

Financial services talent trends 2019

It's time for FS leaders to rethink their strategies for building a digitally skilled workforce

Part of PwC's 22nd Annual Global CEO Survey trends series





A new skills challenge

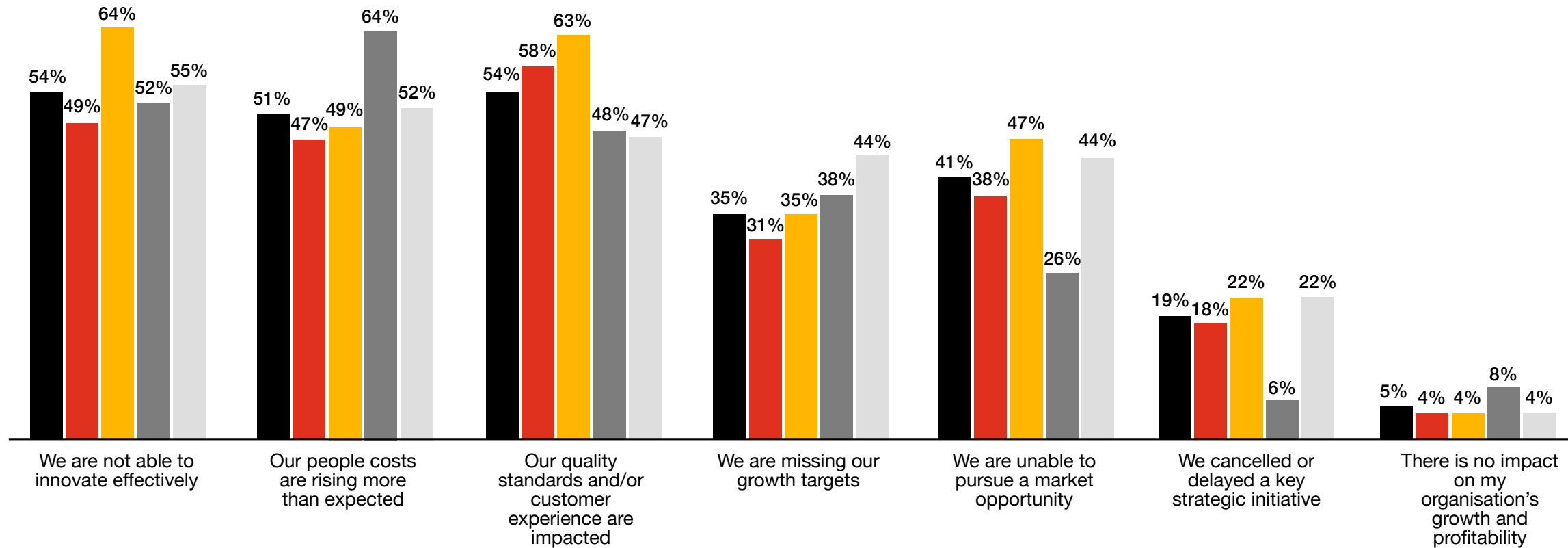
Ten years ago, only approximately 50% of the CEOs of financial services (FS) companies saw skills shortages as a threat to their growth prospects. According to PwC's 22nd Annual Global CEO Survey, it's now 76%. This shortage of key skills is affecting everything an FS organisation does, including staffing, innovation and customer experience (see Exhibit 1).

EXHIBIT 1

Impact of skills shortages

QUESTION

What impact is 'availability of key skills' having on your organisation's growth prospects? (Asked of respondents who reported being 'extremely concerned' about availability of key skills)



Source: PwC, 22nd Annual Global CEO Survey
 Base: Financial services CEOs (213); asset and wealth management CEOs (45); banking and capital markets CEOs (83); insurance CEOs (50); global CEOs (473)

So far, industry leaders have generally responded to this challenge with more of the same talent strategy: developing skills from within and attracting employees away from competitors. A few forward-looking exceptions aside, most FS organisations aren't focussing closely on fresh approaches. For example, they aren't hiring from outside the industry or changing the composition of their workforce (see Exhibit 2).

How sustainable is this continued reliance on traditional talent strategies? Although financial reward was once a big attraction in recruiting FS professionals, today's diminished returns make it difficult to sustain an employee value proposition built solely around pay. The challenges are compounded by a mismatch between the supply of talent (higher in slow-growth mature markets) and demand for talent (with rapidly expanding markets in Asia and the Middle East).

