ECONOMIST IMPACT

Rapid change is here: The future of financial services

Financial services workers may not have been on the front lines of the covid-19 pandemic, but they were still significantly impacted. While spared the massive waves of layoffs that hit the restaurant, hospitality and entertainment industries, employees in the financial services sector faced stress-related organisational uncertainty, market volatility, social isolation and constricted childcare options. The nature of the sector's work enabled most organisations to quickly shift to remote working arrangements after lockdowns began. Most financial services companies were able to adapt relatively well, but the rapid change in how workers get their job done inevitably influenced workplace cultures, employer expectations and how organisations think about their operating model and future.

As part of the *Recovery, Resilience and the Road Ahead* programme sponsored by Prudential, Economist Impact (formerly The Economist Intelligence Unit) surveyed 1,015 financial services workers and 157 executives in the sector around the US across various functional roles, ranging from finance to operations and production. The survey assessed worker concerns, priorities, remote work experiences, digital maturity, technology investments, skills and capabilities, and future outlooks. One big takeaway: a majority of workers says their relationship with employers has improved during the last year. But that doesn't mean most workers feel a sense of job security.

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Largely positive work cultures and worker-employer relationships are apparent. But disparities in experiences exist.

As covid-19 infections reached their first peak in April 2020, the heads of many large US banks pledged not to cut any jobs throughout the year.[1] The six biggest banks in the country actually increased headcount by nearly 20,000 workers during the first nine months of the year.[2] Relative employment stability along with organisations' efforts to support employees through remote work arrangements and flexible schedules appear to have helped create a positive culture and working relationship in which workers feel respected.

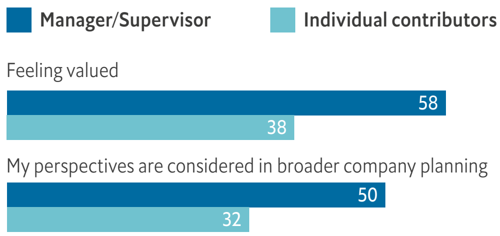
More than half (51%) of financial services workers report that the worker-employer relationship had improved in the last year. About 29% said it had stayed the same during this period, which included the first year of the pandemic. Fifty-seven percent strongly agree there is currently a positive working relationship and culture.

There's a sizable disparity between how workers at different levels of organisations feel, however. Compared with people in managerial/supervisory roles, individual contributors[3] feel less valued and less likely to have their perspectives considered (Figure 1).

A disparity in the worker-employer relationship also exists between organisations with fewer than 1,000 employees and larger organisations. Nearly two-thirds—63%—of employees at smaller firms feel very or extremely valued, compared with only 40% of employees in large firms.

Figure 1. Many financial services workers see positive dimensions to their relationship with employers.

How much do each of the following describe the worker-employer experience where you work?
(% who selected "very much" or "extremely.")



Source: Economist Impact

Another survey finding underscores the cloud of uncertainty that hangs over many working in the financial services sector. Over half of respondents were somewhat or extremely worried about some aspects of their livelihood and job security—things like the ability to pay unexpected expenses or get a job elsewhere, month-to-month planning and long-term retirement. This should serve as a wake-up call to employers about substantial insecurity in the sector's workforce. Some of that insecurity likely predates the pandemic, and some of it may be a result of people seeing so much misfortune across other parts of the economy. But there may be another contributing factor to many respondents' unease. Pleased with high productivity levels of remote workers, many companies may shed jobs in recognition of the fact they can do more with less thanks to technology and new ways of working.

Digital transformation will continue to reshape organisational priorities and work arrangements in the sector.

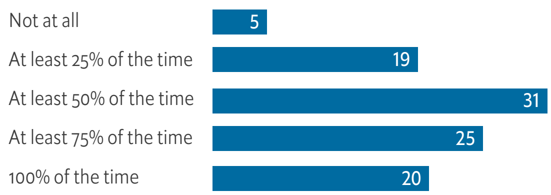
The transformation had already begun before the pandemic began. Forty percent and 32% of respondents, respectively, reported that IT/technology and data analytics roles had seen increased demand before covid-19—higher than other roles including sales, communications and marketing. Asked to look ahead to the next 2-3 years, many respondents expected growing demand for these tech-oriented positions; 46% said demand for IT/technology talent would increase, while 31% said demand for data analytics talent would increase.

