

Impact of digitalization and the MiFID II directive in the banking sector in Finland

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EU-funded project “Changes in the Financial Labour Market: the Impact of Directive 2014/65 (MiFID II) and Digitalization” (VS/2019/0097)

- The project (2019-21) examines the joint effects of **digitalization** and **the MiFID II Directive** in the European banking sector on organizational systems, industrial relations and job quality.
- Research questions of the Finnish sub-project:
 - What are the major visible and expected changes in work content in the banking industry owing to digitalization?
 - What are the major visible and expected changes in work content in the banking industry owing to MiFID II?
 - What are the major visible and expected changes in the future job quality in the banking industry owing to these changes?

Realized and expected deliverables

- **Literature review** (2019)
- **Finnish case study** based on interviews and literature review (2020)
- **Good practices** for the improvement of job quality in the context of digitalization and MiFID II, based on ALL available project material and literature (2021 forthcoming)

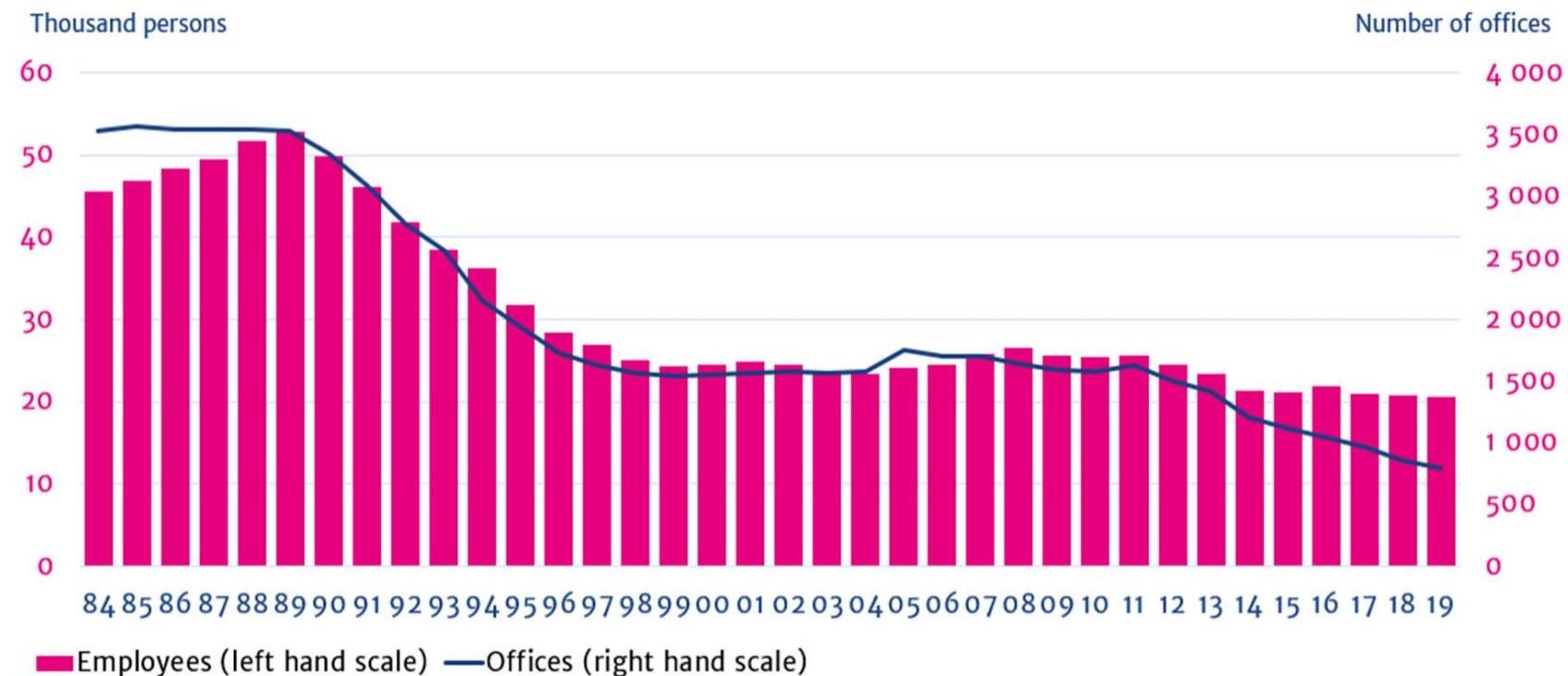
Methods and data

- Literature analysis and a group of semi-structured interviews at Finnish banks
- 17 persons interviewed, incl. 5 shop stewards, 7 bank managers, 2 trade union officials and 3 representatives of employers' associations
- 8 individual interviews (6 f2f, 2 via Teams) and 3 group interviews (f2f)
