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DELOITTE 2023 HUMAN CAPITAL TRENDS

A Financial Services Industry Perspective

New fundamentals for a boundaryless world

May 2023

MAKING AN IMPACT THAT MATTERS since 1845

Contents

Boundaries that were once assumed to be the natural order of things are falling away…

This report is intended to provide a **Financial Services industry** take on the **Deloitte 2023 Human Capital Trends survey**, spotlighting six key trends that will have profound implications in the months and years to come—and enable companies to navigate the boundaryless world where traditional models and assumptions about work are being disrupted and challenged.

New fundamentals for a boundaryless world

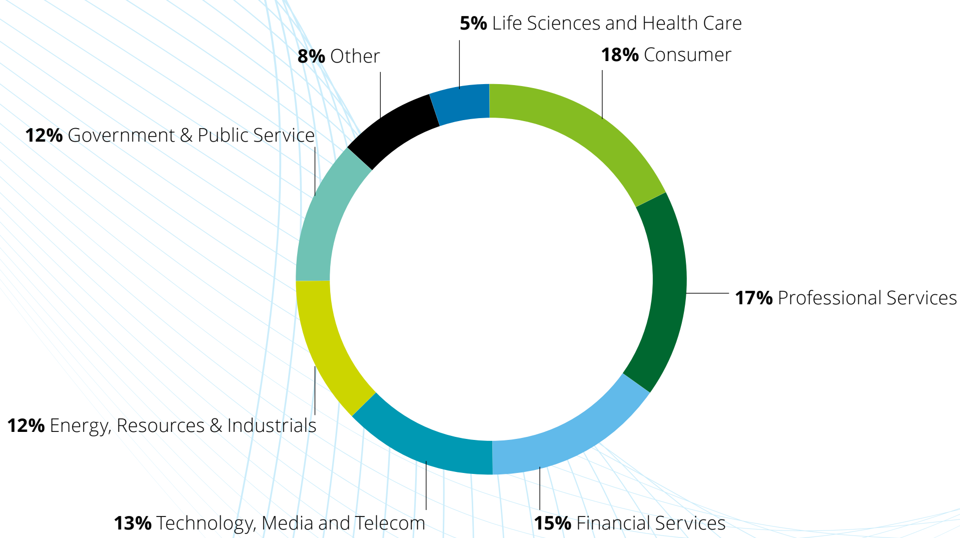
Key shifts have transformed the world of work and have created a boundaryless world. For those who get it right, the boundaryless world becomes one of infinite possibility instead of chaos and confusion.

Jobs	**Skills**
Employees	**Workforce ecosystems**
Flex work	**Flex everything**
Automation	**Augmentation**
Productivity	**Human performance**
Employer-led	**Worker agency**

The response to this year's Trends Report surpassed that of 2020, with approximately 10,000 professionals from global business and HR organizations across 105 countries participating.

Among the respondents, 15% were from the Financial Services industry, providing a total of 1,130 responses that offer valuable insights into the trends and challenges facing the industry.

How we got our insights for this report



FINANCIAL SERVICES

Trends Summary

Financial Services Key Challenges

Let's level set first on some key challenges seen across the Financial Services industry, before diving into the trends report.

Economic uncertainty and market volatitlity

Ongoing economic uncertainty and market volatility, driven by factors such as geopolitical tensions, trade disputes, banking crisis, rising interest rates, and the ongoing impact of the COVID-19 pandemic.

Regulatory complexity and compliance

Financial Services must navigate a complex web of regulations, including new and evolving regulations related to data privacy, cybersecurity, and sustainability.

Technology disruption

Emerging technologies like AI, blockchain, and cloud computing are disrupting the Financial Services industry, driving the need for firms to adapt to a rapidly changing landscape. The industry is shifting to a data-driven economy, where data is a key enabler of value creation.

Competition for talent

The Financial Services industry's rapid growth and change are driving demand for specialized skills, while the limited talent pool is intensifying competition for top-tier professionals. To remain competitive, firms must prioritize attracting and retaining top talent and building strong employer brands to remain competitive in a rapidly evolving market.

Skills and mobility

In an ever-evolving Financial Services industry, firms are gradually shifting towards skills-based hiring and mobility to build a versatile workforce that can adapt to the industry's changing landscape.

Inclusive leadership

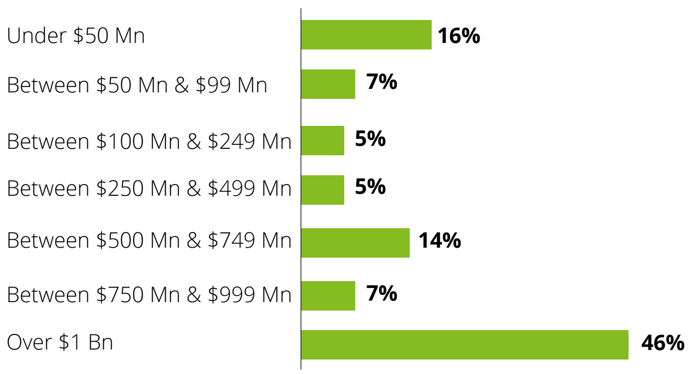
Effective leaders need to challenge conventional ways of thinking and empower their teams to identify their role in achieving business objectives. It is crucial for leaders to be agile and diverse to navigate the ever-changing landscape of the Financial Services industry.

Source: 2023 financial services industry outlook. (2022). Deloitte Insights.
https://www2.deloitte.com/us/en/insights/multimedia/podcasts/financial-services-industry-outlooks-2023.html

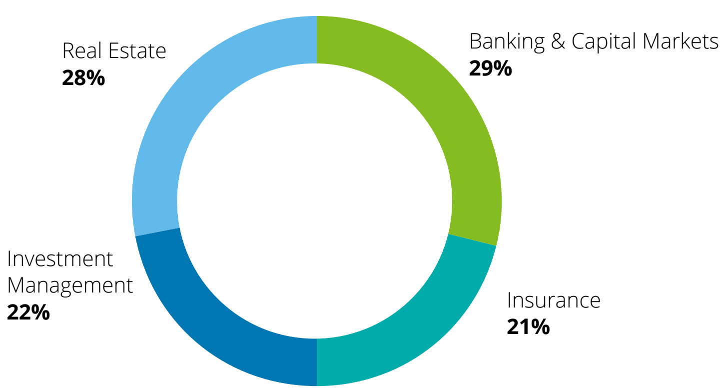
2023 Financial Services Industry Response Demographics

Taking a US-centric approach, this year's Financial Services Report analyzes data from professionals at the director level and above across the United States. The report draws on a diverse range of sectors within the financial services industry, including banking and capital markets (29%), investment management (22%), real estate (28%), and insurance (21%).

