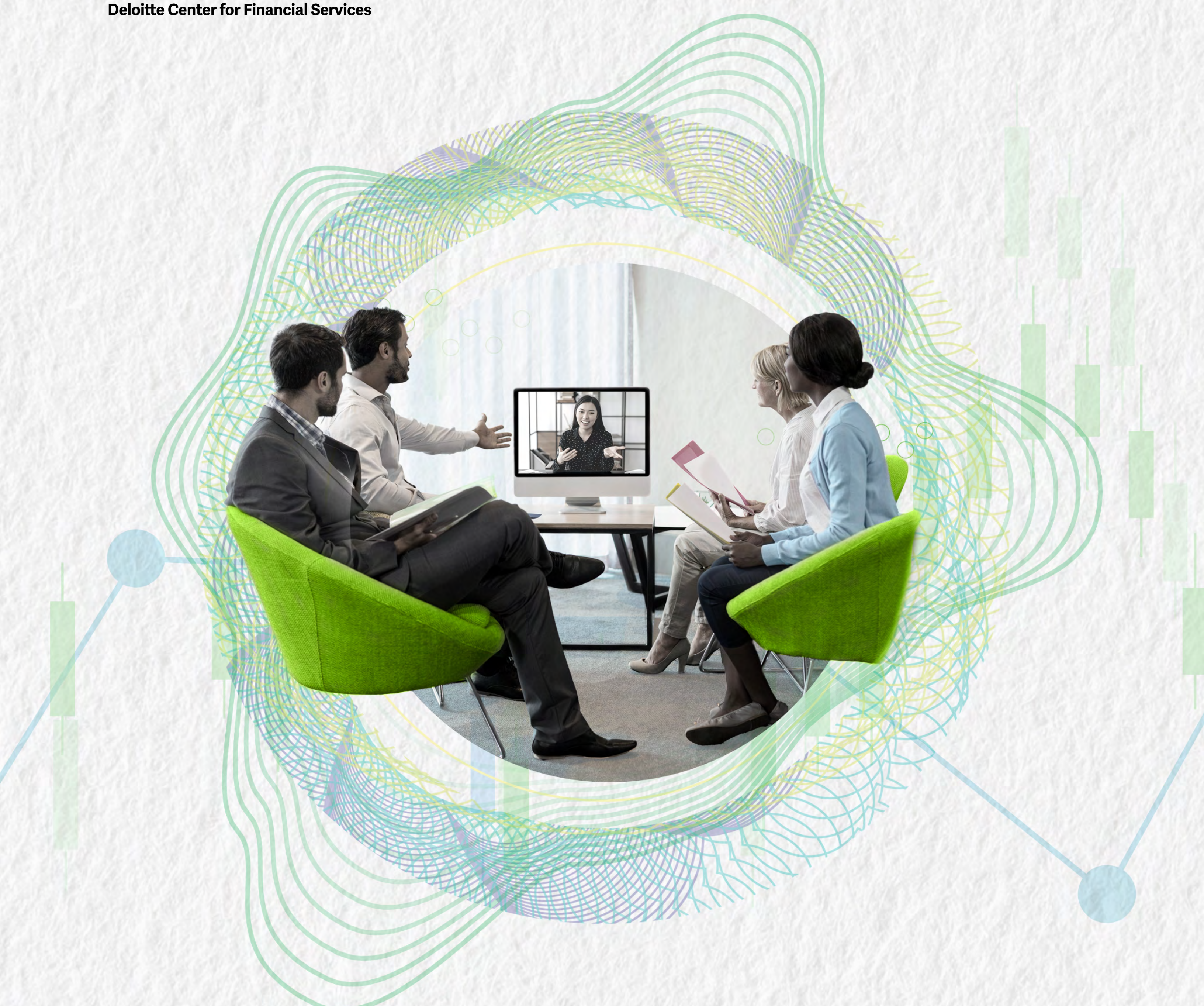
Cultivating employee engagement in financial services

Deloitte's latest survey of senior and next-gen leaders at many of the largest US firms uncovers powerful ties between flexible work arrangements, remote work, and engagement and retention

