

EFR PAPER

THE IMPACT OF DIGITAL TRANSFORMATION ON LABOUR BEST PRACTICES AND POLICY RECOMMENDATIONS

1. Introduction

Digital transformation has multiple impacts on the EU workforce, many of which are positive, allowing for new opportunities and increased flexibility, e.g. enabling remote working, which has been a great asset in the Covid-19 situation and could become a regular form of work for a large share of employees. But there are also some that need our attention. Firstly, the discontinuation of certain jobs and the creation of new ones, for which different (technological) skills are needed. Secondly, the shift in employment relationships towards increasing 'atypical' work forms, such as platform work¹. Thirdly, at least in part related to digital transformation, the increase in mental health issues. Technological advancement and related expectations cause stress and anxiety, e.g. the perceived requirement to be online available 24/7.

Just to illustrate, in the EU, the number of atypical workers² has increased with 23,4% from 2002 to 2018, standing already at 44,8% in 2018³, and it is estimated that job loss through automation may be up to 12%, e.g. in Germany and Austria, although that would not necessarily lead to net employment losses⁴. Also, one in six EU workers experience some form of mental health issue⁵, which comes at a significant cost: OECD research suggests the annual cost for the Eurozone at EUR 600 billion. We see this confirmed by insurers' claims statistics.

As large employers which have gained a large experience of remote working during the Covid-19 crisis, but also as providers of (retirement) saving and income protection products, EFR would like to contribute to the EU debate on the impact of digital transformation of the workforce and related workforce protection, e.g. in relation to (further) follow-up to the European Pillar of Social rights and the report of the High Level Expert Group on the Impact of digital transformation of the EU labour markets and the identification of 'S' (social) indicators in the ESG principles context.

2. Best practices in digital upskilling of employees and giving new opportunities

As employers, it is essential to be aware of the digital transformation process and to forecast upcoming changes in job profiles and their impact on employees as much as possible. For instance, through company-wide **workforce planning programmes**, which aim to provide an indication on how the work population is changing and make clever and targeted investments in people, when it comes to recruiting, up- and reskilling. Some job profiles will phase out, while new profiles will emerge, that need to be built up from scratch - by 2022 the share of emerging job profiles will increase from 16% to 27%⁶. Also, there will be a considerable change in the existing profiles in terms of skills required. The World Economic Forum is forecasting: "By 2022, no less than 54% of all employees will

¹ "Main platform workers are defined as those who earn 50% or more of their income via platforms and/or work via platforms more than 20 hours a week." Source: European Commission - JRC Science for policy report - Platform Workers in Europe. 2018

² Persons in 'atypical employment', defined by the European Observatory of Working Life (EurWORK) as 'employment forms that do not conform to the standard [...] model of full-time, regular, open-ended employment with a single employer over a long time span'.

³ 2019 EPC report *The future of work: Towards a progressive agenda for all*

⁴ 2019 Report of the High Level Expert Group on the Impact of the Digital Transformation on EU Labour Markets

⁵ 2019 report of the High Level Expert Group on the Impact of the Digital Transformation on EU Labour Markets

⁶ Source: World Economic Forum - 2018: The Future of Jobs Report 2018, page 7 & 8.

require a significant re- and upskilling⁷.” The good news is, studies show that 67% of workers around the world would be willing to reskill (in Germany only 53%)⁸. EFR Members believe that it is part of their responsibility as companies to take their employees to the future by helping them to remain employable. Key is to create a culture of continuous learning. Programmes such as apprenticeships widely used in Germany, Switzerland & the United Kingdom encourage this style of learning, driven itself by the companies actual educational needs to promote employability. Nevertheless, for some of the new profiles, recruiting will need to be considered as well.

