

THE JOURNEY FORWARD

Healthy Financial Sector

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SUMMARY

Healthy Financial Sector was a project to improve working life and employee well-being in the Finnish financial services sector. The one and a half year undertaking was carried out in 2014–2015 by the Federation of Finnish Financial Services, Nordea Union Finland, Trade Union Pro, Union of Insurance Employees VvL, and Federation of Professional and Managerial Staff YTN. The start of the project was marked in the collective agreements for the Finnish financing and insurance sectors in 2013. The aim was to give the labour market organisations a stronger shared vision on the future of the financial sector, its upcoming changes, and the required adaptive measures. Productivity, competitiveness and employee well-being were central themes, examined especially in the context of changing customer behaviour and increased presence of information technology.

Work in the project took the form of various workshops and reports. The project was funded by the Finnish Innovation Fund Sitra and the Finnish Work Environment Fund, to whom we express our utmost gratitude. Healthy Financial Sector was also a sector-specific pilot project in the National Working Life Development Strategy (Working Life 2020).

The project succeeded in its goal of sparking new dialogue on the future between its participants, and financial companies have also expressed their interest in this type of communication. Participants committed themselves into completing the project, and engaged in active, open and inspiring discussions that involved employee representatives, company HR and business managers, and outside experts. However, the most important measure of the project's success or failure is how well the identified results and tools will from now on be utilised by companies.

Six important themes of future change were identified. **New operating models in the financial sector** now seem feasible, and neutral discussion forums (such as this project) were deemed important for predicting the future of the sector, designing its reforms, developing common rules, and improving innovation.

As for the operating environment, **market changes and new players will strongly shape the industry** in the near future. The traditional financial services sector will be challenged by global players, low-cost operators, technology companies, and cross-sector conglomeration. It is especially important to follow new technology and internet companies, because they often have the ability to predict and utilise the opportunities of new technology, combine them with customer needs and wishes, and thus make fast progress. Regulation and a general "fondness of rules" in the traditional financial services sector slow down this type of innovation.

Customer needs and customer behaviour are undergoing drastic changes due to factors such as digitalisation, the increased presence of information technology. The financial sector is currently not seen as a customer-oriented business; customers don't play a major role in product development, for example. However, their needs regarding the availability (or "opening times") of services, as well as service quality and flexibility, are increasing, while banks and insurance companies develop their services more and more towards self-service models. Financial services are now polarised into online self-service on one side, and individual personal service on the other, and this development is expected to continue further. Young customers' opinions don't paint a very flattering image of the sector's service capability at the moment. The sector seems to have a two-pronged image problem: on one hand, the sector's external employer image needs improvement, and on the other, customers are unsatisfied with the sector's levels of customer-orientation and ethicality. Therefore, product and service development should be moved closer to the customer, whose needs and wishes have to be fulfilled better. Employees in the financial sector predict a substantial increase in flexible working hours and remote work, based on the wishes of both customers and employees.

Changing work and new skill requirements in the financial sector have been noticed at a somewhat late stage. Future work will be increasingly mobile, spread out in multiple physical locations and done in virtual teams. This requires new working methods and skills, which generates pressure for leadership and management to

keep up with the times. Recognising the importance of employee well-being amidst the changes helps to increase not only well-being but also productivity as a result. Diverse, constantly improving digital competence and multi-skilled employees are the fundamentals of future financial services.

Changing work and skill requirements will directly reflect as **a pressure to change leadership style and management of employee well-being**. Financial employees enjoy their time at work and have a desire to improve. Their evaluation of workplace atmosphere and willingness to recommend their workplace to someone else are at a good level. However, the roles of managers and directors are expected to change more than others, shifting focus away from managerial duties and the conservative leadership culture. Remote work and other flexible working methods make managerial jobs more demanding. Coaching leadership (which combines training and leadership) and diverse employee age groups will add their own challenges as well.

Productivity, competitiveness and new operating models pose uncertainties also in the financial sector. Digitalisation and automation of work have already changed the sector permanently and will continue to do so in the future. Although technology, artificial intelligence and robotics are estimated to cut as many as one third of existing Finnish jobs, human work will not end as this new technology creates new jobs with entirely new skill requirements. The financial sector has a long tradition of utilising new technology, but there has been some concern as to the sector's ability to reform itself fast enough; the future calls for new innovations and services that may even be exported.

Banks and insurance companies can thrive by increasing their productivity through technology. If successful, it will maintain profitability, jobs, and workplace well-being. Financial companies have three potential advantages to help them in the competition: developing services constantly, improving employees' skills and working methods, and creating a corporate culture that can respond to customers' expectations of digital services.

The last part of this report presents actions that companies and unions must undertake within the next 10 or so years in order to survive the upcoming challenges. The most essential ones are continuing and further improving cooperation within the sector, improving the reputation and attractiveness of the sector, responding to the changes in financial work through better flexibility and leadership, for example, and finding ways to support innovation and networking.