

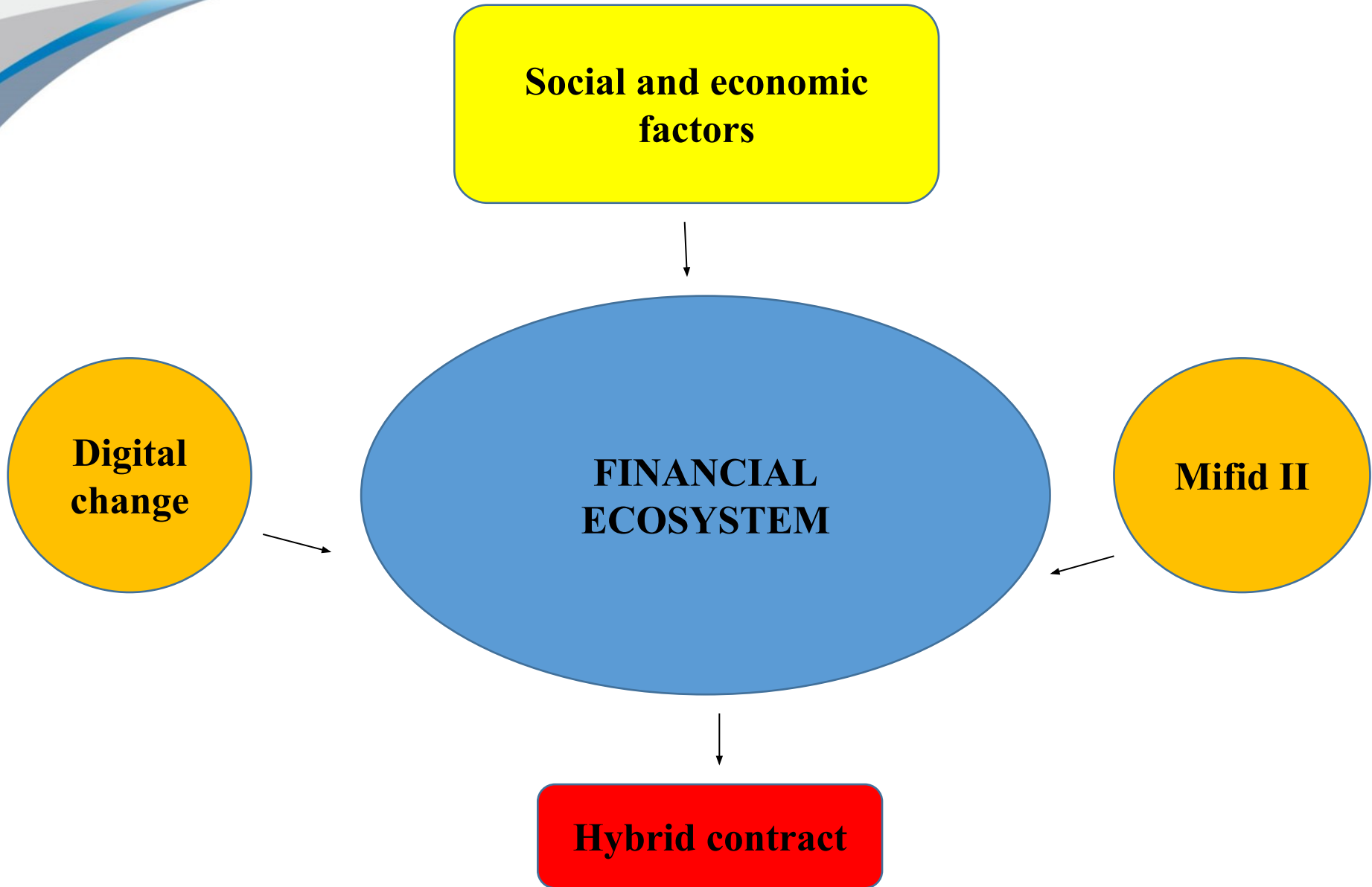


Changes in the financial Labour Market: the impact of Directive 2014/65 (MiFID II) and Digitalization. The key-role of Social Dialogue and Industrial Relations to manage the transition from 'traditional' to 'hybrid' contracts for a renewed protection - VS/2019/0097 -

Final Conference, Siena, 23 sept 2021

Impact of Directive 2014/65 (MiFID II) and Digitalization, as shown by the results of the European research project VS/2019/0097

