THE FUTURE OF HR FOR FINANCE COMPANIES

Namely

CONTENTS

Introduction

As we globally recover from the COVID-19 pandemic, financial services companies are finding themselves operating in a changed—and changing—world. And companies in this sector—from asset management and banking to insurance and payments—have to reckon with the workplace pivots that come along with these changes.

As such, the HR department at finance companies is no easy place to work. But the challenges that come along with being in HR for finance also bring **massive opportunities** for these leaders to make pivotal decisions and shape the industry's future.

Many of these changes—remote work, AI, a diversifying workforce—were already on their way for the financial sector workforce, but many companies are still finding themselves unprepared. We're at a crossroads in the industry, where companies can make the decision to evolve with the times or fall behind. And HR will find themselves in the center of this movement.

Let's take a look at what we can expect for HR at financial institutions in the coming years.

Trends In...

Now that we've examined what makes HR so unique for the finance industry today, what trends can we expect to see going forward?

From enhancing the employee experience to modernizing technology, we'll explore what the future of HR looks like for finance companies.

Let's get started.

Hiring & Retaining Diverse Talent

State of the Industry

Before we dive into what the future of hiring looks like for finance companies, it's important to understand the current state of the industry.

Let's take a look at some stats:

- Women make up 52 percent of the industry's workforce.
- 84 percent of employees in the industry are White, 5 percent are Black/African American, 9 percent are Asian, and 8 percent are Hispanic/Latinx.
- The average age of finance employees is 43 years old.

Despite the impacts that COVID-19 had on hiring, finance employees continue to be in high demand. In fact, according to a recent U.S. Bureau of Labor Statistics report, job openings in the finance industry increased to over 83,000 in November of 2021.

As the Great Resignation lingers, finance companies will have to fight for talent more than ever before. With 68 percent of HR leaders saying that today's job market is candidate-driven, finance companies will have to take their hiring strategies to the next level in order to attract and retain top employees.

Here are some ways finance companies will adjust their hiring processes in the future:

Focus on DEI

According to a recent PwC Global survey, 85 percent of financial services CEOs said promoting diversity and inclusion helps enhance business performance—and there's research to back it up. Studies show that gender-diverse and inclusive teams outperform gender-homogeneous, less inclusive teams by 50 percent on average. However, it's not enough for finance companies to recognize the importance of DEI. The industry still has a long way to go.

Even though women make up more than half of the historically male-dominated industry today, their representation falls off at every stage of the corporate ladder. In fact, only 86 women in finance are promoted to manager for every 100 men. From entry level to the C-suite, the representation of women of color falls by 80 percent. On top of that, women earned 83 percent of what men did in 2021.

At most finance companies, the higher up the corporate ladder, the less diversity there is. This is especially true when looking at boards and senior management. Only 9 percent of C-suite positions are held by men of color and 4 percent by women of color.

To encourage greater board diversity, the Securities and Exchange Commission (SEC) recently approved the Nasdaq Stock Market's proposal to amend its listing standards. Nasdaq's new diversity rule now requires listed companies to publicly disclose board-level diversity metrics on an annual basis. It also requires companies who fail to have at least two diverse board members to disclose the reason why.

Even with Nasdaq's new policy, there is still a lot of progress that needs to be made in the finance industry when it comes to DEI. Here are some ways finance companies can make sure DEI is top of mind not just during the hiring process but throughout the employee lifecycle:

Integrate DEI in Company Culture

To attract, nurture, and retain diverse talent, finance companies must commit to creating workplace environments that foster belonging and psychological safety. They must have policies and practices in place to welcome individuals with varied backgrounds, cultures, experiences, and thoughts. Elements of inclusivity should be deeply integrated with employee engagement programs, hiring processes, educational resources, and leadership training—making it a core part of company culture.

Implement New Strategies

When setting company-specific DEI goals, consider strategies for diversity recruiting, establishing and supporting Employee Resource Groups, hosting unconscious bias training, and offering inclusive benefits. You can target specific issues around gender diversity by designing a women's leadership development program with tailored curriculums. Understanding how to incorporate these foundational practices will set your organization up for measurable success with DEI in the long run.

Involve Leadership

It's crucial for leaders and HR professionals at finance companies to model the behavior they want employees to emulate, and take action to live out their company values with respect to diversity and inclusion. Practice using inclusive vocabulary, supporting employee activism, and sharing updates about what is being done to address the diversity issues affecting employees. Executive sponsorship and commitment to DEI can create enthusiasm around strategies and sustain the momentum needed to drive lasting change.

