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THE JOURNEY FORWARD

THE FUTURE OF THE FINANCIAL SECTOR

Final Report of the Healthy Financial Sector
2014–2015 Project



FK | Finanssialan Keskusliitto

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Työsuojelurahasto
Arbetarskyddsfonden
The Finnish Work Environment Fund

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SUMMARY

Healthy Financial Industry 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 industry 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. Product and service development should therefore be moved closer to the customer. Customer needs and wishes have to be met better. Employees in the financial sector predict a substantial increase in flexible working hours and remote work, based on the desires of customers and employees alike.

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.



PROJECT OVERVIEW

Background and Aims

Healthy Financial Sector was a sector-specific project for the development of working life and work well-being. It was co-founded by the Federation of Finnish Financial Services (FFI) and four of the sector's unions: Nordea Union Finland (Nousu), Trade Union Pro, the Union of Insurance Employees in Finland (VvL), and the Federation of Professorial and Managerial Staff (YTN).

The project was spurred in the 2013 collective agreements of the financial and insurance sectors, when a consensus was reached to investigate the possibility of funding and designing a project about working life in the insurance and financial sectors. The participants in the bargaining process set up a steering committee that first met on October 29, 2013. Further planning, and project fundraising started in late 2013, and the project lasted until spring 2015.

The strategic aim of the Healthy Financial Sector project was to increase shared vision between the sector's collective bargaining partners on the future of the financial sector, the changes that the future will bring, and the appropriate response to those changes. These aims were written down at the steering committee meeting on January 27, 2014.

This was the first broadly cooperative project in the financial sector towards finding a common vision of its future. It was also the first industry-specific cooperative venture between collective bargaining participants in the whole service sector.

The central themes of the development work were productivity, competitiveness and occupational well-being. The background was provided by shifting customer behaviour and the effects of digitalisation on the financial sector. The shared vision and mutually agreed-upon responses were designed to prepare the industry for the changes ahead. The aim was to find ways of increasing occupational well-being, raising sector productivity and boosting its competitiveness. The project recognised existing and came up with new concrete tools for company-internal improvement of working life in its various dimensions.

The project reached out to various actors in the financial sector, e.g. business leaders and human resource managers, employees' representatives, NGO's, researchers, and other affiliated groups.

The execution of the project

The strategic aim of the project was set at broadening the shared vision between different actors in the financial sector about the current situation and upcoming developments. This aim has structured the choice of methods for the execution of the project. Methods were chosen to elucidate the different expectations and perspectives of the different participants (the employers' and employees' unions and their members, and the companies operating in the sector and their workers). The goal was also to increase mutual trust between the participants, and commitment to the execution of the project in a cooperative spirit.

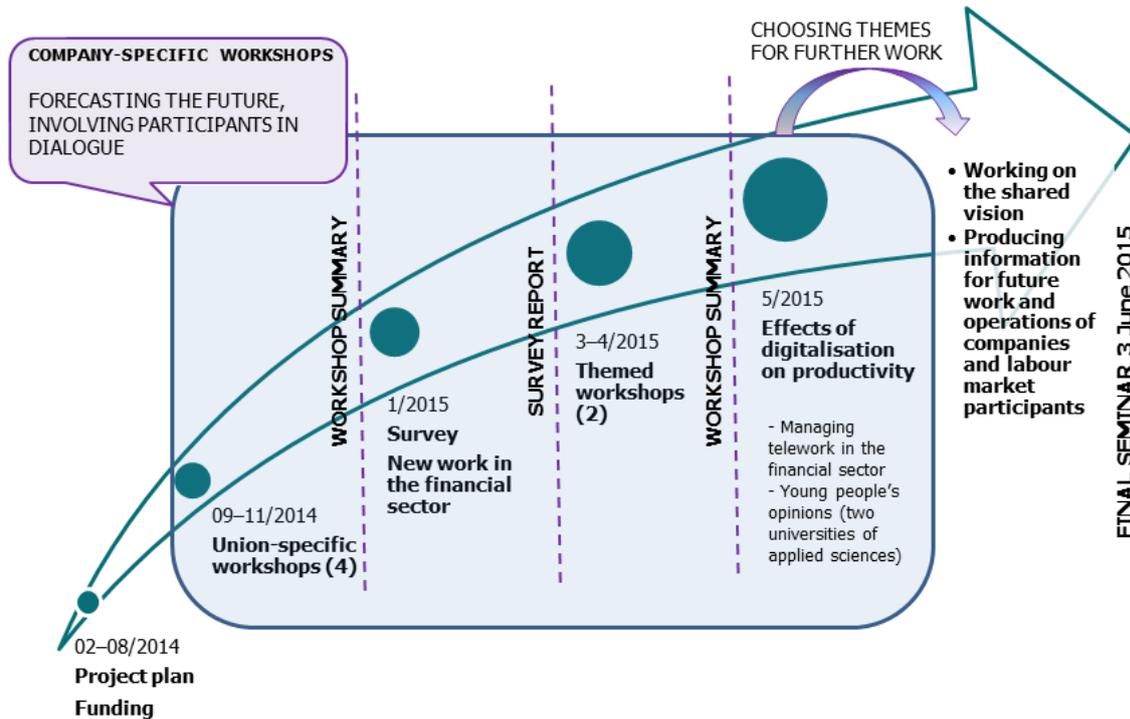


Image 1: The execution of the project

The planning phase

The beginning phase, in the spring of 2014, consisted of preliminary work, project planning and fundraising. The project has been financed by the following contributions: €10,000 from each of the participating unions, a €80,000 contribution from the Finnish Work Environment Fund, and a €20,000 contribution from the Finnish Innovation Fund Sitra. The project also took part in the Working Life 2020 project run by the Ministry of Employment and the Economy, as one of its the industry-specific pilots.¹

Union-specific workshops in the fall of 2014

The Healthy Financial Sector project organized a series of four workshops between September and November 2014. They were especially aimed at developing dialogue between the participants. The goal of the workshops was to involve both employers and employees in an open discussion on the themes of the project: productivity, competitiveness and occupational well-being. Additionally, it was meant to be a proving ground for the effectiveness of such dialogue in the interaction between the different participants.

¹ http://www.tyoelama2020.fi/tyopaikoille/toimialojen_hankkeet/finanssiala

Based on the model of these workshops, and applying them further, dialogue between management and employees has continued in many companies in 2015. The model has been deemed valuable and the plan is indeed to continue the workshop tradition.

Participants of the workshops included employee representatives invited by trade unions, and representatives of employer companies and unions co-summoned by the unions and the project leadership. Employer representatives included, e.g., members of the HR Development Committee and Labour Market Committee of the Federation of Finnish Financial Services.

Overall, 157 people participated in the workshops. Of those, 45 represented employers, while 112 represented employees and labour unions.

The workshop schedule was as follows:

The Federation of Professional and Managerial Staff (**YTN**), Sep 12 2014: 30 participants, 6 employer and 24 employee representatives,

The Union of Insurance Employees in Finland (**VvL**), Sep 17 2014: 46 participants, 13 employer and 33 employee representatives,

Nordea Union Finland (**Nousu**), Oct 17 2014: 32 participants, 10 employer and 22 employee representatives,

Trade Union Pro (**Pro**), Nov 5 2014: 49 participants, 16 employer and 33 employee representatives.

The workshops yielded positive feedback and were seen as a good way to further dialogue. The discussions at the workshops were deemed valuable. Special attention was given to how the talks allowed the participants from both sides to think broadly about these issues, beyond the limits set by traditional role expectations.

Some financial sector companies have organized company-specific workshops using the same or a similar method, on the model of these union workshops. These companies include, e.g., the OP Financial Group and the Savings Bank Group. In addition, Nordea Life Insurance are planning a company-specific follow-up project on the theme of productivity.

Changing Work in the Financial Sector survey

T-Media conducted a questionnaire, titled Changing Work in the Financial Sector, at the behest of the project, with the financial help of the public fund Sitra. The survey was given simultaneously to employees in the financial sector and the customers of the sector (the general public). The questionnaire sought to forecast the future tidings of the financial sector, both in terms of the general shifts in the industry, changing customer preferences and needs, and the well-being and management of the workforce. Employees were asked about their views on changing working life and customer needs. The customers, in turn, were asked about what services they needed, the future of the services in the financial industry, and the availability of these services.

A total of 17 companies in the sector took part in the workforce questionnaire, and the request was sent to slightly over 12,000 industry employees. Out of those, 3,019 people responded (the participation rate was thus roughly 25%).

The customer questionnaire targeted Finnish people (excluding Åland), between the ages of 15 and 70. People who declared themselves to be clients of no bank or insurance company were excluded from the survey. The feedback form was embedded electronically on an internet site, and about a 1,000 people responded. Both questionnaires took place between January 16 and 30, 2015.

In this report, we can only summarise a few issues raised by the questionnaire. The research report can be read in its entirety at the following address (in Finnish): http://www.fkl.fi/teemasivut/finanssiosaaminen/hyvinvoiva_finanssiala.

Forecast and simulation workshops, spring 2015

The spring 2015 workshop series was launched on March 11 with a day-long workshop about the phenomena that are estimated to shape the future of the financial sector. It was done with the help of a digital Future Forecast Map developed by AlternativeFutures (Uiverse Oy, <http://alternativefutures.fi>). The map charts phenomena shaping the future, and the megatrends that lurk behind them. Phenomena are organized on the map chronologically. Even diminishing phenomena are highlighted.

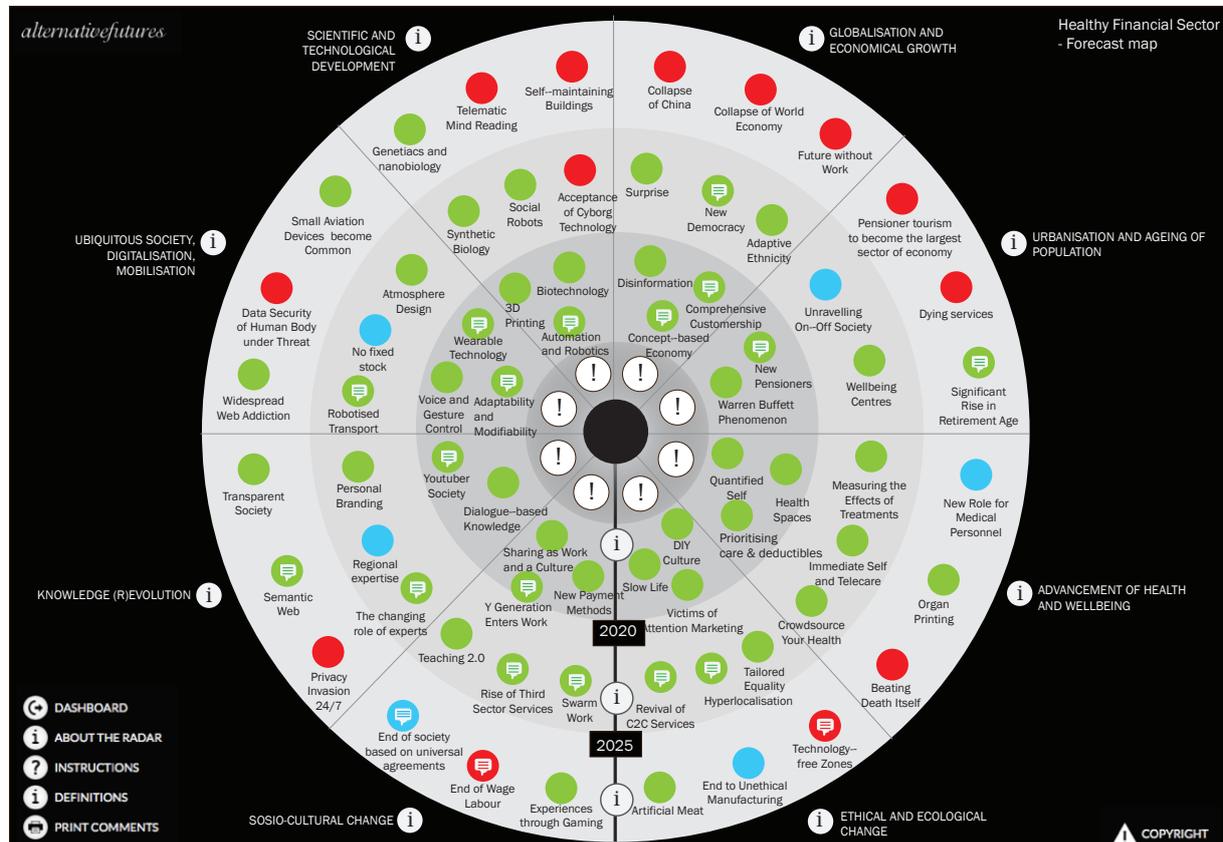


Image 2: The Future Forecast Map of AlternativeFutures

The most interesting phenomena, from the point of view of the financial sector, were discussed in groups, and evaluated in terms of the opportunities and the dangers that they may bring. Phenomena that demand immediate attention or that call for imminent changes within the industry were singled out. In the end, the results of the group work went through a quick evaluation process, and the most noteworthy of them were presented to everybody. Using this method, a number of ideas centred on digitalisation, deemed viable by the whole workshop, were thus advanced as the basis for further work. Out of those, the most frequently mentioned and interesting have been selected for this report. In total, 62 people, invited by the unions, and representative of the variety of the companies in the financial sector, participated in the workshop. Customer representatives and representatives from other sectors were also present.