Given the growing centrality of technology in the financial sector, cybersecurity investments are now a top priority for companies in the sector. The majority of executives (57%) reported their companies had increased investment in cybersecurity since covid-19 and 55% said they would continue to increase it in the next 2-3 years.

The extent of the sector's current digital transformation is exemplified by its highly flexible workforce. Remote work is now both a normal and largely positive experience for financial services workers. Eighty-one percent of the workforce began or increased remote work during the pandemic. And nearly 75% of individuals surveyed in the sector said they wanted to continue to work at least half of the time remotely (Figure 2).

Figure 2. The large majority of workers would like to continue to work remotely.

To what extent would you like to continue to work remotely? (% worker responses)



Source: Economist Impact

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Investing in human capital/talent is a top priority of financial services executives. Gaps in employee supports are apparent and many workers are not sure their current skill set will be enough for a promotion.

Many executives in the sector consider human capital/talent critical to driving business value in the next 2-3 years. The only higher investment priority area for executives was digital transformation.

Although investment in human capital is of clear interest, provision of some benefits—particularly financial wellness tools and mental health—that could support workers' wellness and productivity seems to be lagging. For example, the survey found that only 28% of workers in the sector have access to mental health wellness tools/resources and only 22% of workers have access to financial wellness tools/resources. The latter finding is surprising, given that financial wellness resources are offered to customers by many companies in the sector. The results may speak more to an opportunity for companies to build workforce awareness of these resources rather than to gaps in offerings.

Demand for financial wellness and mental health support clearly exists. When asked what would be the most effective ways for their organisation to recognise workers, "comprehensive benefits supporting workers' financial wellness and retirement needs" was a top choice of respondents—behind only financial rewards (eg, salary increases) and rewarding workers for their hard work.

Moreover, nearly half of workers say they are not confident their present skill set enables them to move upward in their organisation. Although roughly two-thirds of employees said they were very or extremely confident that their current skills would allow them to keep their job, only 48% felt those skills would be enough to secure a promotion. That finding seems to underscore the reality of a skills gap across a sizable portion of the sector's workforce, which may relate to how the pandemic accelerated the sector's digital transformation. Close to one third of executives and nearly half of workers seem to agree that growing skill sets is key to staying competitive.

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Conclusion: Big opportunities on the horizon

The financial services sector has made it through the worst of the covid-19 pandemic relatively unscathed. Large portions of its predominantly high-skilled white-collar workforce shifted to remote work, reducing exposure to the virus. Business models were not deeply threatened by lockdowns, in dramatic contrast to the destructive effects of the 2008-09 global financial crisis.

Yet it's clear the pandemic accelerated the forces of digital transformation that were already reshaping financial services before March 2020. There is good reason for many workers to feel uneasy. Due to artificial intelligence and other technologies as well as the shift away from brick-and-mortar to mobile banking, one in five financial services jobs are at risk of disappearing, according to the latest Future of Work 2020 report published by the World Economic Forum.[4] Covid-19 was undoubtedly disruptive—but the crisis also served to accelerate new opportunities for the sector.


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Endnotes

1. Elizabeth Dilts Marshall, Anirban Sen, Imani Moise (2020). Banks eye layoffs as short-term crisis ends, long-term costs emerge. https://www.reuters.com/article/us-usa-banks-layoffs/banks-eye-layoffs-as-short-term-crisis-ends-long-term-costs-emerge-idUSKBN25O1KI
2. Sridhar Natarajan (2020). Wall Street Eyes More Job Cuts After Headcount Swells in 2020. https://www.bloomberg.com/news/articles/2020-11-18/wall-street-s-job-security-experiment-ends-after-staffing-surges
3. Individual contributors is defined as: workers such as project managers, associate- and junior-level analysts and technicians, and administrative assistants
4. Nicole Wakefield (2021). Why financial-services firms need to change with the times. https://www.strategy-business.com/article/Why-financial-services-firms-need-to-change-with-the-times

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