Deloitte Center for Financial Services



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KEY MESSAGES

- Overall survey results indicate that financial services institutions (FSIs) with overly strict in-office mandates could face dual challenges: possibly losing their pipeline of leaders *and* having difficulty recruiting talent.
- Among respondents who still work remotely at least part-time, 66% say they will likely leave their current role if mandated to return to the office five days a week.
- Among surveyed caregivers, those who work remotely or have hybrid arrangements are 1.3 times more likely than responding noncaregivers to say they'll leave their current role if their ability to work remotely was eliminated.
- Some FSIs now require their workforce to return to the office three to four days a week. But only 18% of respondents say this would be their ideal arrangement.
- While remote working has improved respondents' engagement and well-being, most of those surveyed believe remote work models will put them at a disadvantage. This could erode engagement and commitment levels over time.
- Financial services firms face a palpable risk of losing talented women leaders. Almost half of women respondents in senior leadership roles report being likely to leave their current employer over the next year.

Since 2019, our Within reach series has explored the data and issues that determine whether worldwide gender equity in financial services leadership is, indeed, within reach.

In this article, we turn our focus to the shift toward a hybrid workplace and its impact on employee engagement levels.

Seeking to understand the workplace experiences and expectations of their employers, we surveyed 700 US mid- to executive-level financial services professionals—manager-level through senior leadership just below the C-suite—from many of the largest US FSIs. (See methodology for more about our survey.) Our respondents are meant to represent the future of financial services leadership: "next-generation leaders" are manager level, and "senior leaders" are EVPs, SVPs, or equivalent or lines of business leaders; some are just one step away from the C-suite. As such, our respondents should represent the leadership pipeline at many of the largest US financial services firms.

We surveyed men and women to ascertain how they experience their workplace to help paint a full picture of engagement levels. But our findings revealed there were more commonalities than differences. For both men and women, workplace arrangements are top of mind and are having a direct impact on their engagement levels.

Professionals across industries continue to value and seek workplace flexibility

Recent research suggests why. The flexible and hybrid workplace models established over the last three years have generated a shift in most men and women's workplace needs and what they feel are trade-offs for flexibility. According to Deloitte's *2023 Global Human Capital Trends* report, 87% of respondent business leaders across industries say developing the right workplace model is important or very important to their organization's success. Yet only 24% feel their organization is very ready to address this trend.[1]

With several FSIs issuing return-to-office mandates, and many employees considering hybrid arrangements an "inalienable right,"[2] FSIs have an opportunity to develop thoughtful return-to-office policies that bolster long-term engagement.[3] The challenge is two-fold: 1) focusing workplace model efforts to benefit *all* employees and 2) enhancing flexible workplace models to incentivize and stimulate a *sustainable*, willing, and enthusiastic desire to return to the office.

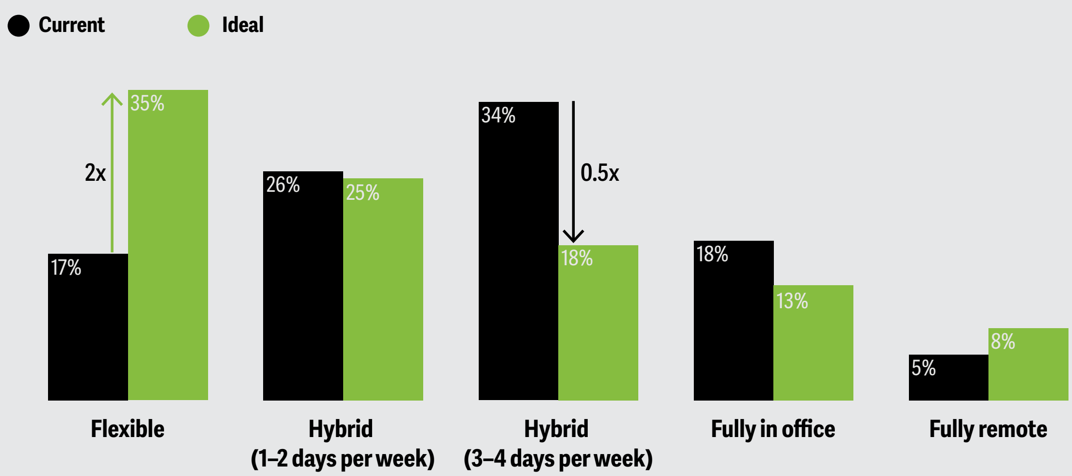
Flexibility to support bending without breaking

