

## CHALLENGES AND OPPORTUNITIES: LUXEMBOURG'S CHANGING FINANCIAL SECTOR

### No employees, no financial sector.

"We don't just need beautiful facades and kind words; we need more recognition and salary improvements because the Luxembourg financial sector is us, the employees."

Luxembourg's financial sector has shown remarkable resilience in recent years, while other parts of the global economy have been hit by a series of crises. In this article, we look at current developments in this key sector and the challenges facing financial sector employees.

### An unscathed sector: Luxembourg's financial sector resists crises

While rising inflation and interest rates are causing concern around the world, Luxembourg's financial sector has hardly felt the effects so far. The crises since Covid-19 have barely affected the sector, and it has recovered rapidly. One third of Luxembourg's gross domestic product depends on the financial sector, making it a crucial driver of the country's economy.

### The effects of inflation and interest rates

Nevertheless, banks in Luxembourg are not totally immune to the effects of inflation and rapidly rising interest rates. This has led to a significant increase in value added in the banking sector. Demand for credit has fallen as a result of rising interest rates, both from businesses and households. Although this trend is expected to continue in the first quarter of 2023, the Luxembourg banking sector recorded an increase in value added due to

the marked rise in interest margins and net commissions.

### Challenges for employees in the financial sector

At a time when banks are once again posting record profits, with the best net profits since 2016 in 2022, the question arises as to the situation of employees in the financial sector. The sector's pay structure is currently based on the principle of meritocracy, which means that only members of management and a privileged few benefit. The gap between the highest earners in the financial sector and the employees who keep the system running smoothly on a daily basis is widening all the time. The median salary for 'normal' employees in banking and finance is no longer attainable.

### The demands of the OGBL Finance Sector

Faced with these challenges, the OGBL Finance Sector is calling for fundamental changes. They are campaigning for collective pay rises to make remuneration in the financial sector fairer. A central point is a linear pay rise of at least 6% over the next three years, as well as an adjustment of pay scales and a budget for equal pay and collective increases for all. The OGBL Finance Sector also stresses the need for secure professional retraining to help employees cope with technological change in the sector. This includes promoting ongoing training for workers in new technologies and working methods.

### Work-life balance and collective agreements for EVERYONE

Another key issue is flexible working conditions to improve work-life balance, as well as the introduction of a right to part-time work, with guarantees of a return to the original contract.

Collective agreements are proving to be the ideal tool for meeting future challenges, as they are drawn up in collaboration with the social partners, in particular trade unions and

employers. Collective bargaining remains the cornerstone, so why exclude so many employees from the financial sector? Across Europe, the density of collective agreements is increasing, except in Luxembourg where HR and management seem to have a tendency for everyone to negotiate better on their own than through representativeness.

However, individual employees do not have a decisive influence within the company. The solution is strong representation that advocates for the collective interests of everyone.

In the face of rapid digitization and the rise of artificial intelligence, it is imperative to steer the sector ahead of these technological trends. Anticipating issues is essential by promoting a diversified and inclusive sector, thanks to the expertise of the employees and robust collective agreements.

### The financial sector as an agent of social change

Finally, OGBL Financial Sector emphasizes the importance of a paradigm shift in the financial

sector, highlighting a focus on serving people. They argue for a balanced consideration of the country's economic interests and the quality of life of its citizens.

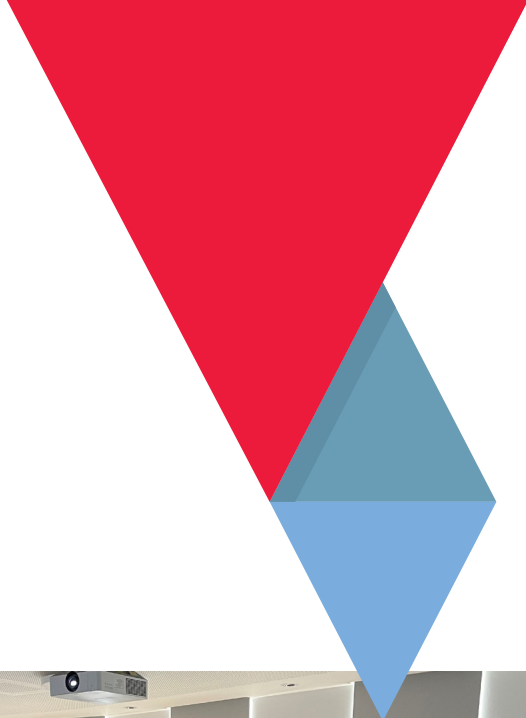
Negotiations on sector-specific collective agreements will take place this year, and OGBL Financial Sector will show determination in asserting its demands. As the largest union in Luxembourg, they play a key role in implementing their agenda.

Overall, the Luxembourg financial sector faces challenges but also offers opportunities for positive changes. Fair compensation and better working conditions are key elements in creating a healthy and sustainable financial sector in Luxembourg, one that continues to play a pivotal role in the country's economy.

### Why a salary increase in the financial sector in Luxembourg?

**Economic Stability:** The financial sector is a crucial pillar of the Luxembourgish economy. Adequate compensation contributes to employee motivation, which, in turn, can





enhance efficiency and service quality. This is essential for maintaining the country's economic stability.

**Shortage of Skilled Labor:** To attract and retain qualified professionals, competitive salaries are crucial. The competition for talent in the international financial sector is fierce, and Luxembourg must ensure it remains an attractive destination for experts.

**Workplace Motivation and Satisfaction:** Fair salaries increase employee motivation and satisfaction, subsequently boosting productivity. This is important not only in the financial sector but across all industries.

**Social Stability:** Appropriate salaries help reduce financial uncertainty for workers, positively impacting their overall well-being and social integration.

**Image and Reputation:** Fair compensation strengthens Luxembourg's reputation as a financial center and demonstrates the country's fair treatment of its workforce. This can contribute to attracting international investors and business partners.

**Inequality Reduction:** Reducing income disparities in the financial sector can contribute to decreasing social inequalities in society as a whole and improving people's quality of life.

Overall, a fair salary increase in the financial sector in Luxembourg appears to be both economically and socially sensible, provided it is implemented within a balanced and sustainable framework. This should help ensure long-term stability and competitiveness for the country.



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