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Establishment Characteristics and Work Practices: Financial Services Sector

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Establishment Characteristics and Work Practices: Financial Services Sector

Abstract

[Excerpt] This paper is one in a series of sector profiles giving an overview of structural characteristics, work organisation practices, human resource management, direct employee participation and social dialogue in the financial services sector. It is based on the third European Company Survey (ECS), which gathers data about companies and establishments with 10 or more employees in all economic sectors except those in the NACE Rev. 2.0 categories A (agriculture and fishing), T (activities of the household) and U (activities of extraterritorial organisations and bodies) across all 28 EU Member States as well as Iceland, the former Yugoslav Republic of Macedonia, Montenegro and Turkey. Additional information on the structural characteristics is derived from Eurostat data.

The sector includes all activities related to financial and insurance activities (NACE K) and real estate activities (NACE L). The third ECS contains responses from 1,084 establishments in this sector across the EU28 representing around 4% of the private sector. The profile compares aspects of establishment characteristics with the EU28 as a whole. The methodology used (latent class analysis) was developed in the overview report. Please note that percentages may not total 100 in some figures due to rounding.

Keywords

Europe, structural characteristics, human resource management, employee participation, organizational practices, social dialogue, financial services sector

Comments

Suggested Citation

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Establishment characteristics and work practices: Financial services sector



The 2013 European Company Survey data provides policymakers and practitioners with information and analysis on the spread of certain work organisation, human resource and participation practices in European establishments. As employment relations and workplace practices differ substantially between sectors, this profile shows the incidence of those practices within the sector as compared to other economic sectors.

Introduction

This paper is one in a series of sector profiles giving an overview of structural characteristics, work organisation practices, human resource management, direct employee participation and social dialogue in the financial services sector. It is based on the third European Company Survey (ECS), which gathers data about companies and establishments with 10 or more employees in all economic sectors except those in the NACE Rev. 2.0 categories A (agriculture and fishing), T (activities of the household) and U (activities of extraterritorial organisations and bodies) across all 28 EU Member States as well as Iceland, the former Yugoslav Republic of Macedonia, Montenegro and Turkey. Additional information on the structural characteristics is derived from Eurostat data.

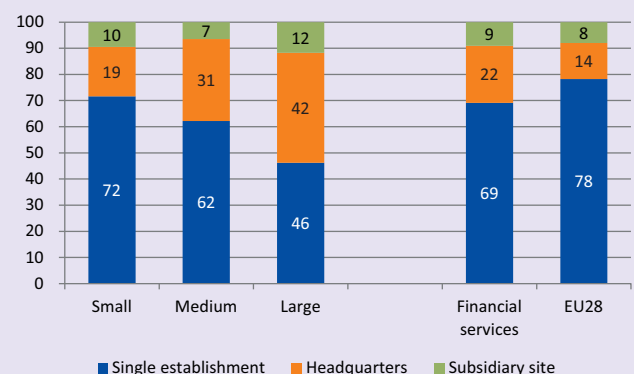
The sector includes all activities related to financial and insurance activities (NACE K) and real estate activities (NACE L). The third ECS contains responses from 1,084 establishments in this sector across the EU28 representing around 4% of the private sector. The profile compares aspects of establishment characteristics with the EU28 as a whole. The methodology used (latent class analysis) was developed in the overview report. Please note that percentages may not total 100 in some figures due to rounding.

Structural characteristics

In the financial services sector, 69% are single establishments (single independent companies with no further branch offices, production units or sales units), which is well below the EU28 average of 78% (Figure 1). Just under one quarter (22%) of the establishments are headquarters (EU28 14%) and only 9% are subsidiary sites (EU28 8%). The main differences in terms of size can be found between small units and large establishments: 42% of the latter are headquarters, which is true for only 19% of the former. Just less than half of the large firms (46%) are single establishments, as are 72% of small units.

