Sector Review

Organizational Health & Wellness Trends in the FINANCIAL SECTOR

Insights from the WarrenShepell Research Group

WarrenShepell

Organizational Health & Wellness Trends in the Financial Sector

Executive Summary

The everyday lives of Canadians are intimately tied to the workings of the financial industry. As a result, the industry accounts for a significant portion of the nation's business activity and labour force (3% of working Canadians). The purpose of this study was to gauge how financial employees are coping with current and changing conditions in their work environment, and to identify unique employment issues that set them apart from employees in other occupational sectors. We found the following:

- EAP access among financial employees has doubled over three years
- Financial employees report higher levels of stress at intake than employees in other industries
- Levels of anxiety, workplace stress, and stress at intake are increasing among financial employees
- The threat and experience of robbery continues to be a source of trauma among financial employees
- Financial employees are accessing more childcare work/life services than employees in other industries

The recent increase in utilization, anxiety, and stress levels suggest the emergence of a general trend towards distress among financial employees. While these levels may not be substantively different from those in other industries at present, they are rising at a faster rate and have, in some cases, recently surpassed the national norm. Changes in global, economic, and technological factors may be responsible for rising levels of distress. Global conflict continues to breed uncertainty and inject volatility into financial markets. The North American financial industry is also witnessing a period of intense consolidation. The experience of mergers and acquisitions, whether actual or impending, is associated with diminished occupational health. Additionally, financial firms continue to adopt new information technology which can lead to greater work 'informatization' and intensification. As these factors continue to coalesce, it will be incumbent upon financial firms to devise strategies and secure resources that enable their employees to cope and thrive in the new reality.

The Industry

In many ways, the everyday lives of Canadians are intimately tied to the financial industry. We withdraw money from ATMs, use debit and credit cards to pay for goods, mortgage our homes, insure our cars and houses, and invest our savings for retirement. Traditionally, the 'four pillars' of this industry were banks, insurance companies, trust companies, and investment dealers. Laws restricted companies from dealing in more than one domain. Following deregulation in 1987, most of the major trust companies and investment dealers were bought by the major banks.

Banks are now the most diverse financial entities in Canada. They offer 'one-stop' services including investment counselling, financial planning, and trust/estate services. Chartered banks are the largest players, accounting for one-third of all assets in the industry. Ninety-two percent of those assets are controlled by the "big six." Despite their domestic size, Canadian banks are small players on the global stage. The largest Canadian bank is ranked 55th in the world in terms of total assets. Four of the major banks submitted merger proposals in 1998 to increase their global competitiveness but were rejected by the federal government. The insurance industry, which has had fewer restrictions placed upon it, has been consolidating at a feverish pace since it demutualized in 1999.

Credit unions, or *caisse populaires*, are founded on cooperative principles and offer an alternative to the major banks. They are numerous throughout Canada and are especially prevalent in small communities not serviced by the big banks. Though much smaller on average, some credit unions rival the big banks in size and assets (e.g., in Quebec and in British Columbia).

The Canadian financial industry consists of more than 3,000 companies. Employment figures vary depending on the industries included, with estimates ranging from 288,280 to 512,159 employees. Banks account for 186,000 to 235,600 of those people. Since 1997, the banks have shed over 9,000 jobs through consolidation, cost-cutting measures, and the move from 'peopled' transactional services to electronic banking.

The Employer/Employee Experience

The financial industry employs a wide range of occupations. This is especially the case for big banks where there is a high degree of vertical and horizontal diversity. Thus, there is a range of employer/employee experiences in the industry. In banking, tellers and other direct service personnel account for about 31% of the workforce followed by banking, credit, and investment managers (15%), loan officers (12%) and various supervisors and clerks (3%).

Despite this diversity, there are some factors that have affected employment relationships across the industry. One is the rapid growth and use of technology. The financial industry adopts new technology at a rate that is second only to tertiary manufacturing.[1] This has led to continuous re-training on the part of employees, which may be a source of stress. Second, transaction-based jobs are quickly giving way to knowledge-based jobs. The latter require a deeper understanding of clients and the market. The increase in knowledge management and 'value-added' production has led to flatter organizational structures. Clerical jobs are disappearing, while the professional and managerial classes have grown 16% and 17% in the last decade (respectively). Managerial and knowledge-based work can be highly meaningful. However, the work also tends to be more complex and intensified. Managers, in particular, work longer hours and take home more unpaid work than other workers.[2] Turnover is low to moderate in the financial industry, at rates reported between nine and ten per cent.