As a method, the forecast map was deemed to be a novel and interesting approach. Since the workshop lasted for only one day, the discussions of many topics were kept on a rather general level, and there was a clear need for further analysis. The groups nonetheless experienced lively discussions, and the workshop gave birth to many new ideas on how to take the project to its next stage. Some companies also expressed an interest in using the forecast map in company-specific analysis.

In the second workshop of the spring, held on April 14, 2015, the phenomena discovered and recognised by the project were put under the lens of a playable simulation developed by TalentVectia Oy. The themes of the game, and the playable scenarios that derive from them, were based on

the data gathered in the earlier phases of the project. The aim of the simulation was to recognise relevant aspects of the changes of the ecosystem of the financial sector, and opportunities for cooperation within it, both in the short and in the long run. The game was organised as a board game, in groups of 5 to 8. The workshop had 49 participants, who had been invited by the member organisations of the project. The participants included union trustees, financial business leaders, HR managers, general managers, and representatives of customers and other industrial sectors.

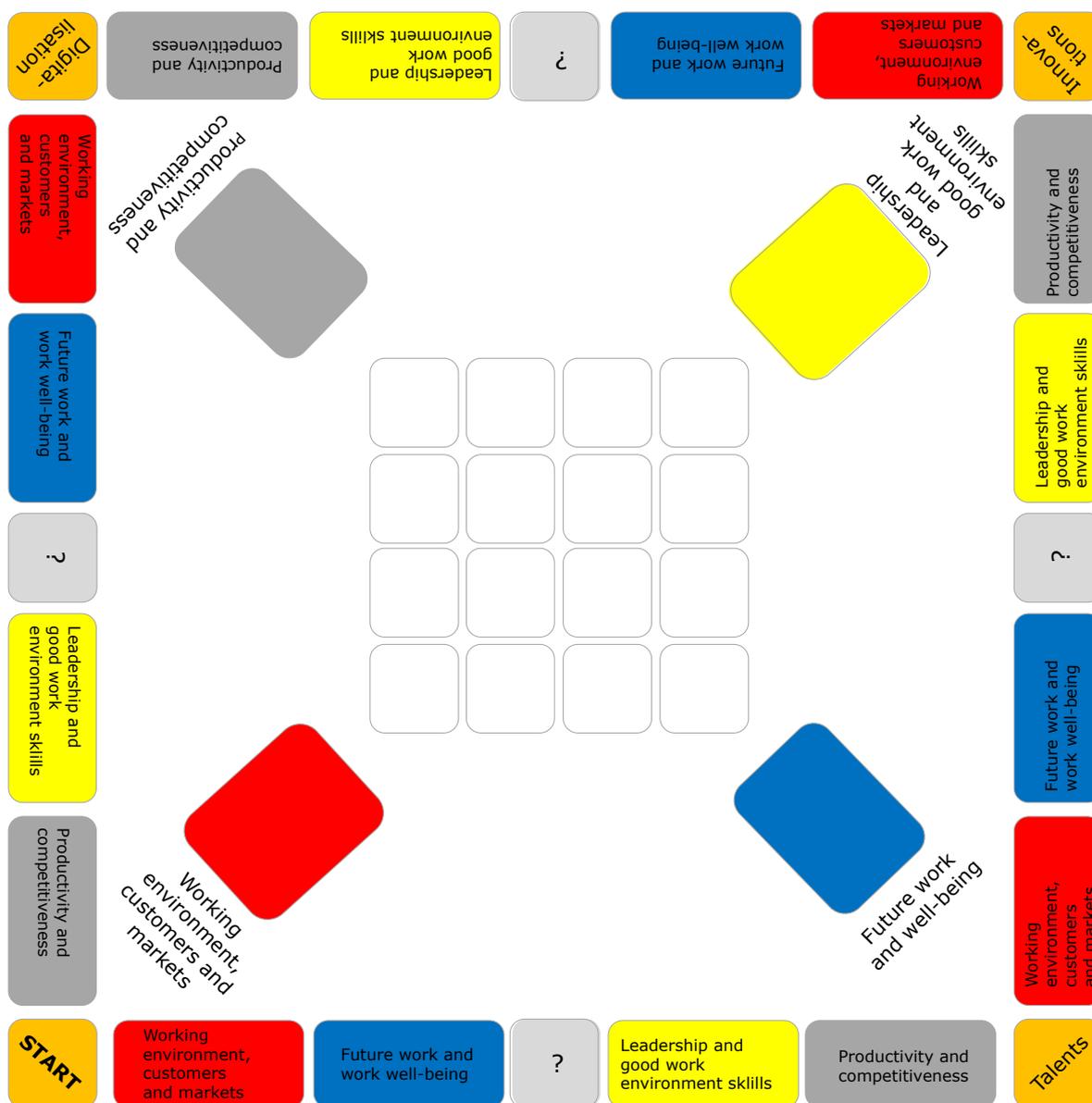


Image 3: The board of the playable simulation.

The method of a playable game utilised in the workshop proved to be a fruitful framework for discussion. The groups mixed people from different backgrounds and experienced some very lively discussions. Due to time constraints, insightful analysis of the complex topics was difficult, and some issues got only superficially tackled.

Productivity assessment

The project's expert in the field of productivity was Professor Matti Pohjola from the Aalto University School of Business. His productivity assessment report looked at the efforts made in the ICT-heavy financial and insurance sector to adjust to digitalisation and the changes in productivity that it brings. This yielded a separate report, called "The Effects of Digitalisation for Labour Productivity in the Financial Sector". The report is available in Finnish and English at: http://www.fkl.fi/teemasivut/finanssiosaaminen/hyvinvoiva_finanssiala

Student papers and theses

At the behest of the project, a report on "Telework Leadership in the Financial Sector" was commissioned, which is linked to the Bachelor's Thesis of Martta Asikainen, a student of leadership at the University of Jyväskylä School of Business and Economics. This report is a piece of qualitative research that explores the special characteristics of telework arrangements in the financial sector, especially from the point of view of its management and the role of trust and communication in the management of telework. The report and its summary (in Finnish) can be found at: http://www.fkl.fi/teemasivut/finanssiosaaminen/hyvinvoiva_finanssiala.

As part of the Healthy Financial Sector project, we asked young people who are thinking of working in the financial sector, i.e. students at polytechnic schools, to think about how they see the future of the sector in the next 10 years or so. Thoughts were gathered from two institutions, Haaga-Helia (Helsinki) and the Jyväskylä University of Applied Sciences. Overall, 20 papers from Haaga-Helia and 16 from Jyväskylä were obtained by the project.

All that material produced by the students has been used as background data for this report.

The final report and the concluding seminar

The final report you are reading now summarises the phenomena and the developmental trajectories of the financial sector that have been deemed the most important for the future of the sector. They are the result of careful selection during the many phases of the project. The findings have been here presented in a concise and limited fashion, due to space constraints. For the full picture, the reader is advised to read all the original intermediate reports, as well.

The concluding seminar was held on June 3, 2015, at the Korjaamo Culture Factory, Helsinki.

The leadership of the project

The project leader has been Ritva Rajander-Juusti from Serenitas Consulting Oy. The project has been run by the steering committee and the small working committee.

The steering committee

The project steering committee was composed of representatives from all the employees' unions (two members from each union), representatives of the Federation of Finnish Financial Services, and the chair and vice-chair of the latter's HR Development Committee. The steering committee has exercised decisive authority in the project, and it has approved its working methods and the intermediary and final reports.

The members of the steering committee:

Ahonen Pia, Development Manager, Pro (until Jan 2015)
Ahtiainen Minna, Executive Director, Nousu
Arvola Kirsi, Labour Market Specialist, FFI / Palta
Hakala Antti, Director, financial sector, Pro
Höykinpuro Timo, Labour Market Specialist, FFI / Palta
Kallonen Tarja, Research Manager, FFI
Kovanen Kirsi, Executive Director, VvL
Lassila Sari, Training Manager, VvL
Loukkola Ari, Director, Human Resources and Organization Development, OP Group & FFI's HR development committee.
Malinen Hilka, HR Director, Elo Mutual Pension Insurance & FFI's HR development committee.
Mäkelä Mika, National Officer, Collective Bargaining Department, Pro (replaced Pia Ahonen after Jan 2015)
Pursiainen Nuutti, Ombudsman, YTN (replaced Riikka Sipilä after Jan 2015)
Rantamäki Ville-Veikko, Ombudsman, YTN
Simell Juha, Organisational Expert, Nousu
Sipilä Riikka, Chief Ombudsman, YTN (until Dec 2014)

The chairman of the steering committee was Ari Loukkola, and the secretary was Tarja Kallonen from FFI. Since February 2015, Ilkka Tahvanainen (until Mar 2015) and Mikael Saarinen also participated in the committee's meetings, as representatives of the Finnish Work Environment Fund. The steering committee met a total of 14 times.

The small working committee

The small working committee consisted of representatives from all the participating unions. The small working committee prepared items for the steering committee's agenda. The working group met a total of 14 times. The small working group consisted of the following members:

Ahonen Pia, Pro (until Jan 2015). After that Mika Mäkelä (Pro) took over. Antti Hakala from Pro was also present at committee meetings during the spring of 2015.

Lassila Sari, VvL
Kallonen Tarja, FFI
Simell Juha, Nousu
Sipilä Riikka (until Dec 2014), after which Nuutti Pursiainen from YTN took over.
Rantamäki Ville-Veikko, YTN

Other affiliated groups

Opinions were also sought from a number of affiliated groups in order to attain as broad a shared perspective as possible. This outreach was also used to maximize the visibility of the project. The affiliated groups that were consulted included e.g. the FFI's labour market and HR development committees; and the various institutions related to the employees' organisations. The project took part in the Working Life 2020 program of the Ministry of Employment and the Economy, as one of its pilot projects.

The assessment of the project

The participants to the project have evaluated the project and its effectiveness in different contexts. The neutral discussion forum provided by the project has been praised as a welcome addition and supplement to the existing forums of discussion. Previously, discussions have been mostly held in labour market-wide or company-internal negotiations. A more neutral forum has been found to be necessary, so that the matters affecting the whole industry, and their potential impact, can be discussed on a general level and in a constructive manner.

The project has pioneered an unprecedented kind of cooperation between the financial sector unions. This can serve as a model for other unions. At the same time, it has laid the groundwork for dialogue within companies between management and the staff, e.g. on the topics of productivity, work well-being and competitiveness.

The participants made a strong commitment to seeing the project through. They shared a concern about the future and exhibited a willingness to find common solutions. The success of the project, and the shared commitment to it, were made possible by three mutually agreed upon goals: to identify the future prospects for the sector, the changes that are coming, and the actions that are necessary in response. The organisation for the project – which included e.g. hiring an outsider as the project leader – was deemed successful.

The discussions and the free-floating ideas that sprung from them in the workshops were judged, without exception, to have been good and productive. The participants in the workshop discussions came from different established roles, such as union trustees, company HR and business managers, and experts outside of the field. People generally praised the fact that people were allowed to look at things from a wider perspective, without clinging to their established roles. The workshops also gave rise to a handful of concrete ideas about how to improve the working practices of companies and unions.

In assessing the effectiveness of the project, the essential question is the following: how will the results and the methods of the project spread to the everyday life of companies and their strategic work? Towards the end of the project, a number of encouraging signals were received from companies in this regard. These included e.g. an interest in organising company-specific versions of the union workshops and forecast workshops. Going ahead, it is also vital to rope in those companies that were not involved in any of the phases of the project.

The project has also been rated positively by the affiliated groups thanks to its new working methods and operating procedures. It has garnered a lot of attention.

The budget and schedule of the project stayed within planned parameters. Communication was mostly done via the established channels of communication of the participating unions. There is some room for improvement for making sure that the communication of the different participants works better and in a more coordinated fashion.



THEMES OF THE FUTURE

Themes of the future

The insights of the project can be distilled into six dimensions:

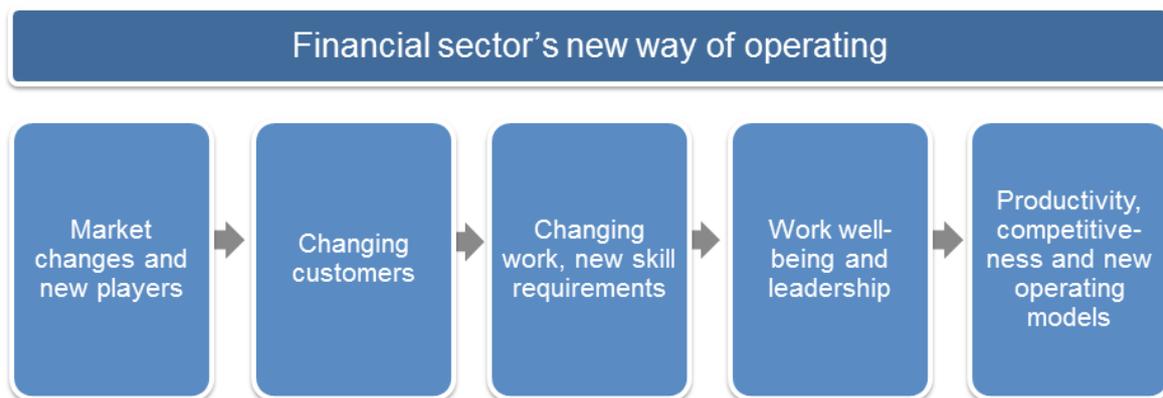


Image 4: Summary of the themes of the project.

All the data gathered during the project, including the findings of the workshops and the intermediate written reports, have been made use of in the preparation of the final report and its conclusions. When references are made to the opinions of the workforce or clientele of the financial sector, the source for that data in this chapter is T-Media's survey, *Changing Work in the Financial Sector* (spring 2015), unless stated otherwise. Other sources are referenced in the text or in the footnotes.

