



Work in the Financial Sector 2019

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Work in the Financial Sector 2019 discusses the requirements that arise from the changing nature of work in the sector, with a particular focus on skills, competencies and the importance of lifelong learning. The publication combines the results from a number of Finance Finland (FFI) studies, surveys and other materials, such as publicly available statistics and other resources on working life and employee competencies.

Background material on financial work and competence development is available on the FFI website at <http://www.financefinland.fi>. This publication was compiled by Tarja Kallonen, Head of Financial Work and Competence at FFI.

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The Finnish financial sector employs about 36,000 people. Approximately 26,000 of them work in banking and 10,000 in insurance. In recent years, the sector has been shaken up by technological advances and the changing nature of work. Despite this evolution, the number of personnel has remained more or less level.

FINANCIAL SECTOR AS AN EMPLOYER

The financial sector is a service sector with a wide variety of interesting occupations and employers. The sector has traditionally been predominately female, but the proportion of men has been increasing steadily. In the banking sector, for example, the number of women in clerical occupations was 9,359 in 2018, whereas the number of men was only 1,888. Women hold more clerical and managerial positions, but men are predominant on the executive level. In recent years, the proportion of women in executive roles has also been on the increase.

The typical person working in the financial sector has a degree or qualification in business, but recent recruits increasingly have a law degree or a background in ICT or data processing. Training programmes that specifically target the financial sector include the Vocational Qualification in Business and Administration, the Bachelor's Degree Programme in Business Administration, and the Master's Degree Programme in Economics. Education and training is also continuously developed to keep up with the evolving needs and nature of work in the sector.

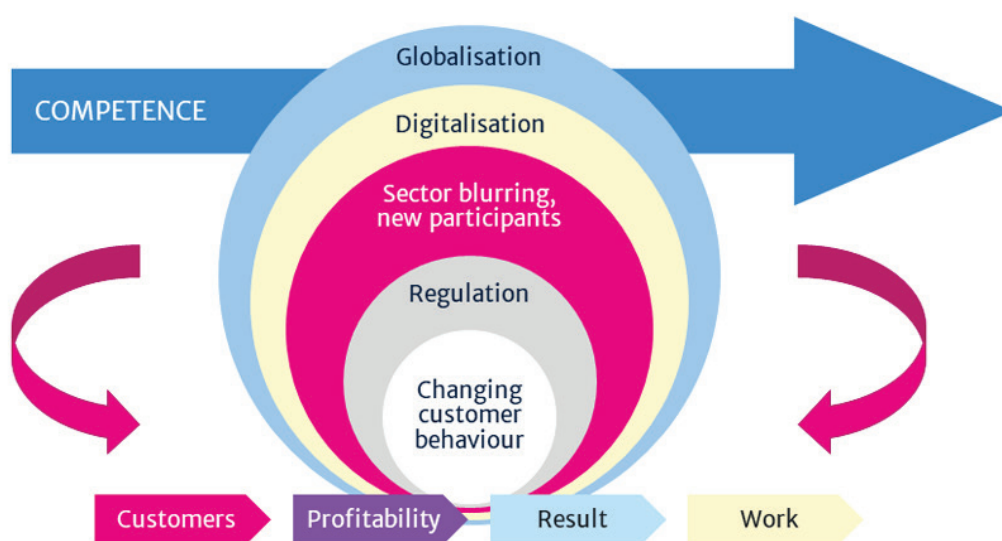
Financial sector personnel work as financial advisers, analysts, claims handlers and economists, but also in product development and diverse managerial and executive positions. Business students are very interested in the banking sector, but the insurance sector still suffers from poorer employer image and appeal.

"Artificial intelligence will not take our jobs – instead, it will change the nature of work and offer us new opportunities"

The ongoing evolution of work will impact the required competencies and day-to-day work of all personnel. Digitalisation, changing customer behaviour and increasing regulation also revolutionise the tasks, duties and ways of working. The skills and competencies required of persons employed or seeking employment in the financial sector are already substantially different than ten years ago.