Track DEI Metrics

Using DEI metrics can help you assess how effective your initiatives are and where adjustments and improvements need to be made. Implementing employee engagement surveys and hosting fireside chats, feedback sessions, or focus groups can help you leverage employee data to continually improve your DEI efforts. Keep in mind that systemic changes will take time and that holding yourself accountable to quantifiable goals will increase your chances of success.

Targeting Gen Z

According to Gallup, millennials and Gen Z make up 46 percent of the US workforce. Unfortunately for finance companies, their industry isn't exactly at the top of the younger generations' minds. In fact, a recent study found that 78 percent of Gen Z considers entertainment its most prized industry, with tech right behind it.

So how will finance companies pivot their hiring strategies to attract next-gen talent?

With the majority of the industry consisting of Generation X and millennials, it's important for finance companies to recognize that Gen Z has different expectations and priorities—especially when it comes to benefits. Between paying rent, saving for retirement, and everything else in between, Gen Z has its own set of financial issues. This is why benefits like 401k matching will become a must-have for Gen Z. Since 86 percent of younger employees would commit to a company for 5 years if it helped pay back their student loans, offering student loan repayment assistance as a benefit will also continue to give companies a competitive advantage when hiring.

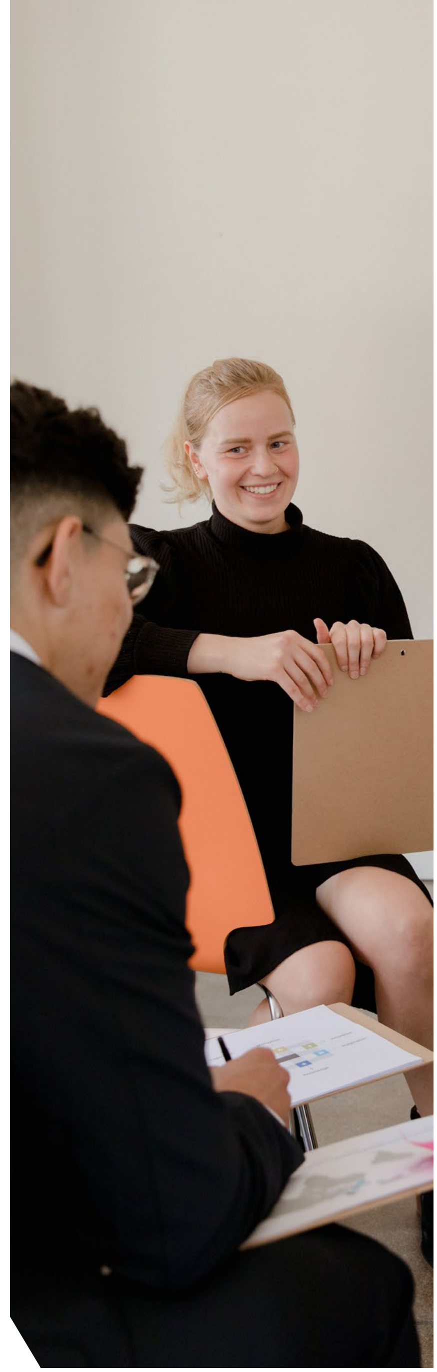
In addition to financial benefits, wellness benefits are also a priority for Gen Z. From expanding Employee Assistance Programs to offering virtual mental health support, many companies are enhancing their wellness benefits in order to attract and retain their employees. In fact, almost 40 percent of employers added to their wellness benefits last year. As finance companies continue to adjust their benefits plans to attract Gen Z, that percentage will likely keep increasing in 2022.

The WFH & WFA Economies

Before COVID-19, finance companies were traditionally known for being resistant to remote work. In fact, only 29 percent of them allowed some of their workforce to work from home at least once a week. But now, not offering WFH or WFA options may be a deal breaker for candidates.

According to Rober Half's Accounting & Finance Salary Guide, nearly 74 percent of finance professionals want to work from home often after the pandemic because it enables them to have a better work-life balance. Working remotely gives them more control over their schedules and the freedom to decide when and where they work. For employees who used to have to drive or take public transportation to get to the office, it also eliminates their commute.

Luckily for them, 61 percent of CFOs at finance companies plan to make telecommuting permanent for jobs that can be done remotely. Companies who choose not to consider doing so may simply not be able to compete in today's candidate-driven market.



