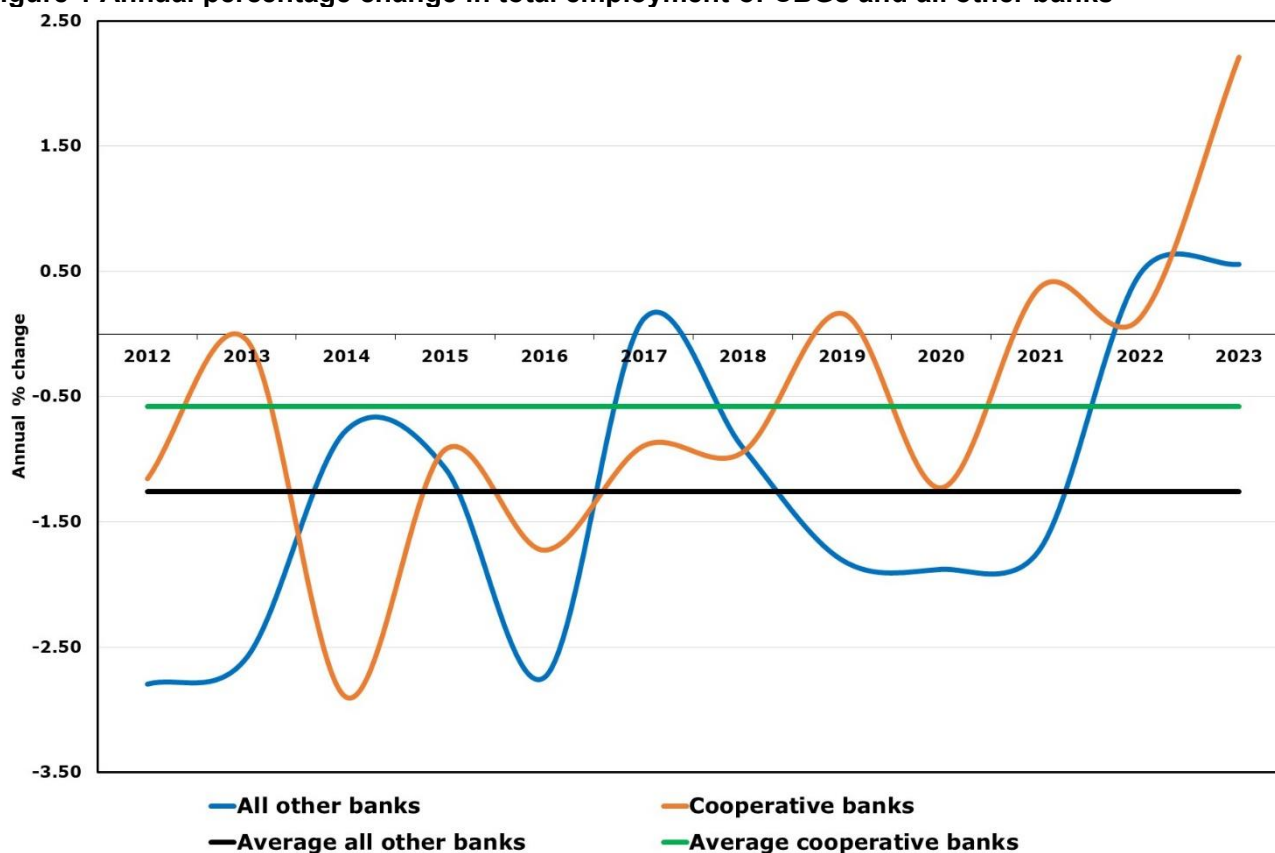
Table 1 Employment (FTE, rounded to the nearest 1,000)

	CBGs			All other banks		
	2011	2017	2023	2011	2017	2023
Employment	746,000	691,000	696,000	2,259,000	2,038,000	1,931,000
% of total employment	24.8	25.3	26.5	75.2	74.7	73.5
2011 = 100	100.0	92.6	93.2	100.0	90.2	85.5

Source: Author's calculations based on edited data from co-operative banks, annual reports, and Moody's Analytics BankFocus. The sample includes 16 co-operative banking groups and 90 other banks from 13 European countries.

The horizontal green line in Chart 1 shows that average staff reduction at the CBGs was about 0.6 per cent per year for the period 2012-2023, whereas the staff volume of other banks declined by around 1.3 per cent per year (see horizontal black line). Up to 2020, CBGs were mostly recording a – modest – percentage drop in employment. Other banks have posted smaller percentage declines in employment in only two years. Moreover, statistical tests indicate a higher degree of variability in employment growth within the group of non-cooperative banks. Since the standard deviation of employment changes is significantly less volatile among CBGs, it can be said that they are more stable employers.

