



# Data ethics in the financial sector

Executive Summary

Cross-sectional Patterns

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# 1. Introduction

## 1.1 Background

Access to data allows for new and innovative business models. It is an engine for creating growth and competitive advantages. However, the increased data-registration, -sharing and -processing, also raise ethical dilemmas that cannot always be answered by current legislation.

Every day, we leave digital footprints that say things about who we are, what we like and what we do. This also applies in the workplace – we call this employee data.

Employee data covers all the data traces we leave right from when we apply for a job till the day, we leave the company again. This includes employee data that lives on in new, typically anonymised, forms after we have left the company. The list of employee data that is possible to collect is long and may contain data that we ourselves have provided information about – our performance and results, our health, personality, and traits, with who and how we spend our leisure as well as the stances we have expressed on social media.

The financial sector is one of the most thoroughly digitalised sectors in Denmark and it is now quite common practice for companies to register and use data about employees as part of daily business operations and development. There are examples of employee data being used positively for the common good of employees, the company and society, such as recruiting the right person, improving job satisfaction, and skill development.

But there are also several examples of the opposite. In countries with a strong influence on technological development, we see trends towards the increased use of solutions that set the scene for “monitoring and gossiping” about employees’ productivity, behaviour and physical whereabouts.

This project is based on the assumption that the latter trends do not define Danish financial workplaces, but no detailed research has been done in the area before.

Thus, this study is the first of its kind to specifically delve into a sector and shed light on the area from an employee perspective. The goal is to form the basis for bringing new perspectives into the ongoing debate on data ethics, where issues of data ethics in the workplace are playing a shrinkingly minor role.

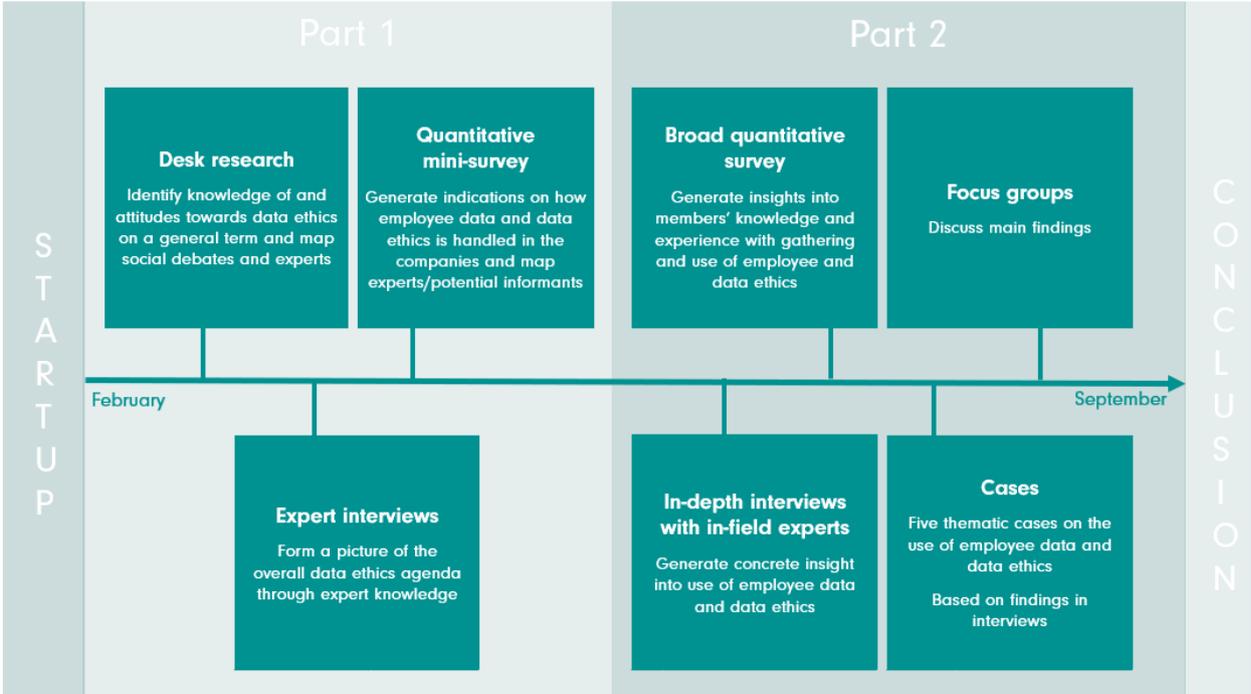
As a trade union, Finansforbundet has a particular interest in being at the forefront of the opportunities that digital and technological development create in the financial sector – and in the Danish labour market in general. This is why it was decided at Finansforbundet’s National Congress in 2020 to sharpen the focus on data ethics and the perspective on employee and work life data in a work context.