Evaluate Compensation Benchmarking

Since it is now a candidate driven-market, finance companies will have to make sure they are staying competitive when it comes to their employees' compensation. By researching industry averages and using benchmarking, they can see how their offerings compare to other companies and reevaluate accordingly. Using a compensation management software can simplify this process and help companies plan, communicate, and benchmark their compensation in real-time.

Preparing for an Aging Workforce

In addition to pivoting their hiring strategies to attract Gen Z, finance companies should also be focusing on how to retain their employees in older generations. A SHRM report studying the finance, insurance, and real estate industries found that 43 percent of HR professionals were going to examine internal policies and practices to prepare for their aging workforce. Since more than half of executives are worried about the turnover of their older employees, reevaluating these strategies is crucial.

Surprisingly, the problem isn't that Baby Boomers are retiring earlier than expected. In fact, it's quite the opposite: 72 percent of the generation intends to work past the typical retirement age. The problem actually lies in the fact that 63 percent of Baby Boomers don't feel adequately supported when they do stay in the workforce longer.

So looking ahead, how should finance companies shift their strategies to retain older employees?

Here are some ways they can prepare for an aging workforce:

Reskill & Upskill

To help their aging workforce adjust, finance companies will have to invest in reskilling and upskilling. Offering such training allows older employees to strengthen these skills, helping them keep up with the changing workplace and avoid getting overwhelmed by it.

With that said, Baby Boomers aren't the only ones who can benefit from this investment. In fact, 54 percent of all employees will require significant reskilling and upskilling in 2022 (we'll discuss this more later). Investing in this training helps form confident and productive teams. Since 91 percent of companies say reskilling and upskilling has boosted productivity at work, it's becoming a popular resource to keep employees engaged, develop future leaders, and ultimately retain them.

Have Flexible Schedules & PTO Policies

The COVID-19 pandemic has shined a lot of light on the benefits that having flexibility and taking time away from work can have on employees' wellness. Simply giving employees control of when and where they work can help them destress and avoid burnout. And when it comes to employees who are nearing retirement age, offering such flexibility will be key to retaining them—leaving finance companies who are used to working 9 to 5 no choice but to reevaluate their policies. 57 percent of companies have already caught onto this, offering flextime during core business hours as a way to support aging employees.

In addition to flexible working hours, PTO plays a huge factor as well. Today, employees aren't waiting until they retire to enjoy their lives outside of work—especially if they're delaying their retirement. This is why finance companies should consider offering unlimited or minimum PTO policies and encourage employees to take time off frequently.

Offer Attractive Benefits

We've already discussed what benefits Gen Z is looking for, but what about Baby Boomers? Let's take a look at the results from a recent SHRM Employee Benefits Survey to understand how companies are addressing the needs of older employees through benefits:

- 57 percent offer retirement planning, whether it is in a group setting or one-on-one.
- 32 percent offer legal assistance or services, like Rocket Lawyer.
- 32 percent offer long-term care insurance.
- 26 percent offer paid time off for volunteering.

To make other benefits as convenient for older employees as possible, more and more finance companies are starting to offer virtual ones, like telehealth. As a benefit that grew in popularity during the pandemic, telehealth enables employees to call or video chat with a doctor who can diagnose symptoms and prescribe treatment—all over the phone. Working with a telemedicine vendor, like First Stop Health, will provide older employees with access to healthcare professionals from the comfort of their own home.

Employee Experience & Company Culture

The economic downturn caused by the pandemic hit the financial services industry especially hard, taking a huge toll on employee morale, productivity, and company culture.

In fact, financial services workers reported the second-highest level of job stress and sleep disorders (behind tech industry workers). Employee motivation also dropped 32 percent—indicating a dire need for more support and flexibility in the workplace and providing an opportunity for employers to upgrade how they deliver on employee experience.

To keep their finance employees engaged and aligned with business goals, employers will need a dynamic approach that addresses workers' concerns—particularly around financial instability, remote collaboration, diversity and inclusion, and mental health.

Now let's take a closer look at what HR professionals should prioritize to enhance the employee experience and take their finance organization to the next level in 2022 and beyond.

Create Virtual Connection

In a world riddled by zoom fatigue and widespread uncertainty, it's critical for employers to create a sense of belonging and connection throughout the employee experience. This means adjusting your onboarding process to accommodate virtual interactions, perhaps even incorporating an onboarding buddy or informal virtual team lunch. You can also survey new hires after their onboarding experience to understand what needs to be changed or improved.