Figure 1 Annual percentage change in total employment of CBGs and all other banks

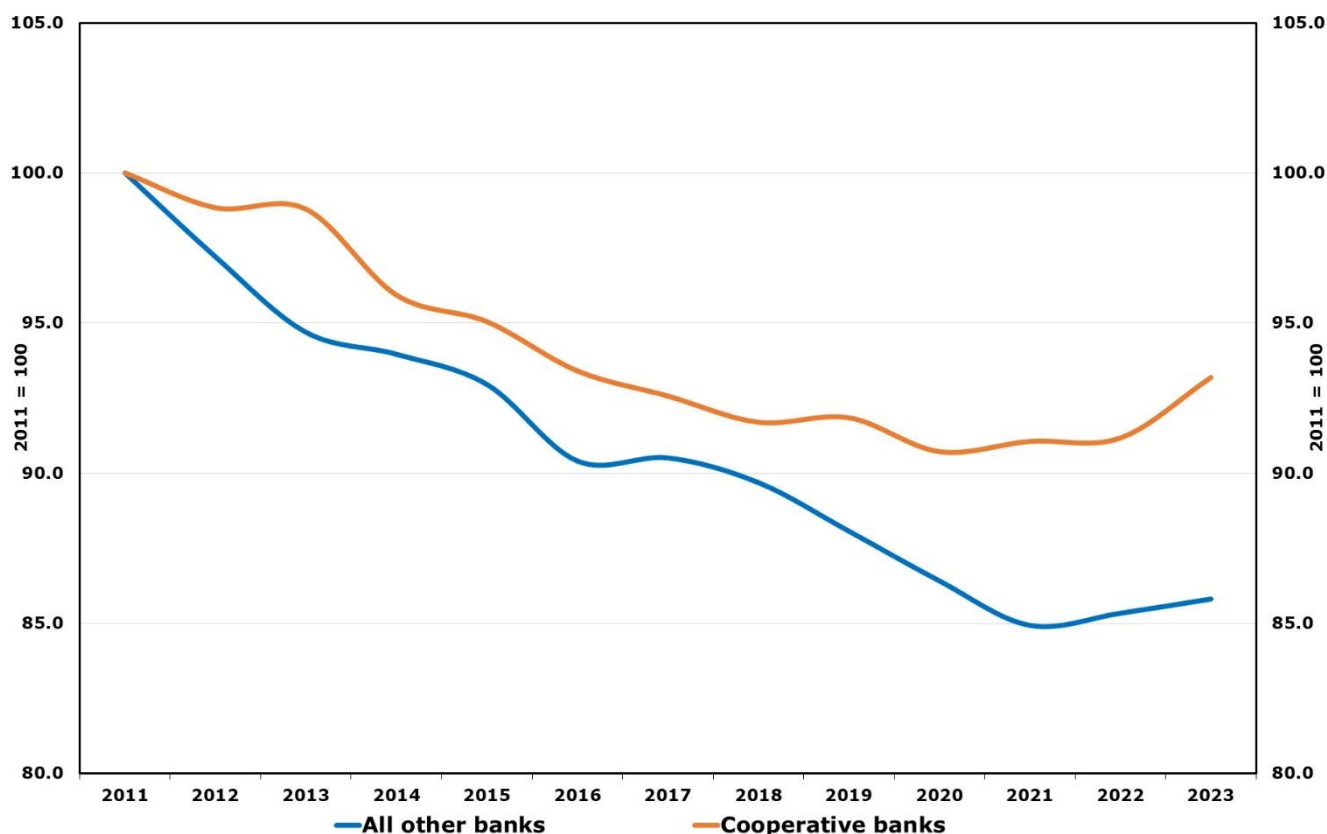


Source: Author's calculations based on edited data from co-operative banks, annual reports, and Moody's Analytics BankFocus. The sample includes 16 co-operative banking groups and 90 other banks from 13 European countries.

In Graph 1, trend reversals also stand out. The turnaround happened at CBGs one year earlier than at other banks. CBGs' employment growth peaked at 2.5 per cent in 2023. For other banks, the uptick in employment was about 0.5 per cent in 2022 and 2023.

CBGs' increased share in staff is also depicted in Figure 2. This chart displays the cumulative change in staff where the number of employees is indexed at 100 in 2011. Since 2011, the workforce at CBGs has shrunk by nearly 7 per cent. At all other banks, the contraction was twice as large. Logically, it can also be detected from this chart that there has been job recovery in recent years, though considerably more at CBGs.