Francesco Discanno, Scientific Partnership Coordinator, APF FIRST





THE SCIENTIFIC PARTNERS



**Association for International and Comparative
Studies in Labour and Industrial Relations**



Central European
Labour Studies
Institute



**Organisational
change, demand
for skills**



**Finnish Institute of
Occupational Health**

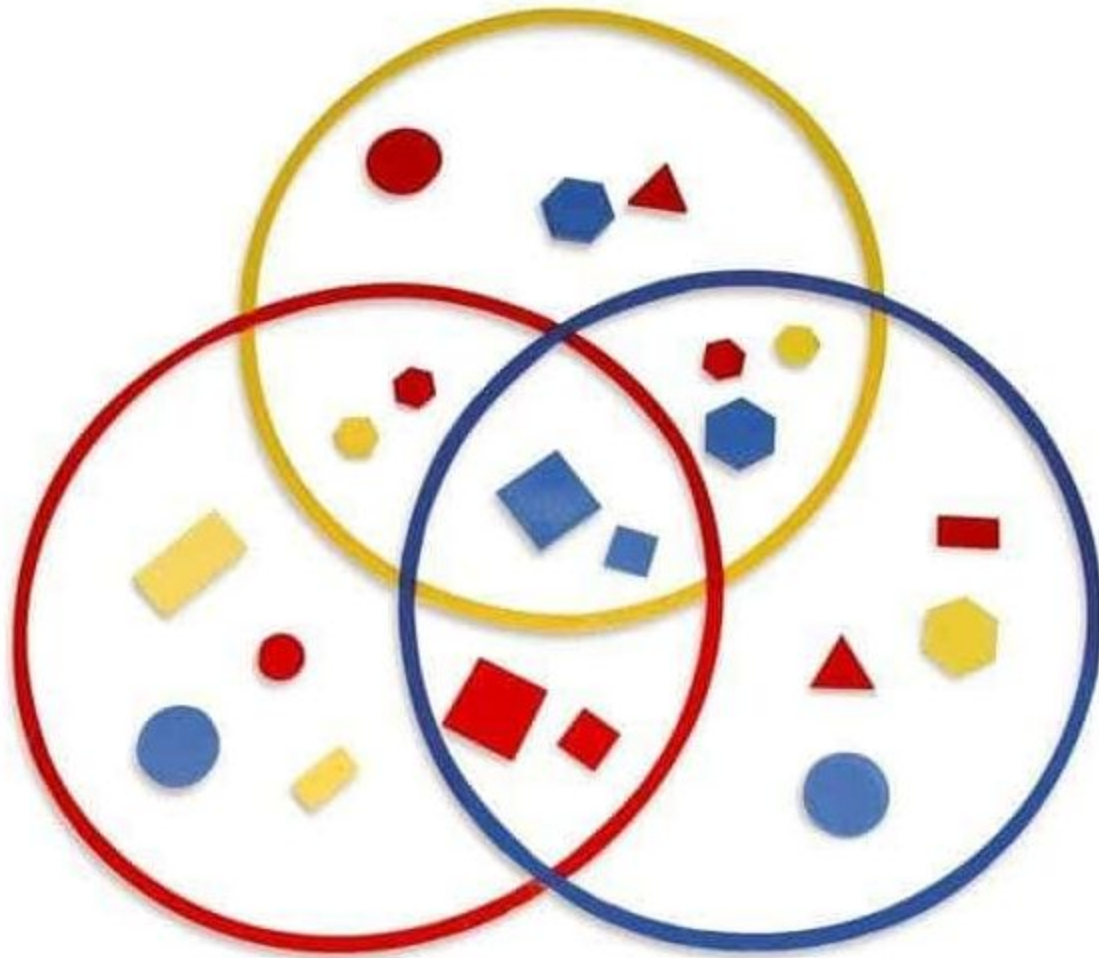


Job quality, H&S



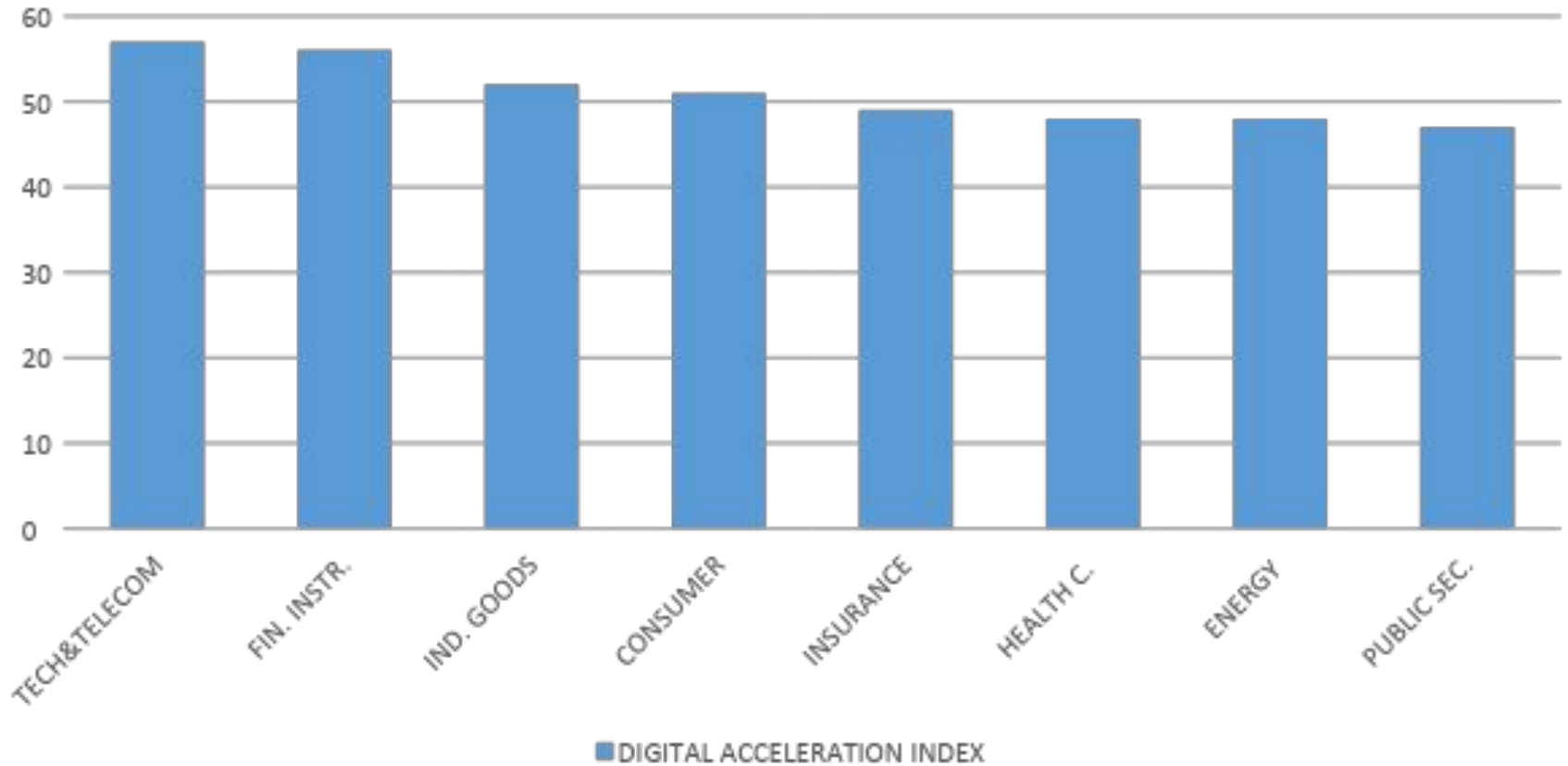
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DIGITAL MATURITY OF INDUSTRIES





DIGITAL ACCELERATORS

- i) Investing Significantly in Technology, Data, and Human Capabilities
- ii) Putting AI at the Core of the Digital Transformation
- iii) Establishing Governance and Adopting a Platform Operating Model
- iv) Connecting Technology and Human



WHAT IS THE PURPOSE OF MiFID II

The purpose of MiFID II is to ensure fairer, safer and more efficient markets and facilitate greater transparency for all participants involved in transactions.



WHY MIFID II IS SO IMPORTANT

The extent of the Mifid II legal phenomenon at the economic level is wide.

The Directive is a mandatory reference in all asset allocation decisions, sales of financial instruments and investment recommendations.

As such, the regulatory framework involves a plethora of stakeholders, in particular savers, financial intermediaries and workers in the sector.