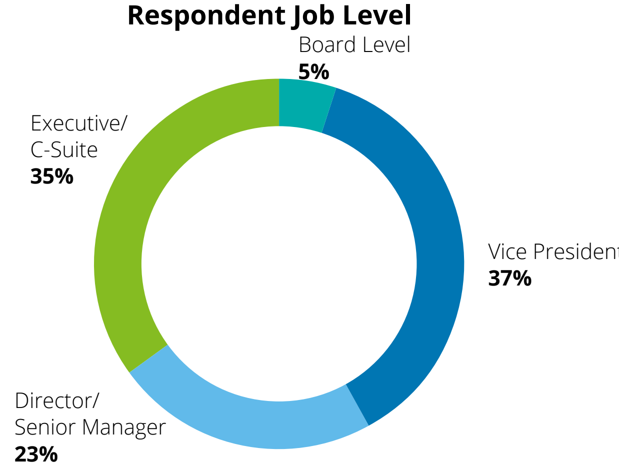
Organization Annual Revenue



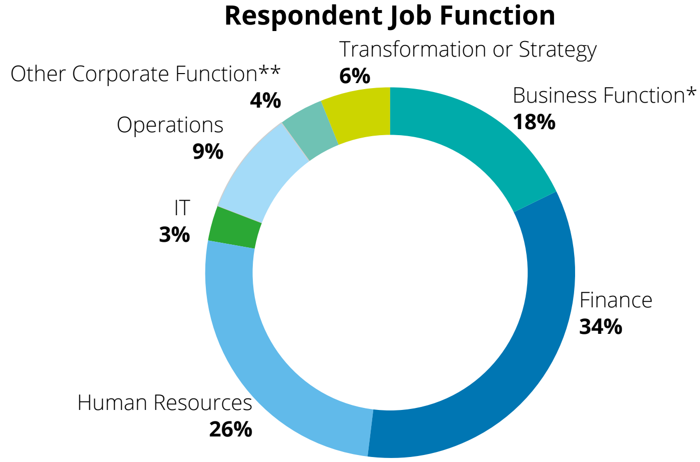
Sector



Respondent Job Level



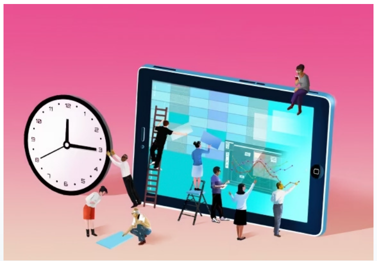
Respondent Job Function



Unless otherwise indicated, all figures and data-based claims presented here are from Deloitte's 2023 Global Human Capital Trends Report, Deloitte Consulting LLP

2023 Financial Services Industry Outlook

We've focused on the trends with the widest gaps between importance and readiness across this year's Financial Services industry trends, providing an update on how executives are currently thinking about these topics, and showcasing how we're addressing these trends in the market through client stories.



Navigating the end of jobs

Using a skills-based approach in Financial Services allows work to be done beyond traditional job boundaries, empowering workers and helping organizations adapt quickly to changes in the industry.

Powering human impact with technolog

The relationship between intelligent technology and workers has evolved significantly over time. We're seeing technologies emerge that aren't just a substitute or supplement for workers but a means to help them improve—augmenting humans to become better humans and teams to become better teams.

Negotiating workforce, workplace, and work data

Organizations and workers vie for control of worker, workforce and workplace data when they should focus on mutual benefits. This is particularly important in light of increasing data privacy concerns and regulatory requirements in Financial Services.

Taking bold action for equitable outcomes

Diversity, equity, and inclusion (DEI) progress has traditionally been measured using activities and effort, with little consideration for actual outcomes. DEI actions should aim at achieving equitable outcomes in the marketplace and workforce while boosting an organization's innovation, competitiveness, and long-term business success.

Advancing the human element of sustainability

Human sustainability rises to the forefront of organizations' sustainability strategies in Financial Services as the industry seeks to promote sustainable investments and address climate change risks.

Leading in a Boundaryless World

To thrive, Financial Services leaders must evolve in tandem with their organizations and adopt a new set of fundamentals to mobilize workers and teams to achieve new outcomes.

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Trends in Financial Services

The **top 3 most important** trends in Financial Services were consistent amongst all other industries.

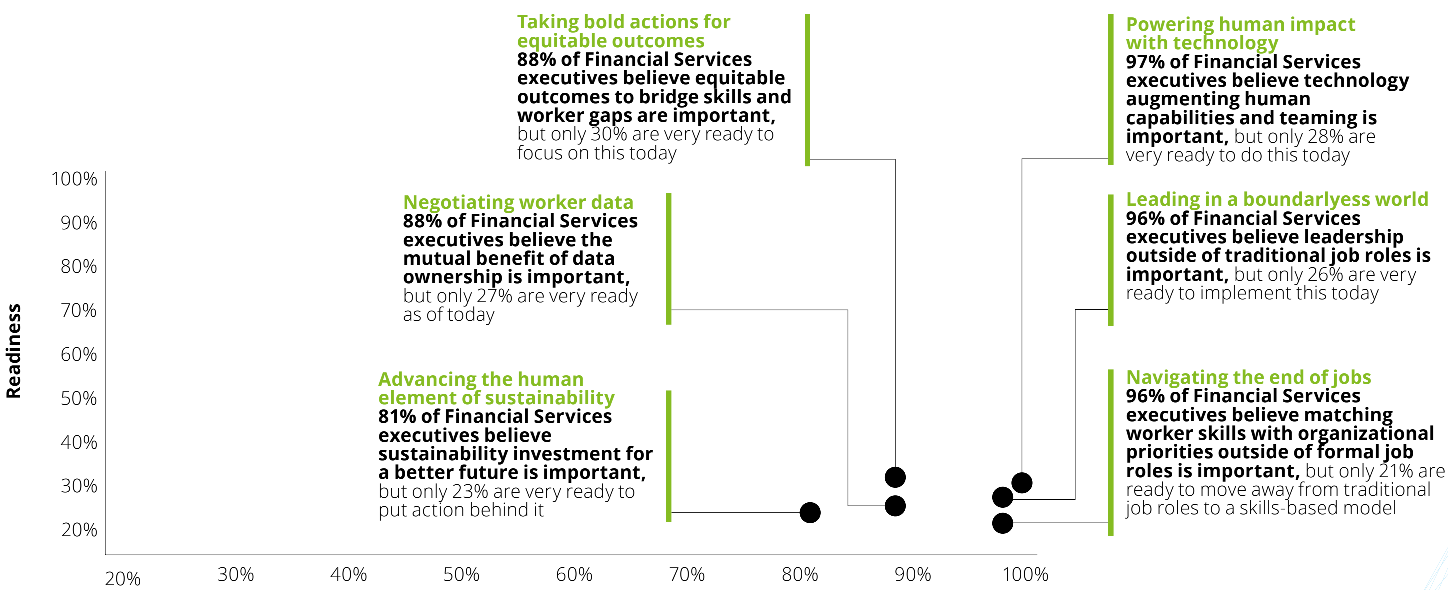
Tech and Team Performance

Leadership

Jobs and Skills

- **Financial Services** identified **Tech and Team Performance** as the biggest priority trend for the industry, surpassing other industries such as consumer, life sciences, and tech.
- **Banking & Capital Markets** ranked **technology to augment human and team performance** as the highest importance to leverage.
- **Investment Management** had their highest readiness gaps in **Leadership** and moving to **skills-based jobs**.
- **For 6 out of 6 trends, Insurance** had the highest readiness gaps (least prepared), while **Real Estate** had the lowest readiness gaps (most prepared) for **all 6 trends**, as compared to the other Financial Services sectors.