Can the financial sector find a new way?

The central question for the project was to find out whether a new way of interaction between the labour market partners could be arranged, and whether the financial sector could pioneer working methods for the rest of the service sector. Comparable sector-specific projects, with novel ways of organisation, have already been undertaken in the chemical industry (*Responsibility of Good Tomorrow*, 2011–2016), and in the technological industry (*Good Work – Longer Career*, 2010–2015).

The positive experiences that were witnessed during the course of this project speak favourably of such an approach. The project was seen as a neutral and viable place for the different sides to come together to discuss issues and to amass information related to the future of the industry.

Themes of trust and openness played a dominant role in the working methods of the project, and they are crucial to the working environment of the labour market. A trust-based, open and authentic discussion is a valuable commodity in the sector since all the players will be shaken by the winds of change that are about to hit the industry.

Labour relations in the financial sector are regulated, in particular, in the two collective agreements. In addition to the collective agreements, the sector operates under established and partially outdated internal methods of operation, and under strict external regulation. Those who work in the industry consider the internal operating methods and the external regulation to be factors that slow down the rate of change and restrict the rise of innovations in the industry. There is a desire, at the same time, to make the sector enticing and flexible. This means having the capacity to react swiftly to the general trends shaping the future of working life.

Some futurologists, including Tuomo Kuosa², argue that the kind of contractual society in which we live will be changing radically in the next decades. The contractual society operates under binding collective bargaining agreements, but these will be replaced by more local and flexible negotiations (companies, industries). A related trend is the encroaching replacement of fixed-income work with freelance work and entrepreneurial work. Legislation and the collective bargaining system, as well as the organisations and companies in the sector, must recognise the changing work environment and react to it.

The game simulation workshop yielded the vision that the goal of the sector should be to develop authentic modes of cooperation and to implement them across the sector. This should happen in a way where both labour market -wide and company-internal perspectives should mirror the shared understanding of the future ahead. This work should be done according to the spirit of the legal framework of the nation-wide Act on Co-operation within Undertakings. This means that employees are included, real-time, as active participants, in the decision-making processes that affect them. This requires a new kind of *modus operandi* where employees are involved in the process from the planning phase on.

The game simulation workshop also discussed the steps that are necessary to give birth to new kinds of interaction between the different players in the field. As a result of these discussions, it was agreed that new kinds of developmental, cooperative and innovation forums would be needed, and the entire workforce would need to be involved in this strategic process. The very first requirement, however, is a real willingness on the part of the actors in the field. The mode of operation established by the Healthy Financial Sector project could stand as a blueprint for continuous, cooperative interactions.

The field could give birth to other new modes of interaction, too, that bring together the interests of the different actors in the industry. For example, the workshops gave rise to the idea of a need for a geographical cluster of financial competence: a sort of “Financial Valley”. In it, training, research and R&D institutes would work cooperatively with companies in the field.

² Presented at the future forecast seminar of the Healthy Financial Sector project, on March 11, 2015.

Relevant conclusions for unions and companies

The Healthy Financial Sector project gave birth to a new, more neutral model of organising a forecast and strategic forum that is involving of all the actors. This method should be continued and developed further, both between unions and within companies. In the short term, this means continuing the tradition of forecast and strategic work within existing forums according to the established model. In the future, it means the creation of new developmental, cooperative and innovation forums and networks, in tight cooperation between all the actors in the financial sector, especially companies.

In the longer term, it might mean e.g. developing a common innovation agenda for the sector, organising strategic work into a development company, or founding a geographical centre of competence for the businesses, educational institutions and other actors in the field – a kind of “Financial Valley.”

Businesses, too, must strive to achieve an internal culture of authentic dialogue and cooperation. The tools and methods recognised by the project can be adapted to become tools of strategic forecast in companies that can involve all the parties in shared dialogue.

The industry needs an open and authentic culture of discussion and cooperation. The crucial issue, going forward, will be the development of a culture of local negotiations in corporations.

Shifting markets and new actors: a radical reshaping of the industry

The external working environment of the financial sector has already been and will continue to be the target of many powerful changes. The most central of these changes is the appearance of new, different kinds of competitors entering the market. They challenge the traditional actors in the sector. Externally, the financial sector is also influenced by ever-tightening regulation, which has rapidly expanded after the year 2008.

With the new players, it is possible to discern at least three lines of development that are challenging the established actors in the field: the entry of global actors into Finland, the entry of low-cost providers, and the entry of new, domestic and foreign, technology-based and non-financial sector actors.

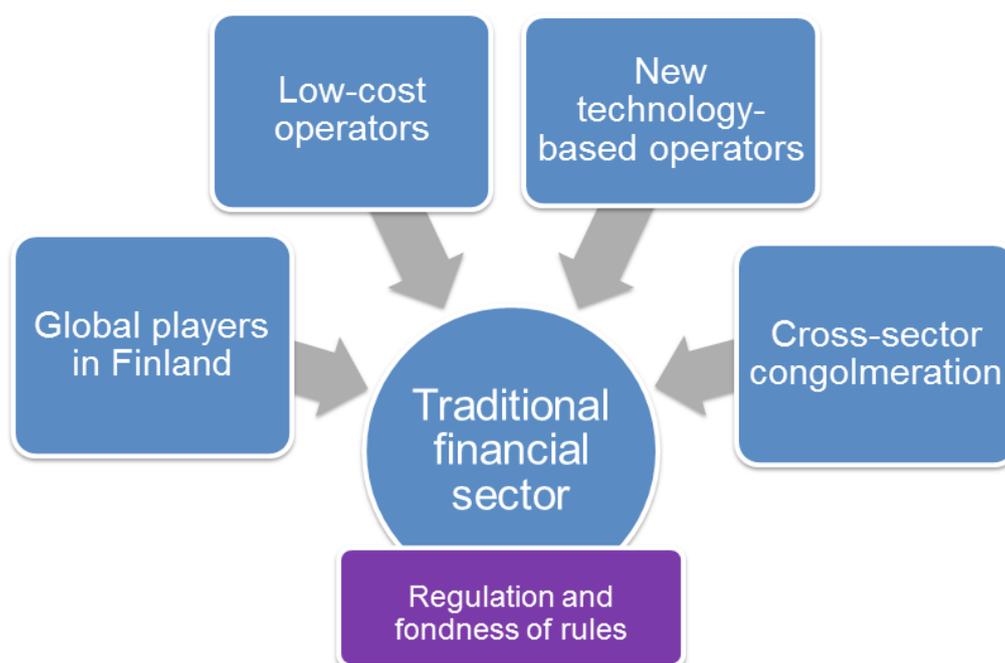


Image 5: Changes in the financial sector

The development of the industry is influenced by the strategic choices and decisions of the big international actors. The development is also shaped by the expectations of investors about the productivity, efficiency and profit potential of the banking and insurance business. In addition, new innovations and actors, and the resulting changes in the work requirements of various tasks, will shape the development of this rather conservative field (e.g. the impact of technology and robotisation). This relates to the broader developments that the society is experiencing: computerisation is expected to threaten as many as one third of all Finnish jobs, especially in low-paid occupations and routine work, during the next twenty years³.

The industry experienced huge reforms as a result of the '90s banking crisis. The number of bank offices and employees was drastically reduced, companies merged together, and the big financial groups were born.

³ Pajarinen Mika & Rouvinen Petri 2013. "Computerization Threatens One Third of Finnish Employment." ETLA Memo 22/2013. <https://www.etla.fi/julkaisut/computerization-threatens-finnish-employment/>

The financial industry today is characterised by diverse and developing cooperation between financial groups. A related trend are the different broad cooperative arrangements that aim to diversify company service portfolios. The typical polarisation runs between strong “full service financial supermarkets” and those specialised enterprises that choose to focus in their own narrow area of expertise, and where profitability is sought by strategic partnerships. The insurance business, in particular, is home to many strong and independent actors without any banking activities.

The workforce in the sector has been quietly shrinking, and this trend is bound to continue. New recruitments are mostly there to replace retiring workers and to meet new kinds of challenging and diversified tasks.

Globalisation is seen as the biggest threat to the industry, but is the real threat closer than we think?

The financial sector is worried about how the entry of global actors that benefit from economies of scale will affect the Finnish service market. Will the Finnish financial sector become “a fading local sideshow or a global trendsetter”, to borrow a question that TEKES already asked in its 2009 report⁴ on the future of the industry.

It is important to note, however, that there are already two big foreign-owned financial companies that operate in Finland. Their combined share of Finnish private loans is almost 40%⁵. In addition, there are plenty of side branches of foreign banks in the country. The ownership of insurance companies, on the other hand, is mostly in domestic hands, with the exception of Nordea Life Insurance and (partially) IF Insurance⁶.

In the project’s future forecast workshop, global competitors were seen as the overwhelmingly biggest danger to the industry. Global competitors benefit from economies of scale, and can enter the market due to digitalisation. More than a half of the customers estimate that more foreign players will enter the sector. New players can arise domestically, too – either in the vicinity of the traditional financial sector, or outside it, e.g. in the retail and telecom industries. The birth of entirely new low operating cost players was also deemed possible.

The entry of foreign competition is limited, at least at the moment, by the relatively protectionist nature of the domestic market. A good example of this are the work pension funds. If this protectionism is lifted, foreign actors will face fewer obstacles to entry. Other protecting measures include the user identification service, monopolized by the banks, and issues related to the handling of mortgage guarantees. The financial sector is bound to face competition from new domestic and foreign actors, but it is the opinion of the industry that these should face the same requirements that bind the existing actors (regulation, solvency, reporting, oversight).

From the perspective of customers, the internet has made it possible to compare services and make purchases globally – irrespective of national borders. This puts local and global services on the same playing field. However, customers are not especially interested in foreign or new kinds of cross-sector actors, according to the survey. Only less than 1 in 5 (18%) of costumers would consider using potential foreign services, and 1 in 3 would consider buying services from actors that come outside the traditional banking and insurance sector. Younger age groups are no more open-minded about foreign or new “outsider” service providers than the older groups.

4 http://www.tekes.fi/globalassets/julkaisut/hiipuva_haarakonttori.pdf

5 The Federation of Finnish Financial Services, “Toimialakuvaus” (in Finnish), 2015. <https://www.fkl.fi/materiaalipankki/esitysaineistot/Dokumentit/Toimialakuvaus.ppt>

6 Nordea Life Insurance is owned by Nordea Bank Ab, via Nordea Life Holding Oy. IF Insurance is entirely owned by Sampo Group Oyj, although via Swedish If P&C Insurance Holding. Source: “Vakuutusyhtiöiden omistus Suomessa 2014” (in Finnish). The Federation of Finnish Financial Services, 2015.

The low-cost service providers that are entering the market might lure them in, however, since 72% customers consider price to be a crucial factor in choosing a banking or insurance service. Price was indeed the single most important choice factor. Amongst those who switched between banks, the most common reasons were: cost, agglomerating all services under a single roof, and various customer benefits. In order to succeed, a low-cost actor must, however, persuade customers that it is reliable, informationally secure and that its internet service is safe to use.

Cross-sector conglomeration happens because the banking sector has attracted attention from companies and industries that previously have not been players in the area. The banks themselves, on the other hand, have started to provide functions outside their traditional scope. These cross-fertilisations have affected the structures of the banking sector in many ways.

The services of the retail sector, for example, have expanded in the direction of the financial sector. A good example of the cross-fertilisation between sectors is the S Bank, which was born when the retail-focused S Group started its bank deposit service on Oct 15, 2007. The S Bank is owned by S Group and the LähiTapiola Group. S Bank has branches across the whole of Finland. Customers have also access to internet banking and a phone service line. In less than 10 years, the S Bank has attained a significant position in the industry. According to the bank, it has 2.7 million customers, and distributed 1.7 million S Bank international payment cards.⁷ With its deposits totalling 4 billion euros, it is already bigger than the POP Bank Group.⁸

Tightening competition brings further changes to the structures of the financial sector in the coming years. The ICT competence of the financial sector has been heavily outsourced and the insurance market actors have begun to found their own health service corporations. One company that has done this is Pohjola Insurance, which in 2013 founded a private hospital (“Omasairaala”) dedicated to outpatient orthopaedic surgery. The cooperation between insurance companies and health service companies has increased in other ways, as well. LähiTapiola, for example, has its own TerveysHelppi service. When the customer has an insurance plan from LähiTapiola, he can call TerveysHelppi charge-free, and receive advice. If needed, he can also arrange a meeting with a specialist doctor or begin the process of claiming insurance.

New competitors come from technology companies

Deutsche Bank’s 2014 report⁹ on the digital revolution in the financial sector made it clear that the biggest new competitors in the field will come from technologically savvy internet firms, whose barrier of entry is low and who offer simple services. Many of these companies have the capacity to foresee early signs of emerging technological possibilities and to package them in a way that meets today’s customer needs and wants. The report divides these newcomers into three main groups: digital ecosystems (e.g. Google, Apple, Facebook, Ebay, Amazon and Paypal); providers of payment and banking services (e.g. iZettle and its competitors Payleve and SumUp, and internet payment services like Paymill and payever, etc.); and, thirdly, crowdfunding and peer-to-peer lending services (e.g. Kickstarter and Seedmatch). The advantage of these technological actors is their capacity to build their service based on the digital revenue stream, directly, with quickly scalable properties.