The European Fund and Asset Management Association (EFAMA) estimates that - in the fourth quarter of 2020 - Assets under Management (AuM) settled at 27,000 billion euros.

The present figure is the highest in history in relation to European GDP: almost 160%.

In 2008 – when Mifid I came into effect - the amount of AuM was equal to 10,000 billion euros.

Customers are made up as follows: retail is 3/10 of the total (almost half of EU GDP), while institutional customers account for 7/10.

The logo for the European Banking Authority (EBA) is centered on the slide. It consists of the letters 'EBA' in a large, bold, white sans-serif font, followed by a vertical orange bar and the words 'EUROPEAN BANKING AUTHORITY' in a smaller, white, all-caps sans-serif font, all contained within a dark blue rectangular background.

EBA | EUROPEAN
BANKING
AUTHORITY

The net fee and commissions recorded in the profit and loss accounts of European banks - deriving mostly from the management of financial instruments on behalf of savers - have become the second most important component of income for the banks of the European Union (30% of total in 2020).



INCOME STATEMENT 2020

Interest margin	7.7 billion euros (38%)
Net fees and commissions	7.9 billion euros (39%)
Profits pertaining to insurance	3.4 billion euros (16%)
Interest and other income	20.5 billion euros (100%)



BBVA

In Spain, BBVA employs 30,000 employees.

Of them, 11,300 (38%) are engaged in investment advice transactions, therefore they act under Mifid II.