Correlation Matrix: The Readiness Gap



Note: Importance captures responses for "Important" and "Very Important". Readiness captures "Very Ready".

Financial Services Trends – Readiness Gap

DATA*

	B&CM	INVESTMENT MNGT	REAL ESTATE	INSURANCE	ALL FSI
Data Ownership	62	54	54	82	61
Diversity, Equity, and Inclusion	58	59	54	62	58
Environmental, Societal, and Governance	57	63	48	66	58
Jobs & Skills	75	75	65	91	75
Leadership	66	71	64	86	70
Tech & Team Performance	68	67	62	90	69

*Scores were captured by subtracting readiness from importance**, calculating a "Readiness Gap" score.**

KEY TAKEAWAYS

1. **Financial Services** had the largest readiness gap in the adaptability of **job roles to skills** rather than level, this is a trend of high importance to the sectors and low on readiness in general.
2. **Investment Management & Real Estate** both their highest readiness gaps in adapting jobs as skills-based, and both sectors had the lowest ability to **"effectively anticipate the skills" their organizations "will need over the next two years".**
3. **Banking & Capital Markets** had the highest readiness gap for skills-based jobs, and 60% of respondents reported their job descriptions do not **"describe the right worker for the work needed"**.
4. **Insurance** had the lowest readiness in the top three trends for the industry, with respondents reporting a much lower percentage of readiness when to "**match worker skills with organizational priorities"** as compared to other sectors.

Financial Services Trends – Readiness

DATA*

	B&CM	INVESTMENT MNGT	REAL ESTATE	INSURANCE	ALL FSI
Data Ownership	28	38	30	5	27
Diversity, Equity, and Inclusion	39	29	27	25	30
Environmental, Societal, and Governance	18	21	33	15	23
Jobs & Skills	25	21	27	5	21
Leadership	28	25	33	10	26
Tech & Team Performance	32	25	33	10	27

***Readiness scores were captured with "very ready"** scores for Financial Services sectors and all Financial Services together.

KEY TAKEAWAYS

1. **Financial Services** rated **create jobs around skills** rather than hierarchical level as the lowest readiness of the trends.
2. **All three sectors** identified **"rate of change"** or **"too many changes"** as the largest barrier to achieving organizational goals.
3. **Investment Management & Real Estate** reported the highest readiness among sectors to leverage **data ownership,** but respondents identified **"access to the right data"** as one of the highest barriers to realizing the value of worker data.
4. **Insurance** scored the lowest readiness as compared to the other two sectors and has the lowest readiness to leverage **worker data** and create **jobs based on skillset,** respondents reported the lowest percentage of the three sectors when it comes to knowledge of what **skills their workforce possesses**.

Financial Services Trends – Importance

DATA*

	B&CM	INVESTMENT MNGT	REAL ESTATE	INSURANCE	ALL FSI
Data Ownership	90	92	84	87	88
Diversity, Equity, and Inclusion	97	88	81	87	88
Environmental, Societal, and Governance	75	84	81	81	81
Jobs & Skills	100	96	92	96	**96**
Leadership	94	96	97	96	**96**
Tech & Team Performance	100	92	95	100	**97**

***Importance scores were captured by combining "important" and "very important"** scores for each Financial Services sector and all Financial Services together.

KEY TAKEAWAYS

1. **Financial Services** rated **skills-based jobs, leadership, and technology augmenting human workers**, as the more important trends.
2. **Banking & Capital Markets** ranked the two most important trends as **skills-based approach** and **technology** augmenting human workers, with more respondents saying their organization has access to a workforce with the right skills for their business needs, as compared to other sectors.
3. **Investment Management & Real Estate** rated **leadership** the most important trend, yet the sectors report 30% and 57%, respectively, of their leaders are resistant to change.
4. **Insurance** rated **technology augmenting performance** as the most important trend but reports a barrier from lack of funding of technology at a much higher percentage over the other sectors.

FINANCIAL SERVICES

HC Trends Theme Deep Dives

Navigating the end of jobs

Since the dawn of the industrial age, the job has been the defining structure for organizing and managing every aspect of work. That approach made sense when business changes occurred slowly, and workers were just pieces in the industrial machine. The solution? A skills-based approach to managing work and workers, delivering business agility and worker autonomy by enabling work to be performed beyond formal job boundaries. The concept of the job is so ingrained in how organizations operate that it's hard to imagine any other way of managing work and workers. Yet many recognize this traditional construct is failing to serve our boundaryless world.

SENSE

A closer look at what's driving the shift

Performance pressure. 65% of Financial Services executives can effectively anticipate the skills they will need over the next two years. Yet only 52% of the same executives report that their organizations are aware of the skills their workforces currently possess.

Need for agility. 63% of Financial Services executives report that workers are focused on team and project work that falls outside their current job descriptions. Further, 81% of executives say work is increasingly performed across functional boundaries.

Talent shortages. 65% of Financial Services institutions report an expected shortages for critical workers over the next two years. However, only 61% of executives believe their organization is effective in aligning the right talent with the work required.

Increased focus on equitable outcomes. In the skills-based organization survey,[1] 75% of Financial Services executives say hiring, promoting, and deploying people based on skills (vs. tenure, job history, or network) can help democratize and improve access to opportunities.

1 Deloitte Insights. (2019, January 15). Skills-based organizational strategy: A path to workforce development. https://www2.deloitte.com/us/en/insights/topics/talent/skills-based-organizational-strategy.html

Key statistics

96% of surveyed Financial Services executives recognize that the **traditional job title and job description approach to organizing employees is not effective in today's fast-paced and constantly evolving business environment.**

YET ONLY…

21% believe their organization is ready to transition from a job-based infrastructure.

ANALYZE

A closer look at this gap

Significantly fewer Financial Services executives have a **clear understanding of the skills their workforce possess** compared to other industry executives **(-20%)**.

Financial Services executives **feel less prepared to match worker skills with organizational priorities in ways that are not defined by job responsibilities** when compared to all industries **(-9%)**.

Financial Services organizations currently see **"infrastructure and technology" as much greater barrier to matching workers to the work needed** than their peers across all other industries **(+20%)**.

The opportunity

Success in navigating the end of jobs will require both workers and companies to embrace new fundamentals and to build the capabilities needed to thrive in a rapidly changing world of work, given the speed of changes that are taking place in this industry.