Employees adjusted their lives and, in some cases, their home location around their remote work arrangements. According to Deloitte's recent *Inclusive or isolated? New DEI considerations when working from anywhere* report, most financial services executive respondents consider the flexibility in structuring their daily tasks (45%) among the top three key benefits of remote work. The other two were time and money saved in commuting (69%) and comfort and convenience [of working remotely] (49%).[4] On average, employees are saving five hours a week on commuting,[5] affording them more time to spend with family and friends, engage in wellness activities, or even complete additional work.

US FSI engagement survey respondents asked about their ideal workplace arrangement express a preference for flexible working arrangements, which allows them to choose when to work remotely and when to be in the office. Twice as many as currently working in a flexible workplace model would like to do so (35%; figure 1). Meanwhile, fewer than 20% of respondents say their ideal workplace arrangement was three to four days a week in office, which is what some FSIs now require.

Figure 1

Most respondents prefer flexible work arrangements more than all other prescribed, set workplace models



Note: N = 700.

Source: Deloitte Center for Financial Services 2023 employee engagement study.

Notably, men respondents were as likely as women to prefer flexible or hybrid arrangements. They were twice as likely to prefer one to two days in office per week (27%) than three to four days (13%). Beyond gender, employers should consider other demographic attributes when developing their workplace models. Generationally, millennials and Gen X, who made up 91% of the survey population, were closely aligned in their workplace preferences: More than 30% chose flexible arrangements, followed by almost 25% choosing one to two days, and about 10% choosing fully in office.

Strict return-to-office mandates could backfire

Professionals—men and women alike—whose work and personal lives have been reshaped by remote work largely want to maintain flexibility *even if it comes at a personal cost*. Directives to return to the office full-time are likely to be met with some resistance and may lead to higher resignation rates. In fact, 66% of respondents who were remote at least part of the time say they would likely leave their current role if they were required to work in an office five days per week. Respondents who said they could leave in the next 12 months said they would do so for a job with more flexibility (35%), better pay or benefits (34%), and greater alignment with life goals (32%). Therefore, FSIs mandating strict return-to-office arrangements could face dual talent challenges: They could run the risk of losing their pipeline of leaders and have difficulty recruiting fresh talent.

Workplace models are inextricably tied to engagement levels

Respondents' self-reported engagement levels are high (92%), which could be influenced by equally high satisfaction levels with their current working arrangement. Engagement levels can manifest in many ways, including employees' commitment and sense of belonging to the organization; how likely they would be to recommend their employer to a friend or family; and to some degree, whether they pursue career advancement. Research also shows high engagement often leads to greater productivity.[6]

Among our survey respondents, more than 90% say they feel a strong sense of belonging to their organization and are motivated to, and feel confident that they can, advance their careers with their current employer.

An overwhelming 80% of respondents say they frequently or sometimes help a colleague with something that isn't a part of their job, volunteer ideas to improve their organization's processes or products, speak positively about their employer, learn a new job skill without being asked to, and persevere when things don't go very well at work. These behaviors seem to reinforce the respondents' self-reported engagement levels.[7]