In the future, the sector will especially need different kinds of ICT and data professionals. There will also be much demand for service developers with a fresh vision. Above all others, however, the sector will need customer service professionals with strong people skills.

While digitalisation, robotisation and automation will lessen the amount of traditional, manual work, they will also create a need for new kinds of human effort. In the coming years, the high average age of the sector's personnel and the effects of mass retirement will also begin to show, growing the need for new employees.



How work in the financial sector is changing

EVOLUTION OF WORK IN THE FINANCIAL SECTOR

The financial sector is in a state of constant change. In terms of work, this means that working in the same duties for an entire career is not a given. While a person's place of employment may stay the same, their tools, tasks and ways of working are likely to change many times over the years as a result of technological progress and sector blurring. This entails that employees, managers, companies and the educational system all need to forecast change, be continuously ready to change — and have the courage to make changes.

In financial sector companies, the biggest forces driving the change in the nature of work come from structural reorganisation in the sector and from changing customer needs. This challenges the sector's competitiveness and transforms employees' role from traditional banking and insurance employees to that of multi-skilled professionals with more focus on sales.

It was originally feared that digitalisation and the evolution of work would take the jobs of bank personnel. Banks' efficiency measures have indeed cut down the number of positions in the sector, but the growing number of services and the opportunities brought by digitalisation

appear to have created new jobs in their place. Artificial intelligence will not take our jobs — instead, it will change the nature of work and offer us new opportunities.

CUSTOMER EXPECTATIONS

Customers' need for financial services is changing, and so is their behaviour. In choosing a service provider, the customers' main criteria are price, reliability, online service security, and the clarity and simplicity of the service.

Although customers in all age groups say they like to use online services, nine out of ten customers still want to have the option of receiving personal service in addition to online services. Customer service will undoubtedly hold its high relevance to customer satisfaction. Another particularly important factor is the availability of competent guidance when a customer is, for example, adopting a new service channel.

Financial sector companies are generally regarded as reliable and trustworthy, which is an important asset in the increasingly competitive environment. It is therefore especially important for companies to maintain high levels of data security in the processing, handling and storage of customer data.

In the financial sector, customer relationships are long-lasting and often passed down from generation to generation. Once a customer has chosen a bank or insurance company, they tend to stay quite loyal to their choice: according to a survey, very few customers switch between banks (5% per year) or insurance companies (12% per year).¹

Market research company EPSI Rating tracks the reputation and brand image of Finnish banks through annual surveys. According to the 2018 report², the most important factors influencing customer satisfaction are service quality and perceived product quality. In the private sector, perceived product quality has remained on a high level, and customers are consistently satisfied with the different aspects of a product. However, the survey shows that in comparison to the previous year, customers had grown more dissatisfied especially with the reachability of customer service. Proactivity also left room for improvement. The future challenge of the banking sector is to combine well-functioning technical solutions with personal service that feels close to the customer.