To create opportunities for virtual team bonding throughout the week, allocate the first five minutes of your weekly team meeting to discuss book suggestions or binge-worthy Netflix shows so that your employees can bounce interesting ideas off of each other. Carve out time for employees to get together for virtual happy hours, online yoga classes, or team fitness challenges.

Uphold Company Culture

Implementing online offerings and channels of communication not only helps employees stay in touch but also significantly improves company culture. For instance, you can establish employee resource groups (ERGs) to empower employees to facilitate conversations around advancing diversity and inclusion. You can also encourage employees with similar interests to start a slack channel and message each other or share photos, which creates a sense of community and relationship-building in a remote environment.

Encourage Appreciation

Think about ways to make employees feel appreciated and nurtured, even if it's just a simple thank-you email or acknowledgement during a team meeting or company all hands. Since 69 percent of employees would work harder if they felt appreciated, it's crucial to use recognition and gratitude to boost employee morale and satisfaction.

Of course, giving out promotions and raises are effective ways to show employees appreciation, but companies should start thinking more outside the box. To revamp your recognition strategy, consider offering spot bonuses, experiential rewards, a President's Club, or individual incentives for projects.

Now that you understand how to craft your employee experience strategy, what specific trends should you pay attention to as an HR professional in the finance industry? What will it require for your company to adapt to these changes while still effectively supporting your employees? When it comes to the financial sector, it's critical to be aware of two key issues impacting your employees—**burnout and reskilling/upskilling**.

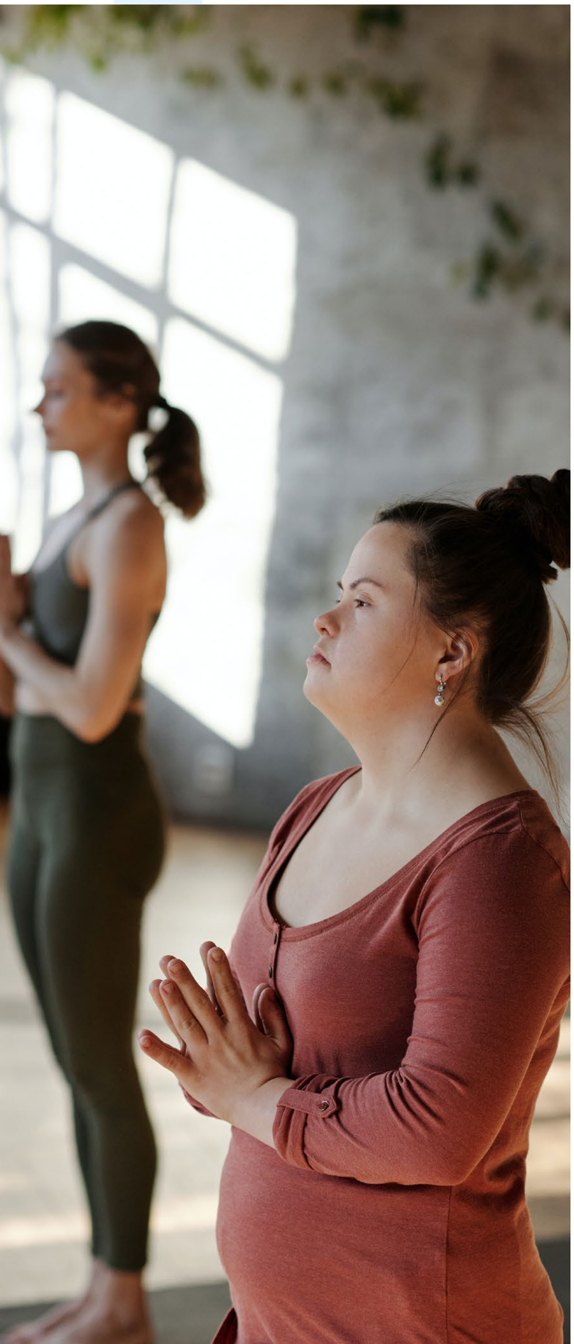
Let's dive into burnout first.

Burnout

With no real end to the pandemic in sight, it might be challenging for employers in the financial industry to manage the burnout and exhaustion continuously affecting their employees. In fact, one study revealed that a staggering 63 percent of managers in the finance sector have suffered from burnout at work since first being placed under lockdown, while 26 percent are either considering, or actually quitting their job as a result of the strain on their mental wellbeing.