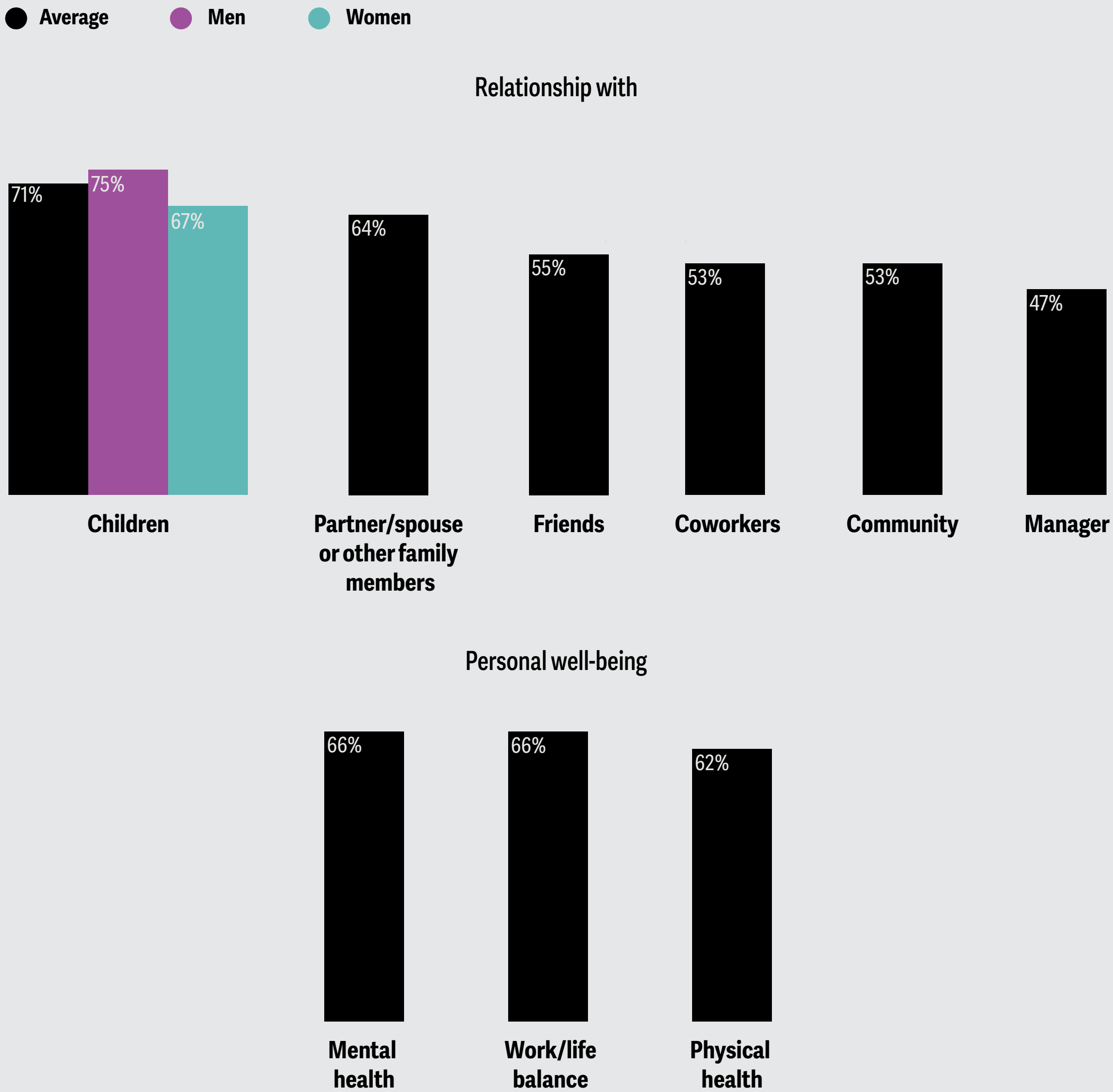
Further, working remotely has positively affected most respondents' sense of professional and personal well-being. In addition to engagement and commitment, nearly half of respondents report increases across factors that can support career advancement, such as the ability to influence important decisions, visibility and access to senior leadership, availability of career advancement opportunities, networking opportunities within their organization and broader industry, and recognition for work contributions. In fact, remote work may be an important lever in promoting professional development of those with caregiving responsibilities, whether for children, parents, or others. Respondents who are caregivers report greater increases in their sense of professional and personal well-being than noncaregivers.

