

NEW TRENDS AFFECTING HUMAN RESOURCES IN THE FINANCIAL SECTOR

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Abstract

With the rise of globalization and mass communication, the world is becoming a smaller place. The financial sector must navigate the choppy waters of a complex global economy by understanding the major demographic, technological and societal shifts. It is obvious that the global trends also affect human resources role. The continuous evolving financial sector will face several challenges from both the future workforce and from the changing nature of work itself.

Technology transforms workforce composition and culture by eroding physical barriers in the workplace. An increasing number of jobs may be conducted virtually (save on the costs of premises) with direct impact on job creation. Employees may work from a place of their own, making their physical presence less important: the growing phenomenon of crowdsourcing - "the human cloud" – where employees possessing a wide range of skills and expertise, take advantage of technology to perform a variety of tasks.

Sweeping demographic changes across both the developed and developing world will place greater pressure on both the government and private sector to initiate and implement creative solutions to educate, integrate and retain a rapidly changing and diverse working population.

In this context, training in banking services and finance as well as in financing rural activities is a very important tool. Banks are there to make money, but not in a risky way, and they require a different profile for success. The financial sector is looking for different leadership qualities. It's about how the business interacts with customers rather than innovation with products.

Keywords: human resources, financial sector, banking, training.

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The globalization of business, the changing demographics and the changing patterns of mobility are global trends who affect the financial sector. Engaging and integrating a global workforce means the cultural integration and clashes/unrest will continue to grow globally, at both societal and corporate levels. Talent shortages will continue to grow globally. A lot of studies are carried out in the field of HRM (Human Resources Management) over the last years. All of them are extremely important because the results and conclusion (figure 1).

Changes in the nature of worker profile in the financial sector:

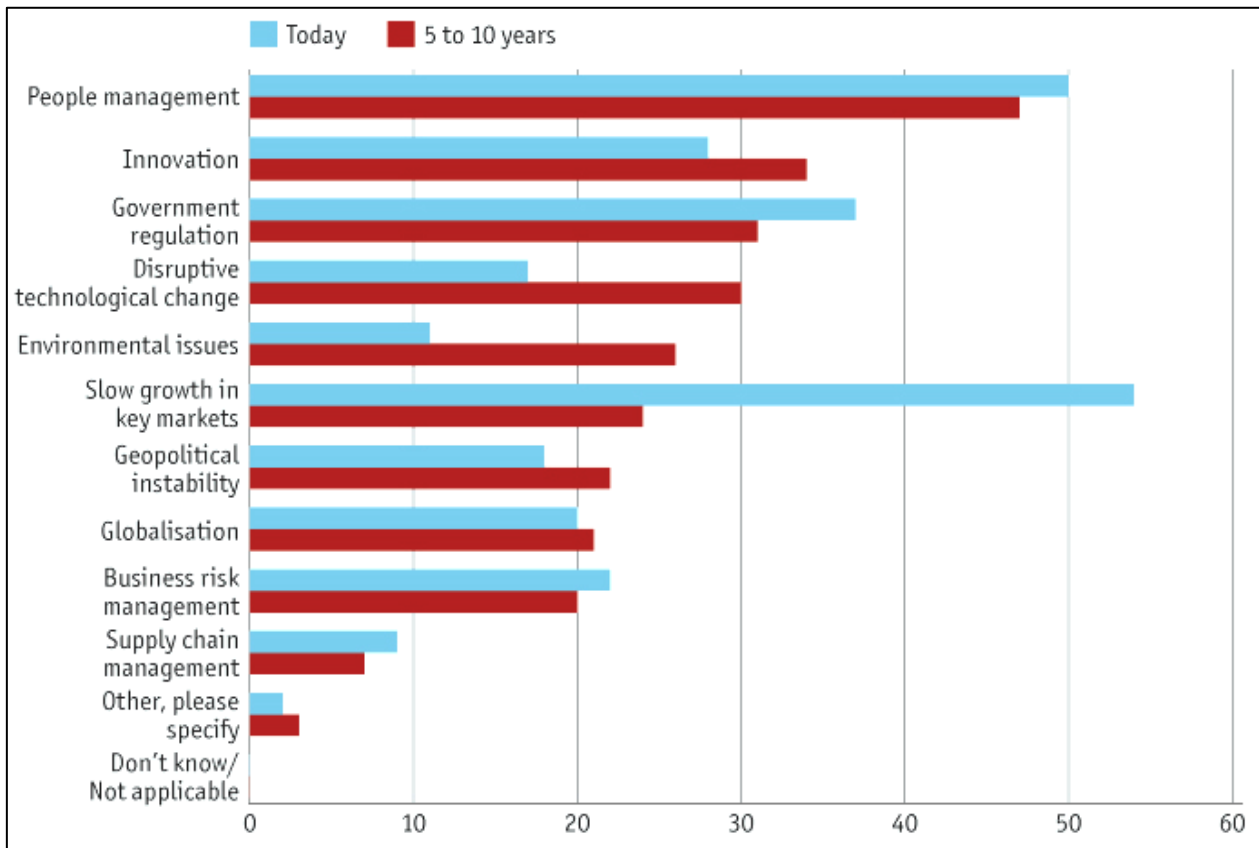
- Demographic shifts will continue and intensify structural changes in the global population with profound implications for the composition of labor force.
- Ageing populations across the globe poses a challenge;
- Countries with high rate of youth unemployment have greatest difficulty in findings managers and employees with the right attributes.
- "lost generation": people of 15-to-29 years old who are neither in education nor employment;
- Changes in the education system to prepare an overwhelming population.