7 <https://www.s-pankki.fi/fi/tiedotteet/2015/s-pankki-kasvoi-ja-paransi-vakavaraisuutta/>

8 The Federation of Finnish Financial Services, 2015. ”Toimialakuvaus” (in Finnish) <https://www.fkl.fi/materiaalipankki/esitysaineistot/Dokumentit/Toimialakuvaus.ppt>

9 ”Fintech – The digital (r)evolution in the financial sector.” https://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000345837.pdf

In Finland, too, companies like iZettle¹⁰ are disrupting the card transaction markets. iZettle is a Swedish card transaction terminal service, aimed especially at small businesses, which makes use of smartphones and tablets as payment terminals. New types of digital-only banks have also appeared in Finland. An example of these is the Finnish start-up Holvi¹¹, which is quickly becoming an international player in its own right. It offers its services to businesses, NGO's and recreational organisations. Holvi offers an online store and automated bookkeeping in addition to its payment services.

The impending prevalence of these kinds of technological services is becoming apparent from the weak signals emanating from around the world: In the United States, the coffeehouse chain Starbucks¹² already handles a third of its payments via prepaid cards that resemble savings accounts. Accenture estimates¹³ in its report that traditional banks could lose up to a third of their North American market share to the digital “non-banks” that offer new transaction and payment methods, such as Paypal, Google Wallet, and the retail chains' own services. One of the first signs of such activities in Finland has been Elisa Wallet¹⁴, which makes it possible to shop locally by flashing one's phone, or to shop online or send money with the phone.

A lot of young customers foresee the eventual disappearance of cash payment altogether with the rise of other payment methods. They are especially interested in mobile payments (smart phone payments). For personal identification, fingerprints and retinal scan ID checks were considered generally safe and easy to use. Some people even toyed with the idea of microchip implants inside the human body, computers attached to smartglasses, and the use of A.I. in payment and in banking transactions. A lot of these innovations are already in the experimental phase in Finland, as well, including human chip implant identification¹⁵.

External regulation, but also, fondness of the rules

The external operating environment of the financial sector has been shaped by the tightened regulatory grip after the financial crisis of 2008. The financial crisis gave the final push to the birth of new EU-level financial sector regulatory agencies in 2011. There are four new regulatory agencies, overall: European Banking Authority EBA, European Insurance and Occupational Pensions Authority EIOPA, European Securities and Markets Authority ESMA, and European Systemic Risk Board ESRB.

An increasing share of financial regulation in the EU is secondary legislation. It includes guidelines and recommendations set forth by the European financial regulators as supplements to EU directives and regulations.

The Finnish financial sector has wished to underline that there are many kinds of companies operating in our country that are already under the supervision of the national Financial Supervisory Authority. The sector demands that openness and transparency be utilised in regulatory planning¹⁶.

According to the actors in the field, the fast development of the sector is hindered not only by regulation, but also by the “fondness of the rules”. This means strict adherence to established modes of behaviour, regulations and conventions. Within the sector, the old operating procedures of the banking and insurance sector, and the tight external regulation, are seen as elements that slow down the rate of renewal and foreclose the rise of innovations. Up to 69% of employees see

¹⁰ <https://www.izettle.com/fi/about>

¹¹ <https://about.holvi.com/fi/>

¹² <http://www.wired.com/2014/03/next-big-thing-missed-starbucks-next-bank/>

¹³ <http://newsroom.accenture.com/news/digital-banking-could-put-35-percent-of-traditional-banks-market-share-up-for-grabs-by-2020-in-north-america-according-to-accenture-research.htm>

¹⁴ <http://elisa.fi/lompakko/>

¹⁵ <http://www.kauppalehti.fi/uutiset/onko-tama-jo-liikaa-tyonantajalta-mikrosiru-ihon-alle/JScxcpEY>,
http://www.mpc.fi/kaikki_uutiset/hyvasti+salasanat+nfc+siuru+upotettiin+miehen+kateen/a1024123 &
<http://www.helsinginuutiset.fi/artikkeli/257297-teknikka-tulee-ihon-alle-mieheen-asennettiin-siru-helsingissa>

¹⁶ Viz. e.g. the Federation of Finnish Financial Services

the old operating procedures as an obstacle to renewal, and 61% see the tight regulation of the sector as an obstacle to innovation.

Relevant conclusions for unions and companies

In union discussions, and within companies, there is a need to deepen the understanding of where the new sources of competition are coming from (both domestically and globally; empowered by technology). This requires that future forecast be empowered through sector-wide shared dialogue.

Regulation is already an obstacle to renewal and innovation in the industry, and this is made worse by the unwritten “fondness of the rules”: a strong faith in the established operating procedures of the sector. In order to make the ground fertile for innovation, the unwritten rules and established methods need to be shaken. We need to make sure that the industry has the capacity to innovate. This requires a paradigm shift.

The companies in the industry need to invest in the capacity to rapidly innovate with technology, either by allying themselves with, or acquiring knowhow from, nimble technological firms. In the long run, this might also entail developing an industry-wide innovation ecosystem of some kind.

Customer orientations is the key to renewal

R&D in the financial sector has traditionally been producer-centric, and the innovation capacity of the field has been shackled by its strong conventions and traditions, and by strict external regulation. The prevalent changing nature of customer behaviour challenges the capacity of the financial sector to produce new innovations that satisfy customers. Customers see their current involvement in the R&D of services and products in the sector to be quite minimal.

Customer needs and customer behaviour are changing

In this part of the project, the project attempted to find a shared vision on where the needs and behaviour of the Finnish customer base of the financial sector were headed. There are already massive structural shifts happening in various parts of the service industry (e.g. postal service, media). Customer expectations, with regard to service availability and flexibility, for example, transgress traditional sector barriers. The financial sector services are expected to be on par with services elsewhere in the economy. Increasing customer expectations in the financial sector put pressure, e.g., on the need for a 24/7 service, the development of mobile transactions, the development of additional services for wealthy senior customers, building partnerships between financial companies in various services, etc. In its broadest dimensions what is at stake is the capacity of the financial sector to maintain its current high level of trust in the eyes of its customers.

The traditional banking service, based on physical office branches, is expanding to a multi-channel, digital service¹⁷. The gap in attitude between service consumers and producers is widening. This opens up opportunities for competitors from outside the traditional banking sector to reinvent the market space by offering entirely new choices to customers. The number of bank offices has been steadily declining in Finland as well.

¹⁷ King, Brett 2013: “Bank 3.0.” On the same topic, but in the European context, see also Roger Peverelli’s 2010 book, “Reinventing Financial Services. What consumers expect from future banks and insurers”

Customer needs are shifting, because customers value wholly new service channels more than before, and they expect to be able to use the services irrespective of time and place. Customer expectations regarding the availability and user-friendliness of different user interfaces (e.g. desktop computers, smartphones, tablets) are constantly growing. The customer increasingly chooses a personalised palette of services by freely mixing different components and different providers. Customer behaviour is changing in all aspects of financial activity: saving and investing, paying, borrowing, and insuring. The ageing of the population produces a class of wealthy senior clients who expect quality personal service and also require help with their banking and insurance needs.

The role of customers is changing in ways that go beyond their needs. Customers are wielding a new kind of power over the direction of corporations. New channels of communication, like social media, have made it easier to follow the actions of corporations closely and to react to them more swiftly and with fiercer force than before. Customers expect to be able to get authentic and transparent information about the actions of companies and the reasoning behind them. Customer opinions are collected and they are involved in corporate R&D more intimately than before.

External, unforeseeable factors, too, can affect the development of customer needs. From now on, property and casualty insurers, for example, need to pay much closer attention to the effects of various catastrophes, natural disasters and pollution events. Risk management and the insurance service portfolio need to be developed accordingly.

Services are bifurcating into self-service and personalised service

Services of the future are bifurcating into two clearly distinct entities: technology-assisted self-service – including through the new electronic channels – and personalised, human-assisted and tailored service.

Even though customers of all age groups like to do their banking and insurance business independently online, 9 out of 10 customers want to have access to additional human service when it is needed. Receiving knowledgeable assistance on the use of the new service channels is important to customers. Personalised service, on the other hand, is expected to be sensitive to customer needs, and people want it to be there especially in complicated, big or problematic cases.

The employees in the industry look at the trends in the same vein. Although employees in the financial sector think that technology-assisted self-service will increase, they also see an important role for supplementary face-to-face service. Employees also think that customers want their services more and more personalised in the future. An individually tailored and knowledgeable customer service demands more skills and networking from employees than today. This challenges the organisation of management and labour.

CHANGING VALUES AND ATTITUDES

- Demand for ethicality, responsibility, customer orientation and ease of use
- Customer loyalty declining
- Easier to shop around

Trust and info security are crucial!

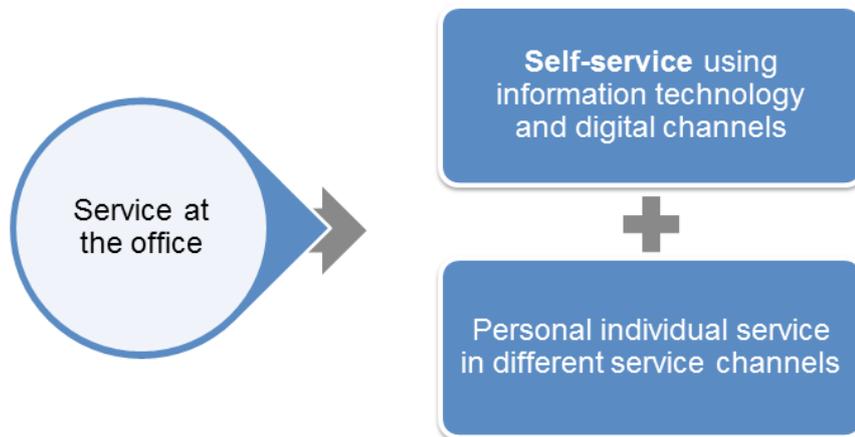


Image 6: Financial sector service, then and now

Young customers (students of the field) see the services of the financial sector to be bifurcating into two clearly distinct extremes: on the one hand, there is personalised, assisting and consulting banking service, e.g. in an office, a video call, or even a home visit; and on the other hand, there is self-service across the various channels made possible by technology. Personalised service adds value by creating a space where the employee and the customer can meet. This reinforces a positive customer experience and creates a long-term competitive advantage to the company. Current methods of surveying customer service needs, and their attempts to meet them, were rated partially insufficient by young people, for example. Young people felt that “the customer is served what the bank finds the most convenient.”

Doing business at a bank is changing, too. From the older “servile citizen” attitude we are transitioning to seeing the bank as merely one service among others, like grocery shopping and the postal services. “The customers see the bank of today as an office where you go to meet the lady behind the counter, carrying your suitcase at hand, and only when you’ve exhausted other options,” commented one young respondent. The most important future factors in the choice of a service provider in the financial sector for customers include price, reliability, the security of the internet service, and the simplicity and clarity of services and of the tool kits associated with them. Overall, the ease and simplicity of doing business are important to customers.

Young customers had many questions regarding the role and existence of physical office buildings in the future. Should they be developed into more relaxed always-open and ease-of-access spaces in the vein of the Apple Store or an internet café, where it would be possible to do most things using self-service, but with quick access to human assistance when needed? Pop-up offices, and roaming banking cars that would offer banking and insurance services in sparsely populated areas, were also considered as future options. By the same token, physical office spaces were estimated to completely disappear or severely decline in the next 10 years, as self-service takes over.

Flexibility to service hours is in high demand

Two out of three customers would want the banking and insurance sector's customer service to be available whenever it suits them, including evenings and weekends. This did not specify the preferred channel of service. Sector employees, too, estimated that customers would want to be served at more flexible hours, including evenings and weekends. Many banks and insurance companies have already tried to answer this challenge by extending their office hours into the evening. The call centre staff at Danske Bank's Helsinki office work also on Saturdays. Nordea and Danske Bank have call centres in Estonia in order to offer services around the clock. Weekend services are also under review at POP Bank and at Nooa Savings Bank, although they have no plans of outsourcing work abroad.¹⁸

Employees hope for more flexibility and telework opportunities

Employees believe that telework opportunities and flexible working hours will become more common in the banking and insurance sector in the future. These trends are reflected in how virtual organisations are seen as quite a strong part of everyday activities in the banking and insurance sector in the future.

Extending prevailing service hours, even up to 24-hour availability, would become a reality with the help of technology (web conferences, live chat) and telework arrangements, according to the young students of the field. "The more the banking services are within the reach of customers, the more prosperous the whole financial sector will be." Customer perspective calls for a reliable and user-friendly web environment for doing service. The smooth operation and absolute safety of the system is paramount.

Telework arrangements and other flexible work arrangements are seen as becoming more common in the banking and insurance sector; 3 out of 4 employees in the field think so. Insurance sector respondents believe a lot more strongly that telework would become more popular (81%) than did employees in the banking sector (71%). Flexible working hours are seen as a way to balance work and the rest of one's life under various situations.

According to the Working Life Barometers published by the Ministry of Employment and the Economy, 11% of all income earners have teleworked from home. Telework is the most common among management and leadership. The Barometer did not ask about telework done elsewhere than at home. According to the Finnish Institute of Occupational Health's 2012 survey "Work and Health in Finland" ("Työ ja terveys Suomessa"), telework (including outside of home) is done by 14% of the workforce¹⁹. The rate of telework in the financial sector seems to vary by business size among other factors. According to a 2013 Labour Market Survey conducted by Trade Union Pro, the possibility for telework during the preceding year had been given to less than 10% of the respondents in small companies, while in companies with over 250 employees the corresponding ratio was about 45% of the respondents.