Projection at the EU27: about 700-800 thousand out of 2,2 million

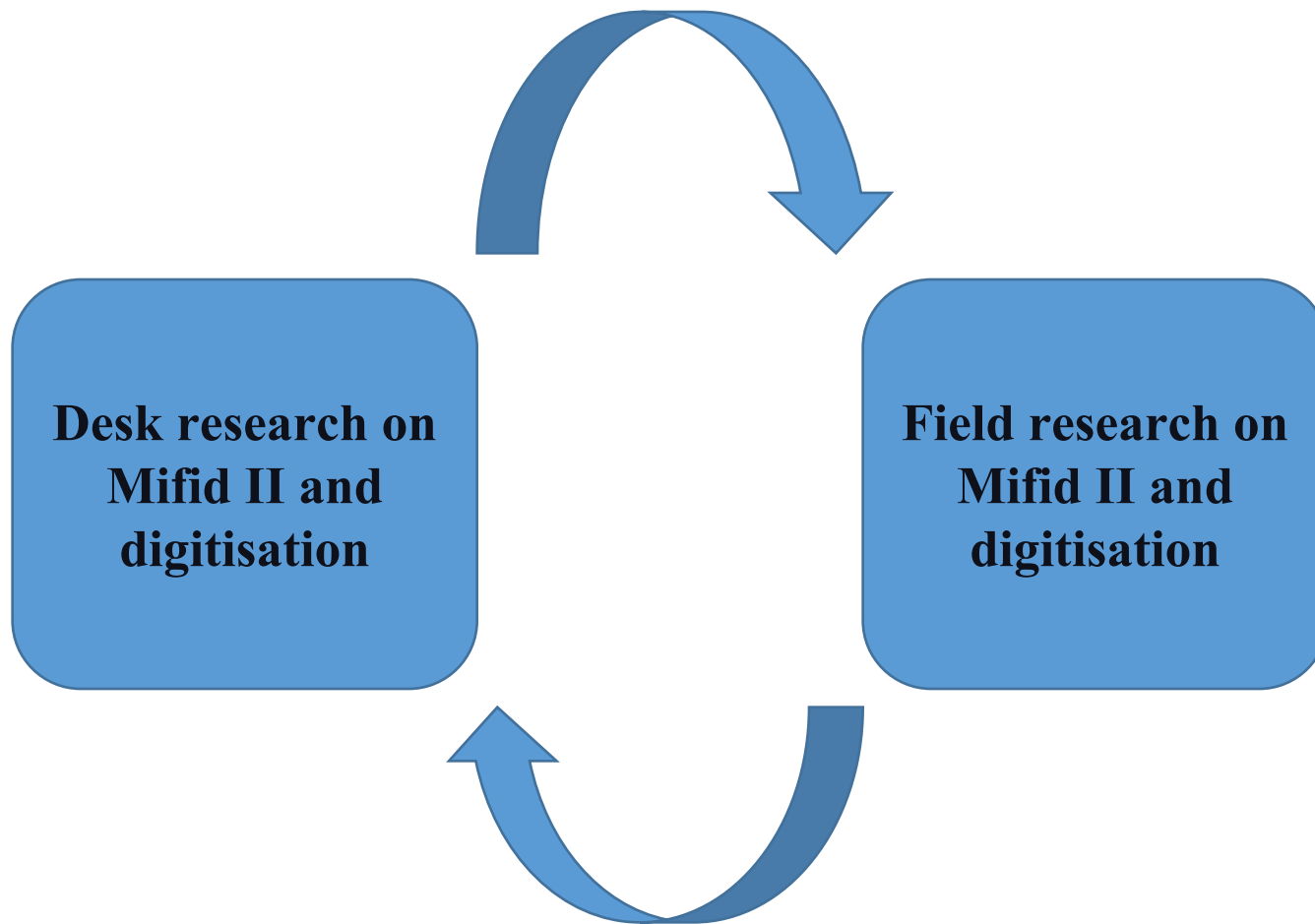


DESK RESEARCH





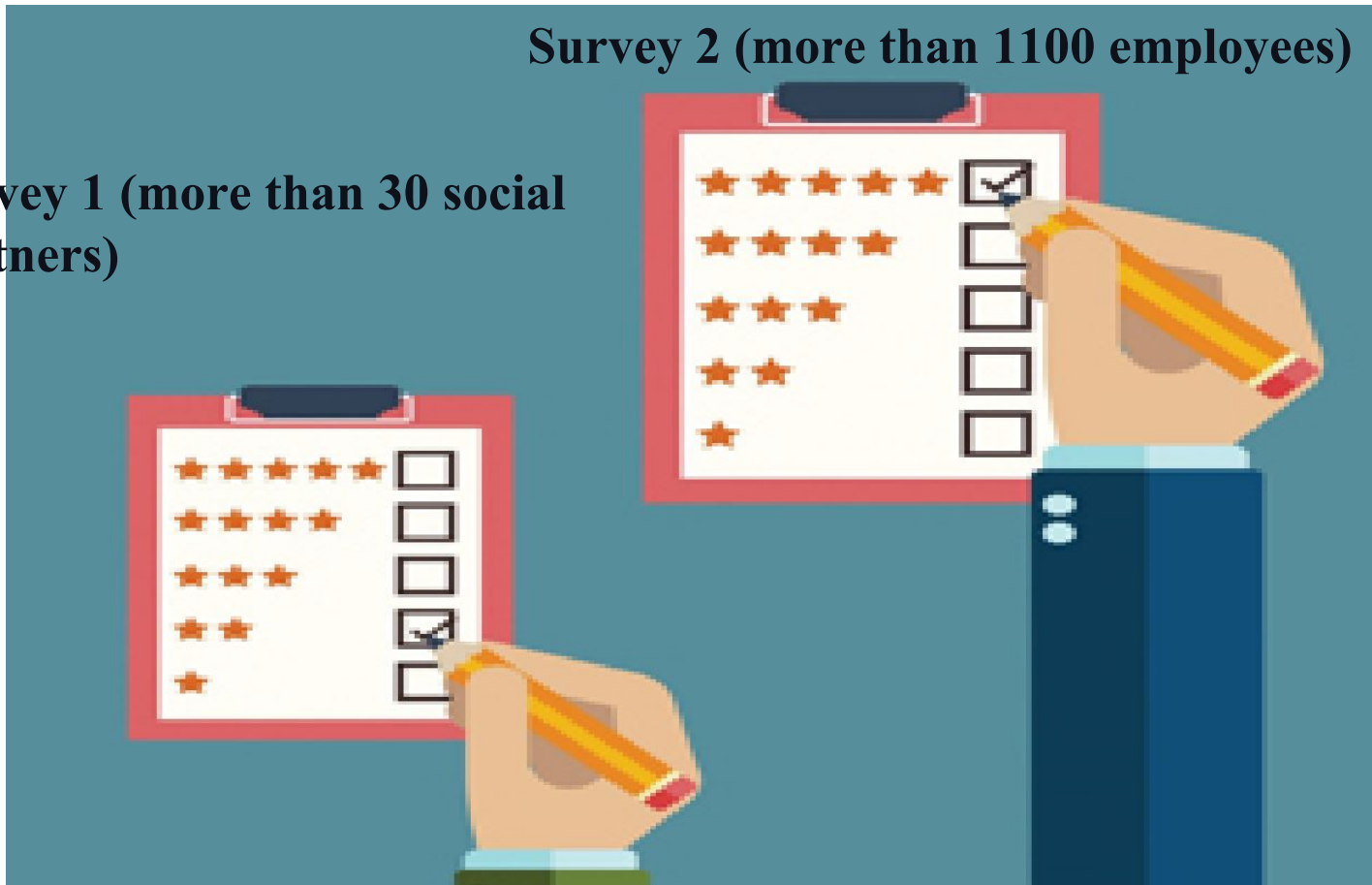
ITERATIVE PROCESS OF RESEARCH



QUANTITATIVE RESEARCH: EXPLORATORY EU-WIDE SURVEYS

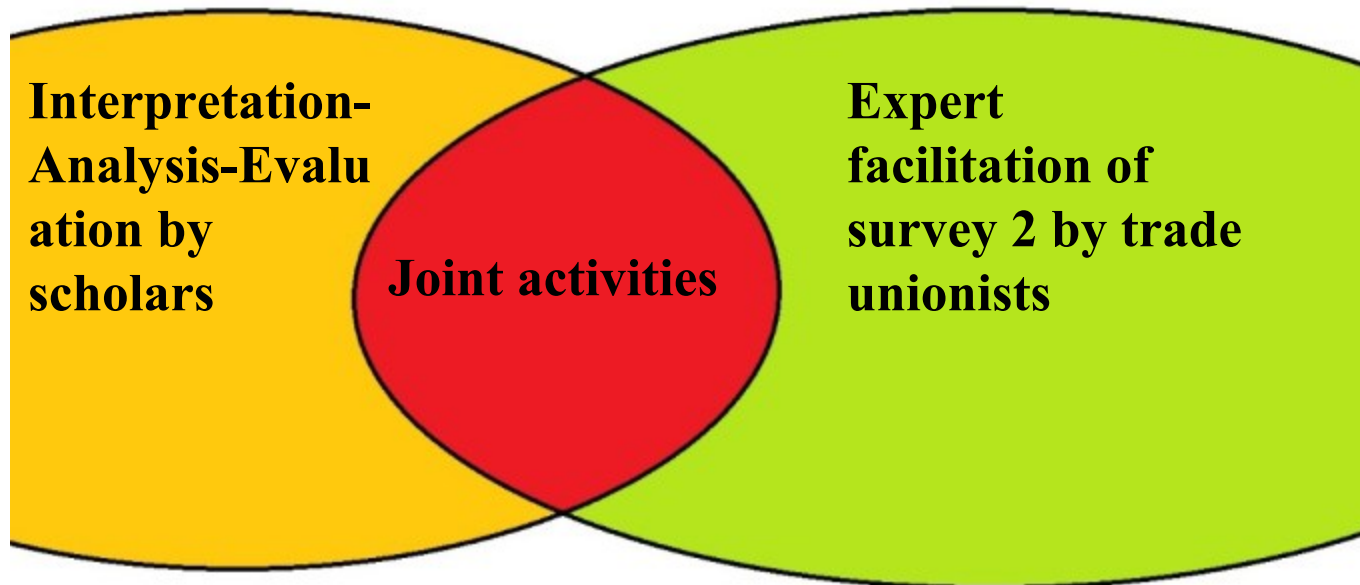
Survey 1 (more than 30 social partners)

Survey 2 (more than 1100 employees)





JOINT ACTIVITIES CONCERNING SURVEY 2





A crucial part of our project has been the convergence of research approaches and findings carried out by the scientific partners - who observe the financial world from the outside - with the experience offered and shared by the unionists who are “immersed” in the financial world and made easier the progress of the survey.



QUALITATIVE RESEARCH: INTERVIEWS



More than 30 semi-structured interviews to social partners.
Content: impact of digital and regulatory changes on labour organisation and demand, working conditions, employment relationships with related needs of social dialogue.