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Figure 1 - Top challenges facing the Financial Sector



Sources: EIU/SHRM Foundation survey, *Managing Human Resources in a Changing World, jul 2013*

From September to December 2009, PricewaterhouseCoopers conducted its 13th Annual Global CEO Survey. The survey looked at the measures CEOs took in response to the global financial crisis, how they view the future business environment and what changes they are making to adapt their organizations. In total, 1,198 business leaders in over 50 countries were surveyed.⁷⁷ "Companies worldwide are emerging from deeper cost-cutting than expected. In the 12th Annual Global CEO Survey, conducted as the financial crisis unfolded late in 2008, 26% of CEOs told they expected headcount reductions over the following 12 months. A year later, closer to half of respondents said they actually cut jobs and at least 80% of CEOs in each region of the world initiated cost reductions. In the latest survey, CEOs also told they would change a number of people management practices and processes as a result of the economic crisis. A majority of companies (79%) are intending to increase their focus and investment on how to manage people through change, which includes redefining employees' roles in the organization. The same number (79%) want to change their strategy for managing talent. And 68% will increase their investment in leadership and talent development as a result of the crisis. The scale of these anticipated changes suggests that, for whatever reason, existing people management practices did not support the business when the crisis hit.

The CEO survey highlights three major human capital failures which were brought to the surface as a result of the downturn:

- Existing reward models are broken. Whether as a result of regulatory or public pressure, reward models are seen as not fit for purpose in many parts of the world. This is not just confined to financial services; the criticism of reward models can be seeing across almost every sector. In addition, the heavy burden of pension and healthcare liabilities are crippling many otherwise successful organizations in the US and Europe.

⁷⁷ *Managing people in a changing world Key trends in human capital a global perspective – 2010, Human Resource Services, PwC Saratoga*

- CEOs were unable to move talent around quickly when the crisis hit. This led to large-scale layoffs to save cash at one extreme, but also left crucial talent gaps at the other. Organizations will have to find more agile ways of deploying and reallocating talent to where it is most needed. Doing this while keeping employees engaged is key, with 75% of CEOs planning to invest in improving employee morale and engagement. As organizations move through recovery, those that underwent drastic headcount reduction now face the costly exercise of rehiring and reskilling as demand improves.
- Many organizations lack the key skills needed to operate and compete in the new emerging environment. For example – greater risk awareness, market adaptability, change management capability, responding to new customer demands. CEOs in many parts of the world also believe that governments have largely failed to supply a workforce with the right skills (57%). This is likely to support why 76% of CEOs plan to increase their investment in training and development".

