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EBOOK

Engaging financial services employees—despite market fluctuations

FINANCIAL SERVICES

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Industry trends overview

There are many trends that impact the financial services industry, but for our purposes, we're focusing on hiring trends, macroeconomic impacts, and the overarching labor market.

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Hiring trends

The demand for professionals with sector-specific skills has never been greater in the financial sector. But the finance industry struggles to recruit qualified talent in a highly competitive landscape. The evolution of the market and growing obligations to conform to environmental, social, and governance (ESG) values and standards is partly responsible for this challenge.

Rapid digital transformation in the sector, with the development of AI and mobile technologies, automation, and data analytics, remains a big factor in hiring trends. This is particularly true now that most Americans use mobile banking, financial management, and investment apps.

To ensure success of digital transformations, financial services organizations must first engage the workforce. Industry employers must do this while filling more strategic, higher-value roles as administrative tasks become increasingly automated.

Once organizations engage workers, the work of engaging customers and driving productivity and profits begins. But this is not a chicken-egg scenario, as internal engagement drives external returns. Employee experience and happiness have direct links to customer satisfaction.

Customer demographics are also changing. Successful companies notice how millennials and Gen Z are diverging from the financial behavior of prior generations. Things like owning a house or car are less prominent for these consumers.

Also, today's society is far more diverse on ethnicity and interpersonal scales. And these evolving demographics require more attention to diversity when recruiting talent. Candidates must be resilient, proactive people with good interpersonal skills in addition to possessing knowledge of virtual banking and digital products, as well as compliance, accounting, and business development skills.

The financial sector accepts more entry-level employees than any other sector. This is a challenge for the industry as Gen Z recruits tend to have more confidence about their technological skills than their soft skills. Soft skills, the essential combination of people, social and communication skills, allow effective teamwork and leadership. This means that companies with mentorship programs attract more young job seekers.

GDPR compliance and other worldwide regulations around privacy and data also affect recruitment in the sector. These processes and policies must be constantly fine-tuned and streamlined. Highly skilled recruits are always needed for regulatory and financial analyses, compliance issues, and forensic research.

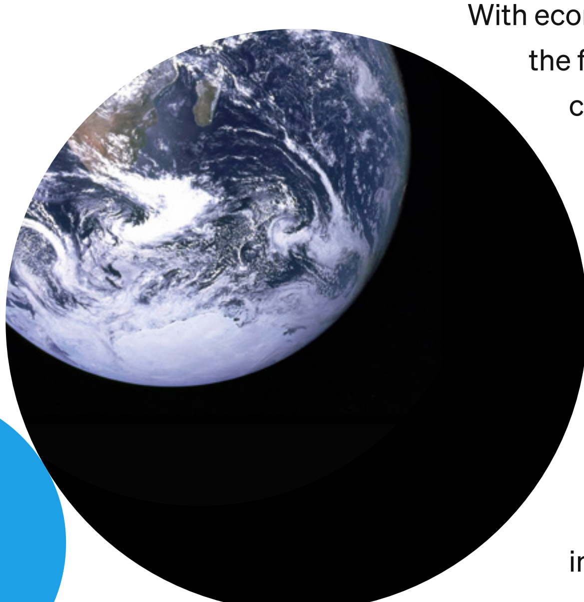
And then we have cybersecurity breaches. They put customers' personal data at risk, along with the institution's brand reputation, and they erode customer loyalty. It's therefore concerning that one of the greatest challenges in the sector is the serious lack of cybersecurity talent. In 2021 it was estimated that globally, 3.5 million cybersecurity posts were unfilled. Recruiting in the finance sector while keeping diversity, equality and inclusion top-of-mind will be critical going forward.

Current industry trends

While the global financial sector coped with increasing levels of economic turmoil, along came the COVID-19 pandemic. Having weathered that with remarkable resilience and adaptability, further major problems have sprung up with the war in Ukraine, high inflation rates, supply chain disruptions, and the likelihood of recessions in many parts of the world.

To survive and play a significant role in future economic growth, companies increasingly look for innovative ways to use technology. They're looking to add value while creating improved customer experiences and driving employee retention.

Revisiting ESG, we see a shift away from doing the minimum to comply. Going forward, financial organizations will need to take responsibility for the planet and its people to retain customers and employees.



With economic recovery not expected until sometime in 2024, the financial sector generally employs a more conservative, risk-averse approach to credit, loans, and other processes.

Business leaders in the financial sector emphasize the focus on innovation and automation to continually make the most of people, assets, and capital, whatever the economic climate. Budgeting for up-to-date technology to support a hybrid, remote, or distributed workforce remains a priority, along with improved communications and customer satisfaction.