Figure 2 Employment at CBGs and all other banks (2011 = 100)

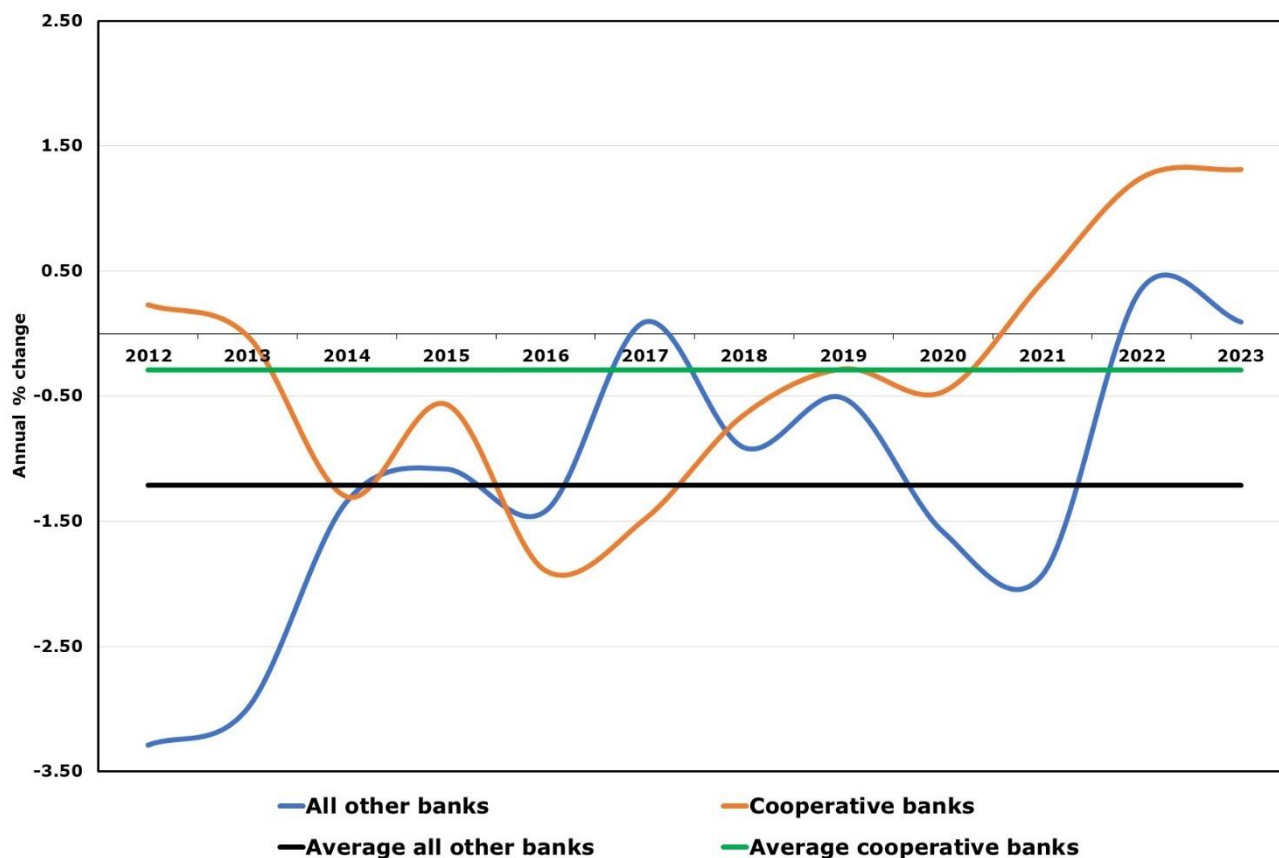


Source: Author's calculations based on edited data from co-operative banks, annual reports, and Moody's Analytics BankFocus. The sample includes 16 co-operative banking groups and 90 other banks from 13 European countries.

Robustness checks

In this section, we shall check the robustness of the computations by performing additional analyses. We first apply a calculation method that gives equal weight to percentage changes of CBGs and other banks in 13 countries. This approach produces reassuring results; it turns out that the general picture does not alter significantly. We do find that the percentage changes for CBGs are somewhat more subdued (see Figure 3). The average percentage reduction is also slightly smaller than in the first computation approach (-0.3 per cent). This means that CBGs' employment just dropped by less than 3 per cent since 2011. For all other banks, the two methods do not yield different results.