It is possible to compare telework numbers in the financial and insurance sector to other sectors based on the data gathered by the Federation of Professional and Managerial Staff (YTN).²⁰ According to the data, 27% of YTN members claimed to have the ability to telework when it pleased them either all of the time or most of the time. In the financial sector the numbers were somewhat higher: 28.5% in the financial business and 28.4% in the insurance business. 28% of financial business respondents declared that they were never allowed to telework (compared to 21% of respondents overall, and 20% in the insurance business). According to the survey, only about 5% of white-collar workers in the financial sector would never want to telework, compared to 7.6% among all respondents.

¹⁸ <http://www.taloussanomat.fi/asuminen/2015/03/02/koska-paasee-pankkiin-taytyyko-meidan-olla-tiistaisin-auki/20152672/310>

¹⁹ "Kotona työskentely yleisyys ja seuraukset – Suomi eurooppalaisessa vertailussa" (in Finnish). <https://www.tem.fi/files/36074/ojalapyoria.pdf>

²⁰ YTN-Data, October 2013.

How to solve the wide image gap in ethics and customer orientation?

Customers find it important that their service providers act ethically and responsibly. However, only a third of customers think that banks and insurance companies act ethically in their business operations. At the same time, the employees in the sector have a strong sense that the sector's businesses are acting ethically. There is a wide gap, then, between customer perception and employee perception.

There are also clear differences in their perception of customer orientation. Clearly less than a half of the customers feel that banks and insurance companies develop their services with customers in mind or by actively meeting customer expectations. Employees, on the other hand, see the industry as being very much customer-oriented and capable of meeting of customer expectations. In the future, it might be possible to make better use of the customer data and "big data" available to financial sector companies in order to offer smarter, tailor-made service packages. Employees feel that they need to be able to have a bigger say in determining the terms of customer service. Wherever the different stages of the work have been spliced into smaller components, employees feel like they do not have the time or capacity to serve the customer in as holistic a manner as they wish.

Even though the overall image that customers have of the financial and insurance sector is merely mediocre, people have a high level of trust towards the industry, and would often recommend it to others. Customers think that banking and insurance companies operate under high concern for information privacy and cybersecurity. This will be one of the decisive criteria for the choice of service providers in the future. High regard for information protection and customer privacy correlate with the willingness to recommend financial services to others and with the overall trustworthiness of the sector. Keeping this in mind, it is good to know that the employees in the field, almost without exception, think that the field operates under high regard for cybersecurity. The role of information protection and privacy will continue to rise higher in the future.

Young clientele value simplicity and ethicality

The opinions of young people reflect their own and their families' experiences with financial companies, especially banks. The need for change is therein seen as inevitable: "I believe that banks cannot succeed in the future without changing the way they do business." "In ten years' time, banks should be seen as customer-friendly and service-oriented places that one does not need to fear like going to the dentist."

In their role as customers, young people emphasise certain characteristics of the service: ease-of-use, customer-orientation, honesty, clarity and transparency. "The customer demands simplicity." The service interaction should feel relaxed: "Pointless formalities and stiffness will probably eventually be tossed out. After all, even the Social Insurance Institution of Finland (KELA) finally stopped using hyper-formal grammatical forms in their communication." Doing business at a bank office was lambasted as presently cumbersome and old-fashioned: "The first mental association with the word 'bank' are the queues... followed by the question: why are they never open? No other company, including the café next to the bank, would even think about closing their doors on Saturdays, when potential customers have free time and money to spend."



Image 7: In Finland too, bitcoin machines are already found in a number of places, including shopping malls, cafés and bars.

Offering packaged services was seen as a way to create user-friendly services for customers: for example, they might enable the customer to buy housing loans, real estate transactions and house renovation services in one go. Another example is combining insurance companies with hospital services, which indeed already has been tried. The insurance sector was deemed to be in need of simpler and easier products and different kinds of “tailored-to-your-need” packages. These can mean, for example, offering simultaneous banking and insurance services.

Investment services specifically for young people, made simple and accessible, were requested by many people. These might include different mobile apps and simulations/games that would help teach investment skills and track returns on one’s investment. Another suggestion were discussion clubs for beginner investors, where one could find assistance and peer support, personalised sales of investment services that would take young people’s situation into account, and help and guidance from experts.

The students think that the appearance of new actors into the financial sector produces opportunities, as well. The virtual currency bitcoin is an example of something that banks might incorporate as part of their packages. Banks might also have a role in the monetary transactions and payment services of crowdfunding endeavours. These thoughts, however, remained few and scattered.

Does the industry have too much automatic faith in customer loyalty?

Customer opinion of the banking and insurance sector is not particularly positive, and remains mediocre. According to the customers who responded to the Changing Work in the Financial Sector survey, 47% of people have a somewhat or very favourable opinion on the banking sector, while an even lower number, 38%, thought favourably of the insurance sector. Factors that affect the negative rating include a perceived lack of customer-orientation, poor image of ethicality and corporate responsibility, poor employer image, and the weak growth prospects of the industry.

Despite all this, the barrier to switch service providers is still relatively high, according to 2/3 of the customers of banks and slightly less than a half of the customers of insurance companies. The majority (82%) of industry employees believe, however, that customer loyalty in the sector will decline in the future, and that the competitive bidding of services by customers is likely to increase. Already today, slightly less than a half of the users of banking services are customers of more than one bank, while almost a third have bought insurance from more than one company. Nearly 1 in 8 reported that they have switched insurance companies in the past 12 months. Switching banks is rarer: only 5% had done it in the past 12 months. Typical reasons for switching insurance companies include: costs, the centralisation of services and different kinds of membership and other bonuses. Reasons for switching banks include: bad service, high costs, a better selection of products and better terms of service.

The annual international EPSI Rating survey²¹ tracks Finnish customer satisfaction with e.g. banking services. Finnish satisfaction levels with banks have been declining for four years in a row. It stands currently at the lowest ebb in eleven years. The decline exists with both small and big banks, although small banks fare better thanks to their local reach and generally customer-oriented image. Those customers that had not had personal dealings with a bank in the past 12 months were especially dissatisfied. In the field of property and casualty insurance, customer satisfaction stayed unchanged for many years, but experienced a slight downturn in 2014. Private customers’ image of insurance companies has significantly worsened since 2013, and customer loyalty is likewise on the decline.

“Perhaps switching banks will be one day as easy as switching phone operators or leaving the church.” Factors that make the decision to switch banks easier in the future might include, e.g., the possibility of keep one’s existing bank account number (on the model of mobile phone numbers), or the appearance of companies that specialise in facilitating competitive bidding in the industry. There are already many companies in Finland that offer competitive mediation of banking, financing and insurance sector services to customers.

²¹ <http://www.epsi-finland.org/fi/toimialat/pankki/pankki> & <http://www.epsi-finland.org/fi/toimialat/vakuutus/vahinkovakuutus>

A major proportion of industry employees rate the availability of peer review services in electronic media to be a factor that is bound to transform purchasing habits. Customers, nonetheless, still exhibit a reserved attitude towards the importance of social media and peer review in their product choices. That said, among those under the age of 44, one in three people declare that peer assessments affect their decisions at least up to a point, while only very few people in the older age brackets share this attitude.

Relevant conclusions for unions and companies

The product and service R&D in the industry must become more customer-oriented. The perception of customer orientation must be improved, and the wishes and needs of customers must be met better. This leads to the question of how to better understand and foresee the rapidly changing customer needs. A related issue is how to collect this information via new kinds of customer interactions and how to react to it swiftly. The demands of young customers also need to be met with sufficient care. This all calls for a transformation of the corporate culture of service in the direction of customer-oriented thinking.

In order to narrow the image gap in customer orientation, solutions need to be found to the question of how current producer-centric innovation process, and product and service development, can be turned into an R&D process that involves customers via open innovation networks. Open virtual innovation networks involve gathering data from multiple sources, such as customers, research institutions and competitors, and utilising it in an innovation process. Examples of best practices in customer orientation need to be recognised even from outside the sector.

The bifurcation of services into self-service and personalised services is bound to affect the demand for employees, the targeting of resources, the demand for skills, and so on. This necessitates building up the corporate skill pool so that there is enough competence for both digital and personalised services.

The companies and unions in the sector should think about how to facilitate flexible services that also make possible more diverse work habits, including telework and other flexible arrangements.

The basis for customer loyalty in the industry lies, without a doubt, in trustworthiness and the secure handling of information. These might be negatively affected by the recent, much-publicised bank account ID phishing and DoD attack scandals. It is of paramount importance to maintain consumer trust and cybersecurity also in the future.

Changing work, new skill requirements

Changes in the organisation of work are visible in most aspects of society, and the financial sector is not immune to them either. The “new work” that is the hot topic of today usually means flexible, personalised and networked working with the help of digital tools. The employees’ sense of meaningfulness is central to the new working environment, and their workplace is important for their identities. This new way of working naturally place high demands for the employer’s capacity to change.²²

Future work in the financial sector will be highly mobile and multi-locational work done in diverse virtual teams. The team members may be physically located in different places, different communities and even different countries. The shifts in work habits and working environments place great demands on new skills, since the multifaceted financial sector naturally should try to keep up and diversify its skills in keeping with the rest of the economy.

²² See e.g. the report (in Finnish): ”Mitä tapahtuu huomenna työnantajuudelle?”, http://ellunkanat.fi/wp/wp-content/uploads/2014/12/MTH_Työnantajuudelle_Web.pdf

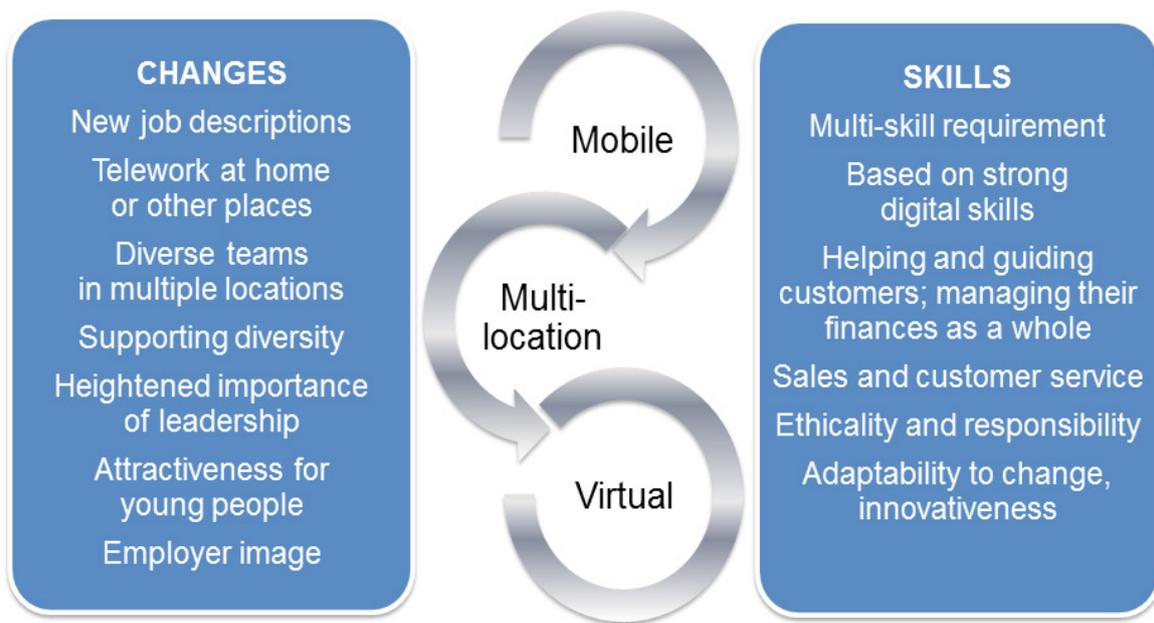


Image 8: Changes in work and new skill requirements

Financial sector work in the future: mobile and distributed work in virtual teams

Changes in the nature of work in the financial sector are the result of both structural shifts in the industry and changing customer needs. Workforce is shrinking while the demand for efficiency and productivity is up. The role of employees has radically shifted from the banking and insurance clerks of yesteryear into a more sales-oriented and multi-talented direction. Financial sector work is diversifying and it is increasingly done at local service centres in different communities and through various service channels. The new diversity brings challenges for interaction, cooperation and employee well-being.

Many companies have made constant company changes and employee co-operation negotiations a part of their everyday operation. These are often felt to be a burden. From the perspective of the employees, these factors raise uncertainty about, for example, how the new workload requirements, budgeting and work arrangements are put into practice. They also raise uncertainty about how employee well-being is taken into consideration in the management of restructuring efforts. Control over one's own work and opportunities for having one's voice heard are a concern for employees. Stress over time constraints is a factor that employees in the sector think significantly reduces work quality. These factors could be reversed, and this would be sure to increase employee well-being and thus productivity.

The make-up of teams in the financial sector will diversify in the future. They are sure to consist of a broader selection of employees from different sectors than is the case today. They might include mobile phone service developers, sales coaches and tax experts. The role of management work will have to change into a more coaching direction. One of the reasons is that managers are no longer capable of managing such a broad amount of deep, substantive knowledge. The increase in independent work is another factor that turns managers more into coaching leaders.

Less than a half of the employees in the financial sector estimate that entrepreneurship will be the predominant mode of organising financial sector work in the future. On this issue, perspectives differ depending on where one works, however: 60% of insurance sector respondents estimate that freelancing and entrepreneurial work will continue in the sector, whereas only 39% in the banking sector believe so. The entrepreneurial attitude is nonetheless estimated to be a necessary skill in the banking and insurance sectors of the future (according to 65% of respondents).