Those companies leveraging AI capabilities will continue to operate more efficiently and have a competitive edge. Thanks to real-time insight and analysis, they pivot to earn increased customer engagement, better employee engagement, and exceptional talent retention.

They also better position themselves to increase their knowledge of employee productivity indicators, develop personalization across all touchpoints, and channel customer requests efficiently to optimize the customer experience.

Systems must be user-friendly, requiring a fine balance between ease and convenience while meeting the highest safety standards.

And with sensitive data and communications being transferred across numerous digital platforms and apps used by remote, hybrid, and distributed workforces, ongoing security and privacy solutions are vital. Systems must be user-friendly, requiring a fine balance between ease and convenience while meeting the highest safety standards.

Overall, meeting key regulatory requirements remains important in the face of risk management and compliance, or substantial fines can be incurred. There's also potential damage to brands and loss of customer loyalty when these regulations are unmet.

Leading financial services firms are focused on resources to support remote workforces, because they have to be. Maintaining an equilibrium between company needs and flexible working environments allows the finance sector to draw employees from a wider talent pool. These are crucial for DEI and expanded interpersonal expectations on top of fairly rigorous expertise detailed earlier. As such, secure internal communication systems have never been more vital for efficient, safe and fast-paced interactions.

Labor market impact on trends

The economy still looks different from what it was pre-pandemic. In spite of rapid growth in 2021 and 2022, it remains uncertain in 2023 mainly because of rising interest rates, inflation, and looming recessions. While unemployment rates are low in the U.S. the job market appears to be slowing. Employees are starting to question whether to seek new employment or to stay put at the risk of being stuck in an unfulfilling job while the economy declines.

Quiet quitting and The Great Resignation have also sent a message to employers that workers have requirements around work-life balance and company culture. Layoffs and recruitment freezes are rising as the labor market becomes more unsettled. This, in turn, frees up talent for employment elsewhere. Companies not only need to focus on hiring the available top talent but also on employee retention to remain competitive.

The pandemic caused havoc with the theory that a strong economy equals a healthy job market, and a weak economy means people are worried they could lose their jobs. Now, financial experts are uncovering causes of high inflation beyond job market performance. These causes include supply chain disruptions, political instability, and other factors with additional knock-on effects on the labor market.

Providing career and growth opportunities and upskilling employees will be among the most important 2023 trends to drive employee retention. When star performers in a company see a bright future, they tend to stay put.

New ways of working will continue to develop into 2023 as workers look for a work-life balance enabling them to do their best work on a flexible schedule. Flexibility is key as hybrid and remote work continues to grow in popularity along with the evolving concept of a 4-day work week. These trends are rapidly becoming the norm and will foster higher retention rates, drive productivity, and promote healthy company culture.

Dynamic workforce composition

The financial sector, along with everyone else, quickly switched to deskless operations with the onset of the pandemic in March 2020. This influenced work styles and preferences going forward.

Today, workers across the industry and in all parts of the world are keen to adopt remote working environments. They seek greater flexibility and work-life balance.

There's much being said in the financial services sector about the importance of getting everyone back into the office. Many leaders have been vocal about returning to pre-COVID routines with on-site workspaces only.

However, recent research has shown there's more flexibility offered than generally believed.

60%

of banks surveyed offer hybrid workplace options and a good degree of flexibility of some sort

18%

of organizations are fully remote and flexible about when employees come into the office

And across the whole financial services sector, it appears that around 80% of companies offer flexibility of some type to their employees.

Although CEOs are perceived as pushing people back on-site, the results are telling. By January 2023, only 59% of financial services workers were back in offices in NYC. A Partnership for New York survey shows us how the city itself has taken a knock as a result. City blocks stand half-empty, and there's less spending by workers who used to stream into the area daily.

All told, the sector nevertheless emerges as a top 5 industry for flexibility. While statistics differ from state to state and even city to city, an important fact persists: talent is everything. Even though employment rates remain high, competition persists for star performers who will not hesitate to move on from jobs not meeting their requirements.

Concerns have been expressed about company culture in remote workforces, the lack of social connections and relationships, and eroding structures. It now seems the most constructive way forward to strike a balance between flexibility and the development and sustenance of an ongoing, all-encompassing culture.