To accommodate the fact that the knowledge level in a work context is still relatively unexplored, Finansforbundet, in collaboration with WILKE and cph:learning, has initiated a project to explore the role employee data and data ethics play in the financial sector, including how the employees experience it and what employees think about the increasing use of employee data and new technologies for e.g. recruitment, employee development, performance measurement etc.

### 1.2 Introduction to the project

The project, which explores the role employee data and data ethics play in the financial sector, has consisted of a large number of sub-studies that collectively provide a solid foundation for the conclusions drawn in this summary with cross-sectional patterns. The studies have spanned over 7 months, from February to September 2022.



The project consists of 2 partial deliveries, as well as this Executive Summary:

#### Sub-report 1:

Provides a solid overview of the field and influencers. The report identifies knowledge and attitudes towards data ethics, nationally and internationally, generates insight into how data ethics are handled in companies and maps attitudes towards the use of data.

Sub-report 1 is based on desk research, interviews with experts in the field and a quantitative mini-survey of select members.



**Sub-report 2:**

Focuses on data ethics in the context of a worker in the financial field. The report provides insight into the members' knowledge of and experience with the use of employee data in their own company as well as in general. It generates insight into how employee data/data ethics is worked with at a company level. Based on the knowledge generated, five cases, that serve to strengthen both internal and external communication in the area, have been prepared.

Sub-report 2 is based on a broad quantitative survey of members, in-depth interviews, prepared cases and follow-up focus groups.

This Executive Summary summarises cross-sectional observations from all the sub-analyses.



## 2. Cross-sectional observations from the sub-analyses

### #1 - The data ethics agenda

With effect from 2021, it became a legal requirement that all major Danish companies must supplement their annual management report with a statement of the company's policy on data ethics. This applies to all financial institutions, banks and data centres. The data ethics agenda is also helped along by the general technological development and several work groups and councils that provide information on the importance of data ethics.

In relation to the introduction of the new accounting rules, a number of authorities, advisers and interest organisations have commented on data ethics in the public debate. The focal point of the debate has been how data ethics principles and policies might look, how regulation of new advanced technology might occur, and how data ethics are either similar to or different from the GDPR. Attention has been particularly focused on responsible handling of customer data rather than employee data. The attention to customer data is a derivative effect of the extensive work of putting the GDPR into practice.

An ongoing debate is about whether data ethics and the future use of data and technology should be left to the market forces or defined through laws and regulations. It is also debated whether it can be advantageous to develop data ethics through dilemma-based discussions and future scenarios. Attitudes, opportunities and limits to the use of data and technology are constantly changing. In a relatively short amount of time, changes in what is perceived as normal and reasonable practice in society can occur and legislation may have difficulty responding quickly.

### #2 - Knowledge of data ethics

In a business context, data ethics is a relatively new phenomenon, which is why there is limited knowledge of the concept and its long-term business significance. The business world, authorities, interest organisations and research groups have many ideas about the importance, but since the spread of data ethics is influenced by many development factors, time will tell how it is institutionalised in the financial sector. In 2021-22, the financial companies launched their overall data policy, though far fewer have succeeded in implementing the policies in daily practice.



Very few employees know exactly what data ethics cover in terms of employee data and who has primary responsibility for data ethics. Data ethics is primarily understood in the context of the GDPR, and the work with data ethics is currently centred on limiting who has access to personally sensitive information and how the ethics relate to the GDPR. Organisational knowledge of data ethics is thus greatest in the employee group, Legal/GDPR, followed by HR and the management system.