Age & Gender

Seventy-five percent of financial employees are female. Thus, any examination of employee experiences and organizational health trends in the industry should take gender issues into consideration. In banking, women now make up the majority of professionals (51%) and middle managers (52%). The number of female senior managers is also growing (25%). While this suggests that the glass ceiling may be "cracking," these gains are a double-edged sword. Women may be taking on more prestigious jobs with greater decision latitude, but they also continue to be the primary caregivers in their families (children, elders).

Language / Culture / Ethnicity

The financial workforce generally reflects the diversity of the Canadian labour market. Companies in this industry have made great efforts to increase the representation of various groups identified by Canada's Employment Equity Act. Visible minorities comprised over 15% of the workforce in 2000 (up from 10% in 1996) and over 5% of senior management. In general, representation of visible minorities among middle managers and professionals exceeds current census levels.

Education

Educational requirements vary depending on the occupation. On average, financial workers are better-educated than workers in other industries. This is likely a function of technology use and the need for certified professionals in the industry (e.g., CFAs, CFPs). Bank tellers have at least a high school diploma, though college and university degrees are encouraged. In general, the move from transaction-based to knowledge-based jobs has led to the recruitment of those with higher education levels.

Training

Financial companies invest heavily in continuous training and development. This is especially so in banking, where it consumes 3% of payroll. By the mid-1990s, the big six were spending $268 million annually on training. Training tends to be as diverse as the occupational base. Banks offer in-house training, pay for college and university courses, and provide for continuing education through the Institute of Canadian Bankers (ICB). Banks also tend to invest significant resources in employee career development.

Unionization

The level of unionization is very low in the financial industry, at approximately 1%. Most of the unionization is concentrated within processing centres. Larger credit unions tend to be unionized and are represented by a variety of unions. In general, professionals and managers are not unionized, meaning unionization will likely decrease in the industry overall if these ranks continue to expand.

EAP Trends

Average Utilization

EAP utilization in the financial industry runs slightly below the national norm (four-year average 7.39% versus national norm 8.14%). However, it is trending upwards, doubling over three of the four years (4.55% in 2000 to 9.19% in 2002) and surpassing the norm in 2002 (9.19% versus national norm 7.63%). Similar to the norm, most of the utilization is accounted for by new accesses. However, new accesses account for a higher proportion of utilization compared to the national norm (four-year average 65.11% versus national norm 61.46%).

EAP and Work/Life Services Utilization Ratio

Similar to the norm, the bulk of EAP access in this industry is for mainstream services rather than work/life programs. However, the ratio of mainstream services to work/life programs is higher (four-year average 80.47% versus national norm 75.66%). Hence, financial employees are accessing more 'traditional' EAP services. Similar to the national norm, legal services are the highest-utilized work/life program, although they are accessed less frequently overall (four-year average 7.41% versus national norm 14.93%). It is possible that legal and financial programs are less-utilized because some employers offer similar services internally. It is also possible that financial knowledge is higher among employees in this industry, resulting in lower need for these services.

Financial employees access child care services at a higher rate than the norm (four-year average 6.20% versus national norm 1.62%). This is the second-ranked work/life program for this industry compared to fifth-ranked at the national level. This is understandable given the slightly higher number of 30- to 39-year-olds accessing EAP from this industry (35.09% in 2000 to 39.74% in 2003). First-time parents are a growing segment within this age group.

Mainstream Counselling Presenting Issues

The most frequent presenting problem among financial employees is marital and relationship discord, similar to the national norm. While the rate of reporting does not differ much from the norm (four-year average 24.03% versus national norm 23.07%), this problem has remained fairly stable in the financial industry across time when compared to the national norm, where it is trending downwards.