Tech adoption and engagement challenges

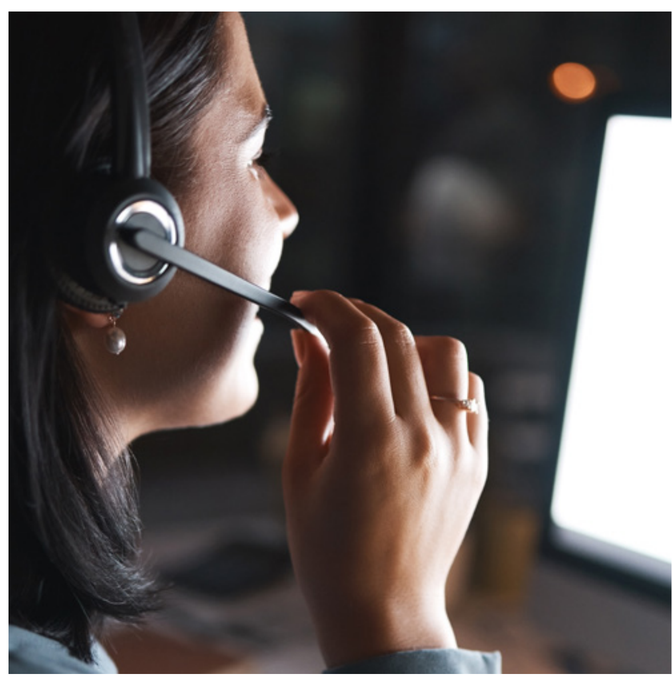
Communication challenges

Communications between workers and customers in financial services companies present their own special set of challenges. Increased demand for online services grew rapidly during the pandemic, and digital transformation in internal and external communication systems surged.

Consequently, customers today expect service via multiple communication channels from WhatsApp, Facebook, email, and others to private, remote human assistance by video chat when required.

These rising customer expectations mean companies must offer digital, multi-channel options and a unified customer experience. In the financial sector, cloud-based, unified communication systems are popular because they are scalable, flexible, and cost-effective.

Gone are the days when people managed their finances and investments within daytime service hours. Today's customer requires 24/7 service, and this signifies increased costs for any company.



AI-driven platforms alleviate pressure on employees to be constantly available by providing chatbot capabilities. AI and machine learning (ML) are increasingly used to improve collaboration and communication, provide basic customer support, and deal autonomously with simple tasks like balance inquiries or password resets.

Companies need to bear in mind that customer service is all important. If communications around support aren't up to par in the customer's opinion, they are likely to change providers.

Rapid problem-solving is also part of the increased expectation of today's customers. People no longer have the time and patience to sit in meetings, make long phone calls or wait for analyses.

If remote human support is required, the necessary communication facilities must be available, including video chat options and voice call systems. Video call systems are popular tools as employees can communicate in real-time according to customer requirements. They do not have to leave the office or travel. And it's worth noting that those companies in the sector that do not offer state-of-the-art communication services will lose customers to competitors who do.

And then communicating a transparent policy regarding how customers' data is used and safeguarded is vital, as this positions the company as reliable and trustworthy.

All of this information, and every corresponding activity, must be easy for workers to find and act upon in real time when engaging with customers. And this requires exceptional employee investment in firm capabilities, which is born from employee engagement and ownership in their jobs.

It all hinges on the technology powering the experience. Good technology enables financial services workers to be more efficient and productive.

How engaged are employees in the financial services sector?

The financial services sector does not have the best reputation for employee engagement and overall workplace happiness today. In some cases, the percentages are critically low. Statistics vary widely, some showing 70% are satisfied, but others indicate that number needs to be taken in context: “Only 65% of finance specialists are satisfied with their work-life balance, which is one of the lowest rates among all the fields.”

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Either way, numbers are concerning in a highly competitive, high-risk industry where unrealistic expectations, huge responsibility, stress, and burnout can be the rules rather than the exceptions. Retention is a big challenge here. And several factors drive high turnover rates, but employee engagement ranks high.

In previous generations, a job for life was considered the pinnacle of success, and someone who changed jobs every few years was deemed less reliable. Today, millennials and others coming into the sector at entry level, in considerable numbers, think nothing of leaving a job after a few months if the employee experience is lacking.

Disengaged employees are a retention risk, and there appears to be an inclination toward The Great Resignation and Quiet Quitting in the sector. Costs of recruiting and onboarding replacements are prohibitive in the current climate of low unemployment.

While every effort needs to be made by financial companies to engage customers, it’s wise to remember that this won’t happen unless employees are engaged too. An engaged employee is a good brand ambassador. And these brand ambassadors create personal connections that retain loyal customers—and attract new ones.

Industry-specific impediments to employee engagement

The financial services industry has a reputation for clinging to old traditions and being slow to modernize, and some would point fingers at company cultures resistant to innovation. When things are done in traditional manners, important drivers of employee engagement numbers like equality, diversity, equity, inclusion, flexibility, work-life balance, and others get sidelined.