### **#3 – Employee data**

For many years, finance companies have been using system logging and processing of employees' financial and consumption data to detect potential money laundering and terrorist financing. The same applies to phone conversations and correspondence about stock trading in order to document concluded agreements. Monitoring is therefore regarded by many as a natural premise for performing tasks in the financial sector, and there is a natural trust that the data is processed properly.

Amongst Finansforbundet's members, there is also a generally positive or neutral attitude towards companies registering and using employee data to combat money laundering and improving the company's processes, working environment and efficiency. Relatively few have a negative attitude towards these purposes.

However, the members have limited knowledge of what specific employee data about them the employer registers and uses. There is a clear connection between knowledge and attitude: The greater the knowledge, the more positive the attitude. However, there is a significant concern about how employee data will be used in the future compared to how it is used today.

Most companies have a practice for using employee data in recruitment work. This is where personality and intelligence data are primarily collected. This data is usually not used later in the employment relationship.

There is generally increased attention to how new technologies will be used to collect and process data in the future. Behavioural data from computers, tablets and/or phones are collected from some companies, but there is no widespread practice of using this data. The same applies to location data, which is only used to a very limited extent. The limited use can be explained as a deliberate opt-out, so as not to challenge trust or be grounded in a low level of skill and maturity in the use of new data mining analytical tools.



In day-to-day development work, the only data usually used is task and competency related. Systematically collected and used data on skills is typically only included in annual employee development interviews and in connection with internal job rotation. Health data is used to track sickness leave. Health data to monitor stress signals is used to a very limited extent.

Educational and personal profile data is used to varying degrees in team-based and organisational development processes. Some departments implement personal and team profiles as a prelude to organisational development, but this does not seem to be a widespread and systematic practice. However, some informants point out that there is great potential in combining one's own intuition and insight with systematically collected employee data for team composition and organisational development. In a specific business case, personal profile data was used to put together work groups in an involved strategy process.

Most companies have no experience in using systematically collected employee data in job satisfaction and working environment work, apart from aggregated data from mandatory, annual job satisfaction surveys. A bank has implemented non-anonymised job satisfaction metrics. HR uses these to improve the well-being of employees. Personally identifiable data from the job satisfaction metrics are available to HR and the individual employee. The employee's HR manager has access to aggregated data. An important experience from this type of job satisfaction measurement is that it has strengthened the cooperation between HR, employer, and employee. With the detailed knowledge, HR has a better starting point for advising managers in relation to pre-emptive job satisfaction dialogues and efforts.

#### **#4 – Culture of trust**

There is a generally widespread trust amongst the sector's managers and employees that employee data is collected and used responsibly. At the same time, there is a fundamental acceptance that there is a need to collect and analyse customer and employee data to meet the needs and wishes of customers, authorities, shareholders etc.

The trust goes both ways. The employee side will be careful not to take that trust too far by, e.g. introducing unnecessary registration and monitoring measures.

The generally high level of trust in the sector can partly be linked to the employer and employee sides having a close dialogue about what might be reasonable to measure amongst employees, and partly due to the sector having been committed to creating a high level of data security for many years.



Despite mutual trust, informants nevertheless express a concern so that employers may misuse employee data unknowingly. The concerns are mainly related to management use of data, including what is recorded, how data is processed and displayed by algorithms and who has access to the information. Managers in particular view the development and use of more employee data positively, while employees in the legal/GDPR function seem to have the most concerns.

## **#5 – Company strategies**

In 2021-22, financial companies developed their mandatory data ethics policies. The work seems to follow a conventional policy-development process. There is a widespread belief that a data ethics policy can help ensure ongoing attention to data ethics. Both active and reactive attitudes to the ongoing work with data ethics can be traced amongst the companies. Some informants express that it is appropriate to adopt a pragmatic and defined strategy for data ethics. Their companies have primarily chosen to develop a general policy which honours the statutory requirements. Further policy implementation in the organisation seems to be unclear. Other informants express that the legal requirement gives rise to a broader internal discussion of what values and principles should characterise the future use of data and IT. Where the focus is largely on the processing and protection of customer data, very few policies have separate considerations for the company's access, processing and protection of employee data. Employees are typically regarded as a stakeholder on equal footing with external business partners, suppliers etc. and are therefore implicitly included in the data ethics considerations aimed at all stakeholder groups.