The top cited reasons for burnout in the study were anxiety about the future, a lack of sleep, and increased demands from management. A third of burnout sufferers in finance revealed that working longer hours had contributed.

So what should finance organizations focus on to take control of the widespread employee burnout crisis?



Support Stress Management

With remote work blurring the lines between work and personal life, finance employees have been struggling with mental health issues and are looking to their employers for support and guidance during this time. Indeed 60 percent of employee benefit leaders said employee expectations around mental health support rose over the past year. From providing mental health days and additional time off to online therapy and eldercare reimbursement benefits, there are many ways to help employees reduce their stress levels.

Establish Boundaries

Defining clear boundaries around working hours helps employees disconnect after work, recalibrate, and start each day refreshed. Creating windows of time where employees are not expected to work, (such as virtual commutes or coffee breaks), offers them the chance to reflect, set goals, and develop a more holistic perspective on their work.

Model Wellness

Every manager, supervisor, or team lead should exemplify their commitment to wellbeing and a healthy work-life balance. This could mean hosting a wellness seminar for employees or sharing valuable resources like ergonomic tips or providing access to a meditation app. Demonstrating support through modeling and promoting wellness for your team is also key in cultivating a culture of psychological safety and trust.

Monitor Workloads

Oftentimes with remote work, it can be challenging to determine whether an employee is carrying too heavy a workload. High turnover or changes in headcount could have shifted the weight of tasks distributed amongst your employees. Employees may have difficulty being productive at home because they are sharing a workspace with relatives or roommates. Or your employees could be dealing with child or elderly care from home and may need accommodations with their workload.

Plan regular check-ins with your employees to understand their perspectives and continuously assess the current allocation of resources and tasks. If something isn't working, or if employees feel overwhelmed, it may be time to redesign the job or shift the workload in a way that is more manageable.

Reskilling/Upskilling

74 percent of CEOs are concerned about the availability of key skills in the finance industry. Changing dynamics in the workplace call for both technical skills as well as "soft skills," including flexibility, time management, communication, and collaboration.

HR professionals can use upskilling to help form confident, productive teams, while making change in the workplace easier to handle. Since 91 percent of companies and 81 percent of employees say upskilling/reskilling training has boosted productivity at work, it's becoming a popular resource to develop talent for future leadership roles, while keeping employees engaged and generating better performance.

Upskilling may take on several different forms, but usually includes internal training, apprenticeships, partnerships with vendors, and relationships with universities and community colleges, as well as career training programs.

Make sure you tailor the program to employees' career goals that tie back to the larger company goals, and get managers on board for follow-through. This will help employees take ownership of their personal and professional development and excite them about moving their career forward with the company.

Security & Cybersecurity

Cyber threats are the #2 concern of financial leaders. This is, in part, brought on by the fact that financial companies have been grappling with legacy infrastructure for many years.

Threats have also increased due to the pandemic, especially as more employees in the industry begin to work from home on less secure networks than in a traditional office. In fact, COVID-19 is blamed for a 238% surge in targeted cybersecurity attacks of banks. And a recent report from the United Kingdom's Treasury Committee found that finance companies are not doing enough to mitigate operational risks posed by legacy technology.

While this is a vast concern across the entire industry, it is also a specific pain point for HR leaders at financial institutions. When managing employee data, HR professionals have to take extra care to protect it from malicious ransomware and hacker attacks.

This is often difficult to do when HR professionals are stuck with outdated HR platforms and services.

In recent months, this has become even more apparent. Take the recent Kronos payroll ransomware attack and it's ensuing drama. Many companies found that they had to turn to manual time keeping and payroll processes amidst the attack.

HR and payroll leaders at finance companies must ensure that they work with a secure HR technology platform, particularly one that offers a SOC 2 compliance certification.

HR is also partially responsible for driving a strong organizational cybersecurity culture—which makes sense when you consider the fact that 62 percent of executives say the greatest threat to their organization's cybersecurity is employees' failure to comply with data security rules.

IT/security leaders need to partner with HR teams in order to manage data and technology risk. One way HR can support cybersecurity is to include trainings for practicing good cybersecurity hygiene in the onboarding process. These can include password security, how to recognize and handle phishing, best practices for remote access, acceptable device use policies, business continuity plans, and more.