On the executive level, where brick-and-mortar financial institutions are concerned, there appears to be some resistance to the concept of a remote workforce. While there is understandable given cybersecurity risks, it needs urgent attention to avoid high turnover rates and recruiting problems.

Young job seekers look to companies with ESG values at their heart. The banking sector gets a bad rap here because historically, there have been far-reaching failures, never forgotten, which have led to distrust. The 2008 crash is an example of this, which is why millennials consider the sector to have a bad reputation. The current wobble in the U.S. banking sector isn't helping either.

Intense pressure, long working hours, and mandatory overtime, combined with extreme competitiveness, make the industry tough to begin with. Add to it the unrealistic expectations of customers, managers, leadership, and colleagues, as well as big responsibilities and regulatory restrictions to keep track of. You have an industry primed for malicious compliance. And this all contributes to a poor employee experience and high turnover rates.

Although times are changing fast, wide communication gaps and poor relationships are still prevalent between the executive and customer-facing employees, and these have negative effects on employee engagement. Poor communication overall is a top contributor to disengagement.

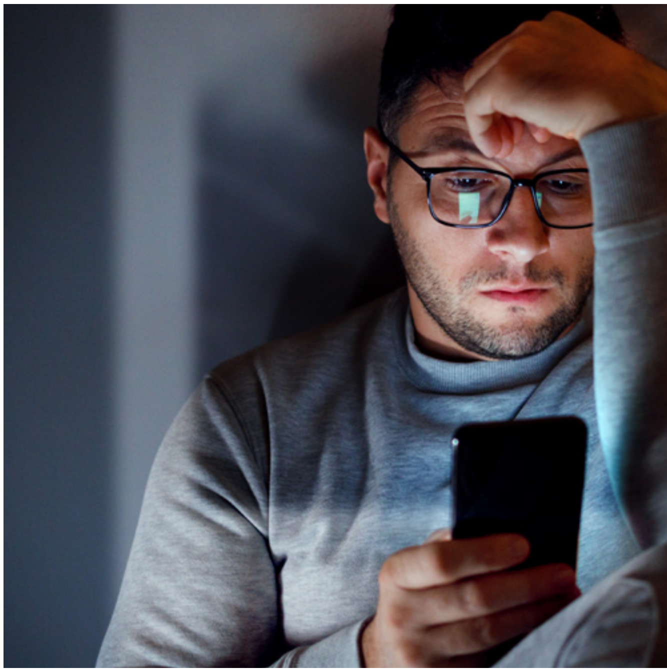
Poor communication overall is a top contributor to disengagement

An employee feels little purpose in the job they perform when the company mission, goals, and progress toward each are unclear or disjointed. But when there is clear, consistent shared information about company performance, changes, and progress, things shift. Employees know how and where they fit in their team and the company as a whole and feel invested in its success at each level.

Compensation is another sticking point. Inadequate pay will always encourage an employee to move on to a competitor, as will a lack of growth and career opportunities.

All of these challenges find root in whether or not financial service firms prioritize employee growth and development.

In today's rapidly evolving environment, every industry is undergoing digital transformation. A lack of tools, outdated technology, and inadequate support will drive workers to look elsewhere for a better employee experience.



Employee turnover rates in the financial services sector

Survey figures in recent years were skewed by the pandemic, but according to this report the financial sector in the U.S. shows a steady employee turnover rate averaging 29% since 2017.

Some or all of the following factors are driving these employees to look for elsewhere for work:

- Poor compensation compared to competitors
- Lack of ESG values
- Weak company culture
- No workplace flexibility
- Ambivalent attitude to diversity, equity, and inclusion
- Poor training and career advancement opportunities
- Lack of tools and resources for day-to-day work
- Confusion around responsibilities and goals
- Feeling unrecognized and undervalued
- Lack of clarity around expectations
- Inadequate communication, particularly alongside change management
- Unrealistic expectations and ill-defined boundaries
- Unreasonable responsibility, pressure, stress, and burnout
- Poor relationships with leadership and peers
- Strict rules and regulations
- Poor image and reputation of the company

It's important not to confuse employee retention with employee engagement. A company with great retention but where the employees are disengaged will not succeed when the time goes to make changes. And change is coming for all of us.

The business value of elevating EX

Meeting challenges with a good communication strategy

Financial services companies face considerable challenges in keeping employees engaged and creating a cohesive and inclusive employee experience.

A good employee experience starts with a person being empowered to do their job properly. To do this, they need the correct tools to build skills, gain confidence and stay connected. However, this isn't as easy as it sounds. Many organizations try to design bespoke capabilities that ultimately fail, as there's just too much to maintain all at once.