- Each interview, lasting from 60 to 90 minutes, recorded and transcribed
- Interviewed persons represent 6 bank groups in Finland (3 operating mainly in Finland, 3 considering Finland as only one of their many market areas)
- Focus on those engaged in demanding financial advising expert jobs and wealth advising expert jobs

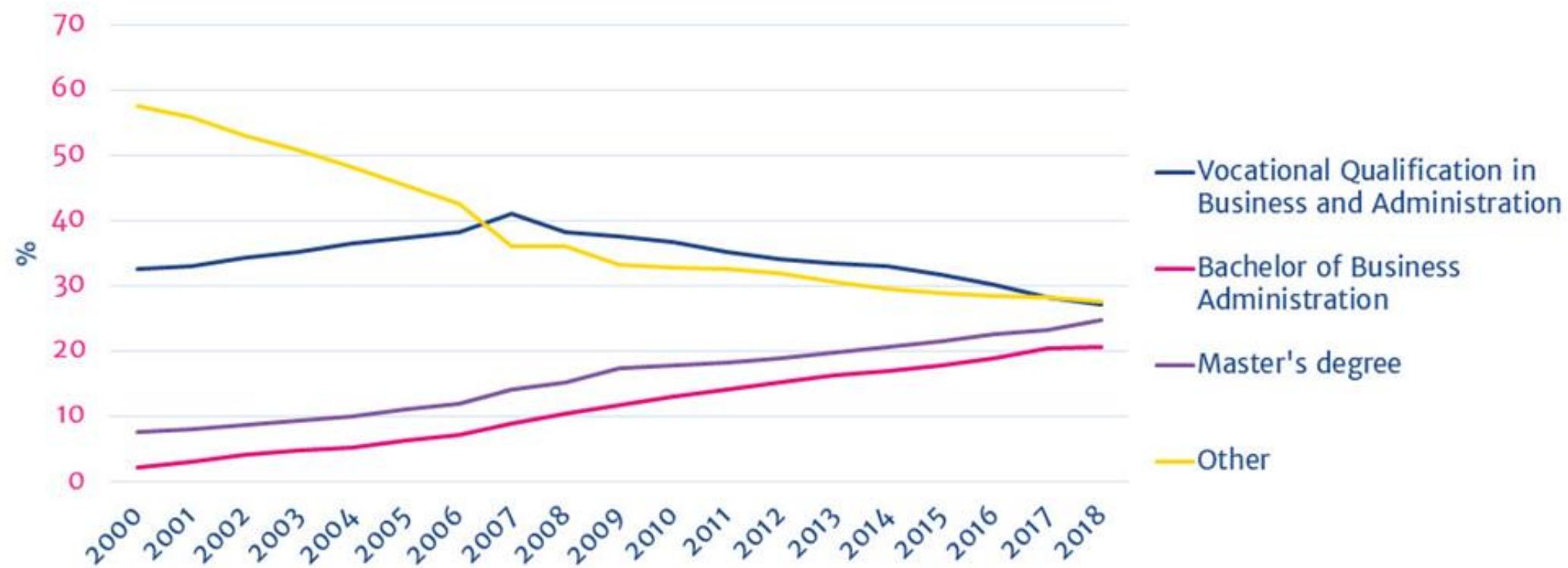
Changing context of bank work

- **Digitalization** → cost-efficiency, flexibility, customization
 - Automation of tasks and operations
 - Digitalization of services
 - Lowering the entry of new, often highly specialized competitors to the market (e.g. fintechs)
- **EU regulation** → financial stability, market efficiency and integrity, transparency, customer protection
 - New duties related to compliance and risk management for banks (and their staff in the form of documentation, information and knowing your customer KYC)
 - Rising operative costs for banks
 - Speeding up closedowns of small branches

The evolution of staff and branch numbers in the Finnish banking sector (Finance Finland's materials)



The evolution of the distribution of employees by education level in the Finnish banking sector (Finance Finland's materials)



Four aspects of transformed bank work

- **Computerization:** increased use of computers and the Internet.
- **Virtualization:** increased communication with customers via digital technology at the expense of face-to-face interaction.
- **Autonomy:** increased freedom to carry out tasks as needed.
- **Standardization:** increased extent to which the work depends on precise targets or standards.