Data-Driven Decision Making

Finance companies have always been known for focusing on the numbers; it's at the heart of what they do. And this should be true of their HR teams, too.

Tracking and reporting HR metrics is an important way to quantify initiatives, track progress toward goals, and enable informed decision-making. And over the next 5-10 years, HR at finance companies will become increasingly more data driven. Not only will HR use data to make people decisions, but company leadership will lean on HR leaders for data that will help them make larger corporate choices, as well.

Some of the data points that we expect will become commonplace to measure are:

Quality of Hire

You could call quality of hire the "holy grail" of people metrics. Many organizations score employees based on a number of factors, including productivity, engagement, and adherence to company values. Identifying your company's list of most valued characteristics in a new hire is the first step. Your list should include what matters most at your organization.

For each of your chosen factors, implement a rating system that ranges from one to five (e.g., severely underperforming, underperforming, neutral, satisfying expectations, exceeds expectations). Then you can use this formula: Quality of Hire = Average of (Performance + Productivity + Job Fit + Values Fit).

Turnover Rate

Out of all the data points measured by HR, few are as essential as turnover. Quite simply, turnover rate measures the number of employees who leave your company within a set period of time. While your base metric should include both voluntary and involuntary terminations (people who quit or are asked to leave, respectively), you can calculate turnover separately for both types of departures.

To calculate turnover rate, tally the number of involuntary and voluntary terminations over the timeframe you're considering (typically a year). Then, divide this amount by your average headcount during that same period. Finally, multiply this number by 100 to arrive at a percentage.

Career Path Ratio

The notion of the career "ladder" has been relegated to the dustbin. Employee movement at modern day organizations is multi-directional—meaning lateral moves across departments and specialties are becoming more the norm. Enter our next metric: career path ratio, or a measure of how many internal moves are promotions versus lateral transfers.

To calculate this metric, simplify divide your total number of promotions by the sum of all role changes, regardless of whether it was an upward or lateral move. If you did the math correctly, the resultant figure should be less than 1.

Unsure of what a healthy career path ratio looks like? The rule of thumb is that companies should average approximately four transfers for each promotion, meaning a career path ratio of 0.2 or less. If your ratio number ends up between 0.5 and 1.0, that may be indicative of a problem with how your business approaches development. In cases like these, managers may be guilty of "talent hoarding," or shielding high-performers from any and all transfer opportunities.

Pay Equity

A pay equity audit requires you to examine your company's payroll data for evidence of a pay gap and make appropriate recommendations to senior management. The goal of a pay equity audit is to understand whether employees performing similar work at the same level are paid consistently. This is a separate analysis from your annual pay adjustment cycle.

It is important to consult with a lawyer when you audit your pay practices; audits completed with a lawyer should be protected by attorney-client privilege. Start by pulling employee pay data and consider how you want to group the data. Good groupings are key to ensuring your findings are sound. You'll want to look for things including: Pay gaps hidden in certain job titles or departments; underpaid high performers and overpaid low performers; significant differences in promotion rates, raise frequencies and bonuses; and men and women who do similar work, but are not at the same job level.

eNPS

Measuring your company's employee Net Promoter Score (eNPS) empowers your team to get an accurate read on something as subjective as how individuals feel about work.

If "NPS" sounds familiar, that's for a good reason. Originally conceived of by business strategist Fred Reichheld as a way for companies to gauge customer satisfaction, NPS surveys ask participants one "ultimate" question: "What is the likelihood that you would recommend [...] to a friend or colleague?"

Respondents are asked to measure their approval on a scale of 0 to 10. Those who respond with a 9 or a 10 are considered "promoters," and those who answer 0-6 are detractors. Anyone in between those ranges is considered "passive." An overall score is calculated by subtracting the percentage of employees who are detractors from the percentage who are promoters.

All action planning around engagement should be driven to raising that metric over time. This is also the most essential measure to observe with consistency. It's always tempting to change up the questions, but don't do it for at least the handful of questions that drive the overall engagement measurement.

About Namely

Distinguished by its intense commitment to diversity, equity, and inclusion, HR technology leader Namely is an employer of choice that helps mid-sized employers and their employees thrive. Delivering and streamlining the complexities of recruiting, onboarding, time & attendance, performance management, benefits administration, compliance, payroll and analytics from a single platform, Namely also offers Managed Payroll and Benefits services. The company further differentiates the client experience through personalized service and easy-to-use applications. Learn more at Namely.com and follow us @NamelyHR.