This is unfortunate, as effective communication strategies play a vital role in employee engagement. They keep everyone aligned around expectations and boundaries. And when it doesn't work as planned, the company knows immediately and can revisit specific challenges.

How do they know? Because a healthy internal communication strategy encourages and monitors feedback and has those capabilities baked in. This feedback loop makes it easier to establish who's happy and who's not—and why. And it allows for proactive intervention as needed.

A lack of information flowing either way (to/from the company to employees) is a definite barrier. And it's one that can be avoided with plug-and-play employee experience, newsletter and intranet options that offer everything organizations need so they can get back to business.

For example, a modern intranet offers a centralized hub for information, keeping everyone on the same page across the organization. And advanced newsletter capabilities can send tailored updates to individuals and teams.

Secure communication has always been a headache for the sector, and remote workspaces make it larger. Having a built-for-you internal communication function, which is exceptionally secure from the start, allows companies to free IT to focus on more pressing external threats.

For a real-life example of how communication challenges can be met in double-quick time, particularly with workers in several locations, see how Simpplr helped the Bay Federal Credit Union create an intranet to engage and empower employees and drive employee experience.

But, why now?
We've answered this throughout,
but let's review . . .

Why invest now in employee engagement?

The COVID-19 pandemic thrust a new normal on an unprepared world. While many sectors shut down during this time, for the financial sector, it was business as usual. People still needed to manage their money, and the industry had to scramble to convert to a WFH workforce.

Today, with the worst impacts of the pandemic behind us, the financial sector is caught between returning to familiar, established processes or following the new normal. It is quickly realizing that the latter route is inevitable.

Workers no longer want to work within the old structures, and companies need to take this into account, or they will lose top talent and others.

Additionally, while the pandemic is a thing of the past, new challenges have emerged to challenge global economies, like war in Ukraine, high inflation, political and natural crises, etc. Either way, companies everywhere need engaged workers to grow productively and not stagnate.

Employee engagement means workers are happy, supported, motivated, connected, and enjoy their work. This is extremely important in times of economic downturn. Engaged workers are less inclined to resign or become quiet quitters. High levels of employee turnover and quiet quitting negatively impact company morale, and this leads colleagues to follow in the footsteps of those who are quitting.

Higher retention rates mean less money is spent on recruiting and onboarding costs. If a star performer is lost, then most of the money spent on developing that employee is also lost, and more money must be spent on appointing a replacement. It makes sense to invest in employee engagement to drive retention when the economy is uncertain.

Read here how NEI Investments used Simpplr to help their significantly distributed workforce feel more connected to purpose and strategy, driving both productivity and engagement.

An improved product or service is a given when employees are set up for success with the right tools and support from an inclusive culture. And this results in better sales, higher ratings, increased referrals, loyalty, and retention of both workers and customers.

Engaged employees benefit from a sensible work-life balance and have lower stress levels. They also have better mental and physical health than disengaged workers. Incidences of burnout, low morale, and absenteeism will be greatly reduced.

When workers are engaged, they are the best brand ambassadors in good times and bad. If a customer receives authentic information about products and services, their loyalty is assured.

Conclusion

Despite companies in most sectors increasing their efforts to engage workers, statistics are concerning, and more work needs to be done. With remote workplaces, some employers worry about a lack of connection and support for workers, especially new recruits.And reduced team moments and collaboration mean less opportunity for innovative ideas to emerge.

As millennials and Gen Z employees take over the market, they will seek purpose in their work and an environment where flexibility is prioritized. Unlike the job seekers of previous generations, these younger people have the confidence to ask for exactly what they want or seek employment elsewhere.

With a recession on the horizon for so many, companies must secure a workforce brimming with motivated, productive workers—and tomorrow's leaders will do this through employee engagement. Reach out for a demo, and we'll show you how to join their ranks!

About Simpplr

Who we are

Simpplr is the modern intranet that transforms the work experience for all employees — wherever and however they work. Simpplr is the only platform that unifies employee engagement, enablement and services, leveraging state-of-the-art AI models to deliver a seamless, cohesive and personalized employee experience.

Trusted by over 700 global brands, including Moderna, Snowflake, Splunk, Penske, Eurostar and AAA, Simpplr customers achieve significant improvement in their employees' productivity, retention and overall satisfaction. Headquartered in Silicon Valley, CA, Simpplr is backed by Norwest Venture Partners, Sapphire Ventures, Salesforce Ventures, Tola Capital and Still Venture Capital. Learn more at simpplr.com

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- ↘ Ready to use in weeks, not months
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