Overall, there are few significant differences between financial employees and the national norm on mainstream presenting issues. However, child-related issues are trending upwards over three of the four years for financial employees (8.69% in 2000 to 9.96% in 2002). Reports of

Fig. 1: Marital and Relationship Discord issues in the Financial Sector

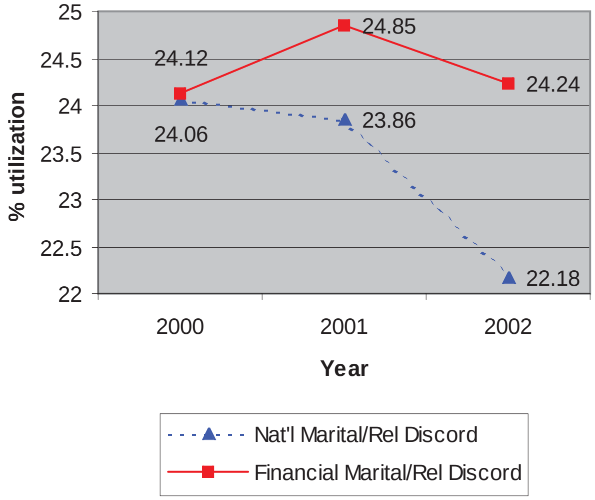
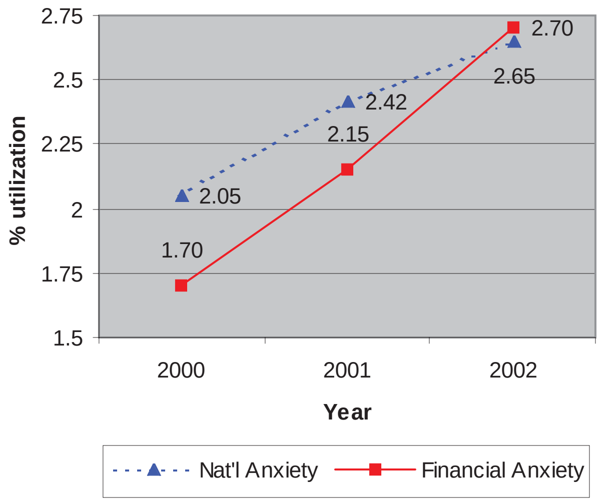


Fig. 2: Anxiety issues in the Financial Sector



other's substance use also increased one-and-a-half times over this period (0.48% in 2000 to 0.78% in 2002). While these may not be defining issues for the financial industry, they may signal the emergence of concerning trends.

Reports of anxiety as a presenting issue are fewer in the financial industry (four-year average 2.41% versus national norm 2.51%). They are also trending up within the financial industry, similar to the national norm but at a faster rate (1.70% in 2000 to 3.10% in 2003 for the financial industry). Although workplace stress as a presenting issue is lower in the industry (four-year average 5.18% versus national norm 5.38%), it increased almost one-and-a-half times between 2000 and 2002 (4.06% in 2000 to 5.92% in 2002). Stress and anxiety tend to reinforce each other. As current stressors pile up, people become apprehensive and fearful of their ability to handle additional future stressors.

Trauma

By far, the largest proportion of trauma debriefings for financial employees have been in response to robberies, both armed and unarmed. This is not surprising. Despite the evolution from branch to electronic banking, Canada still has the highest number of bank branches per capita in the world.[3] In a way, this translates to a higher exposure of bank assets to criminal activity. While the chance of any one bank employee experiencing a robbery is small, the human costs associated with such events are significant. The effects of this trauma may linger for years and sap employees' performance and their effectiveness in everyday life.

Other trends to note

Self-reported levels of 'high' stress at time of intake are slightly higher in the financial industry (four-year average 42.69% versus national norm 41.20%). While the rate of high stress has increased in both the industry and at the national level, the rate of increase was higher among financial employees: over 9% (38.61% in 2000 to 47.85% in 2002) versus 7.7% at the national level over three of the four years. As an added note, most accesses in the financial industry are made by women (four-year average 78.43% versus national norm 63.98%). While this reflects the predominance of women in the financial industry, it also reminds financial firms that employment relationships need to be gender-sensitive.

Additionally, a closer look at the data reveals a pattern of small, but similar findings. Reports of anxiety, workplace stress, high stress at intake, and the overall rate of utilization are lower in the industry compared to the national norm. However, they are trending upwards at a faster rate and/or have recently surpassed the norm. While each trend is not conspicuous in and of itself, collectively, they point to the emergence of a trend towards general distress. This may represent an opportunity for organizations to identify the specific issues and problems that link to these symptoms as a whole and engage in relevant preventive efforts.