There seems to be strong consensus on remote work's positive impact on employees' health, work/life balance, and relationships. Notably, three in four men feel remote work improved their relationship with their children, compared to 67% of women (figure 2). They also report slightly higher levels of improvement in relationships with their partner, spouse, other family members, and friends.

Figure 2

Remote working has positively impacted respondents' relationships and personal well-being

Percentage of respondents who credit working remotely with improvements in these areas:



Notes: N = 573, respondents who are remote at least part-time; relationship with children: N = 458, respondents who have childcare responsibilities.

Source: Deloitte Center for Financial Services 2023 employee engagement study.

Feeling the pressure: Show up more or sacrifice your career?

However, more than half of hybrid workers surveyed feel pressure to go into the office more often. Further, the perception that remote work models put workers at a disadvantage may erode engagement and commitment levels over time. More than 50% of respondents feel in-office workers are paid more (52%), promoted more often (63%), hold more decision-making power (55%), put in more hours (52%), and are more likely to become a CEO (65%).

Meanwhile, surveyed men, who reportedly value flexibility as much as surveyed women, feel at a greater disadvantage when working remotely (figure 3). A higher proportion of men (68%) would prefer to work remotely more often but feel it would be bad for their careers. Similarly, surveyed men are more likely than surveyed women to believe they are missing out on networking opportunities. Perhaps more men, because of hybrid arrangements, could be feeling a push-and-pull of family versus work more acutely than women, who historically have had to deal with those trade-offs more often.[8]

Figure 3

More surveyed men working in hybrid arrangements perceive a negative impact to working remotely than surveyed women

Percentage who agree with the following statements:

Notes: N = 536, respondents who are currently working in a hybrid arrangement; * The differences between men and women's responses were statistically significant at 95% confidence interval.

Source: Deloitte Center for Financial Services 2023 employee engagement study.

THE POWERFUL IMPACT WORKPLACE MODELS HAVE ON WOMEN

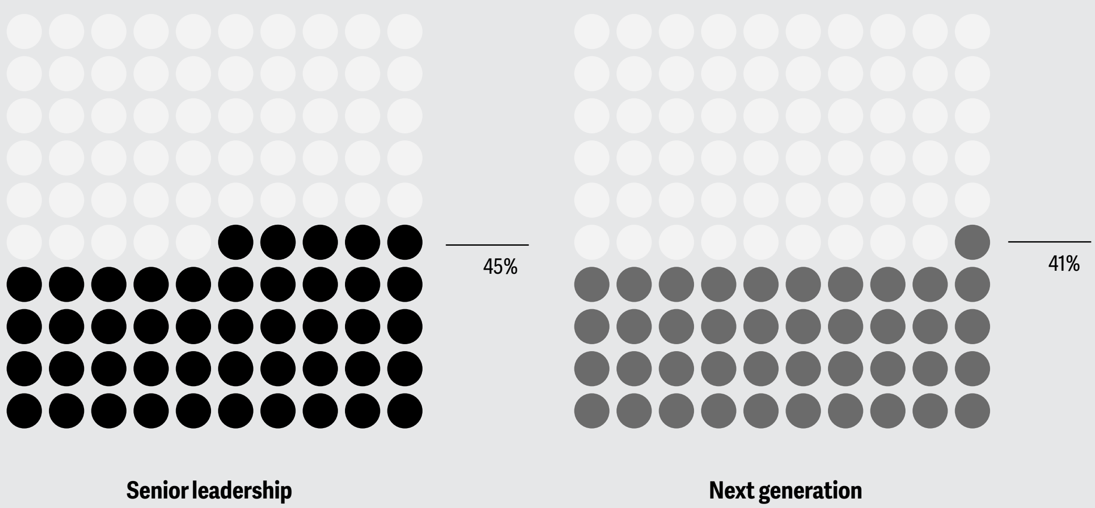
Central to the *Within reach* research series are the strategies, programs, and policies that promote the advancement of more women into the highest levels within FSIs. However, globally, about 51% of women surveyed say their organization's commitment to supporting women has not increased in the past year.9 Without any deliberate action, women's representation in senior leadership roles could stagnate. And in next-generation roles, representation could fall by 2031.[10]

The risk of losing talented women to a competitor or to another industry is real. Among our survey respondents, almost half of the women in senior-leadership roles were likely to leave their current employer over the next 12 months (figure 4). Those occupying next-generation roles were slightly less likely (41%). Of these—senior leadership and next generation combined—just over half could consider leaving the financial services industry altogether to either pursue higher education (22%), take a job in another industry (16%), start their own company (11%), or take a temporary or permanent break from the workforce (5%).

