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Walking the tightrope — balancing flexibility and productivity in capital markets

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Banks have particular workforce issues. These companies are complex – sometimes combining investment and consumer banking services with asset and wealth management capabilities, and on occasion insurance products as well. With deep reliance on sophisticated technologies, and a scrutinous regulatory environment, bank technologists, cybersecurity specialists and risk managers are in unforeseen demand. This is in addition to the competitive pursuit for investment banking analysts and sales and trading staff, given the buoyant financial markets and vibrant IPO and deal backdrop.

Banks hire talent of all profiles – from MBA students in elite schools to high school graduates, all finding their place in a complex web of banking careers. It is no surprise that managing such a diverse workforce is challenging and that the banking chief human resources officer (CHRO) serves as a key advisor on a vital workforce agenda.

Yet there is no workforce within a bank as unique as in capital markets. Salespeople, traders, investment bankers — movies are made about them. These jobs are some of the most sought after on Wall Street, a jewel in the banking crown. Because of this reputation, banks – and particularly those in the top tier – have had their pick of the talent crop. Thanks to accelerated pay programs, apprenticeship learning models and a dynamic work environment, there has been no shortage of bright talent seeking to leave its mark on Wall Street.

But times are changing. FinTech, private equity and hedge funds loom, circling the same talent pools and forcing capital markets business leaders to reflect on the employee experience and underlying talent strategy.

A flexible future?

A key issue affecting capital market talent is workforce flexibility and, in particular, the return-to-office strategy. While the Delta variant continues to pose uncertainty, many banks have been forthcoming with their vision around remote vs. in-person work. While some are standing by flexible work as a point of differentiation in a competitive market for talent, others are focused on co-location to drive productivity, reduce risk and increase collaboration. Yet, with a few exceptions, and mostly in foreign banks operating in the US, sales and trading staff are expected back on site, if they are not there already.

For many banks, three factors are behind this. First, due to heavily regulated trade surveillance, establishing a rigorous supervision environment is crucial, and that traditionally has been best enabled via in-person supervision practices and on-premise technologies. Second, the need for real-time coaching is critical in investment banking, where a significant portion of workers are in junior roles and have observed few economic cycles over the course of their careers. Third, there are financial benefits in real estate occupancy in some major cities and targeting a population with legitimate on-site needs for return-to-office could help to materialize those economic gains.

The EY Work Reimagined Study indicates that more than 85% of banks globally expect remote work practices to change on a moderate to significant basis, with 60% planning to institute flexible working schedules. However, this may not be the uniform case for workers on the trading desk, or those who sell to clients or work on deals. For these workers, flexibility may be harder to achieve, given the nature of these roles, and offsetting levers may be necessary such as compensation premiums, stretch opportunities such as multi-deal exposure or shadow coverage experiences, or more intentional forms of flexibility, like sabbatical or leave purchase programs as well as protected time, such as weekend curfews.

Productivity and workforce life balance

Achieving a balance between work and personal life is a common challenge in the capital markets culture. In a fast-paced trading environment, or when closing a high-profile deal, the demands of these jobs are high. This does not go unnoticed by business leaders, and several investment banks have put in place spot bonuses to compensate analysts for long working hours, as well as other health and lifestyle policies, such as office curfews and exercise equipment benefits, to support well-being.

The digital transformation agenda under way in many banks is helpful to this discussion. As shown in the EY Work Reimagined Study, the pandemic has accelerated some of these efforts, where 65% of participating banks globally are enhancing their technologies to support virtual project planning, communications, dashboarding, and idea sharing. As several banks seek to innovate investment banking operations via technology, a significant portion of time-consuming work traditionally delegated to junior levels can be automated using bots. This includes modeling, prospectus creation, environmental, social and governance (ESG) and investor screening, and platform integrations that enhance real-time analytics. In doing so, banks have an opportunity to redesign investment banking roles so they are focused on higher-value and less time-intensive activities, like generating ideas and building client relationships. Once roles are redefined to take into account automation impacts, capital markets leaders should be well-positioned to recast capacity plans so that the demand for talent can be matched with a reasonable supply through a thoughtful strategy of hiring, upskilling and outsourcing.

Purpose-driven work

Diversity equity and inclusion remain a top priority for banking executives along with the increasingly prominent ESG agenda across the sector. To support this focus, some targeted programs have been put in place within capital markets businesses, such as sponsorship programs intended to grow the pipeline of women and racially and ethnically diverse bankers. Additionally, at least one bank is funding the secondments of top-performing bankers and traders to black-owned banks in the US in order to drive product development and innovation activities within these smaller firms. Within the technology domain, some banks have examined the educational requirements needed to successfully perform in certain trading technology support roles, which has improved hiring activity by expanding the candidate pool to a much broader network of candidates. Finally, some banks are intentionally diversifying coverage teams in order to match the diversity profile of their clients, which is increasingly a baseline requirement.

The draw for talent in the capital markets is competitive, with several firms experimenting with new levers to attract and retain the best employees. In an environment where there is growing demand for labor in a limited force of tired and isolated workers, it has never been more important to lead with people at the center. So why wait? Put people first today and reap the rewards tomorrow.

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