Respondents to a study commissioned by KPMG International, give similarly mixed messages. About eight in ten (81 percent) respondents say that putting in place the most effective talent management strategy will be key to competitive success. Some six in ten (59 percent) believe that HR will grow in strategic importance. But just 17 percent maintain that HR does a good job of demonstrating its value to the business. Meanwhile, the forces of globalization, talent constraints and new technology are driving rapid change to the HR function. Fifty-five percent of survey respondents believe the metrics that define success in HR today will fundamentally change over the next three years.⁷⁸ The study "Rethinking Human Resources in a Changing World" examines the nature of the challenges facing the HR function and its future direction. The report's main findings include the following:

- *Global workforce* - HR is struggling with the challenges of managing a global, flexible workforce. The global workforce has become increasingly integrated across borders while simultaneously growing more virtual and flexible;
- *Employee engagement* - Finding ways to engage with workers will help address the challenges of this global, flexible and remote workforce. Insights from interviewees for this report point toward improved employee engagement as the way to address many of these problems (Manta O., 2017);
- *Streamlining through ICT* - Technology has already transformed HR and the application of data analytics will foster even more profound change. Sixty-nine percent of companies surveyed say it is more common for the HR function to provide web-based and/or mobile HR platforms (e.g. benefits, payroll) than it was three years ago; only three percent of respondents have cut back on these technology enhancements;
- *Data analytics* - The advent of data analytics – the most commonly cited area by respondents for IT investment in the next three years – will lead to the next technological quantum leap for HR;
- *Technology and economy* - These are the twin catalysts for HR transformation. Powerful technologies, emerging in times of heightened financial constraints, present a rare opportunity for HR to enact longoverdue reinvention.

As a conclusion, HR needs to:

- develop greater confidence, leadership and credibility, so that HR heads can deservedly insist on a place in strategic conversations at the highest levels;
- develop closer partnerships within the company, especially with line managers who will inevitably use technology driven HR services to play a greater role in employee management;
- recast its strategy so that it begins from a whole-business perspective and is aligned with the needs of the entire company, not just the HR function.

We can see the changes in the nature of worker profile in the Financial Sector:

⁷⁸ "Rethinking human resources in a changing world" - amcham connection, july/august 2013, prepared by KPMG

- demographic shifts will continue and intensify: structural changes in the global population with profound implications for the composition of labor force and ageing populations across the globe poses a challenge;
- countries with high rate of youth unemployment have greatest difficulty in finding managers and employees with the right attributes - "lost generation": people of 15-to-29 years old who are neither in education nor employment;
- changes in the education system to prepare an overwhelming population - technology transforms workforce composition and culture - eroding physical barriers in the workplace/ an increasing number of jobs may be conducted virtually (save on the costs of premises), direct impact on job creation, employees may work from a place of their own, making their physical presence less important, "the human cloud" – crowdsourcing employees possessing a wide range of skills and expertise, taking advantage of technology to perform a variety of tasks;
- globally, in countries previously dominated by either the agriculture or manufacturing sectors (e.g. China), the services sector grew more quickly against the agricultural sector;
- the global multinational as the new normal: expand operations at global level;
- temporary employment – the new normal;
- increase in the number of women entering the workforce;
- global migration and the great war for talent - limited cultural homogeneity within national workforce, due to substantial movement of populations domestically and cross-border (for example increased foreign population inflow into Germany);
- increased demand for tasks where employees have a comparable advantage;
- need for high – skilled university graduates;
- changes in the culture of the workplace.

Financial Sector Companies will need to build partnerships with educational institutions and governments with the aim of ensuring an adequate pipeline of the skills required (technical, vocational skills or adults continuous education).

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