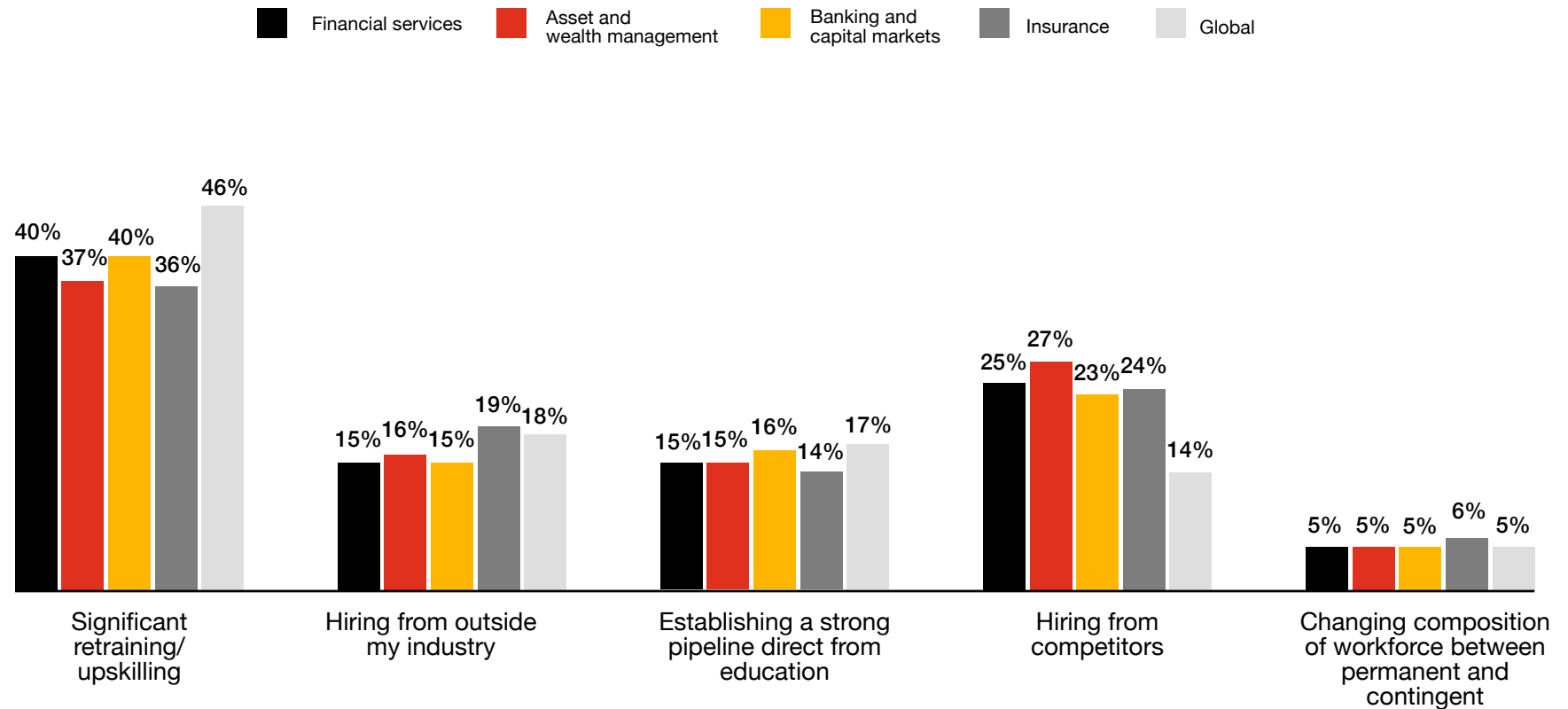
More than a decade after the financial crisis, FS businesses also are still wrestling with their identity. Banks have a strong and compelling value proposition: they can help businesses grow and enable customers to meet cherished aspirations, such as owning their own home. Yet despite concerted efforts to rebuild the image of the industry over the past ten years, this positive purpose may be ignored externally, and it may be blurred internally as well.

EXHIBIT 2

Priorities for closing the skills gap

QUESTION

Which of these is the most important to close a potential skills gap in your organisation?