Figure 4

Many talented women may have one foot out the door

Percentage of women respondents who plan to leave their current employer over the next 12 months



Source: Deloitte Center for Financial Services 2023 employee engagement study.

According to Deloitte's *Women @ Work 2023: A Global Outlook*, for women who've recently left an employer and are considering leaving their current employer, pay and flexibility are some of the top factors in their decision-making.[11] Seventy percent of women respondents who feel they have a high degree of flexibility were much more likely to say they plan to stay with their current employer for three or more years than those with no flexibility (15%) (figure 5).[12]

Figure 5

A top reason women choose to stay or leave their employer is whether they are offered flexible work arrangements

Respondents who plan to stay with their current employer for at least three more years

Source: Deloitte Center for Financial Services analysis of financial services respondents of *Women @ Work 2023: A Global Outlook*, Deloitte Global, April 26, 2023.

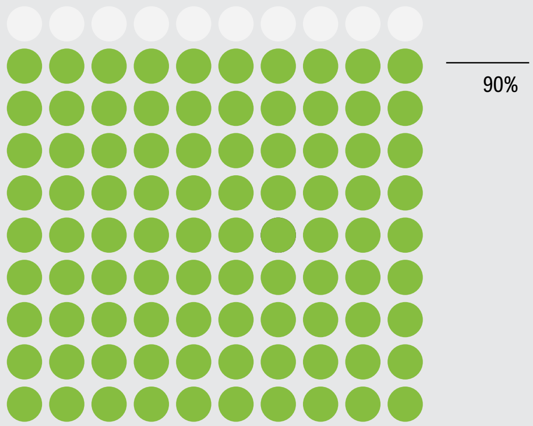
Further, in our survey, 42% of all respondents believe that women in financial services get fewer promotions compared to other industries (figure 6). Almost all women surveyed (87%) feel that a willingness to work long hours and make sacrifices is one of the important factors in determining whether someone at their company is offered a promotion or raise. But only 13% said they would need to go into the office more often to feel more confident about advancing their career at their current organization.

Consider this a call to action for FSI leaders. It's a business imperative that bias arising due to the choice of workplace arrangement shouldn't impact employees, especially in terms of career advancement.

Figure 6

Most women believe they will need to work long hours and make personal sacrifices to advance their careers

Percentage of women respondents who believe the following:



Working long hours and making personal sacrifices is key to getting a promotion or raise at my organization

Note: N = 350.

Source: Deloitte Center for Financial Services 2023 employee engagement study.

Caregivers—a highly engaged part of FSIs' workforce—could leave if work-at-home options are eliminated

There's an opportunity for FSIs to consider caregivers' needs as their workplace models evolve. Three in four caregivers surveyed say they have trouble managing their work/life balance and have considered measures such as reducing work hours, changing roles, or taking a sabbatical to alleviate stress (figure 7). Among those working remotely or in hybrid arrangements, surveyed caregivers were 1.3 times more likely than noncaregivers to say they'll leave their organization if their company eliminated their ability to work remotely.

In spite of being a significant demographic at risk of leaving, most caregiver respondents are highly engaged and carry a positive image of their organization and financial services industry more broadly, more so than those who are not caregivers. They largely feel connected to their managers and consider themselves to be valued contributors in achieving their organization's purpose. They'll likely recommend their company to their children or a relative for future employment. In fact, most caregiver respondents believe the financial services industry offers better flexibility, support for those with caregiving needs, and career advancement opportunities than other industries. Offering programs to support and retain the caregiver population may help to reinforce their positive image of their organization.