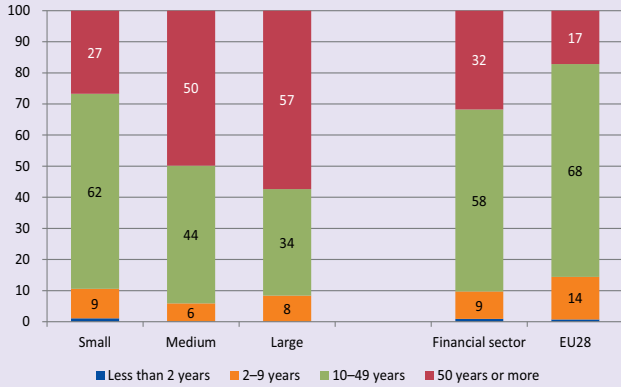
Nearly a third of financial sector establishments have been in operation for 50 years or more, which is a much higher proportion than the 17% of the overall weighted sample

Figure 1: Establishment type by size (%)



Source: ECS 2013 – Management questionnaire

Figure 2: Years of operation by size (%)



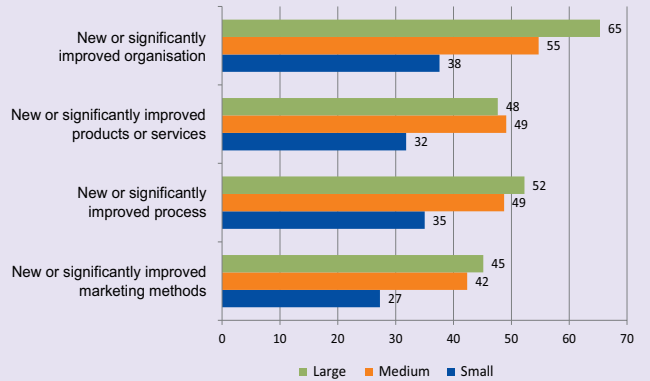
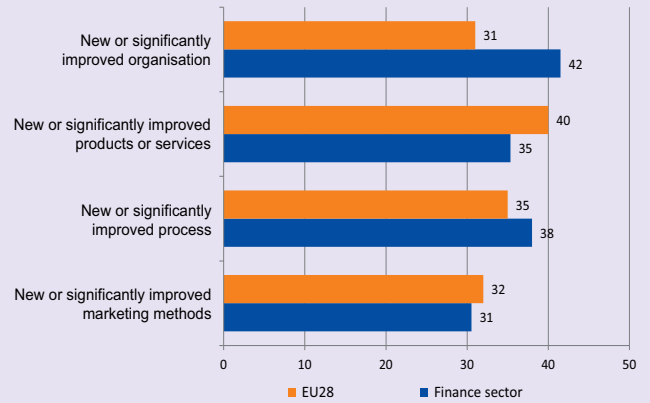
Source: ECS 2013 – Management questionnaire

(Figure 2). More than half of the establishments (58%) have been operating for between 10 and 49 years (68% in the EU28) and only 10% for less than ten years. Large differences in years of operation are to be observed between small establishments, and medium- or large-size units.

Sociodemographic structures of employees differ greatly between the financial sector and the EU average (Figure 3). Employees of the financial sector are more likely to be female and better formally educated. In 30% of financial services units, at least 60% of employees have a university degree, which is the case in only 13% of the EU28 average of establishments. In only 8% of the financial services sector, less than 20% of the employees are female, which is the case in 33% of all EU establishments on average.

The financial services sector is more innovative than the EU28 average as regards the introduction of new or