- **Identify talent populations which are ripe for transition to a skills-based approach.** Review the organization and examine pressure points (e.g., talent shortages in technology teams, demands for increased agility in operations).
- **Define work based on the skills required.** Instead of defining work as a specific set of tasks and responsibilities (i.e., a job), define work primarily based on the skills it requires. Take action and decisions across the talent life cycle to reinforce the shift.
- **Collect and analyze data about worker skills.** Technology can be used to inventory the skills of existing workers, supplemented with more holistic data about workers' interests, values, work preferences, and more.
- **View workers based on their skills, not job titles.** Instead of viewing workers narrowly as job holders performing predefined tasks, view them holistically as unique individuals with a portfolio of skills to offer—and then match them with work that aligns with those skills.

ACT

Success stories

JPMorgan Chase developed a program called the "New Skills at Work" Initiative, which aims to identify and develop the skills that are needed for the future of work. The program offers a range of learning opportunities, including classroom instruction, online courses, and apprenticeships. The curriculum focuses on three main areas of development: digital skills, career readiness, and financial capability.[1]

Zurich Insurance launched a global upskilling program, called "Zurich Future Ready", aimed at preparing its employees for the future of work by providing employees with the skills and knowledge necessary to adapt to the changing job market and evolving business needs. The launch of "Zurich Future Ready" is part of the company's broader commitment to sustainability and social responsibility.[2]

What Financial Services executives are saying:

"Building a future-ready workforce is a key priority, that is why we are proactively identifying the skills we need and understanding the skills and education our employees have"[1]

—Robin Leopold,
Head of Human Resources,
JP Morgan Chase

"We are witnessing rapid job destruction and creation super-charged by COVID-19. The case for reskilling has never been more compelling, but it will require all of us to play a part."[2]

—David Henderson,
Group Chief Human Resources Officer,
Zurich

Note: "Other industry executives" refers to the average responses from leaders in Energy, Resources, and Industrials, Consumer, Government, and Public Services, Life Sciences, and Healthcare, and Technology, Media, and Telecommunications.

1 JPMorgan Chase & Co, "JPMorgan Chase Makes $350 Million Global Investment in the Future of Work." JPMorgan Chase & Co., 2019, https://www.jpmorganchase.com/news-stories/jpmorgan-chase-global-investment-in-the-future-of-work.

2 Zurich Insurance Group, "Skilling the Global Workforce." Zurich Insurance Group., 2021, https://www.zurich.com/en/knowledge/topics/covid-19/skilling-the-global-workforce

Powering human impact with technology

The Financial Services industry has experienced a significant shift in the way intelligent technology and workers interact. New workplace technologies emerging don't just augment workers, but also help them improve personal and teaming capabilities — helping humans rather than replacing humans. It must be a priority to bridge the gap between human skills and technology augmenters. In this chapter, we explore how the symbiotic relationship between intelligent technology and human workers in the Financial Services industry can elevate the workforce experience.

SENSE

A closer look at what's driving the shift

Human augmenter not replacer. Financial Services executives recognize technology's potential to augment human capabilities, with 40% believing it can encourage new behaviors and 37% seeing it as creating opportunities for uniquely human skills like empathy and creativity to drive outcomes. Combining technology and AI with human soft skills can lead to success.

Need for efficiency end to end. Financial Services executives recognize the need for end-to-end efficiency, with 64% of organizations leveraging technology to create efficiencies. However, only 41% use technology to provide decision-making insights, and just 37% use technology for innovation. This highlights the potential for financial services organizations to deploy technology to better support their workers and drive organizational success.

From adoption to creation. Financial Services executives report leveraging communication technologies to connect teams at a rate of 77%, yet only 33% of executives use technology to analyze and draw insights on how to connect teams and drive performance. To improve financial performance from technology, organizations must bridge the gap between implementing technology and using it for analytics and decision-making.

Investment in technology. Financial Services executives identify lack of infrastructure and rapid change as the highest barriers to technology driving outcomes (33% and 35% respectively). As technology investments mature, it becomes cheaper, faster, and more secure to incorporate technology into core operations. Firms that don't keep up, risk being left behind.

Key statistics

96% of surveyed Financial Services executives believe that **using technology to improve work outcomes and team performance** is very important or important to their organization's success.

YET ONLY…

27% believe their organization is **very ready** to tackle this today.

ANALYZE

A closer look at this gap

Compared to Financial Services leaders globally, a higher percent of US-based Financial Services organizations cite the **rate of change** (business, worker, technology) as the **greatest barrier to enabling teams, humans, and technology to team and drive outcomes (+11%).**

Banking & Capital Markets is leading the pack in Financial Services when it comes to **leveraging technology, humans, and teams to drive outcomes, seeing more financial benefits (+30%), and better ability to anticipate future disruptions and workforce needs (+8%)** over the other sectors.[1]

When it comes to integrating technology with a focus on human outcomes, **Investment Management & Real Estate and Insurance companies encounter more organizational and cultural resistance to technology with human driven outcomes, as compared to Banking & Capital Markets (+10%).**

1 Other sectors refer to the average responses from the Banking and Capital Markets, Insurance, Investment Management, and Real Estate organizations

The opportunity

Technology isn't a replacement to human-powered success, but rather augmenter of it. Technology can do a lot more than simply connect people in a virtual world. It can measure KPIs, drive efficiency and combine human skills with AI support.

- **Improved fraud detection.** Financial institutions can leverage generative AI to detect and deter fraud by analyzing a large volume of transactions and customer data, safeguarding customer financial assets and minimizing losses for the bank. AI can serve as the first line of defense before alerting fraud experts.
- **Technology designing around humans.** Technology can also aid humans in improving on things that are uniquely human (such as institutional knowledge, crafting a perspective, etc.). Digital assets can be used to fit organization's needs. Technology can automate processes, free up time for an elevated human role, create better insights from large data sets, and more. Organizations can apply human-centered design digital experiences that make their workforce more productive, engaged, and help organizations promote well-being.
- **Scale insights for greater impact.** Technology-human team collaboration can drive impact through insights at scale, improving performance, learning and development, communication, and collaboration for individuals and teams.

ACT

Success stories

A global banking organization has developed an internal platform that uses artificial intelligence to improve employee productivity. The platform provides real-time insights and recommendations, enabling them to work more effectively and deliver better outcomes for customers.