During the project, little attention was given to the kinds of changes that work life innovations such as crowd work, microtasking (where big tasks are spliced into smaller components) or macrotasking (the independent commission of bigger tasks such as translation work) might introduce into the sector. The role of outsourcing, and its conceivable effects, were also not given much thought.

How can the attractiveness of the sector be maintained?

How attractive a career path is the financial sector for a young person at the very beginning of their career? The importance of employer image has been finally recognised in the sector. The financial sector is undoubtedly attractive to sales-oriented young people. An open question, however, is how young people can better be made to stay in the industry and build their careers there.

The employees of banks and insurance companies have a strong faith in the growth prospects of the field. The working atmosphere is deemed good, and 3 out of 4 would recommend the industry as an employer. The importance of a good employer image is simultaneously recognised as a central factor in attracting the *crème de la crème* of tomorrow's workforce into the industry. A negative factor is the fact that customer outlook on the industry is not especially positive: customer orientation, ethicality, corporate responsibility and growth prospects are generally not rated high. This fact also affects the sector's employer image negatively.

T-Media's employer image survey of 2015 asked people with advanced business degrees, and business school students, about their views on the financial sector as a place of employment. This two-part survey also asked experts in the technological and business sectors about good and bad employers (n=1482) and on select companies' attitudes towards working life; and the respondents were also asked to rate the companies (n=2568). The employer image for the banking and insurance sector companies that were a part of the survey was middling (banks 3.33 on average; insurance companies 3.39 on average, on the scale 1–5). The most highly rated aspects of banking employment were its job descriptions and career advancement opportunities: they were estimated to be good. The best aspects of the insurance business were considered to be its workplace atmosphere, interesting job descriptions, and career advancement opportunities. The financial sector was rated higher than, say, the retail business, in all respects.

When we track the fluctuations of interest in the different sectors of the economy among business students from 2007 onwards²³, we can see that the attractiveness of the insurance sector has been steadily declining and stands currently at its lowest ebb since the tracking began. Attractiveness was measured by the preferential ranking of occupations, and 10 sectors were included in the rankings. Somewhat contradictory is the fact that the field of international insurance and risk management was the most popular choice amongst Tampere University business students in the spring of 2014.²⁴

Interest in the banking and finance sector has fluctuated during the tracking period. It initially declined in the aftermath of the banking crisis, but increased in attractiveness between 2010–2012. After that, it again declined for a couple of years, until in the year 2015 it was again considered the most attractive choice in the selection. Among BBA students, the banking sector has ranked as the second most attractive choice for many years now. The insurance sector ranked only 10th in 2015. Criteria of choice among those interested in the field include good income opportunities and interesting job descriptions.

²³ Derived from material produced for the Federation of Finnish Financial Services in T-Media's Employer Image Survey of 2015.

²⁴ Correspondence via e-mail, May 18 2015, University of Tampere.

Digital skills and diverse qualifications are the bedrock of tomorrow's services

Making sure that the qualifications in the field are maintained plays a crucial role in organising the work of the future. Suggested methods include influencing the contents of vocational and university studies, and improving the qualifications of workers already in the field. The increasing regulation of the industry, the increasing importance of product and service R&D, and the diversification of job assignments lead to an equation where more and more things need to be learned in less and less time, and with fewer opportunities to do so than before. The skill requirements of sector assignments are shifting. An increasing number of jobs require a diverse combination of skills.²⁵ Skillset requirements are increasing. For this reason, more time for re-education and complementary learning is required. A knowledgeable workforce fares better and serves customers better.

Work in the financial sector also faces external pressures, since the society on the whole has started to pay more and more attention to the transparency and ethicality of corporate behaviour. This puts the financial sector under the microscope as well.

The future jobs in the financial sector are seen as more varied and in need of more improvisation than today. The need for innovativeness and creativity is estimated to increase significantly from today, as job domains will become broader and more cooperative, and the funding for the R&D of products and services is expected to rise. Companies should organise room and time for creativity and innovativeness, e.g. by flexible work arrangements.

96% of people working in the financial sector think that the holistic service of customers in the future will require that employees have multiple qualifications; and 95% think that digital skills are a necessary part of that. People in the banking and insurance sector believe that their role in assisting and guiding customers will significantly increase in the future. From this it follows that e.g. the capacity to manage a customer's economy holistically will be in high demand. Although the shift towards sales orientation has been taking place in the industry for quite some time, it is estimated that the role of customer service and sales tasks will continue to increase in the future, and significantly so (according to the opinion of 72% of employees). People in the banking sector are strongly of this opinion (89%), compared to 62% in the insurance sector. Indeed, it is possible that the movement towards sales orientation has already been taken further in the insurance sector than in the banking sector.

The most important general skills for the next ten years, according to respondents, will be flexibility, the capacity to react to changes, multiple qualifications, customer service skills²⁶, sales skills and multi-channel interaction skills. The answers of the respondents in both the banking and the insurance sectors agreed on these issues. The following special skills will be paramount in the banking sector: investment, online business, risk management, financing services, and legal skills. In the insurance sector, in addition to online business and risk management skills, there will be demand for life and non-life insurance, special skills in payment and reimbursement mechanisms, and productivity and cost optimisation skills.

²⁵ Rajander-Juusti, Ritva 2012. "Finanssialan kyvykkydet 2020 – Luotaus tulevaisuuteen" (in Finnish). The Federation of Finnish Financial Services.

²⁶ Good customer service skills are also reflected in the fact that the only required part of the sector's own vocational degree is called: "Taking care of customer relations in the financial business".

Relevant conclusions for unions and companies

Unions and companies, too, have woken up to the reality of the shifting working climate quite late in the game. The public employer image of the sector needs to be improved. The central question going forward will be: how can the heavily regulated and rigid sector change and attract the best young people into its workforce? The employer image of the sector among its employees is anyway much better than its image in the eyes of the public.

From the perspective of unions and corporations, many of the foreseeable shifts in the working climate can lead, with any luck, to the establishment of shared strategic projects. Issues at hand include the development of flexible working models, the reform of management strategies (change management, coaching management, age management, remote management), and the development of highly fluid and multi-locational skill qualifications (remote management, IT and digital skills, flexible working habits).

Work well-being and management

The financial sector needs to move away from stiff and traditional management strategies to more coaching and fluid change management. It also needs to increase its adaptability to change. Generation Y challenges the status quo of management strategies and work environments and questions the industry's reward structure, its rigid methods and its fondness of the rules. An important focus in the financial sector will be the management and planning of skills to ensure the capacity to reform and to capture the best and most dynamic talents.

The new methods of working will change leadership and management strategies in the financial sector. Middle management often combine leadership with other working roles (e.g. sales responsibilities and expertise) so that time pressures can feel overpowering. The role of leaders and managers is in a state of constant change, too, and it is important to pay attention to their well-being. When we combine this with the fact that leadership positions in the financial sector are rarely taken up by outsiders and the culture of leadership is conservative²⁷, accommodating to changes can be challenging. The increasing popularity of telework and other flexible work arrangements puts extra pressure on leadership skills. In the changing work environment, managers, experts and professionals need an increasingly diverse set of skills.

Based on the views of the employees in the industry, 9 out of 10 employees think that the role of managers in the future will require increasing coaching skills. Managers themselves see the increasing role of coaching work especially clearly.

Financial sector employees enjoy their work and want to develop further

Financial sector employees estimate the working atmosphere to be good, and 3 out of 4 respondents would recommend the banking and insurance sector as an employer. At the same time, 9 out of 10 estimate that the importance of a good working atmosphere will be even more important in the future. Good employer image, too, was estimated to play an important part in attracting tomorrow's best talents into the industry.

Exciting job assignments, the continuous learning of new things and good work flow are already everyday phenomena in the financial sector. Employees see the field as constantly developing, they are eager to study new things and they want to become better at their work. At the same time, employees feel that too often there is not enough time to pursue self-development, or that profit and sales goals, under strict time pressures, fill in all the time that could be used to study new things.

²⁷ Saksi, Jukka 2014. "Johtajuus murroksessa finanssialalla" (in Finnish). Finva.

The old operating methods in the banking and insurance sector, combined with the rigid regulatory environment, are seen as factors that slow down reforms and block the rise of innovations. Time pressures are also seen as a factor in reducing the quality of the work.

It pays to invest in work well-being

Work well-being affects the competitiveness, economic profit and reputation of a company, and it grants an important competitive advantage. Investments in work well-being pay themselves back even many times over. Well-planned and well-executed actions aimed at improving work well-being can be very profitable. The payoff of such actions can be up to six-fold the cost, according to studies. In other words, one euro invested in work well-being can offer a solid return of six euros.

Work well-being will have a central role in the future of the financial sector. Employees in the field were asked to choose from amongst thirteen preselected factors what they considered the most relevant for the future of work well-being. Sector employees felt that the cornerstones of future work well-being include a match between work requirements and pay, good leadership, the ability to balance work and free time, an open work atmosphere, and motivating and meaningful goals.

In the process of developing work well-being in the financial sector the most important thing is to support and maintain open and confidential talks within the company. Every employee should, in addition, bear some responsibility for their own well-being. Good management and work flexibility were seen as important factors for work well-being in the union workshops of the fall of 2014. A good workplace atmosphere and work well-being should be seen as important contributors to the sector's productivity. This requires the development of management and cooperative skills. The core issue is good management and supervision that is available to employees. Good supervisory work keeps up motivation and development, enables justice in compensations, and produces healthy employees with good working stamina.

“Work well-being means that it is clear to everybody, on a day by day basis, what they are supposed to do at work, what the basic underlying mission is, what the common goals are – but also what the employees' personal needs are,” said one workshop participant.

Successful and sufficient budgeting, sufficient laxity in job assignments, and focusing limited time and resources into prioritising customers, are seen as ways of improving work well-being and productivity. In addition, the sector was seen to be in need of a new kind of individually tailored work culture.

A central element is adaptability to change. A message from the workshops was that the sector “must ensure change management skills in managers and change adaptability skills in employees.”

The development of skills was mentioned in all workshops. The most important part of skill development is retraining employees into the core skills requirements. It means providing help to new recruits and additional support in various later stages of one's career, whenever changes are underway. For example, when employees return from parental leave, after many years, the nature of many products, systems and processes has had time to completely transform itself. Another factor that was highlighted was the continuous development of employees' digital skills.

The most important means of developing work well-being was estimated to be building and maintaining an open and confidential atmosphere in the workplace. To support this, open discussions should be encouraged, together with straight interactions and communications, so that all the employees in the company have a clear idea of what is to come, and a holistic picture of the state of the company and of the external factors affecting it.

Work well-being cannot be outsourced. It is everybody's responsibility. It needs to be visible in everyday life. It requires the availability of cooperative work skills, immediate managerial skills and the recognition of the overall importance of work well-being. The importance of building a shared vision and facilitating common understanding must be a part of e.g. management training.

The sector needs good leadership. Managers need help in reaching their goals and they need to have more time for good leadership (today, the work of managers is often measured according to criteria other than leadership criteria). Defining good supervisory work, and giving it more respect, would support the birth of quality leadership. Supervisors need to be sufficiently responsible for enabling work opportunities for employees and to have the power to make decisions that support work well-being.

Performance-related pay, and productivity metrics, were also discussed in the workshops. The most common view was that productivity metrics were appropriate for defining goals and tracking success. The actual measurement of success was seen as inherently a good thing, but there are many companies where the execution must be redesigned to forestall the image of “management by fear”.

Flexible working hours were demanded on all sides and they have a major role in improving work well-being. Flexibility would enable employees to affect their workload and plan how to schedule it (balancing family and work). It was mentioned at the workshops that the way of measuring working time with current metrics is perhaps an obsolete way of doing things, and that developing new metrics of work productivity might be in order. There are also unique aspects of the financial sector that make it in particular need of good workload management, especially when it comes to flexibility.

Great pressures for leadership and supervision

Estimates about the quality of supervision in the sector can be explored e.g. by looking at 2014's Employer Image Survey. It was an electronic survey made by T-Media, which scrutinised 106 employers in 34 different sectors. Eleven companies from the financial sector were involved in it. There were 17,606 respondents overall. Currently employed workers were asked to estimate the quality of supervisory work in their own field²⁸. 74 insurance business employees, and 198 banking and financing business employees, responded to those questions. Due to the low number of insurance sector respondents, their answers can be considered rough estimates only.

Supervisory work in the insurance business was rated especially highly. Up to 79% of respondents in the insurance sector rated the quality of their supervision to be somewhat good or very good. This was reflected in work capacity, where the insurance sector ranked second. Of insurance sector respondents, 87% estimated their capacity to cope with the workload to be very good or somewhat good; out of those, 56% thought it was very good.

In the banking and finance sector, supervisory work was also slightly better than average. The quality of supervision in the sector was rated somewhat good or very good by 69% of respondents. Work capacity was rather weaker in the sector, however, as 72% of the respondents claimed to be coping somewhat well or very well, compared to 87% in the insurance sector.

The age structure of the financial sector demands flexibility and age management skills in leadership and supervisory work. The age structure in the sector is such that companies have a large selection of people nearing their retirement age, and many younger employees hired in the late 1990s, but very few middle-aged employees.

Young people expect a dynamic and relaxed atmosphere

Generation Y (people born in the '80s and early '90s) are estimated to have had a big role in changing attitudes towards work and managerial expectations. Their attitude towards work is different, and as this generation has started to climb up the corporate hierarchy, the rules of the game have shifted. The next generation after Y, Generation Z, is also moving into the workforce. The distinctions between generations are not strictly age-bound, however, and are more a matter of attitude and lifestyle.