The informants in the surveys have different views on whether data ethics will become a competitive parameter. If promoted, data ethics could become an identity marker for companies in connection with the recruitment of the younger generation, who generally have clear expectations that companies should have a meaningful mission with a focus on social responsibility and sustainability. Other informants believe that data ethics will be a basic task for everyone in the sector and thus not a differentiator.

## **#6 – Organisational practice**

At present, data ethics is handled by specific departments and job categories. It is predominantly the DPO, HR Manager, data scientist and the chief IT architect who are responsible for data ethics. This anchoring may be due to the fact that data ethics comes from a new legal requirement and is thus seen as a new organisational phenomenon that is primarily handled politically and legally in boards, at upper management levels and in specialist groups. Furthermore, data ethics is linked to the GDPR and thus ethics is immediately anchored in the same place in the organisation.



The strength of the central anchoring is that data ethics is closely linked to other legally regulated areas. It may also be easier to gather experience in one place for ongoing and annual policy follow-ups to the executive board and board of directors. It also accommodates a desire on the employee side that there should be a clear allocation of responsibilities and disseminated information about who to contact with data ethics issues.

When data ethics is centrally anchored, there is subsequently a major dissemination task, so that the organisation knows that data use and technology choices should be assessed from a data ethics standpoint. Furthermore, the policy must also be translated into operational guidelines if the policy is to make sense and have real significance in day-to-day work. If it is the company's intention to make data ethics ubiquitous and culture-based, there may be a challenge in having data ethics formulated and monitored centrally. Policies, guidelines and monitoring should be followed up by local meaning and culture-generating activities in the organisation.

## **#7 - Finansforbundet's role**

Most Danish trade unions relate to data protection and changing job functions as a result of digitalisation of society and the labour market. The unions that sporadically make statements on data ethics are either directly or indirectly in contact with data ethics councils and commissions. In the public debate, it is clear that Finansforbundet can and has managed to position itself on data ethics dilemmas on the employee side. Finansforbundet has the most search hits in terms of employee-oriented data ethics. At the time of writing, there are no trade unions other than Finansforbundet that has specifically dealt with and commented on connections between data ethics, employee data, organisational culture and job satisfaction.

There is broad agreement amongst the members that Finansforbundet and/or union representatives should have an influence on what data the workplace can register and use. There is also agreement that the employee side has to deal with the challenges on employee data at the workplace.

However, it is not entirely clear what the role should be in the internal data ethics work in the companies. It is pointed out that the employee side and the union can set an agenda but not necessarily automatically play a central role in the companies' policy development. In connection with the preparation of employee-oriented guidelines for, e.g. privacy, there are examples of the employee side being invited to participate in the formulation process. In the existing collective agreement for both the banking and mortgage credit areas as well as the savings banks,



it was also agreed that cooperation committees should discuss the technical, financial and personnel consequences of the introduction of and changes to IT systems of a more significant scope.

## **#8 – Data ethics policies**

Changes to the Danish Financial Statements Act with effect from 2021 have accelerated the companies' work with forming policies for data ethics. Amongst financial companies, both active and reactive strategies are traced in relation to development of data ethics policies. Some companies express that the legal requirement gives rise to a broader internal discussion of what values and principles should characterise the future use of data and IT. Other companies express that it is more appropriate to adopt a pragmatic and defined strategy for data ethics. These companies primarily choose to develop a general policy which honours the statutory requirements.

The presented data ethics policies point out that data security is highly valued and includes all the personal data and other data stored and processed. In practice, however, the policies seem to be oriented towards the existing legislative framework, e.g. the GDPR and the storage and use of customer data.