JPMorgan Chase is using chatbots to streamline activities at their offices and propose metrics to analyze complex contracts faster and more proficiently. According to JPMorgan Chase, the organization has saved more than 360,000 working hours by leveraging technology in this way.1

What Financial Services executives are saying:

"The decade ahead will see unprecedented change in the world of work, as the tech disruption gathers pace…Companies and industries supporting this jobs transformation represent a combined $14 trillion in market capitalization"

—Felix Tran, equity strategist for BofA Global Research

1 FPT.AI (April 2021) "10 interesting chatbots in banking". https://fpt.ai/10-interesting-chatbots-banking
2 Bank of America (n.d.) "The Future of Work and How it Will Change Our Lives." https://www.privatebank.bankofamerica.com/articles/the-future-of-work.html#footnote-2

Negotiating workforce, workplace, and work data

While many organizations are just beginning the race to unlock the business value of their workforce, workplace, and work data —data about behavior, communications, social connections, and even keystrokes, mouse clicks, and physical badge swipes — leaders in the Financial Services industry report that their organizations are struggling to get out of the starting block. People analytics can help Financial Services companies make data-driven decisions to support business objectives and create positive work environments. Success lies in ethical use of data to benefit organizations and workers, despite evolving regulations.[1]

SENSE

A closer look at what's driving the shift

Regulatory compliance. Financial Services organizations are subject to strict regulatory requirements, particularly in areas such as data privacy, security, and reporting.[2] People analytics can help companies comply with these regulations by ensuring that employee data is managed, used, and reported in accordance with regulatory requirements.

Need for cost optimization. Financial Services organizations are under pressure to optimize costs while maintaining high-quality services. By using advanced data analytics, artificial intelligence (AI), and Machine Learning (ML), companies are identifying inefficiencies and opportunities across business lines, which can drive targeted improvements to reduce costs.[2] This trend is expanding into people analytics and human capital management.

Increased competition for talent. Financial Services organizations are facing a shortage of skilled workers, particularly in areas such as data analysis and cybersecurity.[2] By using people analytics, companies can better understand their workforce and make data-driven decisions to attract and retain top talent.

Changing workforce demographics. The workforce is changing, with more Gen Z employees entering the workforce. This generation prioritizes transparency, fairness, and work-life balance, and people analytics can help companies better understand and meet the needs of these workers, driven by the Covid-19 pandemic, a greater emphasis on diversity and inclusion, and the "Great Resignation." [3]

1 "Seven Forces Shaping the Future of Financial Services." (n.d.). Deloitte United States. https://www2.deloitte.com/us/en/pages/financial-services/articles/future-of-financial-services.html
2 "2023 Global HC Trends: Collect and use data ethically and effectively." (n.d.). Action.deloitte.com. Retrieved April 12, 2023, from https://action.deloitte.com/insight/3109/2023-global-hc-trends-collect-and-use-data-ethically-and-effectively
3 "Study Finds Gen Z Workers Expect Fast Track to Success." (2019). Business News Daily. https://www.businessnewsdaily.com/11331-gen-z-expects-fast-track-to-success.html

Key statistics

88% of surveyed Financial Services executives believe that **leveraging worker data to create benefits for both the organization and its workers** (while building trust and confidence in how worker data is used) is **important or very important** to their organizations' success.

YET ONLY…

27% believe their organization is **very ready** to tackle this trend.

The opportunity

Financial Services organizations face unique challenges when it comes to managing worker data, including privacy regulations, data security concerns, and the need for agility in a rapidly changing market.[1] Here are three key fundamentals for this industry to effectively manage worker data:

- **Build and reinforce trust with employees.** The irony of tracking more and more employee data over time is that it may signal mistrust between the employer and employee—which, paradoxically, research has shown to be detrimental to both employee productivity and morale.[2] Financial Services organizations must be transparent about their data collection practices and demonstrate their commitment to data privacy and security. By doing so, they will build trust with workers and create a more productive and engaged workforce.
- **Invest in and advance people analytics capabilities.** As Financial Services organizations continue to collect more information than ever on their employees, it is vital that we continue to invest in the people analytics capabilities that will ultimately unlock the value of this data.[3]
- **Use expanded worker data to create more, and mutual, value.** By co-creating our data strategies with an empathic mindset that considers the perspective and needs of all stakeholders involved, Financial Services leaders can drive measurable business value, enrich the employee experience, and create trust with their regulatory agency partners.

ANALYZE

A closer look at this gap

Financial Services currently see **"access to the right data" as a much bigger barrier to realizing the value of worker data than other industries (+22%)** likely due to higher regulatory requirements around data privacy.

Financial Services executives are also significantly **more unsure of what to do regarding the worker data they have compared to all industries (+14%)**. Factors such as complexity of the data, regulatory compliance requirements, and risk management concerns can explain this higher level of uncertainty.

When comparing at global level, US-based Financial Services executives view **employee "skills" data as more valuable than their global peers (+20%)**. This can most likely be attributed to heightened competition for top talent and the shift towards more proactive "skills-based" organizational models.1

1 "The skills-based organization: A new operating model for work and the workforce." (n.d.). Deloitte Insights. https://www2.deloitte.com/us/en/insights/topics/talent/organizational-skill-based-hiring.html

ACT

Success stories

A global bank is on a journey to bring together all HR and enterprise data to create an integrated IT and data landscape. The organization is also rewriting its privacy statement to ensure more transparency for employees. A dashboard that includes data on employee experience, diversity, workforce, talent acquisition, and learning is accessible to all employees; this dashboard is also used by business leaders to make decisions regarding their workforce.

1 "Seven Forces Shaping the Future of Financial Services." (n.d.). Deloitte United States. https://www2.deloitte.com/us/en/pages/financial-services/articles/future-of-financial-services.html
2 Azish Filabi. (2019, February 19). "The Paradox of Employee Surveillance" - Behavioral Scientist. Behavioral Scientist. https://behavioralscientist.org/the-paradox-of-employee-surveillance/
3 "People Analytics and Workforce Outcomes." (n.d.). Deloitte United States. https://www2.deloitte.com/us/en/pages/human-capital/articles/people-analytics-and-workforce-outcomes.html
4 "The role data plays in building a more diverse bank | Insight |" HSBC Holdings plc. (n.d.). HSBC. https://www.hsbc.com/insight/topics/the-role-data-plays-in-building-a-more-diverse-bank

What Financial Services executives are saying:

"Remember—each colleague is making a personal choice about whether they want to share their data… or [if they] wish to take the time to disclose it. …One of my goals is to raise that disclosure rate in places where it's hindering us… [building] trust that we're using the data in the right way, and [using] it to create effective local solutions in the markets and for the roles where we aren't diverse enough."[4]

—Carolanne Minashi, Global Head of Inclusion, HSBC

Note: "Other industry executives" refers to the average responses from leaders in Energy, Resources, and Industrials, Consumer, Government, and Public Services, Life Sciences, and Healthcare, and Technology, Media, and Telecommunications.

Taking bold action for equitable outcomes

Diversity, equity, and inclusion (DEI) progress has traditionally been measured using activities and effort, with little consideration for actual outcomes. DEI actions should aim at achieving equitable outcomes in the marketplace and workforce while boosting an organization's innovation, competitiveness, and long-term business success. Particularly for the Financial Services industry, companies can increase the impact of their DEI investments by increasing outcome and accountability measures at all levels.

In the last two years, large multinational organizations have invested ...