3. Best practices in addressing mental health as emerging risk

As mentioned above, mental health issues are on the rise in Europe and, although not solely related to the digital transformation process, need to be considered in the employment sphere. As employers, we are working to mitigate this risk with information and wellbeing efforts as mentioned below. In fact, one risk may have already materialised: it has been mentioned by EFR Members that with mandatory working from home in the Covid-19 crisis, there has been an increase in mental health issues, mostly related to either isolation or trying to maintain a healthy work-life balance. During this Covid-19 crisis, most companies launched communication programmes and promoted partnerships with wellbeing / social support companies to accompany their employees

The following best practices, aimed to keep employees informed of the changes that are happening and how it affects them and focusing on mental health prevention have been identified:

- a) Awareness-raising of the workforce / transparency:** Employees must know what changes in the environment and in the business make the digital transformation necessary. They must also know the objectives of the company in terms of digital transformation as well as the steps that will be taken to achieve them.
- b) Change management strategy:** Design a strategy by which the process is going to be developed from the point of view of the employee (Employee Experience).
- c) Reskilling and training:** Employees need to be empowered to face the new challenges of digital transformation, e.g. by training in new ways of working, including flexible working, remote working, teleworking and collaborative environments, training in tools to acquire digital knowledge and skills and training for new habits (innovation, agility). Also, new training channels need to be explored (e.g. reverse mentoring, digital platforms, self-learning).
- d) Providing support:** Employer-based mental health and well-being programmes play a significant role to keep employees healthy, happy and motivated in their work and are aimed at mental health prevention and social acceptability of mental health issues, which is important as there are strong indications that preventive action with regard to mental health is most effective⁹. Early interventions are key to provide individuals with the awareness and tools to take action to improve their own wellness. Actions may range from advice on the benefits of physical exercise and healthy eating to connecting people to promote a feeling of inclusion, promoting flexible working and offering mindfulness sessions.
- e) Destigmatisation:** It also important to reduce the societal stigma of mental health issues, and on a company level, of the impact of stress, to make mental health easier to talk about and increase awareness. Colleagues sharing personal stories has also proven to be effective in this respect.
- f) Definition of team leaders’ characteristics:** Training of leaders to be good people managers in all elements; from goal setting and work monitoring to building trust and supporting wellbeing, including on appropriate work/life balance and specific mental health training. Training of leaders with defined characteristics for the work management and emotional management of their team is crucial given the key role of the leader during the transformation process in order to face new challenges.
- g) Digital Disconnection:** Implement a Digital Disconnect Policy that allows employees to enjoy their free time and respect the free time of others.
- h) Psychosocial risks:** Analysis and assessment from a point of view of occupational risk prevention of psychosocial risks that affect groups, establishing specific measures for the risks detected.
- i) Logistics issues:** Address issues related to logistics (both integrated and material) at the worker’s home, whether they are an employee working from home or a platform worker. Firms could take into consideration employees’

⁷ Source: World Economic Forum – 2018: The Future of Jobs Report 2018, page ix.

⁸ Source: Boston Consulting Group, The Network – November 2019: Decoding Global Trends in Upskilling and Reskilling: What 366,000 people in 197 countries tell us about their willingness and preferences for learning, page 10.

⁹ See a.o. Report of the European Commission High Level Expert Group on the Impact of the Digital Transformation on EU Labour Markets, 2019

care responsibilities as well as the setup of workspaces in the home. (i.e. facilitating the creation of “workplaces” in the home itself or in its immediate vicinity, but not in classic company offices). Finally, issues related to home delivery and protection of the operators of the “last mile” supply chain should be taken into consideration. This logistical capacity was not necessary in the pre-Covid world because employees worked within controlled and centralised structures. At the beginning of the crisis many firms had trouble finding a sufficient number of couriers (“last mile operators”) to operate the distribution logistics network.

4. Best practices of addressing digital transformation challenges in insurance products

Digital transformation creates a new category of independent workers (in free-lance model) who work for one or several platforms. Such workers contributing to the so-called gig economy¹⁰ have varied degrees of protection when compared to regular employees. Insurance companies are well placed to develop suitable insurance covers to bridge this gap. This could be B2B2C because major platforms increasingly realise the necessity to protect their users: for instance, most platforms offering ride services provide personal accident insurance to both drivers and clients (including death benefits and hospitalisation coverages). Workers for major platforms can also sign up for complementary insurance for income protection, family protection, health, retirement and savings. In addition, more traditional employers looking to attract a more fluid workforce would benefit from the development of platforms they can use to provide benefits to workers who might not be permanently employed by them.