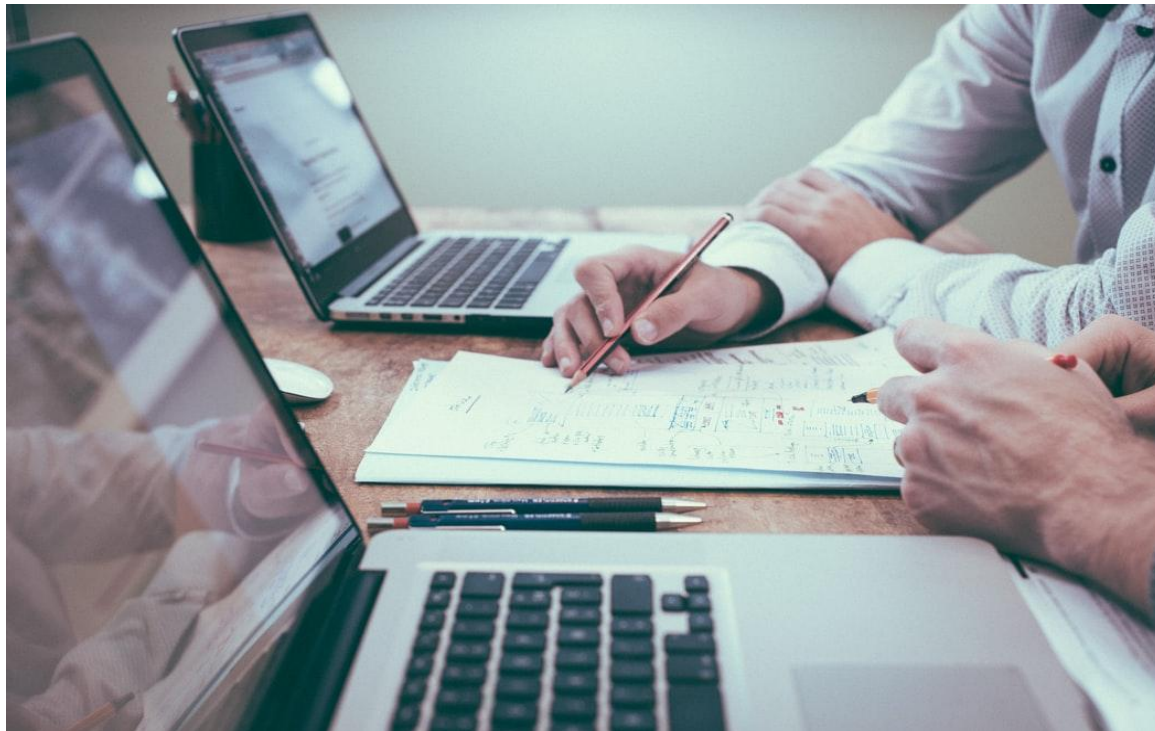


3 geographical areas
4 country-specific sets of interviews



CASE STUDIES

(literature review + interviews)



Slovakia, Austria, Finland, Italy



MAIN RESULTS OF SCIENTIFIC RESEARCH





ORGANIZATIONAL CHANGES AND WORK PROCESSES

The digital change, catalyzed by the pandemic, has promoted a flexible organisation of time and space in bank branches. However, elasticity expected by employers cannot be unconditional and must not prevail over security of work.

There are experiments of virtual investment advice (via AI or robotics) given to savers at different risk levels. However, advice requires deep understanding of customers' "life situation, dreams or ultimate goals" that cannot be assessed solely through crude numbers and algorithms (human-to-human interaction and social intelligence is still needed).

Digital processes are supposed to simplify documentation. But Mifid II regulation has had an expansive impact on the volume of virtual forms and contracts.



DEMAND FOR SKILLS AND SKILL MANAGEMENT

The “population” of bankers is gradually decreasing over time. For new hires, banks express the demand exclusively for workers already equipped with intermediate or advanced digital skills.

The concept of digital skills includes an important social and communicative dimension. These features are required for interaction at the workplace and for commercial purposes (“from teller to seller”).

Digital change affect certain group of workers who lack digital skills due to their age or educational background. Reallocation to other positions where digital abilities are not focal can be difficult.

Because of the digitization of processes, training is carried out mainly on-line. But web-based courses and tests concerning MiFID II are taken outside work hours by employees because of their intense workload.



JOB QUALITY

There are digital systems that don't communicate with each other. Consequently, employees have to use different digital applications at the same time during the same workday. This causes discomfort.

Older or less educated customers must be helped by employees to use digitized services. This leads to a kind of "invisible work".

MiFID II brought new regulation requirements and duties. Many bank employees feel their workload has increased widely.