Trends And Approach To Organizational Health

A number of trends may impact the organizational health of financial organizations in the future. First, the global economy has suffered in the last four to five years. The bursting of the tech bubble, the terrorist attacks of 9/11, and revelations of corporate scandals led to declines in global stock markets. While markets have recovered over the last year, confidence continues to waver in the face of uncertainty (e.g., ongoing terrorism, war in Iraq). The financial industry may be especially sensitive during this period since their products and services are closely tied to the economy. Any organizational change effort to address this (e.g., restructuring, downsizing, intensified competition) may have psychosocial impacts on the workforce.

Second, the combination of exponential information growth, continuous advances in information technology, and the move towards knowledge-based work may lead to greater work intensification in the industry. Researchers have maintained that information and technological innovations, if not properly managed, can significantly diminish the quality of worklife.[4] Third, as the number of managerial and professional jobs increases within financial firms, so too may organization-wide levels of stress. Managers and professionals tend to do more knowledge-intensive work, work longer hours, and take home more unpaid work than employees in other occupations.[5 6]

The fourth trend that may impact organizational health in the Canadian financial industry in the future is mergers and acquisitions (M&As). The North American finance industry is entering a period of intense consolidation, with some of the largest U.S. banks merging or acquiring other large banks. Analysts believe that these new deals will make second- and third-tier banks vulnerable buying targets. Given this environment, there is now renewed pressure on Canadian financial organizations to merge in order to compete globally. Although mergers were prohibited in the past, they will be re-considered when the federal government releases revised guidelines on the subject in the near future.

While there may be a business case for consolidating Canada's finance industry, it is important to note that over 90% of M&As fail to make a return on investment.[7 8] While many reasons have been identified, there is general agreement that psychological factors are at the heart of the problem. From the moment they are announced, M&As evoke stress-related feelings of job insecurity, uncertainty, role ambiguity, anxiety, loss of power and control, injustice, and mistrust.[9 10] The term 'merger syndrome' has been used to describe the intense preoccupation, negative expectations, and intense stress reactions associated with M&As.[11] A lack of communication compounds these problems. Following M&As, 'we-they' distinctions often develop between merged units, leading to lower team cohesion and effectiveness. Employees who escape M&A-related downsizing can experience 'survivor sickness' - feeling guilty, cynical, and insecure about their own jobs.[12 13] Employees often lack effective coping strategies for dealing with M&A-related stressors.[14] As a result, levels of mental health tend to be low in post-merger organizations.[15] Overall, M&A-related stress and mental health issues result in withdrawal behaviours (e.g., absence, lateness, turnover) and lower productivity.

If the Canadian financial industry is headed for consolidation, then organizations must arm themselves with best practices for preventing the stress that limits the success of M&As. However, given the size and complexity of M&As, it is impossible to manage all of the inputs. Programs must exist to help employees cope with their stress before, during, and after M&As. Experts claim that individual counselling and stress management workshops can be useful interventions for improving employee coping skills in the course of M&As.[16 17] These can be tailored and delivered on a large scale by EAPs. Depending on how quick or imminent the M&A is, large scale trauma debriefing may also be effective. In a recent article on beating the odds of M&A failure, Toby Tetenbaum at Fordham University warned that "unless organizations recognize the importance of the human components, their acquisitions will be forever doomed to failure"[18] - a sobering thought in light of the $1.4 trillion that Canadians have saved within the financial industry.

End Notes

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The WarrenShepell Research Group

The WarrenShepell Research Group has been formed to gather, analyze and provide commentary on organizational healthtrends that affect our clients, their employees and families. Collecting and disseminating data about mental health issues,linking with some of the industry's highest profile research institutes and individual scholars, and drawing from our 24 yearsof expertise in the industry, the WarrenShepell Research Group's mandate is to help our clients and the broader businesscommunity understand the intricacies and the impact of poor mental health, work/life imbalances and related issues in ourworkplaces and in our communities.

The EAP findings contained in this report are based on WarrenShepell proprietary data. The report is supported by a large body of academic and survey research. Most references to this research have been omitted for space considerations. They are available upon request.

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