

Policy paper Coping with Compliance: Experiences from 2021

This document is intended to be used by NFU and its affiliates in lobbying and meeting with legislative authorities at EU but also national level. We also encourage member unions to use this document in discussions with management and employers.

Introduction

The primary focus of financial institutions is to provide responsible and sustainable financial services. A precondition to do this is that finance employees have sufficient time, skills and resources to provide customers with good advice and services. This is key to build trust and long-term growth for the financial sectors. It is also crucial in order to ensure employee well-being, sound financial advice and consumer protection.

The NFU has throughout the years published several studies on how regulatory requirements and its following effects caused by EU legislation has affected the employees in the Nordic finance sector. First in the publication "Do you measure up?" (2016) and later in the report "Coping with Compliance" (2018). Now, NFU has conducted a follow up report to the 2018 report to see if there has been any development in the area during the last three years.

Compliance continues to be a challenge for staff performance and well-being. At the same time, the 2021 analysis shows that conditions have improved from 2018 to 2021. Digitalization and automation of compliance work has helped decreasing the documentation requirements and overall workload. The informants also report that there is a greater understanding from customers when it comes to KYC, linking this to media stories on money laundering and fraud, highlighting the importance of security.

Despite the fact that there have been some improvements during the last years, there are still some challenges for employees connected to compliance work, and the workload is still on a high level. Some celebrate the development of digital and automated tools, some see the digitalization as a potential threat.

Employees tend to use different coping mechanisms connected to workload and digitalization. Some try to do what is possible during working

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hours and rely on the managers to prioritize, while some cope with the large workload by working longer hours. Looking at digitalization, some embrace the new technology and see it as a help, while some see it as a threat to their job and might even leave the sector as an effect.

Even though it is positive that things have developed to the better during the last years, it is still worrying that finance employees feel that the workload connected to compliance is difficult to cope with and clearly something that trade unions and companies need to address further. The difference in responses to digitalization of compliance and regulatory work, highlighted with the large development within regtech, raises questions on how finance employees are coping with digitalization.

Policy recommendations

Both legislation and management play important roles in setting the framework for how finance sector employees conduct and carry out their work. As shown in the NFU studies 2016-2021, regulatory requirements and performance measurement systems have contributed to increasing the overall pressure on employees in the financial sector.

Finance employees still must cope with high documentation requirements and a heavy workload as a consequence of the implementation of EU legislative requirements. This results in that work pressure and stress levels remain on a high level. Employees must cope with this through skipping breaks and/or working evenings and weekends. Some see this kind of overtime as “part of the job” since the workload connected to compliance is massive.

Even though some argue that digitalization and automation is a tool to better handle compliance work, some finance employees view the widespread digitalization and automation as a signaling danger. Automation, changing job requirements and increasing skills requirements could lead to job losses and challenging the sector’s traditional business models. If this development is done in a way that employees cannot cope with, without an employee perspective or where skills and training are lacking, the risk is that many employees leave the sector.

It is apparent that the employee perspective has been lacking in the EU legislative process. To support the employee perspective, trade unions’ influence throughout the whole legislative process should be strengthened. The employee perspective should also be recognized as equally important as the consumer and industry point-of-views. The Nordic model of corporate

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governance, where employee representatives are a natural and recognized part of company boards, should be seen as a best practice example.

We can already see that digitalization is in the mind of EU legislators, with the latest example of the proposed regulation on Artificial intelligence in 2021. The finance sector is heavily affected by digitalization, already and in the future, in the form of automation, machine learning, artificial intelligence and blockchain technology. If regulation is adopted in the field of digitalization, it is important that the employee perspective is taken into consideration.

It is also clear that management in the finance sector has an important role to play. One of the reasons why workload and stress levels are on a high level still, is that the business requirements, productivity and sales targets remain unchanged for employees, despite the heavy workload connected to compliance, which further increase the workload. The fact that employees see it as part of the job to work overtime at weekends and nights is pointing to the fact that management is not dealing with this issue fully. It can be argued for that it is up to management to prioritize and make sure that their employees can do their tasks during working hours.

Performance and compliance can be better balanced, for instance through management paying more attention to aligning compliance requirements, business processes and performance targets. Performance targets should take better account of compliance requirements. It is in all our interest that management work towards a better balance among employees with an excessive workload and experiencing work-related stress.

The development of digitalization and automation in the finance sector is especially relevant for the work on compliance. It is clear that the general view in the sector, and especially from the employers perspective, that digitalization is a tool to use to improve productivity and deal with new tasks. What the discussion is lacking is an employee perspective on the adaptation of new technology. Even though many workers in the finance sector see the technical development as a helping tool, not all share the same positive view. New technology also needs new skills and training. It is important that management take in the employee's perspectives and that when new technology is adopted employees are provided with skills and training to cope with these new tools.

In conclusion, NFU recommends that:

- Employees must be recognized as an essential stakeholder of the financial sector, both by legislators, policy makers and the industry.
- Employees must be given sufficient time, resources, skills and training to carry out their duties towards the customer in a sound and professional manner. This is especially important when adopting new digital or automated tools.
- Financial regulation must consider the employee perspective and strive to minimize the administrative burden it puts on employees.
- To ensure that the employee perspective is given the weight it deserves, trade unions should be an involved stakeholder throughout the whole legislative process.
- The employee perspective must be taken into consideration when reviewing current and developing new legislation, also in the EU Commission's impact assessments. The cumulative effect of legislation also needs to be assessed, taking the employee perspective in consideration.
- When implementing digital and automated tools in the finance sector, employees must be part of the implementation process from an early stage, being the ones who will implement and use the tools.
- An employee perspective must be adopted into the process when considering digitalisation and automation, also at a legislative level. Trade unions should be an involved stakeholder throughout the whole legislative process.
- Management and business strategies, such as performance measurement systems and other targets, must be realistic, balanced and adjusted to regulatory requirements that employees need to comply with.
- Management should make sure that employees have the best opportunities to have a sustainable work balance. Cooperation and dialogue with trade unions and their representatives at sector and company level is essential to ensure that the employee perspective is considered in management strategies.