1,000+
public DEI commitments

+

$210 billion
to DEI commitments

SENSE

A closer look at what's driving the shift

Evolving internal and external stakeholders' expectations. The focus and demand on diversity, equity and inclusion from various stakeholders such as investors, regulators, and policymakers are on the rise. According to the recent CFA Institute Earning Investors' Trust study, 76% of institutional investors and 69% of retail investors have interest in products that incorporate environmental, social, and governance (ESG) factors.1

Talent development and retention. More than one-third Americans (35%) in the labor force are millennials, making this group the largest generation of the US workforce. The younger generations of the workforce have an even stronger focus on companies' DEI objectives. To develop and retain talent, companies need to have an emphasis on DEI objectives.2

Stronger focus on outcomes & accountability measures. Companies have made numerous public commitments and promises in the DEI areas, along with sizeable financial investments. Through these commitments, companies foster trust, belonging, an inclusive culture spanning the hire to retire employee lifecycle, and position themselves for long term success.1

Connection in the marketplace. There is an increasing awareness of how DEI in the Financial Services industry impacts marketplace & society. For example, according to CFA Institute, there is a growing number of investors prioritize racial diversity and justice to create a more inclusive society.3 Customers are also more likely to engage with companies that demonstrate DEI values that connect with the society.

1 Prabhakar, K et all (2022). "Build trust in diversity, equity, and inclusion commitments." Deloitte Insights. https://www2.deloitte.com/us/en/insights/topics/talent/building-employee-trust-dei-programs.html
2 "A higher bottom line, The Future of Financial Services." Deloitte United States, 2 Mar. 2021, https://www2.deloitte.com/us/en/pages/financial-services/articles/future-of-financial-services.html
3 Levels of Trust in Financial Services Reaches All-Time High. (2022). CFA Institute. https://www.cfainstitute.org/about/press-releases/2022/levels-of-trust-in-financial-services-reaches-all-time-high

Key statistics

88% of surveyed Financial Services executives recognize that **believe that embedding DEI into everyday ways of working and teaming while measuring outcomes is important or very important to their organizations' success.**

YET ONLY…

30% believe they are very ready to do so.

ANALYZE

A closer look at this gap

Financial Services organization have made progress in improving DEI efforts, but there is still room for improvement. **Only 61% of respondents report having accountability measures for diversity, while 39% report having no accountability measures for one or more areas of DEI.**

Financial Services respondents in the US report taking a **compliance-based approach to DEI, with 58% reporting that their approach DEI based on what is "required" by internal and external stakeholders. 13% of executives are not ready to embed DEI into everyday ways of working, nearly 8% lower than global Financial Services respondents.**

Financial Services executives are recognizing the **importance of leadership commitment and capabilities in driving successful DEI initiatives, with 26% highlighting it as a significant barrier to achieving increased impact in their organizations.** This concern is amplified by the challenges presented by new work models such as hybrid, remote, and co-location, as well as evolving accountability frameworks.

The opportunity

Financial Services DEI actions should achieve equitable outcomes in the workforce, employee lifecycle, and marketplace while boosting an organization's leadership and long-term business success. Here are four key fundamentals for this industry to taking bold action:

- **Re-orient to outcomes, not activities.** Financial Services must identify the specific inequities that exist across their own organizations, uncover the root causes of those inequities, and design solutions to address them. Achieving equitable outcomes requires a tailored approach based on strategy and context for the specific Financial Services sector.
- **Focus on the system not the individual.** To tackle efforts in employee-management processes including hiring, evaluation, promotion, and executive sponsorship, Financial Services companies need a systemic response based on process metrics. Examples of this include how quickly racial minorities advance up the corporate ladder.
- **Produce disaggregated actionable insights, not aggregated descriptive data.** Detailed analysis of the workforce data can reveal inequities and establish a baseline for enabling immediate intervention. Financial Services organizations must clearly communicate to employees the link between their daily decisions and the resulting DEI outcomes.
- **Center DEI as intrinsic to, versus separate from, the business.** Commitment from all levels of the organization —not just DEI officers or HR— is necessary to improve DEI outcomes in all decisions, policies, procedures, and actions.

ACT

Success stories

Allstate invested $308 million in businesses owned by women, veterans, LGBTQ+ individuals, and people with disabilities, and offered a mentoring program to support their growth. The company's inclusive workforce exceeded industry benchmarks, comprising 42% of individuals from diverse racial and cultural backgrounds and 58% women.1

A leading leading insurance organization is committed to improving the experience of minority ethnic talent, with 12% of top leadership from minority racial backgrounds. The company also supports diversity by having 3% of its employees disclose a disability and nearly 20% with substantive workplace adjustments.

What Financial Services executives are saying:

"Funds managed by single-gender teams underperformed, and funds managed by mixed-gender teams outperformed their benchmarks. But when you think about the fact that women are only one in seven active equity investment professionals, we're literally talking about unrealized opportunity in the investment management space […] we continue to hope to build thought leadership on as people understand this isn't a nice-to-have."[2]

—Crystal Hardie, Principal and Global head of DEI at Vanguard

"My job is to represent those who historically have felt like they haven't had a voice and oftentimes don't get seen and they don't have equitable access to opportunity […] I represent their voices at the most senior levels of the organization."3

—Greg Cunningham, Chief Diversity Officer at U.S. Bank

1 Allstate (2023). Inclusive diversity & equity. https://www.allstatesustainability.com/people/inclusive-diversity-and-equity
2 PGIM (2023). A culture of diversity, equity & inclusion. https://www.pgim.com/diversity-equity-and-inclusion
3 PGIM (2022, July 15). Ron Andrews Diversity Scholarship Program. https://www.pgim.com/award/ron-andrews-diversity-scholarship-program

Advancing the human element of sustainability

Following the COVID-19 pandemic, environmental sustainability and its importance to society has increased for the majority of the global community.[1] The growing prevalence of worker agency and choice during the pandemic showed that, when given the chance to align their interests and passions with organizational needs, workers now more than ever can lead the push towards sustainability. Still, between competing priorities, a lack of capability, and organizational roadblocks, there is still work to be done from a Human Capital perspective.

SENSE

A closer look at what's driving the shift

Direct risk exposure. Banks and insurance companies are increasingly exposed to losses from weather events driven by climate change.[1] Rising losses from heatwaves, droughts, floods, storms, and rising sea levels force these organizations to address sustainability or see their bottom line suffer.