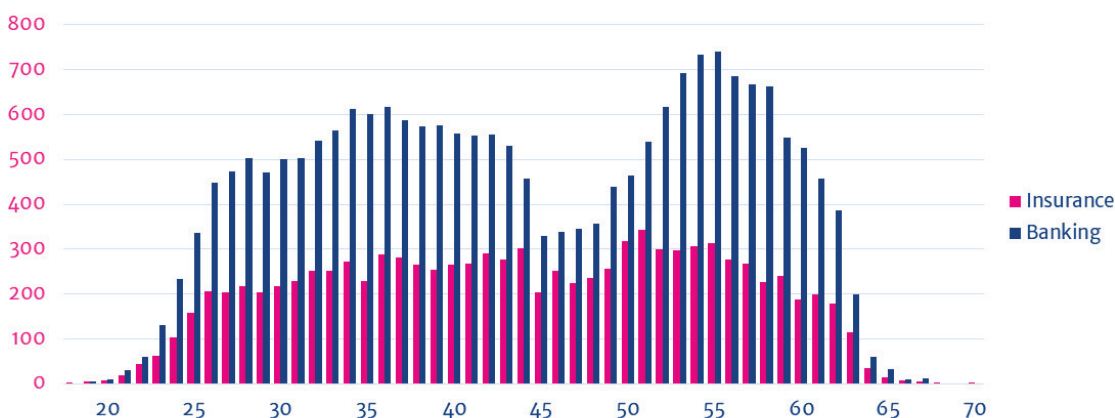
PERSONNEL IN THE CHANGING ENVIRONMENT

The financial sector has a large number of different employers and interesting occupations, and work in the sector is changing rapidly. Because the sector actively trains and develops its personnel, individual employees' own willingness to learn and develop professionally is emphasised. Most of the employees hired in the financial sector have an educational background in business or economics, but recently a growing number enter the sector with a university degree or a BBA.

The number of employees with a Vocational Qualification in Business and Administration remains high (9,155) but it may decrease in the future: in 2013 – 2017, only 2,560 new employees with the qualification were hired. In contrast, the number of new employees with a university degree or a BBA hired during the same period was 6,844.

The evolution of work, the changing needs of customers and technological progress are the main factors driving change in the sector. Although technology-driven self-service is

Financial sector personnel 2018 by age structure



Source: EK wage statistics

¹ http://www.finanssiala.fi/materiaalit/Muuttuva_tyo_finanssialalla.pdf (in Finnish)

² <http://www.epsi-finland.org/report/pankki-ja-rahoitus-2018/> (in Finnish)

gaining ground, personal customer service will also become more important. It has been interesting to watch how the employee needs of the sector have grown increasingly diverse in recent years. Growth in the number of legal professionals, data analysts and ICT professionals has been particularly noticeable.

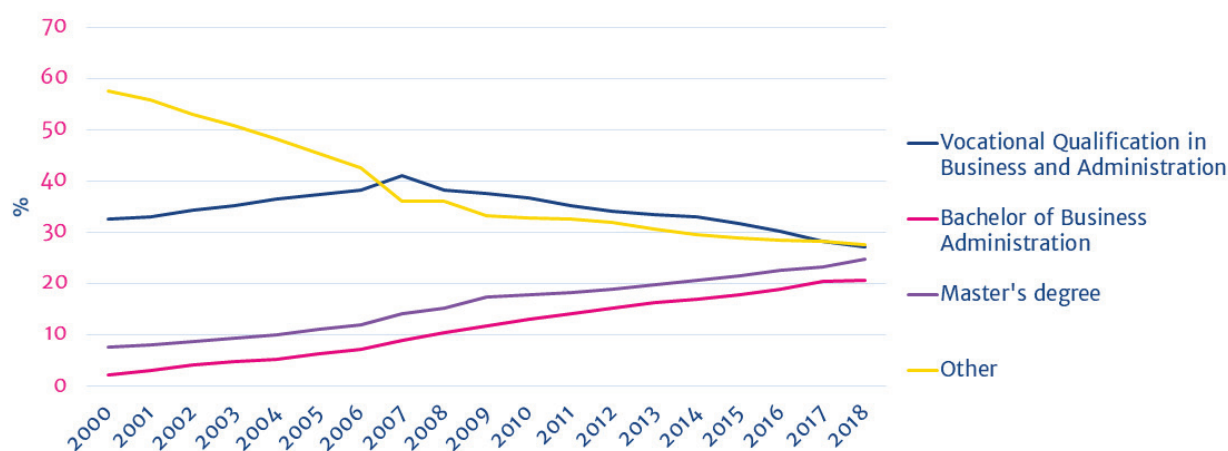
The sector has grown more aware of how important it is to successfully combine work, workplace well-being and free time, and as a result, telework and flexible working hours have and will continue to become more common in both banking and insurance. The prevalence of telework will also further the acceptance of virtual organisations as a natural part of both sectors. In the future, working teams will increasingly consist of people with different professional backgrounds. For example, a multi-professional team may include a mobile service developer, a sales trainer, a taxation specialist and even a robot whisperer — a person highly skilled in training robots to do complicated tasks.