Source: PwC, 22nd Annual Global CEO Survey
 Base: All respondents: financial services (654); asset and wealth management (164); banking and capital markets (235); insurance (140); global (1,378)



As industry disruption accelerates, the skills in highest demand evolve and talent expectations become harder to meet, the need for a more fundamental rethinking of the FS talent sector can't be put off any longer. There are a variety of approaches that companies can take. Some of them are self-contained. Others will involve participating in broader community-wide efforts, often with government input. (See “Luxembourg Digital Skills Bridge” and “Singapore’s partnership model,” page 8.)

Wanted: Innovators and engagers

Although technology can provide a platform for modernisation, it's people who ultimately drive innovation and realise its potential. The most prized talent includes

people with combined FS and technology expertise, focussed on highly specialised areas such as the use of drone surveillance analytics in underwriting or training the machine learning systems used in algorithmic trading and robo-advice systems.

There is also a call for people who can drive digital transformation. This capability depends on understanding new business models and appreciating the art of the possible from a customer experience perspective, then integrating these approaches with leading-edge technology.

The skills of human engagement also become more prominent as operations become more automated. The differentiated value of skills that can't be replicated

by machines — creativity, engagement and emotional intelligence — increases accordingly. Examples include the needed skills of employees who deal with the complaints, complex enquiries and other moments that matter that chatbots can't manage. These individuals aren't standard call centre personnel, but a new breed of 'super relaters', capable of quickly scanning through multiple omnichannel interactions and then responding with expertise and imagination when human intervention is required.

Examples of how innovation, engagement and core FS skills are coming together include people developing solutions for financial inclusion and well-being, and customer-facing staff meeting the demands

for more socially and environmentally conscious investment strategies. Signs of a relationship resurgence include bank outlets that are more like cafés and places to hang out than like traditional branches. In short, institutions are looking for ways to capture more of people's time, loyalty and wallet than one-click digital interactions can allow.

Challenges in competing for talent

The problem is that many FS organisations aren't clear about what kinds of skills they need or how to secure them, especially as existing jobs are evolving and new types of roles are emerging at an accelerating rate. The 2019 PwC report *Preparing for tomorrow's workforce, today* identifies

workforce data deficiencies as the biggest risk to the development of effective organisational capabilities.

The FS industry's ability to compete for talent is also hampered by its lingering image problems. Many of the innovators and engagers it needs see sectors such as technology rather than FS as their natural home. A survey of students carried out by the employer branding consultancy Universum found that those seeking out careers in the technology industry are far more likely than those heading for banking to see entrepreneurial or creative/innovative work as one of their top three career goals.

An almost identical contrast between banking and tech emerges amongst students who want to feel they're serving a greater good. Aside from work-life balance, which is the top priority for all students surveyed, the number one goal for would-be bankers is a secure and stable job.

PwC's *Preparing for tomorrow's workforce, today* research shows that FS has been slower than other major industries to respond to priorities involving the people experience. These priorities include

autonomy and work-life balance as well as demands for greater meaning in work and diversity in the workplace.

High-quality life experience is an especially strong focus for the generations coming into the workforce and moving into the leadership pipeline. They've seen the impact of long hours and stress on their parents and therefore want to work in more agile and autonomous ways. Many are going further by choosing contract or contingent work over being an employee so they can take greater control over their life and seek out more varied experiences. At the same time, our research shows the FS industry's engagement with contingent talent lags behind that of other industries, and few organisations have developed an employee value proposition that embraces agile working and relationships outside direct employment.

Rules of talent attraction

How then can your organisation identify and secure the skills it needs to compete?

1. Forge a renewed sense of purpose.

Although FS organisations have found

themselves weighed down by process and regulation over the past ten years, digital transformation has set off a fresh wave of innovation. Pushing your business to the forefront of that wave and creating an environment where it can prosper – for example, with attention to diversity and agile working – can help make it a magnet for talent.

FS organisations are keen to reassert their vital role within communities and economies. The question is whether they're doing this in a way that rebuilds trust, or just as an afterthought to the prime strategic objective of boosting shareholder value. This needn't be a trade-off. The two goals of building trust and profitability can and should be mutually supportive. Areas such as ensuring customer welfare and outcomes are at the forefront. Examples gaining ground include financial wellness platforms and medical and life insurance plans that encourage healthier lifestyles.

2. Get workforce planning up to speed.

Effective data analytics can give your business a critical edge in anticipating future talent needs and creating a compelling people experience. Priorities

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include ensuring you have people within your HR team with the necessary data modelling skills, as well as the ability to interpret data and understand its business implications.