Regulatory compliance. Using the United States as an example, we can see sustainability initiatives making their way into regulatory frameworks. Since 2020, the US Environmental Protection Agency (EPA) has enacted a variety of regulations and initiatives on transportation, consumption, energy, and SEC reporting requirements.[2]

New financial products. Increased global attention on climate change has brought new awareness to different financial products. New opportunities for banks are emerging in emissions markets, specifically with voluntary carbon credits,[3] while inclusive financial products and services are crucial for global UN sustainable development goals.[4]

Changing workforce demographics. A changing workforce is driving businesses to rethink how to attract talent. IBM found that 68% of surveyed employees said they were more willing to accept a job from a sustainable organization.[5] Environmental commitments will become a higher priority as more Gen Z employees, who heavily focus on environmental issues, occupy a greater share of the workforce.[6]

1 Kuner, S., Mason, I., & Stansfield, B. (2022). How is Climate Change Impacting on the Financial Services Sector [Review of How is Climate Change Impacting on the Financial Services Sector]. Gowling WLG.
2 US EPA. (2021, June 11). Climate Change Regulatory Actions and Initiatives. Www.epa.gov.
3 A Bank Commodity Trading Team Seeks Deep Intelligence on Carbon Markets. (n.d.). Www.spglobal.com. Retrieved April 12, 2023.
4 Mhlanga, D. (2022). The role of financial inclusion and FinTech in addressing climate-related challenges in the industry 4.0: Lessons for sustainable development goals. Frontiers in Climate, 4.
5 IBM. (2022). 2022 sustainability consumer research: Sustainability and profitability. IBM.
6 Paoletti, J. (n.d.). Council Post: Gen Z And Environmental Issues: How To Earn Young Consumers' Trust. Forbes. Retrieved April 12, 2023.

Key statistics

81% of surveyed Financial Services executives believe that **that sustainability is a key area of focus for their organization.**

YET ONLY…

23% believe their organization doing this today is very ready to address sustainability.

Unsurprisingly, despite their aspirations, only 13 percent of Fortune 500 companies have their sustainability goals endorsed by *Science Based Targets*, a third-party review organization which evaluates corporate climate initiatives based on the goals of the Paris Climate agreement.[1]

ANALYZE

A closer look at this gap

Financial Services sectors have varying levels of readiness to address sustainability. For example, there is a difference in **self-reported readiness between insurance organizations (+17%)** compared to investment management organizations.[3] This suggests that greater exposure to the human risks associated with climate change can increase an organization's readiness to address sustainability.

80% of Financial Services respondents in a United Nations survey indicated their organization believes the direct risks of climate change will be **more important in the future.**[2] This suggests a sort of "procrastination" in that sustainability can be seen as a future problem rather than a current one.

When comparing at global level, **US-based Financial Services executives believe that climate change will have less of an impact on their workplace than those not in the US (-10%)**.[3] A lack of prioritization from US Financial Services likely contributes to the readiness gap due to the US' prominence in Financial Services.

1 Fortune 500 companies are acting on the climate crisis—but is it enough? (n.d.). World Wildlife Fund.
2 Survey of Financial Firms Outlines Climate Information Needs. (2015, November 12). Public.wmo.int.

ACT

Success stories

American International Group (AIG) committed to radical transparency through its sustainability reporting, which accounts for the broader ecosystem.[2] Published annually, AIG's sustainability report includes information on third-party emissions as well as data on the composition of its full workforce. The organization has also created a sustainability-focused framework for underwriting which incorporates its sustainability values into the largest body of daily work.

Aegon committed to investing $2.5 Billion into climate change mitigation and impact adaptation through 2025.[3] Their efforts also include a 25% reduction in the carbon intensity of assets by shifting investments towards carbon-neutral companies.

The opportunity

The push towards sustainability will require bold changes throughout Financial Services organizations—from the individual level all the way up through the c-suite. Here we have examined a few of the key strategies companies have taken to make their goals a reality.

- **Embed sustainability into purpose, strategy, and culture.** The most important benefit of sustainability efforts reported by Financial Services survey respondents was brand reputation. The connection between company brand, human capital, and sustainability must be cultivated to create a greater emphasis on environmental initiatives.
- **Encourage investment in sustainable finance.** The European Union announced initiatives for companies allocating assets towards sustainable investments, garnering trillions of dollars' worth of support from a variety of organizations.[1] These types of initiatives can spur direct investment in sustainable initiatives.
- **Cultivate sustainability-oriented skill sets.** Companies are currently experiencing a shortage of Human Capital professionals qualified to manage sustainability efforts. Organizations have an opportunity to promote skills such as business metric analysis (emissions, energy utilization, etc.) and sustainable finance strategy to overcome a key driver of the sustainability bottleneck.

What Financial Services executives are saying:

"Now you see the symptoms of climate change really affecting people [...] ESG is about creating a more informed decision-making process [...] When you look at sustainability from a risk lens, it changes the entire aperture."

—Director of Environmental and Sustainability Management from a global banking and financial services group

1 EU Green Deal's impact on global sustainable investing. (n.d.). Standard Chartered. Retrieved April 12, 2023.
2 AIG, "Reimagining What AIG Can Do," accessed January 1, 2023.
3 Aegon. (n.d.). Climate change. Aegon. Retrieved May 1, 2023, from https://www.aegon.com/sustainability/our-focus-themes/climate-change/

Leading in a boundaryless world

How do you lead in a boundaryless world in which work is no longer defined by jobs, the workplace isn't a specific place, many of the most important workers aren't traditional employees, and leadership isn't determined by the organization chart?

Leading in a boundaryless world requires overcoming the traditional, compartmentalized model of work. Leaders in Financial Services should overcome their resistance to change and understand that decisions they make are not forever—feeling uncertain about the future is okay because they can test, learn, and iterate. If they don't, they risk being left behind.[1]

1 Barker, T. (2022). Adam Grant on what makes an effective leader in a new era. The Wall Street Journal. Retrieved February 13, 2023, from https://www.wsj.com/articles/adam-grant-wharton-school-effective-leadership-11670608707

SENSE

A closer look at what's driving the shift

Not knowing where to start. 51% of Financial Services executives say the greatest barrier to their ability to support their organizations' most critical outcomes is not being able to identify where to start with so many changes occurring all at once.

Resistance to change. 47% of Financial Services executives say leaders' resistance to change is also a major obstacle in helping their organizations achieve important and meaningful outcomes.

Need for a resilient workforce. 40% of Financial Services executives say that creating a resilient workforce that adapts, reskills, and assumes new roles is the most critical undertaking they need to take within the next 2-4 years. Only 17% of leaders are doing this today.

Lack of readiness to move beyond traditional roles. 37% of Financial Services executives say they're not ready to match worker skills with organizational priorities in ways that are not defined by formal job responsibilities.

Key statistics

96% of surveyed Financial Services executives believe that **leadership capabilities and effectiveness in a disrupted world are important to their organizations' success.**

YET ONLY…

26% believe their organization is very ready to demonstrate this kind of leadership today.

1 Gelis, P. (2015). Why risk aversion is killing banks. LinkedIn. Retrieved February 15, 2023, from https://www.linkedin.com/pulse/why-risk-aversion-killing-banks-philippe-gelis/.
2 Lytle, T. (2021). Top HR challenges in the Financial Services industry. Society for Human Resource Management. Retrieved February 11, 2023, from https://www.shrm.org/hr-today/news/hr-magazine/spring2021/pages/top-hr-challenges-in-the-financial-services-industry.aspx.
3 Karp, B., Sacksteder, E., O'Brien, J., Bergman, M., Gonzalez, R., & Buergel, S. (2018). The financial crisis 10 years later: Lessons learned. The Harvard Law School Forum on Corporate Governance. Retrieved February 28, 2023, from https://corpgov.law.harvard.edu/2018/10/05/the-financial-crisis-10-years-later-lessons-learned.