²⁸ Employer Image Survey 2014: "Työnantajakuivatutkimus 2014 – Finanssiala kiinnostaa etenijöitä" (in Finnish). http://www.fkl.fi/materiaalipankki/tutkimukset/Dokumentit/Raportti_tyonantajakuva_2014.pdf

Generation Y members emphasise the possibility of personal choice in work. They are accustomed to a rapid changeability of the workforce, boycotting bad managers, offering their services to the highest bidder, and taking temporary leave or permanent absence from the labour market whenever they can afford it, or whenever something more interesting appears on the horizon. Members of Generation Y see their careers more as a succession of intermittent bursts of work as opposed to a persistent upward march on a clear work path, as was traditionally the case.

Young people studying to enter the financial sector think that the ideal work in the future looks like “good guys in a relaxed atmosphere”. They want the workplace to have a fresh and dynamic atmosphere, where the importance of feedback, employee well-being and social interaction are valued.

Efficiency in working methods was deemed essential, and this can be found by improving information work and its services. Digital services and the improvement of information technologies change the nature of work in the sector: social media, video conferences and online chats will be everyday reality in most jobs in the future. Time management, networked work relations and telework arrangements play a crucial role in this environment.

Young people wish that the stiff “office space atmosphere” of the financial sector would disappear and be replaced by more “no stress” zones, flexible service hours, and the disappearance of the downsides of the open-plan office (such as noise and interruptions).

Young people have high expectations for the role of managers in the future. They are expected to support, understand and motivate employees. Managers should be friendly and coaching when need be. At the same time, they should focus on productivity, flexibility and the delegation of responsibilities, while taking the wishes of employees into account.

Telework and remote management in the financial sector

As part of the project, Martta Asikainen, in her student paper, looked at the special characteristics of telework arrangements and especially remote management in the financial sector.

According to her research, telework will become more and prevalent in customer service work. The regulation and data security concerns of the industry still limit telework opportunities a little today. The sector is also internally very diverse: different companies, different people and different tasks have different capacities and opportunities for utilising telework. There is no one-size-fits-all solution. Leaders and managers nevertheless thought favourably of telework in general. It was seen particularly as an opportunity, despite its challenges, to organise work life better, to reduce expenses, and to increase employee well-being. Telework is a means of creating a more flexible and adaptable work culture.

In the management of telework, the establishment of a confidential relationship is a key element, where the reliance is on trust rather than control. Trust, in its turn, affects the openness and mutuality of interactions. The leader should strengthen the sense of trust by delegating responsibility, involving people in activities, endorsing open communication and being interested in them. The leader is responsible for creating the preconditions for the success of telework relations by managing telework politics and the common rules of the game, and by supervising the work. Work procedures must allow for telework conditions, and the focus on customer orientation must especially be secured. The security of internet communications and the applicability of the working spaces and tools to telework conditions must be ensured. Interaction and communication are central tools of successful telework management.

The supervision of tasks becomes important when the work is being done at different times and places. Even in telework, work productivity must be supervised, despite how difficult it is. The correct way to ensure the completion of tasks is not fear and control, however, but support and assistance. Rather than focusing on managing the employees’ use of time, the supervisor should focus on the results of their work. The goals should be appropriate to the task at hand. Qualitative metrics and the employee’s own self-imposed goals should be particularly emphasised. In tracking

the achievement of goals, the key tools include monitoring systems, regular meetings, everyday feedback, and a culture of interactivity. Giving feedback is an important part of the management of tasks, and it should be given in sufficient quantities, regularly, and in a two-way fashion. Both positive and constructive feedback should be included.

Due to the distance involved, the management of employee well-being and motivation can be more challenging. Thanks to looser social interactions, supporting a sense of community through meetings and free interactions is important. Telework itself can be motivating, but the supervisor can motivate the employee further by delegating responsibilities, conveying trust, inviting participation and noticing success. A non-feigned interest in people, their well-being and their achievements is an important factor in the management of telework. Good supervisors know their employees well enough to observe and read the signals relating to their well-being at work, for example. The supervisor should take part in the life of the teleworker, rather than cutting off ties with them.

Relevant conclusions for unions and companies

In the field of work well-being and management, maintaining and further improving work well-being needs special attention under changing circumstances. These include pressures related to time and workload. Tracking the relationship between work well-being and productivity, and improving their monitoring, needs to be developed further.

Skills are an important part of developmental efforts. The renewal of skillsets is a vital survival tool under constantly changing work and management conditions. Maintaining the willingness of employees to learn new skills, and their proper utilisation, will prove crucial.

Enabling and developing telework opportunities and other flexible modes of labour in the short term means taking real advantage, in various circumstances, of the existing opportunities for flexibility. In the long term, this might include the development of new flexible modes of work, e.g. by organising work through working-hours banks, or renegotiating collective labour hour legislation.

The development of flexible working methods appropriate to the digital era demands a major paradigm shift for a sector where, thus far, routine office work has been the norm. We are dealing with the transformation of corporate culture into a direction that supports digital transactions and services.

Productivity, competitiveness and new approaches

Digitalisation and the automation of work continue to influence the financial sector – even at an increasing rate. They have permanently changed the financial sector and its working environment. Automation brings with it changes to all aspects of work, including customer service. From the point of view of competitiveness, the crucial question is whether the sector will stop being innovative or whether it can reform itself from within (via radical innovations and developmental ecosystems).

Immaterial financial sector services can be digitised and consequently produced also by other players than the traditional banks and insurance companies. Digital platforms and ecosystems are experiencing massive growth. This creates incentives to improve services, which, in turn, attracts new customers. In the future, those companies will succeed which can bring together people, digital platforms, efficient approaches and global business savvy in a way that meets customer demands.²⁹

²⁹ Pohjola, Matti 2015. ”Digitalisaatio ja tuottavuus finanssialalla” (in Finnish): http://www.fkl.fi/teemasivut/finanssiosaaminen/hyvinvoiva_finanssiala/

Digitalisation, mobilisation and automation are changing the financial sector

Matti Pohjola has pointed out that ICT is the biggest single cause of economic growth in Finland in the last 15 years. The economic growth of the future will also be heavily dependent on ICT and the use of solutions that it makes possible. The biggest growth potential of ICT is yet to materialise, however, and Finland is in a good position to benefit from it with our high digital readiness and ICT capability.³⁰

The financing and insurance business has already invested heavily in information and communications technologies and incorporated their framework very fundamentally into the way the sector does business today. This has led to the decreasing importance of office spaces and cash transactions. The number of savings bank offices, for example, has decreased by about 550 offices in the years 2005-2014.³¹ The ICT systems are estimated to be a clear support and help in everyday work (according to 88% of sector employees).

Automation is about to hit knowledge work and academic disciplines in the coming years, which entails the automation of rational processing and informational analysis. The carrying capacity of information is also going to increase further or make another leap. Especially the so-called “software robots” are going to spread across the sector in the future. A software robot refers to a program that uses the computer as a human’s help or replacement. It learns by following human actions and when it encounters an error it responds according to instructions fed into it. It works on top of the system’s user interface, analogous to a human user, rather than inside of them.³² Software robots are a form of automation that mimics human decision making skills or, in other words, situations where structured, rule-based decision-making processes can be handled by automation. They can be used, for example, in the transfer or analysis of information between various ICT systems, or in the automation of various back office tasks.

The arrival of these software robots into the working life of the financial sector is not sufficiently recognised by the employees in the field. Less than half of the respondents to the Changing Work in the Financial Sector survey believe that robots will be a part of everyday working life in the sector, and 30% even think that robots will not be part of it. These findings are contradicted, however, by a survey according to which 75% of Trade Union Pro employees estimate that their own labour will be wholly replaced by digitalisation or automation in the future.³³

The onslaught of digitalisation is, however, commonly seen as a real challenge for the future. In the future workshop organised by the project, digitalisation was considered the single biggest transformational challenge facing the sector, right next to the development of employee skills. Discussions took place, but only to a limited extent, regarding the opportunities of digitalisation in the production, for example, of exportable services, products and software.

How, then, does the encroaching automation and digitalisation in the sector cause modifications in job descriptions and skill requirements? Even though the development of technology, A.I. and robotics is estimated to wipe out a major portion of jobs – in Finland approximately every third job³⁴ – there will be no end to work, since the development of technology will bring with it new jobs and tasks, as Matti Pohjola (2014) makes clear. “Those companies and communities shall continue to strive that are able to combine people, ICT systems and efficient modes of operation”, Pohjola continues.

30 Pohjola, Matti 2014. ”Suomi uuteen nousuun. ICT ja Digitalisaatio tuottavuuden ja talouskasvun lähteinä” (in Finnish). The Federation of Finnish Technology Industries
http://teknologiateollisuus.fi/sites/default/files/file_attachments/pohjolan_raportti_suomi_uuteen_nousuun.pdf

31 The Federation of Finnish Financial Services in collaboration with Statistics Finland.

32 <http://www.itviikko.fi/lhmiset-ja-ura/2015/01/15/tunnetko-ilmion-se-saattaa-muuttaa-kohta-sinunkin-tyosi/2015515/7>

33 Palmu, Petri 2015: ”Työntekijöiden arvot uudistavat tulevaisuuden työelämää” (in Finnish). In the publication: Työn murros. STTK (Finnish Federation of Salaried Employees) pamphlet series. Edited by Jaakko Haikonen.
<http://www.sttk.fi/files/tyon-murros/>

34 Pajarinen, Mika & Rouvinen, Petri 2013. ”Computerization Threatens One Third of Finnish Employment.” ETLA (The Research Institute of the Finnish Economy). Memo 22/2013.
<https://www.etla.fi/julkaisut/computerization-threatens-finnish-employment/>

Offering new kinds of consumer-to-consumer (C2C) services has also been made easier by the advent of digitalisation. In the service sector, these include Uber taxi services, Airbnb rental services and TripAdvisor travel and restaurant peer review services. In the financial sector, these might include the increasing popularity of crowdfunding and peer-to-peer lending services.

Another developmental path for digitalisation could be the transformation of multi-channel services to so-called zero-channel services – whereby the medium of service no longer matters (e.g. cloud services; a fluid interaction between different machines). The Semantic Web is a smart internet search tool for the user that can tackle independent and complex assignments requiring advanced reasoning. It can provide expertly advice in a natural language, even in the financial sector.

The sector has a long tradition in the utilisation of digital technologies, ever since the ATM and online banking boom of the 1990s. But it cannot stay put, since the situation calls for the development of new digital products and services that have worldwide appeal. The proactive efforts of the Finnish financial services sector need to be raised on a level that matches the global marketplace. Could the technological knowhow of the industry already be, or could it potentially develop into, exportable services or exportable training? What role could Tekes (The Finnish Funding Agency for Innovation), and other organisations that support entrepreneurship and innovation, play in making this happen?

Merely taking traditional services on the internet (such as enabling online compensation claim forms next to paper forms) does not do full justice to the possibilities of digitalisation, according to Pekka Puustinen³⁵, D.Sc. (B.A.), who has studied financial services. The real breakthrough happens with the birth of completely new kinds of services. An example of this would be a mobile app that is already used by If Insurance, whereby the customer can simply press a button to request a car from a towing service. The company is immediately alerted to the car's location, and the insurance company pays the bill. Puustinen thinks that purely digital services are still under-produced: "The information shared by a customer could be used in a way that is beneficial to both the company and the client. Health information, for example, could be used to pre-empt health problems," he explains.

Capacity for innovation and renewal

The need for reform is already recognised within the sector: some 87% of employees in the sector agree somewhat or fully with the statement that the industry needs to make bold attempts at developing new operating procedures and to make changes based on received feedback.

The reform of the industry is seen to take place through structural reforms and outsourcing, rather than through digitalisation or innovation. Up to 82% of respondents agreed somewhat or fully with the statement that the sector will seek out efficiency gains through restructuring efforts (e.g. through collaboration between the banking and insurance businesses in data collection and routine tasks). Nearly 4 out of 5 respondents believe that routine work will be increasingly outsourced to service centres or abroad.

In the workshops, the idea emerged that the sector could build up a shared innovation strategy and skill retraining program. These processes could take place within new kinds of development, co-operation and innovation forums. Networking, and increasing collaborative efforts between different players, both on a national and on an international level, were also deemed important.

New approaches to innovation in the tradition-heavy sector require different skills, new talents, a capacity to withstand risks, an entrepreneurial spirit, and a systematic boosting of innovation culture. In the R&D of products and services, too, the utilisation of open innovation networks will challenge producer-driven innovation and product development.

³⁵ "Pelkkä nettipankki ei enää riitä – professorin mukaan pankkien pitää ottaa palveleminen tosissaan" (in Finnish). Helsingin Sanomat, the Economy section, April 30 2015. <http://www.hs.fi/talous/a1430285850959>

Digitalisation and productivity in the financial sector

Professor Matti Pohjola from the Aalto University School of Business prepared a summary in the spring of 2015 for the Healthy Financial Sector project on the state of digitalisation and productivity in the financial sector. The report can be read at the following address:

http://www.fkl.fi/teemasivut/finanssiosaaminen/hyvinvoiva_finanssiala/

In his findings, Pohjola emphasises that the effects of digitalisation on the financial sector are very profound, since all its services are immaterial and can consequently be digitised via information and communication technologies (ICT). The sector has invested heavily into ICT, which has been used to replace both physical capital and human resources. The productivity of work in the financial and insurance business is significantly higher than in the rest of the economy. It grew rapidly after the major wave of lay-offs in the '90s, but has stayed stagnant for the last ten years. The sector suffers from the same disease as the rest of the economy: the rise in productivity has stopped. The productivity of work in the financial and insurance sector grew by an annual average of 0.6% between 1998–2014. The biggest explanation for this is the development of technology. According to Pohjola, the major contributors to increasing work productivity in the future will be those that can give birth to new products or new operating methods.