Figure 3 Average percentage change of employment in CBGs and all other banks



Source: Author’s calculations based on edited data from co-operative banks, annual reports, and Moody’s Analytics BankFocus. The sample includes 16 co-operative banking groups and 90 other banks from 13 European countries.

A comparison of employment figures between CBGs and other banks by country demonstrates compellingly that the majority of CBGs have reduced employment significantly less than other banks. In 9 of the 13 countries, the employment index (2011=100) for CBGs is substantially higher than for other banks in 2023.

Tentative economic interpretation and assessment

It is beyond the scope of this note to examine in detail the underlying determinants of – fluctuations in – bank employment in general, and differences in the evolution of staff levels between CBGs and other banks in particular. We will only briefly elaborate on the most probable ones in this section. In general terms, staff levels are affected by alternating dominant trends. A first partial explanation that may come to mind is the state of the economy. The hypothesis may be that in an economic boom, banks expand their workforce to meet increasing demand for financial services or buy group entities, while in a downturn they need fewer employees (or sell group entities). To examine the relationship between real economic growth and bank employment, we estimated several econometric models with bank-level data. In doing so, we also explored whether this relationship might differ between CBGs and all other banks. Box 1 contains the results of this analysis. The main conclusion is that we do not find a statistically significant relationship between GDP growth and employment growth at the bank level for either cooperative or non-cooperative banks in our sample. This suggests that other factors play a larger role.

Box 1 Relationship between real GDP growth and bank-level employment growth

The dataset comprises annual data from 106 banks (16 CBGs, 90 non-cooperative) across 13 European countries from 2011 to 2023. Key variables include:

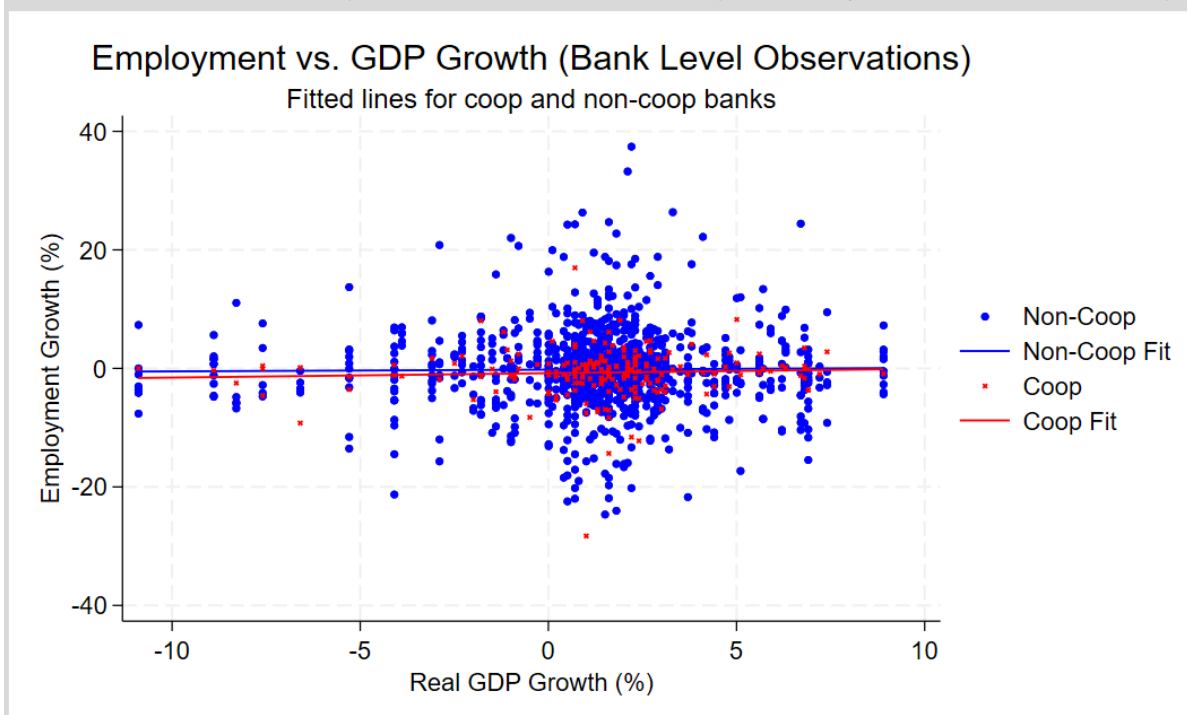
- fte growth: Annual employment growth rate (full-time equivalents)
- GDP: Country-level real GDP growth rate
- coop: Dummy variable (1 = cooperative bank, 0 = non-coop)