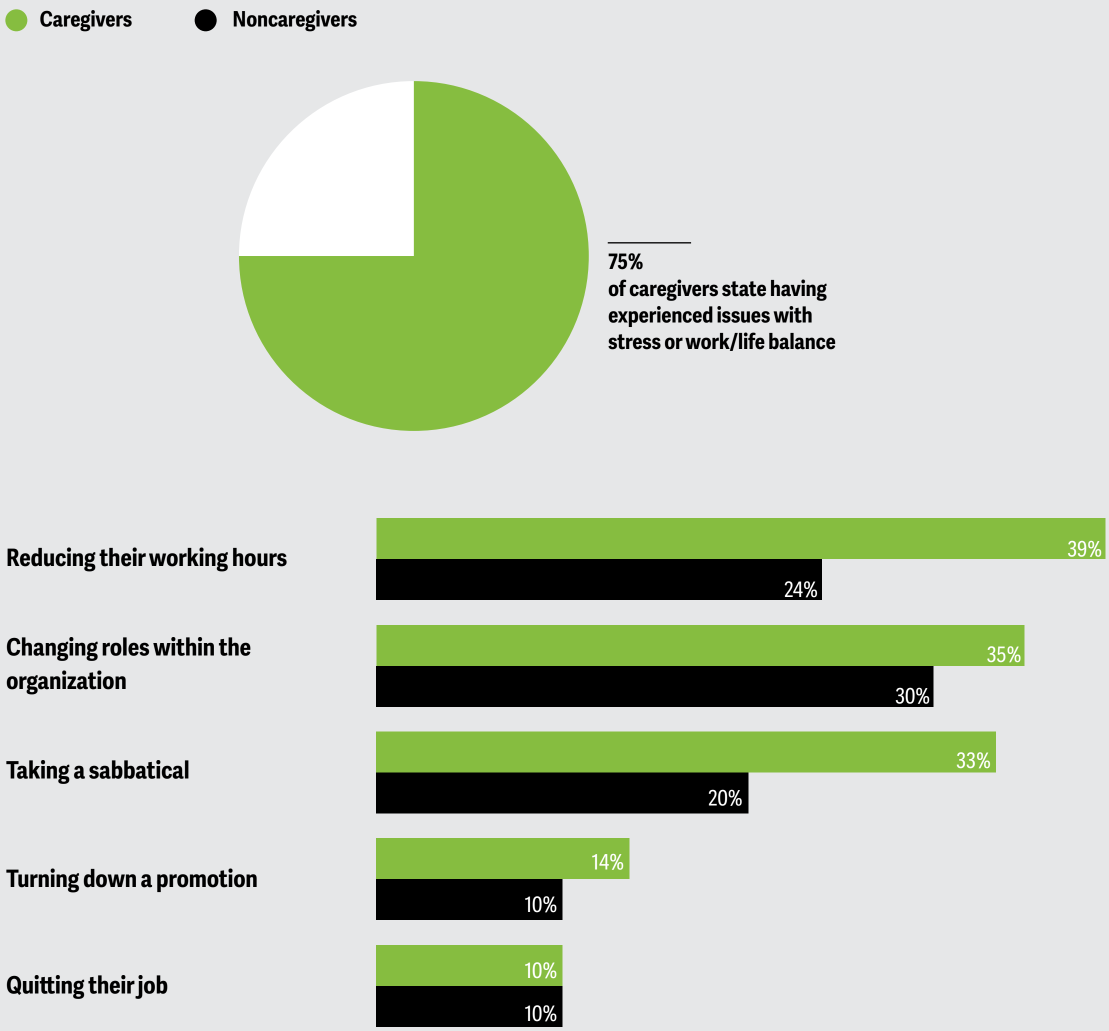
Yet 60% of respondents feel that, at their company,employees with childcare or eldercare responsibilities are less likely to be promoted. When asked what their organization can offer to enhance their work experience, the need for more career advancement and learning and development opportunities topped the list.