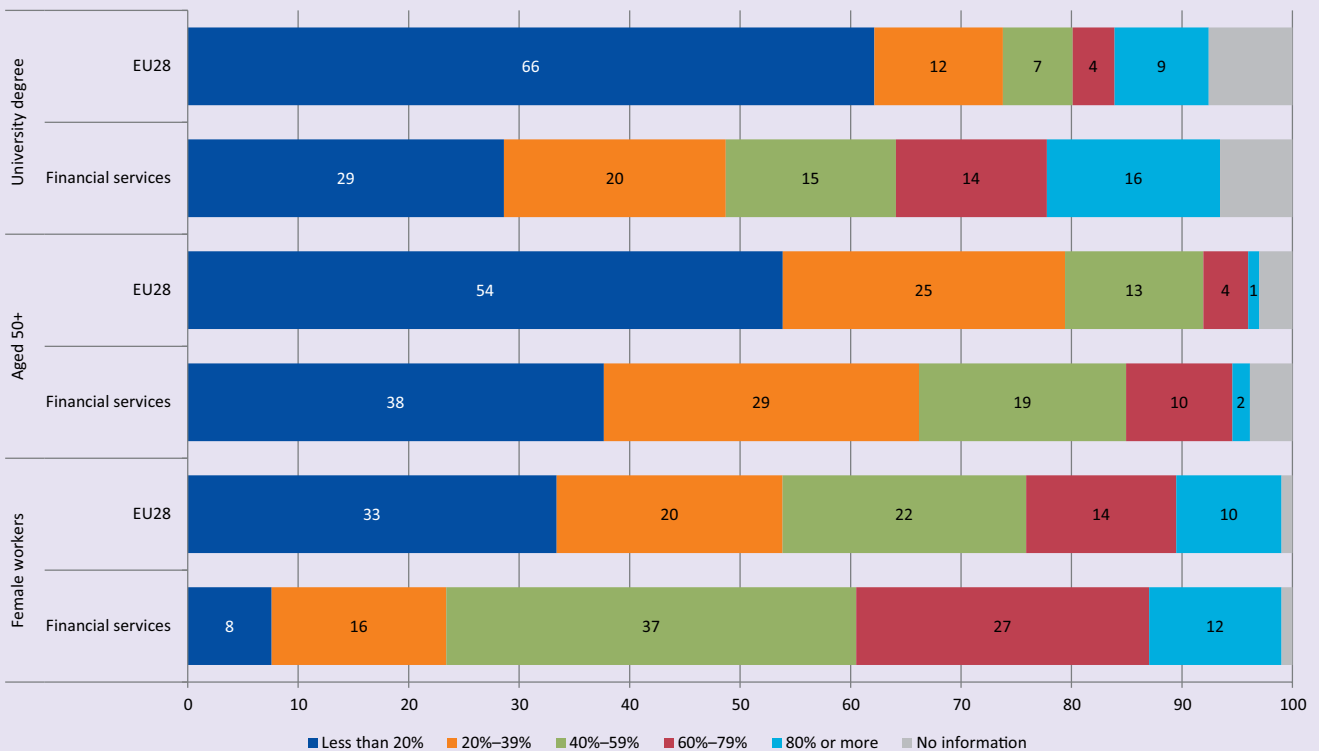
Figure 4: New or improved products, processes and marketing methods and organisational change (%)



Source: ECS 2013 – Management questionnaire

significantly improved organisation (42% compared to 31%), but less so in terms of new products or services (35% compared to 40% – see Figure 4).

Figure 3: Women, older workers and workers with a university degree (%)



Source: ECS 2013 – Management questionnaire

In the financial services sector, 65% of large establishments introduced organisational changes, as did 38% of small units. In the other areas for innovation (marketing/processes/products), differences are mainly observed between small establishments, and medium- and large-size units.

Work organisation practices

Collaboration and outsourcing

Overall, collaboration and outsourcing are slightly more likely in the financial services sector than the EU28 average, but the differences are moderate (Table 1). In terms of in-house activities, fewer financial firms are involved in the productions of goods or services than having no production (51% compared to 41%).

Collaboration and outsourcing are somewhat more likely to be classified as 'moderate' or 'extensive' in the financial service sector than the EU28 average. A lower proportion is part of the limited type (15%) than in the EU28 (27%).

The extensive collaboration and outsourcing type is characterised by comparatively high proportions of collaboration in all areas. Furthermore, outsourcing is above average in this cluster.

In the moderate type, a huge majority of establishments are not involved in design or development (89%) or the production of goods and services (84%).

The limited type is characterised by very little collaboration.

Internal organisation and information management

The use of information systems to minimise supplies and work-in-process is less frequent in the financial services sector (35%) than in the overall economy (44%; see Table 2). However, keeping records of good practice is more likely in the sector than on average (71% compared to 62%). Departments dealing with different kinds of products or with different geographical areas are also more common in the sector than the EU average.

More than half of the financial sector establishments (55%) are highly structured in terms of internal organisation and information management (EU28 52%). The majority of establishments (85%) in this group monitor the quality of the production on a continuous basis, keep records of best practices (83%) and have departments that are based on functions (86%).

The moderately structured type of establishment, on the other hand, is dominated by establishments that do not use any information systems for minimising supplies or work-in-process (83%) and where no teams are in place (44%).