We start with a baseline pooled OLS model, then progressively control for fixed effects, lagged effects and conduct subgroup analysis. We also use the Hausman test to determine the suitability of fixed versus random effects. The baseline regression equation is as follows:

$$(1) \text{fte growth}_{i,t} = \beta_0 + \beta_1 \text{GDP}_{i,t} + \beta_2 \text{Coop}_i + \beta_3 \cdot (\text{GDP}_{i,t} \times \text{Coop}_i) + \delta_t + \mu_c + \varepsilon_{i,t}$$

The terms $\delta_t + \mu_c + \varepsilon_{i,t}$ represent key components of the error structure and controls in the estimation models. Specifically, δ_t captures year fixed effects, which control for global or systemic shocks that affect all banks in a given year (such as the COVID-19 pandemic, geopolitical or financial events). The μ_c term represents country fixed effects, accounting for unobserved and time-invariant country-specific factors like economic structure, competition in banking, labor laws, or institutional characteristics. Finally, $\varepsilon_{i,t}$ is the idiosyncratic error term that captures all other unobserved influences on employment growth at the bank-year level.

Our econometric analysis finds no statistically significant relationship between GDP growth and employment growth at the bank level for either cooperative or non-cooperative banks. However, temporal effects – especially 2022 and 2023 – consistently show large positive shifts in employment.



This result is also evident in the scatter diagram above. It plots the annual percentage changes in employment of all individual CBGs and other individual banks against real GDP-growth for the period 2012-2023. The red dots refer to CBGs and the blue dots represent observations of other individual banks. The fitted linear lines through the red and blue dots are also drawn. First notice that the red dots are less scattered in the chart area than the blue ones. This indicates that percentage employment variations are larger in all other banks than in CBGs. Second, both estimated lines show a very slight upward slope. Moreover, they virtually coincide. This supports the conclusion that there is no statistical relationship between economic growth and employment changes in banks.

As possible causes for swings in numbers of staff, mergers, acquisitions and divestments of (inter)national group entities have already been mentioned. Our underlying sample data show that the significance of the above events varies across banks, countries and years. It appears that purchases and sales of subsidiaries are in certain periods more common at larger and internationally active (non-)cooperative banks. It seems reasonable to assume that this partly explains the higher volatility in employment at other banks (see also Box 1).

Evidently, IT developments have always impacted banks. For instance, it has led to a virtualization of financial services over the last decades. Also based on our browsing of annual reports, we can say with some degree of certainty that this trend has dominated bank employment developments throughout most of the time period. Virtualization often went hand in hand with branch closures as well as departures of employees, and restructurings.⁶ However, a caveat is in order here. The extent to which the retail branch network and headcount have shrunk due to digitalization seems to depend partially on the business model, service concepts, ownership structure, and strategic considerations of individual banks. This may be the underlying partial explanation for why, on balance, this trend has apparently affected employment at CBGs relatively less than that at all other banks.

For a plausible explanation of the surprising employment growth in recent years, the annual reports and websites we consulted for this study offer some clues. The documentation reviewed suggests that stricter regulatory requirements, and partly linked, geopolitical developments have led to new types of jobs in recent years. In this context, the increased importance of the gatekeeper role of banks in the financial system is particularly mentioned. As a gatekeeper, banks play a significant role in preventing, detecting, investigating and reporting financial economic crime. Banks need to have effective controls in place commensurate to money laundering, terrorist financing, sanctions and bribery and corruption risks to protect the bank, its customers and the financial system as a whole. They have to comply with relevant regulatory rules and obligations. In order to fulfill the gatekeeper role properly and to be able to - continue to - meet the increasingly stringent requirements, more and more employees are needed for these activities. These developments imply that within each bank a shift in the nature of work activities has taken place. As a corollary, the composition and required competencies of the workforce have changed. These activities are undeniably important, of course, but on the other hand they could represent relatively large costs for smaller (non-)cooperative banks in particular that are not offset by financial revenues.

Of course, we cannot evade taking a tentative look into the future at the end of this research note. Everyone agrees that the impact of Artificial Intelligence on employment in banking will be significant and multifaceted. It is an open door but AI will present opportunities and challenges. Here we simply posit the platitude that it will further reshape roles, skills, and the structure of the workforce. However, we do not expect AI to merely replace jobs in banking, but rather to transform them.

⁶ For many CBGs, moreover, mergers between local/regional cooperative banks and a centralization of activities at APEX bodies have also taken place. This has caused staff redundancies at the local/regional level.