On the other hand, both the banking and insurance sector are still very traditional and in many ways cling to their old operating models. The strictness of financial sector regulation may also stand in the way of daring innovations, slowing down the sector's transformation. What is clear is that time pressure and the more rapid pace of work in general will demand much more flexibility and stamina from all financial sector employees.

Employee well-being should receive more attention. According to a FFI survey, the main factors that contribute to well-being at work include realistic requirements and competitive wages, but also good management, the possibility to achieve a good work-life balance, an open work atmosphere, and motivating and meaningful tasks.

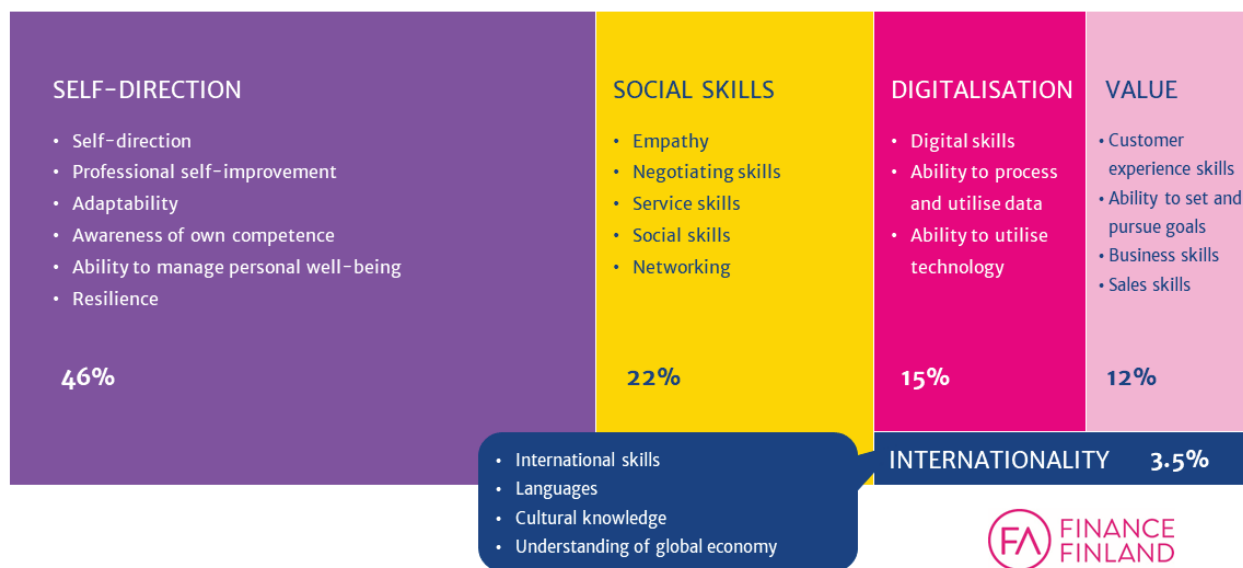
The evolution of work also reaches the managerial and executive levels: for managers, for example, more weight will be put on coaching leadership skills.³

More educated personnel educational background in 2000–2018



Source: EK wage statistics

Future skill requirements



FORESIGHT TO FIND FUTURE PROFESSIONALS

Effective foresight work is important to understand the financial sector's future competence requirements. In late 2018, the sector conducted a survey⁴ that mapped out the "Big 5" from a set of 30 different skills and competencies. The 650 survey respondents comprised professionals working in the sector, managers, and teachers from the educational programmes targeting the sector.

The set of skills and competencies listed in the survey was picked from previous studies conducted in the sector and totalled 35 items in all. The respondents were asked to pick the five skills and competencies they considered the most important for the future.

According to financial sector professionals, the most important future skill set was self-direction and the skills and competencies related to it. The second most important skill set was related to the social dimension: empathy, negotiation skills, service skills, social skills, and networking. The third-ranking skill set was digitalisation, which included digital skills, the ability to process and utilise data, and the ability to utilise technology.