Decision-making on daily tasks

Compared to the EU28 average, the planning and execution of daily tasks in the financial services sector is more frequently decided by employees and managers/supervisors together (50% compared to 39%), than by managers alone (Table 3). In nearly 10% of establishments, the employee undertaking the task makes the decision alone (EU28 6%).

Table 1: Profiles of establishment types – Collaboration and outsourcing (%)

		Financial services				EU28			
		Moderate	Extensive	Limited	Overall	Moderate	Extensive	Limited	Overall
Group size		42	42	15	100	37	36	27	100
Design or development of new products or services	In-house with collaboration	8	58	7	29	6	57	9	25
	In-house, no collaboration	2	6	61	13	5	7	61	21
	No design/development	89	35	32	58	88	36	30	54
Outsourcing design or development of new products or services	Yes	1	44	8	20	2	43	10	19
	No	99	56	92	80	98	57	90	81
Production of goods or services	In-house with collaboration	9	67	6	33	11	64	8	29
	In-house, no collaboration	7	4	76	16	15	7	78	30
	No production	84	29	18	51	74	28	13	41
Outsourcing production of goods or services	Yes	6	47	20	26	5	54	19	26
	No	94	53	80	74	95	46	81	74
Sales or marketing of goods or services	In-house with collaboration	27	66	16	42	25	68	10	36
	In-house, no collaboration	20	12	73	25	29	14	78	37
	No sales/marketing	52	22	11	33	46	18	12	27
Outsourcing sales or marketing of goods or services	Yes	6	40	13	22	6	38	8	18
	No	94	60	87	78	94	62	92	82

Source: ECS 2013 – Management questionnaire

Table 2: Profiles of establishment types - Internal organisation and information management (%)

		Financial services			EU28		
		Highly structured	Moderately structured	Overall	Highly structured	Moderately structured	Overall
Group size		55	45	100	52	48	100
Use information systems to minimize supplies or work-in-process	Yes	50	17	35	61	26	44
	No	50	83	65	39	74	56
Monitoring quality of production	Yes, on a continuous basis	85	51	70	87	64	76
	Yes, on an intermittent basis	14	30	21	11	22	16
	No	1	19	9	2	14	8
Monitoring external ideas or developments	Yes, using staff assigned specifically to this task	34	12	24	43	14	29
	Yes, as part of the responsibilities of general staff	54	40	48	44	33	39
	No	12	48	28	13	52	32
Keeping records of good work practices	Yes	83	56	71	78	44	62
	No	17	44	29	22	56	38
Teamwork	No team	16	44	28	14	41	27
	Most of them work in more than one team	54	39	47	47	36	41
	Most of them work in a single team	30	17	24	39	24	32
Departments based on function	Yes	86	46	68	90	54	72
	No	14	54	32	10	46	28
Departments dealing with different types of products or services	Yes	77	27	54	70	21	46
	No	23	73	46	30	79	54
Departments dealing with specific geographical areas	Yes	45	9	29	32	6	19
	No	55	91	71	68	94	81

Source: ECS 2013 – Management questionnaire

More than half of financial services establishments (57%) follow a top-down approach in terms of decision-making, which is less than the EU28 average of 62%. In 64% of these establishments, task allocation is decided by managers/supervisors.

The remaining 43% of establishments in the financial services sector have a joint approach in terms of decision-making (38% overall). In terms of task autonomy, decisions are taken jointly in 60% of these establishments (compared to 54% in the EU28) and by employees on their own in 20%. Likewise, autonomous teamwork is much more prevalent, with 40% of financial services establishments reporting that the team members themselves decide who performs which tasks.

Table 3: Profiles of establishments – Task autonomy (%)

		Financial services			EU28		
		Joint	Top-down	Overall	Joint	Top-down	Overall
Group size		43	57	100	38	62	100
Task autonomy (who decides planning and execution of daily tasks)	The employee undertaking the tasks	20	1	9	16	1	6
	Managers or supervisors	20	56	41	30	69	54
	Both employees and managers or supervisors	60	43	50	54	30	39
Team autonomy (who decides by whom the tasks are to be performed)	Team members decide among themselves	40	4	19	44	5	20
	Tasks are distributed by a superior	32	64	50	30	68	53
	No team	29	31	30	26	28	27

Source: ECS 2013 – Management questionnaire

HR Practices

Recruitment, employment and change

Most establishments of the financial sector had no problems in recruiting skilled employees (70%), retaining their workforce (94%), or a perceived the need to reduce staff (87% – see Table 4).