Digital technology is today automating knowledge work in the same way that electric power once automated industrial work. This restructuring of knowledge work has four components: the digitalisation of all routine tasks, the outsourcing of certain sub-tasks to customers themselves, the outsourcing of background work to areas of low-cost labour, and the increase of localised and personalised face-to-face work for the customer.³⁶ Examples of all these developments can be seen in the financial sector as well.

Even though many job assignments and their components will be digitised and automated in the future, there will still be room for human skills. Humans should focus on doing things that computers and robots cannot. Tasks that demand creativity, social interaction, human senses and motor skills will increase; the same goes for motivational coaching and training jobs. Economic growth of the future will be built on the double foundation of human capital and information technology, fused together digitally.

Banks and insurance companies can survive competition by shooting up work productivity with the help of digital technologies. Success in this endeavour is a guarantee of the profitability of business, the availability of jobs, and the enhancement of work well-being. The productivity of work in the financial sector is significantly higher than in the rest of the economy on average, but it is growing very slowly. The situation can be improved by creating new products and developing new working methods.

There are three principal ways in which financial sector companies can survive competition. The first is the continuous development of services. It does not have to be based on ground-breaking innovations: even the biggest breakthroughs often come by accident when trying to find solutions to smaller problems. Incremental development is typical to online start-ups, but it can be also used by banks and insurers as a less risky way of advancing towards the vanguard of digital and mobile services.

The second path is the development of employee skills and working methods. Human skills should be refined and improved, since they increase the value of purely digital services to customers. Expertise and trust are the established competitive advantages in the financial sector. Their role will increase with the burgeoning of information as a result of increased digital transactions. Raw informational data needs to be pruned and analysed to become valuable, and turned into confidential information for the customer. One challenge is trying to find working methods that can combine the expertise available during fixed working hours with the utilisation of 24/7 digital channels. Flexible working hours and telework arrangements are needed. They are in the common interest of both employers and employees.

³⁶ For an expanded survey, see e.g.: Matti Lehti, Petri Rouvinen & Pekka Ylä-Anttila 2012. "Suuri hämmennys. Työ ja tuotanto digitaalisessa murroksessa" (in Finnish). Taloustieto Oy (ETLA B254). <https://www.etla.fi/wp-content/uploads/2012/09/B254.pdf>

The third path is to foster company culture that matches customer expectations of digital services. Everything that can be digitised should be digitised. In order to make this a reality, it is necessary to invest not only in information technologies, but also in complementary systems of management, incentives and rewards. The company's board of directors must face up to the task as a strategic challenge.

These methods can help foster new growth in productivity. With rising productivity, the profitability of the business, the sustainability of its jobs and the well-being of the workplace can be maintained.

Relevant conclusions for unions and companies

The central role that digitalisation plays in increasing productivity requires a paradigm shift in thinking.

Forecasting and planning for the effects of robotisation and automation has been too limited thus far. The effect of software robots, in particular, demands immediate attention.

The main thrust of skill retraining efforts should be to adapt to the requirements of digitalisation. Advanced IT and digital skills need to be taken as an obvious requirement by all parties concerned. In addition, the company must have sufficient knowhow in automation and other matters. It is also important to buttress the capacity of companies to acquire new kinds of technological innovations by forming alliances or buying expertise from tech companies.

Exploring the possibilities of exporting services is still in its infancy. The rate of digitalisation and the advanced nature of the ICT sector of Finland must also be seen as an opportunity for the financial sector. The strengthening of international connections and collaborative efforts also needs to be boosted further by the sector in the future.

The development of the sector's capacity for innovation and reform goes hand in hand with the developments in digitalisation and productivity. Recognised and commonly shared methods of tackling these problems include sector-wide strategic, cooperative and innovation forums, a common innovation program for the sector, the development of skills, and perhaps the concentration of skills into a kind of "Financial Valley."

NEXT STEPS

The table below charts some of the developmental steps that have been discussed and uncovered during the project. They are the result of thinking about ways in which the financial sector can be made more dynamic and attractive. “Quick gains” refer to actions that could theoretically be done right away, the short-to-medium term is about 3–5 years, and the long term is about 5–10 years.

| | Union-level work in the future | Company-level work in the future |
|------------------|---|--|
| “Quick gains” | Continuing with the working methods established by the Healthy Financial Sector project, with the aim of making them permanent | Continuing with the working methods established by the Healthy Financial Sector project within companies, with the aim of making them permanent; involving all employees into this development |
| | Recognising best practices even from outside the field; widening the horizons | Recognising best practices even from outside the field |
| | Increasing the reputation and attractiveness of the sector; putting the focus on reliability, ethicality and work well-being | Responding to the shifting service culture; affecting customer perceptions; customer orientation in R&D; improving the employer image |
| | Increasing work well-being and understanding its effects on productivity | Taking advantage of existing opportunities for flexibility under different circumstances |
| Short-term steps | Developing a culture of local negotiations; fostering an authentic culture of discussion and cooperation | Fostering an authentic culture of discussion and cooperation |
| | | Responding to the effects of robotisation and automation; developing a corporate culture in digital services |
| | Shared developmental projects aimed at improving the quality of working life | Reforming management models, including the development of change management skills; coaching leadership; age management |
| | The development of skills | New skills in mobile and distributed work; the development of remote management, IT and digital skills; flexible working methods |
| | | Increasing the sharing of jobs and tasks; increasing labour mobility and career switching; a culture of lifelong learning |
| | New strategic, cooperative and innovation forums; a national network | |
| | The development of flexible working methods for the sector | Working hours bank and other flexible innovations |
| Long-term steps | Reforming working hours legislation | Improving the tracking of work well-being and efficiency |
| | Creating an industry-wide development company or concentrating knowhow into a kind of “Financial Valley” | |
| | A shared innovation program for the whole industry; tilling the soil for further innovations by shaking up established methods and procedures | The capacity of companies to assimilate new kinds of technological innovations through creating alliances or purchasing knowhow from technology companies |
| | Fostering the development and cooperation of international networks | |

Immediate steps (less than 3 years)

The shared forecast and development forum created by the Healthy Financial Sector project was based on the model of neutrality and it was inclusive of all the participants in the sector. This model should be continued and even turned into regular, continuous practice. In the short term, this means continuing the forecast and developmental work in other existing forums, and within companies, on the model set by the project. In the future, this might entail building new developmental, cooperative and innovation forums in close cooperation between all the actors in the financial sector, especially its companies.

The financial sector is facing the same digital transformation that e.g. the postal service and media are going through. Right now, instead of merely looking inward, the financial sector should learn from other sectors and industries on how to develop and find the best practices that are out there. These best practices should be sought actively both domestically and internationally. The sector must further open its eyes to the nature of the competition ahead (both domestically and globally; made possible by the technological developments and cross-sector conglomeration). For this end, future forecast must be made more efficient through shared dialogue.

The sector faces a two-pronged image problem. On the one hand, the external employer image of the sector needs improvement. On the other hand, customers think that the sector's customer orientation and ethicality are low. The R&D of the products and services in the sector needs to be made more customer-based and the sector's image of customer orientation needs to be improved. The wishes and needs of customers need to be met better than today. This leads to the question of how to better understand and respond to the rapidly changing needs of customers. In addition, it is crucial to think about how to collect information through new kinds of customer interactions, and how to react quickly to that information. The wishes of young customers, too, need to be taken seriously enough.

In order to bridge the image gap in customer orientation, it is necessary to think about how to move from producer-centric innovation and R&D to customer-involving R&D through open innovation networks. Open virtual innovation networks refer to collecting information from various actors, including customers, research institutes, and competitors, for the purposes of furthering innovations.

With regards to developing employer image, unions and companies have been relatively late to notice the general trend of the changing nature of work. The employer image of the sector needs buttressing. Going forward, the central issue will be: How can the conservative, traditionally led and rigid sector attract the most promising young people, and respond to their expectations about the work environment?

The clear basis of customer loyalty in the financial business is trust and the secure handling of private information. The image might be corrupted quite fast by things like the recent media stories on e.g. bank account ID phishing and DDoS attacks. Maintaining trust and cybersecurity are central factors in the sector's viability going forward.

Companies should also try to utilise, better than they already do, all the existing opportunities for flexibility within the bounds of legislation, common agreements and industry practices. This would have a positive effect on work well-being and, thus, productivity.

Short term steps (3–5 years)

The central themes in this project proved to be trust and openness. In particular, these imply an authentic culture of discussion and cooperation in sector companies between employers and employees, but also openness and trust in the cooperation between unions. Developing a culture of local negotiations would be a clear step in the direction of trust and openness.

Companies should also try to develop a culture of authentic discussion and cooperation. The methods and tools recognised during the project could be applied to sector companies in their efforts to forecast developmental shifts. They can also be used to bring all participants into a shared dialogue.

Foreseeing and analysing the effects of robotisation and automation has been given too little attention thus far. The rapid handling of information, the automation of reasoning and decision-making, and the rapid progress of IT capacity, are going to hit knowledge work and academic jobs quite hard, and the financial sector is not immune. The so-called software robots, for example (that use automation to simulate structured, rule-based decision-making processes) can have a major role in the financial sector, e.g. in automating various back office jobs. Employees are not sufficiently aware of this trend.

The development of flexible working methods is another short-term challenge for the sector. The bifurcation of services into self-service and personalised services will affect labour demand, the targeting of resources, the development of skill requirements, etc. This necessitates building skills to sufficiently respond to both digitalised and personalised service needs. The companies and unions in the sector must think about how they could create a working environment that is flexible in its working hours and that offers employees opportunities for diverse working arrangements, e.g. through telework and other flexible methods.

Short-term challenges for companies include the reform of management practices, the development of mobile and distributed work, and the improvement of the ability of employees to learn new skills in their tasks, e.g. by increasing the changeability and switching of job assignments within one's career. In reforming management, the crucial issues include e.g. the development of change management, coaching management and age management (which takes into account both the young generations entering the workforce and the experienced generations nearing the retirement age).

The increasing use of mobile, virtual, distributed work requires that companies have multifaceted skills in remote management, the development of IT and digital skills, and flexible working methods. The development of skills includes both learning-on-the-job and switching work assignments and tasks, multi-track career paths, and increasing mobility. Maintaining a culture of lifetime learning is also important, as is utilising the willingness of employees for personal development in their skill retraining efforts. The challenges of leadership only intensify as virtual teams become more common.

On the level of unions, some of the short-term challenges include forging partnerships and projects with other companies, unions and developmental players in the sector. Unions can help to give rise to new kinds of developmental, cooperative and innovation forums, and develop national networks.

The long term (5–10 years)

In the long-term operation of companies, work well-being and efficiency, and tracking them properly, have been deemed to be paramount. Another important factor is their capacity to assume new kinds of technological innovations by forging alliances and by strategically acquiring new skills from tech companies.

Digitalisation plays a central role in raising the productivity of the financial sector. Its effect on the field is tremendous, because the sector's services are immaterial and capable of thorough digitalisation. And although many job tasks will become digitised, there remains room for human skills, too. Jobs involving creativity, social interaction, and coaching and training skills will be in high demand. The future growth of productivity will be based on the skilful combination of human capital and information technology. Thus, a new kind of thinking is required to track work well-being, efficiency and productivity.

Maintaining work well-being during times of change is especially important. During those times, the recognition and development of transformational competence becomes a central issue in organisations.

Companies in the sector must invest in the capacity to bring about new kinds of fast technological innovations e.g. by forging alliances with, or procuring skills from, nimble technology companies. In the longer term there might be a need for developing a shared innovation program for the sector, channelling strategic work into a development company, or even creating a cluster of financial competence – a “Financial Valley” – in the service of companies, educational institutions and other actors in the field.

In the union workshops, reforming working hours legislation and supporting innovation and networking in the sector were deemed important. Support mechanisms may also include a sector-wide development company, or a geographical cluster of financial competence, i.e. a kind of “Financial Valley”, the creation of a shared innovation program for the sector, the continuous retraining of skills, and the strengthening of international cooperative networks. Regulation is a major hindrance to reform and innovation in the sector. This situation is made worse by an unwritten fondness of the rules – i.e. respect for the established operating procedures. Tilling the soil for innovation requires reforming and shaking up the established rules and operating procedures of the industry, and thus maintaining its capacity for innovation. To achieve this, a sector-wide paradigm shift is required.

All the participants in the project share the opinion that work towards a healthy financial sector must continue on the level of the unions and also, from now on, move down to the level of companies. The next stage for the unions is the analysis of the results of the project within the unions and in their boards and committees, and the creation of new marching orders based on these discussions. One major function of this report and its background data is to serve as shared background material for the next round of negotiations for the common agreements in the insurance and financial sectors. The current agreements are set to expire in the fall of 2016.

In order to make the most of the results of the Healthy Financial Sector project in the companies in the field, the results and conclusions of the project must be efficiently communicated to companies and their employees through unions and their organisations. Many channels can be used to spread the working methods that were used and recognised during the project to the companies. The committees of the Federation of Finnish Financial Services and of the employees' unions can support financial sector companies in their adaptation to the changing environment.

The project recognised the central role that communication plays in spreading the message to individual companies. Going forward, this necessitates the creation of a more detailed communication strategy and a clear-cut delegation of responsibilities. The options going forward are either 1) producing a common communication strategy for all the unions, or 2) having each union communicate in their own way and develop their own methods of encouraging the efficient use of the collected results, methods and data to their advantage. We hope that these results can also be used as background data for strategic and other developmental projects within companies.