A major evolution consists in going beyond classic protection and to offer new services to individuals, be it training, legal advice in case of trial or psychological help. Another trend is to offer “pay as you work” insurance products that offers insurance covers at an affordable price.

Another example of going beyond classic insurance protection, is where insurers assist their corporate customers, who are also employers, on the preventive side of disability and mental health, for instance by assisting to set up wellbeing programmes and reaching out to affected employees at an early stage before a claim is submitted. An industry best practice example for retail customers would be to provide relevant tips and motivation for a healthy lifestyle through an app.

5. Best practices of addressing digital transformation challenges in banking products

Digital transformation in retail banking is fundamental to compete in the new market dynamics, characterised by an increasing usage of digital tools driven by retail customers’ demands. Digitalisation is allowing financial institutions to adapt their services to customers’ needs, increase the flexibility on how these services can be provided, and to enhance user experience. In order to remain competitive, many banks are heavily investing to support this transformation, deploying comprehensive training programmes for its employees and complementing their workforce with digital specialists that are supporting the development of digital solutions. An industry best practice example would be to support the development of necessary competences, skills and behaviour, for the achievement and improvement of commercial results, through an online platform, where learning responds to the needs coming from commercial banking. A dedicated area focused on digital skills would help facing the digital transformation and the future challenges.

6. Conclusion and recommendations

To conclude, there is much that can be done to support workers in the digital transformation process, both on a financial security and mental well-being level. EFR members are committed to do their part as employers of around 2.12 million people worldwide. Also, as providers of (retirement) saving and income protection products, they are striving to make their services fit for purpose for the changing environment.

However, action is also needed on the policy side to prepare society for this new era and ensure the legal environment and public policies in a larger sense (such as education and health systems) are also fit for purpose. . Those needs

¹⁰ a labour market characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.

are even reinforced by the Covid-19 crisis as transformation is likely to accelerate. With this paper, EFR wishes to contribute to the EU debate on the impact of digital transformation on labour and related workforce protection. In this light it recommends the following policy actions:

- **Skills identification:** encourage employers to identify the critical skills pivotal for transformation and enable reskilling of the current workforce to close any gaps within the aspired skillset, to create the conditions for people re-deployment across the organisations from the areas impacted by the automation to the emerging jobs (internal marketplaces).
- **Digital skills:** ensure that education programmes sufficiently and timely incorporate new skills development, both in the technical and managerial sphere, and enable life-long learning for current workers;
- **Mental health:** increase societal awareness of mental health issues and promote prevention programmes on all levels of society, including employer-based resilience programmes for employees and line manager mental health upskilling;
- **Income Protection:** increase attention given to and measures in the area of financial education in the area of income protection and pensions and incentivise financial products that are flexible to adjust to the digital transformation process, including atypical employment forms and career breaks.

Realising that competence in the addressed policy areas lies primarily with the Member States, we suggest considering the **following policy measures on EU level** to support the respective policy agendas of Member states:

- **Awareness raising:** increase awareness of the challenges related to digital transformation of the workforce, and solutions to address them, both on a private and public level with EU citizens, companies and national policy makers;
- **Best practice exchange:** facilitate the exchange of policy and company best practices to address abovementioned challenges amongst Member states;
- **Sustainability Principles:** enable and incentivise companies to incorporate sustainability principles and be transparent about this, in this context mainly in the 'S' (social) area of ESG, including, for instance, sustainable work policies, possibly through EU regulation in the area of non-financial reporting;
- **Link to EU co-funding:** EU co-funded Member States' initiatives in the areas of employment, (mental) health and education should integrate measures to address the challenges caused by digital transformation.

The European Financial Services Round Table (EFR) was formed in 2001. The Members of EFR are Chairmen and Chief Executive Officers of international banks or insurers with headquarters in Europe. EFR Members believe that a fully integrated EU financial market, a Single Market with consistent rules and requirements, combined with a strong, stable and competitive European financial services industry will lead to increased choice and better value for all users of financial services across the Member States of the European Union. An open and integrated market reflecting the diversity of banking and insurance business models will support investment and growth, expanding the overall soundness and competitiveness of the European economy.