‘Business-as-usual’, in terms of recruitment and employment, is prevalent in 73% of the sector establishments, compared to 67% for the EU28 average. The large majority of these establishments had not implemented any changes in recruitment policies in the three years preceding the survey (88%); neither had they

Table 4: Profiles of establishments – Recruitment, employment and change (%)

		Financial services				Public sector EU28			
		Business-as-usual	Shortage of matching skills	Reduction in workforce	Overall	Business-as-usual	Shortage of matching skills	Reduction in workforce	Overall
Group size		73	15	12	100	67	19	14	100
Change in recruitment policies	Yes	12	35	35	18	11	32	26	17
	No	88	65	65	82	89	68	64	83
Difficulties in finding employees with the required skills	Yes	19	82	26	30	28	86	31	39
	No	81	18	74	70	72	14	69	61
Difficulties in retaining employees	Yes	2	23	9	6	3	30	16	10
	No	98	77	91	94	97	70	84	90
Need to reduce staff	Yes	4	11	72	13	5	13	78	17
	No	96	89	28	87	95	87	22	83
Changes in the number of employees	Increased	29	45	5	29	29	42	5	28
	Stayed about the same	53	39	18	46	54	43	20	47
	Decreased	18	16	77	25	16	16	75	24

Source: ECS 2013 – Management questionnaire

faced problems in finding skilled employees (81%) or in retaining the workforce (98%). There was practically no perceived need by the management to reduce staff.

‘Shortage of matching skills’ is an issue in 15% of sector establishments (as it is in 19% of all EU establishments), characterised by a very high proportion that had difficulties in finding skilled employees (82%), and a relatively high proportion that introduced changes in their recruitment policies (35%).

Another 12% belong to the group of establishments that were under pressure to reduce workforce (EU28 14%).

Training

Training is important in the financial sector (Table 5), with 85% of establishments offering time off for training to some of their employees (EU28 71%). In 24% of financial services firms, almost all employees are offered this possibility,

compared to employees in 19% of EU28 establishments generally. On-the-job training is offered in 81% of the financial service firms and in 72% overall.

The majority of financial services firms (67%) have a selective approach to training (compared to 61% overall) with only some employees having access to training.

The encompassing type accounts for 24% of establishments, offering both types of training to a majority of employees. Only 4% offer no training at all, which is well below the EU average of 10%. Another 3% only offer on-the-job training.

Working time flexibility

Working time flexibility in the financial services sector is comparable to the EU average; 70% of establishments offer flexibility in starting and ending times to at least some employees, compared to the EU28 average of 65% (Table 6).

Table 5: Profiles of establishments – Training (%)

		Financial services					EU28				
		Selective	Encompassing	No training	On-the-job training only	Overall	Selective	Encompassing	No training	On-the-job training only	Overall
Group size		67	24	4	3	100	61	21	10	5	100
Time off provided by the employer for training (proportion of workforce)	None at all	12	3	99	71	15	21	7	100	83	29
	Low (upto 19%)	25	11	1	26	20	30	14	0	15	23
	Medium (20–79%)	45	38	0	3	40	35	33	0	1	30
	High (80% or more)	18	48	0	0	24	14	45	0	0	19
On-the-job training provided by employer (proportion of workforce)	None at all	23	0	98	0	19	26	0	98	0	27
	Low (upto 19%)	27	0	2	0	18	29	0	2	0	19
	Medium (20–79%)	49	16	0	2	37	43	14	0	2	30
	High (80% or more)	1	84	0	98	26	2	86	0	98	24

Source: ECS 2013 – Management questionnaire

Table 6: Profiles of establishments – Working time flexibility (%)