Performance expectations concerning investment advice are often too high, meaning that objectives are not SMART: they are specific and measurable, but not achievable, realistic and timely. Failure to meet goals will then be demotivating.



H&S

The digitization requires employees to learn completely new processes and applications. Furthermore, the revision of MiFID imposes new obligations. Consequently, many bank employees perceive that the volume of workload is considerably increased. Therefore, the level of work related stress has risen.

New MiFID II tasks concerning documentation, information to clients and KYC have enlarged experts' duties and their need to demonstrate their competence periodically. These are perceived as an additional source of mental stress at work.

Often targets concerning investment advice are set unrealistically high. This imply excessive difficulty to reach them, thus high level of stress.



INDUSTRIAL RELATIONS AND COLLECTIVE BARGAINING

Generally speaking, industrial relations have the goal of ensuring a fair balance between work and life needs. The worker-employer relationship must be deepened to “create the effective conditions for employees to take the responsibility in achieving results and maintain the autonomy in managing working times”.

In order to face the new market challenges, a large Italian banking group (Intesa Sanpaolo) has signed a Protocol for Sustainable Development and made new contractual experiments.

Among others, Intesa Sanpaolo has implemented a "hybrid" contractual form in order to “ensure the adaptability of regulations to the needs of specific production contexts and favor both economic development and employment”.



“HYBRID” CONTRACTS IN THE CONTEXT OF MIFID II AND DIGITIZATION

In this “hybrid” work mode, the worker signs two distinct contractual forms: a “subordinate” employment contract and a self-employment “mandate” contract;

The work performance related to the “subordinate” employment contract concerns the counter activities to be carried out at a branch for 2-3 days a week.

The work performance related to the self-employment mandate contract concerns the activity of investment advisor – who responds to regulations of MiFID II - with full freedom to be run remotely thanks to digital processes. It is aimed at responding "to the diversified needs of customers and for a better use of all the channels made available by the company also through an expansion of the off-site supply".

So far, the contractual experiment of the Intesa San Paolo banking group has remained unique.



THE EMPIRICAL INVESTIGATION

First CISL has deepened the topic of MiFID II through an opinion survey restricted to experts who are immersed daily in the investment space where the Directive reigns.



The investigation, which has collected and analyzed about 100 responses from all over Europe, is the logical sequel of the previous exploratory surveys and cycle of interviews. The aim is to show the organizational needs concerning the investment advice.

The results of the survey are "actionable" as levers of knowledge and change, whose purpose are the discussion and resolution of shortcomings in the organizational behavior of intermediaries.



MAIN RESULTS OF EMPIRICAL INVESTIGATION





COMMERCIAL PRESSURES

In the profit and loss accounts of banks, the net fees and commissions deriving from savings management have almost reached the interest margin (in some cases exceeding it).

Most of the investment advisors who have been interviewed believe that the “push” to sell financial instruments is exasperated towards the market and stressful for workers.



ADVICE ON INDEPENDENT BASIS

Most of portfolio managers are convinced that savers would appreciate independent advice as a sign of a service that can generate better customer satisfaction and utility.

The advice on an independent basis is aimed at proposing a wide spectrum of financial instruments in a personalized way, rather than recommending the purchase of a limited range of "over-the-counter" products connected with the intermediary.

So far, a few banks offer the independent advice.



UNIFORM INVESTMENT PROFILE

Most of the investment advisors interviewed believe that a uniform questionnaire - the same for each client in all banks - would allow better protection for the investor, especially if he is a small saver.

Currently there is a questionnaire model built in-house – thus specific for each intermediary - containing different questions from bank to bank. This means that the same customer can be profiled differently depending on the financial institution that manages her/his savings.



INDUCEMENT: CUI PRODEST?

Inducements are the rewards received by intermediaries for the placement of financial instruments. These incentives - which hardly transpire in the eyes of investors - are allowed only if they increase their utility and satisfaction.

More than half of the expert operators interviewed consider the inducements adopted by their bank to be inconsistent with the European Directive.

These rewards should be eliminated at the root: for example in the UK the Retail Distribution Review has banned the inducements thus intensifying competition, improving quality of service and reducing investor expenses.



...from the overall research emerges the need to avoid a wrong concept settling down: that the productivity in the provision of investment advice and in the supply of financial instruments is a mere question of numerical results, however obtained, rather than of allocative efficiency.



THANKS!