The survey also included open-ended questions that allowed respondents to describe in their own words what skills and competencies they thought will be needed in the future. In many answers, empathy, resilience and cooperation skills came up in different ways.

Based on the responses, future competence requirements largely focus on self-direction, emotional intelligence, people skills and self-development. Core skills such as customer service and digital skills are still valued, but they did not make it to the top five. The responses also indicated that managers and executives value digital skills and the management of personal well-being less than the people in clerical level occupations do.

MORE COMPANY-SPECIFIC TERMS AND CONDITIONS NEGOTIATED

The essential standard of Finnish labour legislation consists of the Employment Contracts Act, the Working Hours Act, the Annual Holidays Act, the Act on Cooperation within Undertakings, and occupational safety and health legislation. In addition to this general framework, the financial sector adheres to the banking and insurance sectors' own collective agreements.

⁴ <http://www.finanssiala.fi/en/material/Future-competencies-in-financial-sector.pptx>

Collective agreement negotiations in the banking sector are conducted by service sector employers' association Palta, which also represents FFI, with the employee side represented by Trade Union Pro, Unio (formerly Nordea Union Finland) and the Federation of Professional and Managerial Staff YTN. The collective agreement for the insurance sector is negotiated between Palta and the Union of Insurance Employees VvL. Both collective agreements are generally binding: all businesses operating in the sector must adhere to the provisions on, for example, minimum wages and general pay increases as set in their sector's collective agreement.

Companies and employees may also locally agree on matters not laid down in the legislation or collective agreements. As long as there is no conflict with the collective agreement, the locally agreed terms and conditions can be more advantageous to the employee than the sector's collective agreement.

FFI is in charge of the development work related to financial work and future competencies that seeks to support collective agreement negotiations. The aim of this work is to increase productivity and well-being at work, to strengthen employee competence, and

to promote lifelong learning in cooperation with the sector's employee unions. The cooperation was launched in 2013 in the form of a project entitled Healthy Financial Sector.

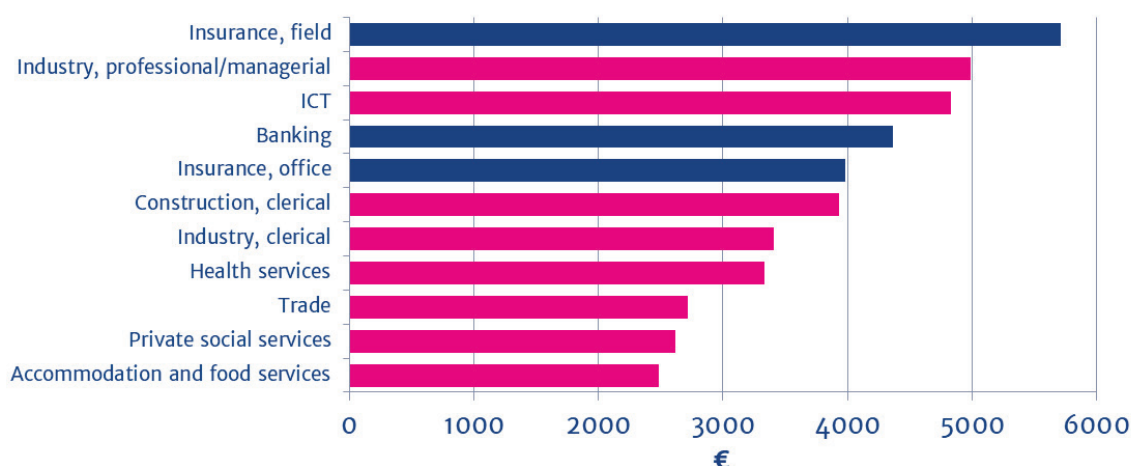
PRODUCTIVITY AND WELL-BEING

Healthy Financial Sector is a long-term collaboration project between financial sector employers and employees. The objective of the project is to increase well-being at work, productivity, and competitiveness in the sector.⁵

With the project, FFI and its partners hope to support employers and employees as they prepare for the challenges that arise from the changing nature of work and working environment. After the completion of the original project in 2014-2015, the results have been put into practice in financial sector companies. Work in the project continues until 2021 on the union and company levels.