		Financial services				EU28			
		Encompassing	Limited	Selective	Overall	Encompassing	Limited	Selective	Overall
Group size		22	42	36	100	20	45	35	100
Flexibility in starting and finishing times	None at all	1	54	21	30	1	59	23	35
	Low (up to 19%)	0	7	19	10	0	8	23	12
	Medium (20–79%)	17	9	45	24	20	7	43	22
	High (80% or more)	82	30	15	36	78	26	12	31
Accumulation of overtime	Yes, possible for all employees	73	42	49	51	79	44	54	54
	Yes, possible for some employees	18	10	32	20	11	7	28	15
	No	9	48	19	29	10	50	18	31
Part-time work	None at all	27	44	26	34	31	43	25	34
	Low (up to 19%)	48	40	53	47	49	42	54	48
	Medium (20–79%)	22	13	20	17	19	13	19	16
	High (80% or more)	3	2	2	2	2	3	2	2

Source: ECS 2013 – Management questionnaire

In 71%, accumulation of overtime was possible. Part-time work was reported by 66% of financial services establishments, the same as the EU average.

‘Limited’ working-time flexibility is offered to employees in 42% of establishments (EU28 45%), characterised by more than half that offer no working time flexibility (54%), and slightly less than half where working time cannot be accumulated (48%).

The selective flexibility type accounts for 36% of sector establishments. Flexi-time is offered in 79% of these, but only a small proportion (15%) offers it to 80% or more of the workforce. Most financial services establishments of the ‘selective type’ have at least some part-time staff (74%), but the proportion where part-time workers do not exceed 20% is comparatively large (53%).

The remaining 22% of the sector establishments constitute the encompassing group (compared to 20% overall) with a flexi-time scheme in place for virtually all employees (99%). In 73% of this group, the opportunity to accumulate overtime is open to all employees.

Variable pay

Variable pay is more widely spread throughout the financial sector than the EU average (Table 7). Individual performance-based payments, such as bonuses, are paid in 50% of sector units (43% overall), profit-sharing is in place in 37% of financial services firms (EU28 30%) and group performance-based payments are offered by 31%, compared to 25% in the EU28.

In the sector, 48% of establishments use a moderate range of variable pay schemes (compared to 44% in the EU28). Payments for individual results (bonuses) are paid in 72% of these units, while payment by results is present in 48%.

The ‘limited’ cluster of variable pay is made up of 39% of sector establishments, less than the EU28 average of 46%. Within this cluster, there are practically no shared ownership or group performance-based pay schemes in place.

A small proportion of financial services firms (13%) offer an extensive range of variable pay schemes to their employees; 96% offer profit-sharing and 88% pay bonuses.

Employee participation and social dialogue

Direct employee participation

In 35% of sector establishments, a wide range of instruments of direct participation were in use (EU28 26% – see Table 8). Just 14% consulted employees; 19% involved them in joint decisions on major changes. However, 19% were just informed about such changes. A positive attitude of managers towards employee involvement was reported by 77% in the financial services sector.

In 61%, the ‘extensive and supported’ type of direct employee participation (compared to 57% of EU28 firms) is prevalent. A positive attitude towards employee involvement was reported by managers in 91% of the establishments in this group.

The ‘low effort and little change’ cluster accounts for 23% of sector establishments, less than the EU average of 28%. Establishments in this group most often had no opportunity to involve employees: in 85% no major change had taken place.

Another 15% of financial service firms (15% EU28) form the ‘moderate and unsupported’ group in terms of employee participation; 47% of its employees were not involved at all or were just informed about major changes.

Workplace social dialogue

The ECS 2013 shows that an official structure of employee representation is present in 44% of establishments in the financial services sector, well above the 32% in the EU28 as a whole.

Employee representatives are slightly better resourced in the financial sector than the EU average, while no

Table 7: Profiles of establishments – Variable pay-schemes (%)

		Financial services				EU28			
		Extensive	Limited	Moderate	Overall	Extensive	Limited	Moderate	Overall
Group size		13	39	48	100	10	46	44	100
Payment by results	Yes	69	10	48	36	75	8	52	34
	No	31	90	52	64	25	92	48	66
Individual performance-based payment following management appraisal (bonuses)	Yes	88	11	72	50	85	9	69	43
	No	12	89	28	50	15	91	31	57
Group performance-based pay	Yes	84	2	40	31	80	2	37	25
	No	16	98	60	69	20	98	63	75
Profit-sharing	Yes	96	12	42	37	96	8	37	30
	No	4	88	58	63	4	92	63	70
Share-ownership	Yes	32	1	6	7	27	1	5	5
	No	68	99	94	93	73	99	95	95

Source: ECS 2013 – Management questionnaire

differences are reported in terms of available information and influence on decision-making (Table 9).