The opportunity

Bridging the gap of between desired organizational outcomes and current capabilities will require organizations to shed traditional organizational structures and roles to embrace more collaborative ways of working.

- **Framing the challenge:** Think like a researcher. With so many net new changes, leaders should be experimenting and improving ways of working by co-creating with each other as well as other company employees. Leaders need to understand that the decisions they make do not need to be in place forever—that they can test, learn, and iterate as needed.
- **Designing for impact: Prioritize outcomes over tradition.** Formal workplace boundaries are quickly disappearing, which provides opportunities to prioritize outcomes over traditional work models. Leaders need to look beyond defined job responsibilities and workplace silos. They need to map and develop workers' skills in ways that correlate with achieving critical outcomes for their organizations.
- **Charting the Path Forward: Communicate clearly and frequently.** As changes occur, leaders need to be cognizant of communicating developments as they arise. Going through changes in goals, roles, and processes is not easy for leaders, and it won't be easy for employees either. Leaders can help their workforces become more resilient by communicating transparently with them, sharing how they made their decisions and what the impact of their decisions would be.

ANALYZE

A closer look at this gap

Financial Services executives are **more likely than other industries to say resistance to change is major obstacle in helping their organizations achieve important and meaningful outcomes (+10%).** Historically, Financial Services has been risk-averse—the industry thinks risks first, before thinking about opportunities.[1]

Financial Services executives are **more likely than other industries to say lack of preparation to tackle new areas is the greatest barrier to achieving their organizations' critical outcomes (+10%).** Since the financial crisis, operational risk has been unacceptable in Financial Services—the focus on operational risk permeates throughout the workplace.[1,3]

Financial Services executives are **less ready than their global peers to match worker skills with organizational priorities in ways that are not defined by formal job responsibilities (+9%).** US Financial Services has been highly focused on risk management since the financial crisis. Controls are now widely in place and often automated, and Financial Services can pivot attention toward mapping skills to organizational priorities.[2,3]

ACT

Success stories

M&T Bank successfully pivoted their organization's talent to serve customers based on employee skills instead of formal job roles when the Paycheck Protection Program (PPP) launched at the beginning of the pandemic, By mobilizing employees based on skills, M&T Bank outperformed its peers and funded 96% of qualified PPP applicants in the first round and 100% in the second round.

A global banking organization encouraged employees to get out of their day jobs and drive business value by discussing new ideas to build solutions for specific business problems. To innovate, the organization upended existing ways of working and focused on design thinking, collaborating across disciplines, and "restless reinvention." Teams listened, learned, and course-corrected as needed.

What Financial Services executives are saying:

At all levels, we need to lead in ways that help the whole boat go faster. To do this, we focus relentlessly on transparency. For our enterprise leaders, this means that their job is not to make decisions for people, but to ask really good questions and empower their teams to make the decisions themselves. There is also transparency and accountability for outcomes versus outputs including celebrating successes openly and asking, 'What can we learn from that?,' when things don't go well. This leads to better outcomes in the future."

— Neil Walker-Neveras, Chief Talent Officer, M&T Bank

DELOITTE SOLUTIONS

Financial Services opportunities and solutions

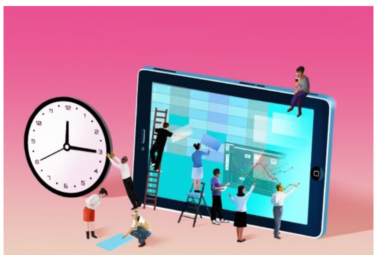
Financial Services Opportunites and Deloitte Solutions

Trends	Desired Outcome	Deloitte Solutions
Navigating the end of jobs	Create formal mechanisms where workers are mapped to their skills to suit their individual needs and to get work done more effectively	• Skills-Based Organization Talent Marketplace • Workforce Strategy/Talent Access • Job Architecture
Powering human impact with technology	Increase effectiveness of teams by pairing workers with technology and enhancing, not replacing, human capabilities	• Work From Anywhere • Change Services • Digital HR • Work Re-Design • HR Strategy & Operating Model • Digital Workplace
Taking bold action for equitable outcomes	Achieve equitable outcomes in the marketplace and workforce and increase the impact of their DEI investment by increasing outcome and accountability measures at all levels	• Culture Assessment • Diagnostic Assessments • DEI Maturity Model • Equity Model (Health, Rewards, Recognition)
Leading in a boundaryless world	Grow capabilities, which will enable leaders to learn faster and accelerate their ability to adapt to a frequently and radically changing environment	• Team Alchemy • Learning & Leadership • People Analytics • Workforce Listening • Digital Workplace
Negotiating Worker Data	Use data and analytics to make better people decisions and drive business outcomes	• People Analytics • Workforce Listening
Advancing the human element of sustainability	Adapt to a sustainable world of changing worker and societal expectations and increased climate pressure	• Climate Risk Modeling • ESG Program Assessment • Financial Inclusion

To learn more, read Deloitte's 2023 Global Human Capital Trends report online at: www.deloitte.com/hctrends

The 2023 Global Human Capital Trends Report Resources

Click on the pictures to reference the report chapter



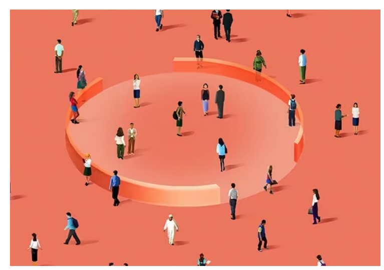
Navigating the end of jobs

Powering human impact with technology

Negotiating workforce, workplace, and work data

Taking bold action for equitable outcomes

Advancing the human element of sustainability



Unlocking the workforce ecosystem

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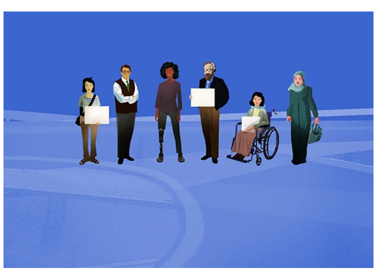

Harnessing worker agency

Activating the future of workplace

Elevating the focus on human risk

To learn more, read Deloitte's 2023 Global Human Capital Trends report online at: www.deloitte.com/hctrends

Thank you!

Although the potential for disruption is real, so is the opportunity for an extraordinary reimagination of what the work, workforce, and workplace can be.

Are you ready to embrace the possibilities?
To learn more, read Deloitte's 2023 Global Human Capital Trends report online at: www.deloitte.com/hctrends

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