As employers reevaluate their workplace arrangements, they have an opportunity to potentially mitigate attrition among employees with caregiving responsibilities.

Figure 7

Caregivers report higher stress levels and have considered the following measures to improve their work/life balance

Percentage of respondents who have considered taking these measures to reduce stress or improve work/life balance:



Note: Caregivers (N = 599) and noncaregivers (N = 101).

Source: Deloitte Center for Financial Services 2023 employee engagement study.

How can workplace models work for employers *and* employees?

Less than 10% of respondents say they want to be fully remote. Returning to the office can be just as important as working remotely to achieve a holistic employee experience. But if the office environment is perceived as a solitary experience or employees feel they could do the same work more productively from home, many are likely to resist mandated return-to-office policies.

A win-win situation could emerge where returning to the office is a desirable state for employees. But how can leaders reach that goal and meet business needs without sacrificing high levels of employee engagement? Here are a few considerations:

- **Take small steps.** Any significant changes to the current working arrangements may be met with strong opposition. Starting with lesser number of days in office, before ramping them up, would allow employees time to soak in the benefits of an in-office environment. Our survey indicates a clear preference for one to two in-office days a week over three to four days. In some cases, employers are offering a combination of flex and core hours, where all employees are expected to work during specific hours (e.g., 11 a.m. to 3 p.m.), with full flexibility for remainder of the day. Offering team-based decisions on workplace arrangements is another option.[13] This approach can empower employees to voice their flexibility preferences while still committing to the needs of the team.

- **Capitalize on the benefits of being face-to-face.** In-person interactions can promote trust and strengthen working relationships. Organizations should encourage a healthy mix of informal gatherings (e.g., watercooler chats) and formal networking sessions designed to reinforce the benefits of being in the office. More than one-third of respondents (38%) say having opportunities to connect with leaders above their level could positively impact their work experience, so perhaps instituting regular live, in-office sessions with leadership could improve employees' attitudes about coming into the office.

- **Focus on training and development.** When asked what their organization can do to enhance their work experience, almost four in 10 respondents say they'd like more learning and development opportunities. FSIs can address this demand by offering in-person, role-based, or business-specific training programs as one of the measures that showcases the relevance of in-person connections. Consider bimonthly or quarterly "in" days that bring local and remote workers together into a central office location for training and networking.

- **Read the pulse of your workforce.** Organizations should conduct regular pulse checks to measure employee engagement levels and their satisfaction with their working arrangements. Providing a forum to collect feedback can convey employers' commitment to address employees' needs. The results should guide leaders if adjustments are needed.

Organizations are unique and so are their employees. Employers should focus on enhancing the in-office experience to demonstrate the positive, career-enhancing opportunities as well as defining *why* it is important and beneficial to the organization to have employees connected, networking, and collaborating in-person.

By thinking about the ties between workplace arrangements, engagement, and advancement opportunities holistically, and designing policies accordingly, financial services leaders can help foster more equitable workplace cultures.

METHODOLOGY

Research findings are based on a survey conducted in April 2023 by Deloitte and Workplace Intelligence of 700 full-time executives with job titles of manager or equivalent and above, exclusive of CXO officers, in US financial services organizations. The sample size was split evenly between respondents identifying as either men or women. The survey targeted the following four industry segments with the minimum annual revenue thresholds as noted: banking and capital markets (US$1B+), insurance (US$1B+), investment management (US$500M+), and commercial real estate (US$100M+).

The survey explored issues around work arrangements, engagement, belonging, industry sentiments, remote workplace impact, career advancement, manager evaluation, employee expectations, reasons for possibly leaving, and work/life balance.

Endnotes

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10. Throughout the *Within reach* research series, senior leadership roles are defined as executives, such as line of business leaders, EVPs, SVPs, or regional leaders and next-generation leaders are those just below senior leadership, typically those holding a title of manager or the equivalent; Alison Rogish, Neda Shemluck, Samia Hazuria, and Patty Danielecki, *Advancing women leaders in the financial services industry, 2023 update: A global assessment*, Deloitte Insights, June 08, 2023.
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