In 54% of financial services establishments (and in the EU28) in which employee representation structures are present, they reported that they were involved in joint decision-making. In 24% of financial services establishments, employees were only informed about major changes, as were employees in 19% of all establishments.

The ‘extensive and trusting’ cluster comprises 42% of all financial services establishments (EU28 39%). Employee representatives are comparatively well resourced and enjoy a very high level of provision of information. The management is highly trusted in this cluster and in 96%, employees are involved in joint-decision-making.

The ‘moderate and trusting’ cluster is made up of 30% of sector establishments (compared to 26% in the EU28). Compared to the extensive and trusting cluster, the perception of employee representatives is that they are less-well resourced, get less information and are far less likely to be involved in joint decision-making (17%). Nevertheless, a relatively high level of mutual trust is reported in this cluster, coupled with a low incidence of industrial action.

The ‘extensive and conflictual’ group comprises 19% of establishments in the financial services sector (23% EU28). Employee representatives are substantially involved in decision-making in 48% of establishments and they have some influence on decisions taken in the establishment. Nonetheless, the mutual trust between management and representatives is lower.

Table 8: Profiles of establishments – Direct employee involvement (%)

		Financial services				EU28			
		Low effort and little change	Moderate and unsupported	Extensive and supported	Overall	Low effort and little change	Moderate and unsupported	Extensive and supported	Overall
Group size		23	15	61	100	28	15	57	100
Number of instruments deployed for employee involvement	None	4	3	0	1	9	3	1	3
	1–4	84	77	52	63	83	79	59	69
	5–7	12	20	48	35	7	17	40	28
Management attitude toward direct employee participation (%)	Positive	62	42	91	77	68	43	92	78
Level of direct involvement of employees in decision-making in most important change in past 3 years according to manage	Not involved	4	10	1	3	4	7	2	3
	Informed only	9	37	18	19	9	43	14	17
	Consulted	0	30	15	14	0	25	12	11
	Involved in joint decision-making	2	22	37	26	2	24	43	29
	Not applicable (no major change happened)	85	1	29	38	85	1	28	40

Source: ECS 2013 – Management questionnaire

Table 9: Profiles of establishments – Workplace social dialogue

		Financial services					EU28				
		Extensive and trusting	Moderate and trusting	Extensive and conflictual	Limited and conflictual	Overall	Extensive and trusting	Moderate and trusting	Extensive and conflictual	Limited and conflictual	Overall
Group size (%)		42	30	19	9	100	39	26	23	12	100
Resources (score 0–100)	Average score	70	48	60	29	58	60	48	55	37	52
Available information (score 0–100)	Average score	83	72	61	23	68	87	74	70	30	69
Employee representation influence on decision making (score 0–100)	Average score	58	23	52	9	42	62	24	46	10	42
Employee representation involvement in decision making (in %)	Not involved	0	18	2	51	11	0	15	3	52	11
	Informed	1	54	21	35	24	1	37	18	38	19
	Consulted	3	12	29	13	11	8	24	25	6	16
	Involved in joint decision-making	96	17	48	0	54	91	24	54	3	54
Trust in management (score 0–100)	Average score	83	66	66	56	75	82	77	63	50	73
Trust in employee representation (0–100)	Average score	71	72	55	59	68	70	69	61	62	67
Industrial action since 2010 (%)	Occurred	2	2	12	26	6	7	9	42	34	19

Source: ECS 2013 – Management and employee representative questionnaires

A small proportion of financial services firms (9% compared to 12% EU28) are part of the ‘limited and conflictual’ group, characterised by lower mutual trust levels, a higher likelihood of industrial action (26%) and a high proportion of establishments that do not involve their employees in decision-making at all (51%).

Further information

The report *Third European Company Survey: Overview report* is available at: <http://bit.ly/3ECS2015/>

For more information, contact Franz Eiffe, Research Officer at fei@eurofound.europa.eu