The preparation of the data ethics policy follows normal practice for developing policies in the companies. The work is initiated by the executive board and the board of directors and then follows a step-by-step process consisting of formulation, approval, implementation and follow-up. In many companies, the work is anchored with the DPO in close cooperation with IT and HR. This ensures that data ethics is closely linked to other legally regulated areas. In one of the larger Danish companies there has been a dialogue on data ethics between the employer and employee sides under the auspices of State Educational Support Grants which has contributed to the production of specific and detailed policies for processing employee data.

## **#9 – Cooperation on data ethics**

Most Danish financial institutions and banks have a tradition of cooperation in various knowledge areas such as payment processing, board work, compliance, anti-money laundering and risk management. The cooperation takes place via bilateral development projects, industry associations and data centres. Similar knowledge collaborations are also seen within data ethics. For example, eight of the largest local financial institutions work together on the topic through the 3S collaboration, and the industry organisation for insurance and pension companies F&P has developed data ethics principles that set a framework for the industry's use of data.



## #10 – Digital education and competence

There is broad agreement amongst influencers and researchers that the digital education of the population needs to be strengthened. Digital education and digital skills are a prerequisite for citizens and employees to make informed choices in a digitalised society and labour market.

There are many ways of developing digital education and competence. There is a gradual build-up of experience in the day-to-day work with data and IT systems. New recruitment, on-the-job training, mentoring, collegial sparring and networking are also learning methods that can increase the level of competence. Furthermore, continuing education and external collaboration projects with other financial companies, educational institutions, authorities and interest groups may provide new data ethics knowledge for the organisation.

Finansforbundet's members would like to have insight and reassurance that their employee data is used sensibly and for relevant purposes. The members also believe that it is not necessarily their own responsibility to be able to oversee and ensure effective enforcement of data processing. Monitoring practice and the competence for this can be anchored with specialists.

In most financial companies, data ethics is currently handled by specialists such as the DPO, HR manager, data scientist and the chief IT architect. The question is whether data ethics will continue to be anchored around these functions in the future. In recent years, international IT companies have introduced data ethics committees, job categories and teams to monitor the companies' data use, digitalisation and ethics. For example, Ethical Technical Officers are appointed to head data ethics teams with data detectives to ensure that the management system, IT systems and IT developers behave in an ethically responsible manner. Other functions such as data ethics ambassadors and data ethics programs and project managers also help ensure that data ethics are an integral part of everyday life and development processes.

### **The link between data ethics and the Danish Data Protection Act**

The Danish Personal Data Regulation contains a set of rules that regulate the processing of personal data. The regulation is based on what is generally perceived in society as reasonable and generally accepted. Data ethics is a set of perceptions about acceptable behaviour, and when the perceptions are translated into data ethics principles and policies in companies, they become the governing body for what can be done with personal data.

Data ethics and the Danish Personal Data Regulation should not exist separately in companies but should live in a symbiosis where data ethics can guide data controllers and data processors in the outer zones of the legislation where there is room for individual interpretation.

In Article 5, Paragraph 1, letter a of the Danish Personal Data Regulation, it states that the processing of personal data must be legal, reasonable and transparent. 'Legal' means that there is



a legal basis for the processing and transparent means that data controllers must comply with the disclosure obligation in Articles 13 and 14. The word reasonable involves an estimate in the situation in question. This means that data controllers themselves are responsible for making an ethical assessment of what can be considered reasonable.

The requirement for ethical assessments of the processing of personal data is also supported by Article 40 on codes of conduct for the correct application of the Danish Personal Data Regulation, Article 41 on the control of approved codes of conduct as well as Article 42 on the possibility of obtaining certification of compliance that the processing activity complies with the Danish Personal Data Regulation.

Regardless, it will be up to each data controller and data processor to decide what is ethically correct in the processing of personal data. But therein also lies a dilemma, because how does a person gain insight into which data ethics principles a data controller has used for their processing – and, most importantly, how does the person have an influence on these principles?

In an employment relationship, the employer can process a large amount of personal data, e.g. to decide who should have a vacant position, be appointed as a manager, have a salary increase or simply be offered new tasks or participation in an exciting project. It could also have to do with dismissal. But how does the employee know exactly what criteria are used, what information is used to determine their future in the company, and how the information is used? Data ethics guidelines could govern how the company uses all this information and how the individual employee should be involved.