The project and similar forums for intra-sector dialogue are valuable in developing foresight, renewal, innovation and a common rulebook in any sector.

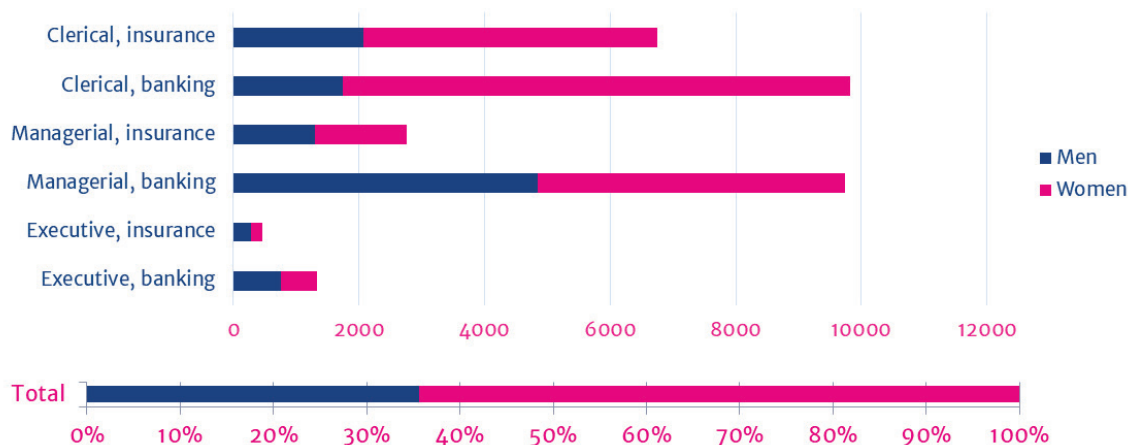
Competitive wages average income by sector in September 2018



Source: EK wage statistics

⁵ For more information on the surveys, reports and best practices drawn up in this project, see <http://www.finanssiala.fi/en/current-topics/future-of-work/>

Financial sector personnel 2018 by occupation



COMPETITIVE WAGES AND INCENTIVES

The financial sector uses a salary negotiations model, which means that part of employees' pay is based on their performance. The collective agreement specifies the guaranteed salary element and the personal salary element that together form the employees' fixed total salary. The model is unique compared to the wage provisions of other Finnish collective agreements and quite close to the predicted remuneration models of the future.

The financial sector's average income is on a competitive level compared to many other sectors. In the banking sector, the average income was €4,114, with the median at €3,450. Performance bonuses are common: in the statistical period examined, nearly 50% of banking sector personnel and 80% of insurance sector personnel received a performance bonus. In the insurance sector, performance bonuses are a fundamental part of monthly pay. The bonuses in both sectors are usually linked to service quality and sales, and thus work well as incentives.

In the financial sector, performance bonuses are more common than in other sectors. The Confederation of Finnish Industries (EK) statistics⁶ reveal that in 2018, one third of personnel in all sectors received a performance bonus, which was on average 7.5% of their total income. In contrast, 77% of insurance sector personnel and 52% of banking sector personnel received a performance incentive. In the banking sector, the average performance incentive was also higher than the statistical average: 10.7% of total income.

GENDER EQUALITY STRENGTHENS FEMALE LEADERSHIP

The financial sector is largely dominated by women, but the percentage of men has begun to increase in the last decade. In 2018, about 65% of the sector's personnel were women.

The Finnish Act on Equality between Women and Men (609/1986) requires that employers promote equality for example by preparing and implementing a gender equality plan. This aims

6 <https://ek.fi/wp-content/uploads/Kuukausipalkkatilasto-syyskuu-2018.pdf> (in Finnish)

to ensure that open positions get applicants from all genders and that everyone is treated equally in the workplace, for example in terms of pay.