Computerization

- Many jobs, especially many of those requiring low skills, automated
- Automation now extending also to many more demanding tasks that require data acquisition, entry and processing
- Work becoming more demanding: employees **have to learn to manage new applications, devices and information systems at a rapid pace**
- **Many information systems do not communicate well which each other and enable smooth ways of working and many highly automated processes involve “technological gaps” that require human intervention**, both acting as additional sources of work pressure
- Remote work expanding rapidly and viewed as positive by employees
- Remaining restrictions on remote work more due to the nature of work tasks or the confidential nature of issues at hand than by the limitations of technology or the desire of management to physically monitor the work

Virtualization

- Boosted by banks' strategies according to which f2f services are expensive for the banks and should be substituted for technology-mediated client encounters
- Many banking services becoming easier, faster and more flexible for clients
- Decline in physically available banking services also arousing criticism among clients with less experience with digital applications
- Virtualization not only helping banks to streamline customer service but also giving rise **to “invisible work” in the form of technical advice of clients**
- Multi-channel nature of services **adding growing fluctuations of workload**
- Growing pressure to make working hours more flexible: a trend towards **a growing diversity of daily and weekly working hours**
- Employees' attitudes towards increasing flexibility of working hours vary

Autonomy

- Shift "from tellers to sellers", i.e., in client interaction from "passive" and "reactive" processing of transactions towards more (pro)active looking for sales opportunities
- Growing emphasis on self-management skills (e.g., the ability to develop one's own skills, adapt to change, tolerate pressure and cope at work) and social skills (e.g., negotiation and service skills and network management)
- **Employees increasingly taking care of** updating and developing their own skills, organizing their own work, allocating their working hours and maintaining their well-being at work
- **Importance of peer support from colleagues and other contact networks emphasized** as a support structure for employees, alongside management
- Employees who found it difficult to adapt to the cultural shift often helped to resign or retire by financial support packages instead of direct redundancies

Standardization

- Tightening compliance demands increasing regulatory control and leading to increased standardization of work processes
- Increasing standardization a long-term trend, also associated with technological developments (e.g., increasingly standardized data entry and recording requirements built in the banks' information systems)
- New tasks related to documentation, information and KYC **enlarging experts' routine-like duties** and requiring them to demonstrate their competence on a periodic basis, both changes acting as an additional source of mental stress
- **Fragmentation of expert work** in the sense that regulations leading to growing division of labour between occupational categories and within work processes
- Recruitment of new staff in compliance and risk and quality management, accelerating the overall development towards high-skilled jobs

10 most significant observations from the job quality point of view

- Work has become more demanding for employees; they have to learn to manage new applications, devices and information systems at a rapid pace.
- Many of the information systems do not communicate well with each other and enable smooth ways of working.
- Many highly automated processes still involve “technological gaps” that require human intervention.
- Virtualization has not only helped to streamline customer service but also given rise to “invisible work” in the form of technical advice of clients.
- Multi-channel nature of services has added growing fluctuations of workload.
- CONTINUE...

10 most significant observations from the job quality point of view

- Multi-channel nature of services has increased pressure towards growing flexibility and diversity in daily and weekly working hours.
- Employees are increasingly taking care themselves of updating and developing their skills, organizing their work, allocating their working hours and maintaining their well-being at work.
- The importance of peer support from colleagues and other contact networks is emphasized as a support structure for employees, alongside support from their own supervisor.
- New tasks related to documentation, information and KYC have enlarged experts' routine-like duties.
- Stricter regulation has fragmented expert work by leading to a growing division of labour between occupational categories and within work processes.

Thanks!

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