In the financial sector, the differences between women and men mostly come up in terms of employees' occupational level and nature of tasks. In managerial and expert duties, women have outnumbered men since 1996, but the executive level is still predominantly male. About 70% of all women working in the banking sector are employed in clerical level occupations.

INTERESTING AND WELL-PAID WORK

When potential future employees were asked what they thought about the financial sector, the two descriptions that came up the most were 'competitive wages' and 'interesting work'. The employer image survey's respondents also rated the meaningfulness of work and the possibility for personal professional development highly.⁷

Since 2015, the banking sector has consistently ranked as the most interesting sector among university students majoring in business and economics. The banking sector ranked second after trade also among students pursuing a Bachelor of Business Administration degree in a university of applied sciences.

The insurance sector is slightly less popular. Business and economics students rated the insurance sector as the tenth most interesting sector, while BBA students rated it the seventh. Based on comments from the past few years, the attractiveness of the insurance sector looks to be on the mend.

Banking and insurance are both undergoing tumultuous change at the moment. Their entire mode of operations is being overhauled, which is opening up interesting job positions and will do so even more in the future. At the same time, both sectors need to cherish their people-oriented approach and personal customer service. After all, at the heart of it, the financial sector is a service sector.

WORK-ORIENTED TRAINING PATHS

The fast evolution of work and the focus on lifelong learning have made it necessary to find ways to bring together financial organisations and educational institutions. This gave rise to the Financial Academy, a network that connects financial sector employers and educational institutions. The network's aim is to increase collaboration and give educational institutions a better picture of the changing needs of the sector.



Students of Haaga-Helia University of Applied Sciences

The Financial Academy encompasses all educational levels from vocational schools to universities and also includes independent institutes that offer continuing training. The network currently includes 15 members.

The Financial Academy is governed by FFI's Financial Work and Competence Committee, which is in charge of the position-taking work regarding the sector's skill requirements and working life development. The committee also seeks to influence the development of the Finnish educational system. The sector considers it important that

- education is working-life oriented and able to support the rapidly changing needs of the financial sector
- training moves from long, degree-oriented programmes towards shorter, more flexible programmes that target key competencies
- more financial training is included on all educational levels and that it includes general business skills, personal financial management and customer service skills.

FINNISH FINANCIAL SECTOR IS MORE EFFICIENT THAN ITS EUROPEAN COUNTERPARTS

The European financial sector, and the banking sector in particular, have been affected by the global financial crisis, the changing market forces, and digitalisation. In the post-crisis environment, regulation has grown stricter and the sector has faced cost pressures. Low interest rates and new competition from other sectors have also decreased profitability.

The European banking sector has gone through substantive reorganisation and resource-focusing, which has manifested as

fusions and corporate acquisitions. Costs have been cut and the number of bank offices and employees has been reduced. Within a period of ten years (2007–2016), the number of employees fell by 10% to 416,000 people and the number of bank offices plummeted by 22% to 54,000 offices.

New regulation has also increased costs in the banking sector by creating more complicated processes that involve additional reporting requirements and other documentation. This regulation includes the following:

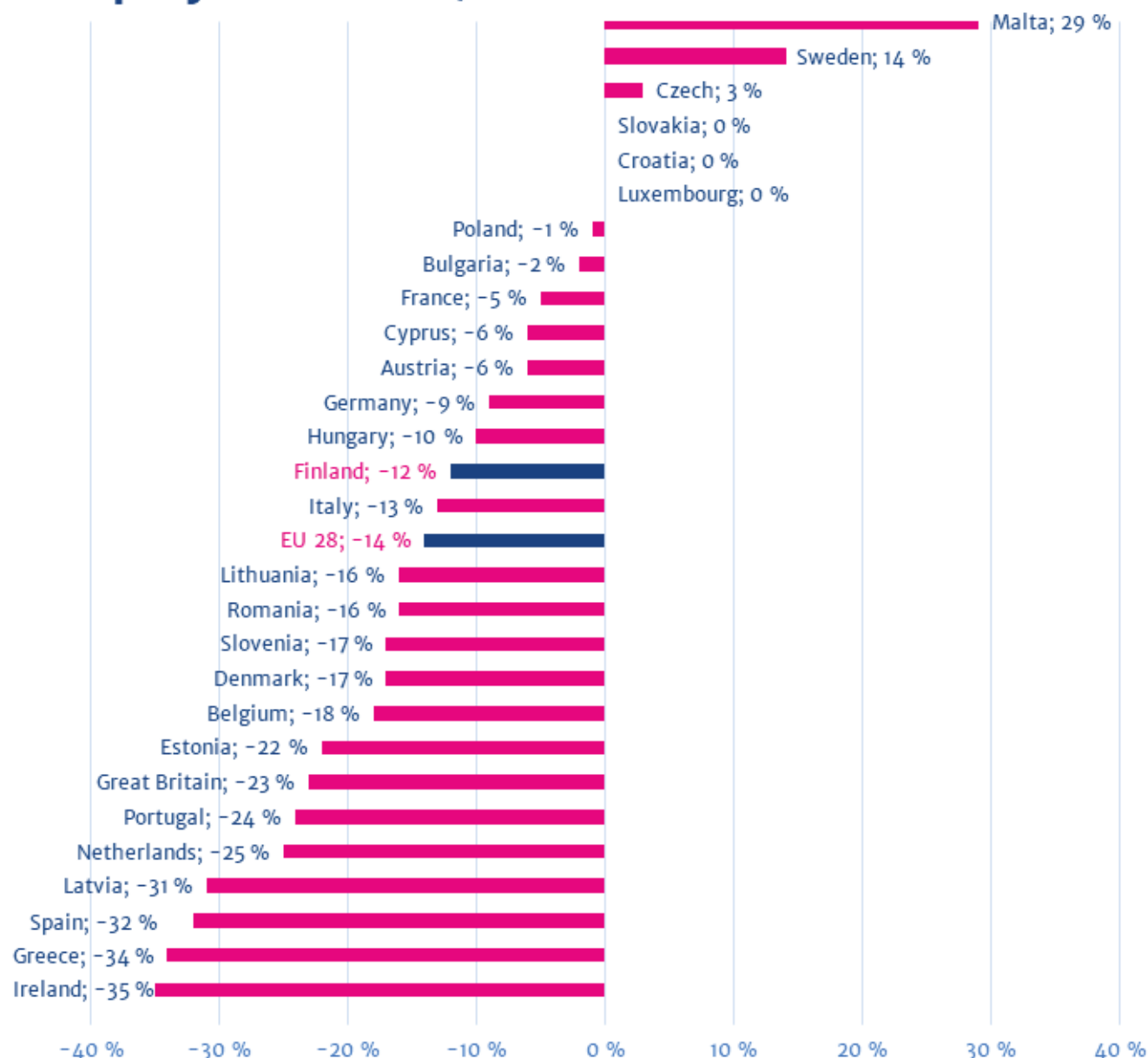
- Basel III, which has increased banks' capital adequacy requirements.
- MIFID 2, which has increased regulation and competence requirements in investments.
- PSD2 payment services directive, which has changed banks' exclusive access to customer data.

The insurance sector is regulated by the Insurance Distribution Directive (IDD), which governs the planning and selling of insurance policies.

As a result of the Finnish banking crisis of the 1990s, the number of banking sector employees and offices fell in Finland much earlier than elsewhere in Europe. By the 21st century the Finnish service and distribution network was therefore already very efficient and the impact of the global financial crisis on the sector's employment was less dramatic.

In the future, the more substantial changes in work in the sector will not be related to the number of jobs – instead, they will evolve the ways of working and give rise to entirely new kinds of professions.

Change (%) in the number of banking sector employees in 2007–2016





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