A key foundation for long-term workforce planning is evaluating your current staff. Which members of your workforce already have the skills and mind-set you need in the future? Which members don't have the right skills and mind-set yet, but can develop them with targeted training and coaching? How can you maximise the potential of this second group? And which members are unlikely to fit your future workforce needs? For this third group, your priority should be to develop plans that support their employability outside your business.

3. Manage the real impact of technology.

The impact of technology on your workforce is often misunderstood. Far from whole divisions being automated out of existence, we're seeing parts of jobs being replaced and augmented. The resulting priorities include learning how to best use digital tools and making the most of the time they free up.

4. Operate as part of a wide ecosystem.

Contract, contingent, joint venture and other forms of partnership or independent talent should be at the centre rather than fringes of workforce strategies. These will all be valuable mechanisms as traditional sources of talent run short, highly specialised new areas emerge (e.g., cybersecurity intelligence gathering) and FS organisations come under pressure to curb fixed costs.

Although the CEO Survey findings suggest that many FS organisations are reluctant to embrace this ecosystem approach, a small but growing set of businesses in the vanguard are looking at as much as 50% external talent models. The move to a platform model in which the most appropriate products and services are brought in would accelerate the move to partnering and more flexible talent sourcing.

Key priorities include the identification and engagement needed to create a reliable network of independent contractors. It's also important to ensure your employee value proposition embraces independent talent and determines how to address any regulatory or legal constraints.

Becoming digitally proficient: Community-based solutions

Luxembourg Digital Skills Bridge

Although huge sums are being invested in digital upskilling, insufficient targeting and low employee motivation mean that much of the training is failing to deliver. A proven way to improve results is by focussing most closely on people whose jobs could change during the next nine to 15 months, and who might need to upgrade their skills accordingly. This near-term horizon helps boost urgency and buy-in.

One possible model is the Luxembourg Digital Skills Bridge, a system for matching people with jobs and training, based on their current skills and potential for gaining new ones. Building on data from AI tools that are embedded throughout the programme, leaders meet one-on-one with employees whose roles might be either augmented or removed by technology. They discuss

their aspirations, clarify their potential and then collaboratively design a plan for acquiring the necessary skills.

The programme has been successfully applied in five FS organisations in Luxembourg. At one institution, members of a soon-to-be automated customer research team were moved into other customer-facing roles. A training programme customised for this group included at least 20 days of intense full-time development. Anything less would not deliver the necessary uplift. The incentive for making this commitment was a guaranteed position for the individual employees, either within their current company or with another employer. This promise helped strengthen employee motivation for taking part in the training and increased the resulting return on investment.

Singapore's partnership model

Businesses can do only so much on their own. A closer partnership with government and educators is essential for realising the promise of talent upskilling. It's important to ensure that people coming out of full-time education have work-ready skills, but also that they have increasing opportunities to refresh their capabilities throughout their working lives.

Singapore provides a good example of a partnership model for forward-looking skills development and lifelong learning, led by the government. Schools, universities, policymakers and business groups have come together to create 'transformation maps' for more than 20 industries, including FS. The maps set out what the sector will look like in ten years' time. Each map analyses which skills will be less relevant, which new ones will be needed and how the partnership can deliver.

At an individual level, the focus is very much on matching people's existing skills and career aspirations with the opportunities ahead. Within FS, examples include developing professional conversion programmes to help bank tellers move into posts working with machine learning and Internet of Things technology.

Singapore's skills development programme, known as SkillsFuture, is delivered in-house and through local colleges such as the Institutes of Higher Learning. To improve the future pipeline, the government also is working with educators to create more adaptable curricula and teaching methods, moving away from rote learning to a more open and creative approach.

Strategy made real

How can your organisation create a more cost-competitive talent model without stifling innovation, impeding growth or undermining customer service?

If you're an executive at a typical financial services (FS) business, your playbook for managing staff costs — one that might have worked in the past — is now barely making a dent in today's unsustainably high costs. Meanwhile, agile, low-cost digital entrants are looking to undercut you and other established players in the most profitable parts of the value chain. It's tempting to reduce staff investment across the board, but if you do, you risk not being able to drive innovation or meet customer expectations as well as your competitors do.

It's often assumed that cutting costs and improving service are incompatible aims. But we believe that companies in the FS sector can deliver more for less. Rather than just reducing expense in a purely mechanical way, asking each function or business

for the same percentage cuts, it's important to ensure that resources are targeted where they can create the most value for your customers. This means investing in good costs (capabilities that differentiate your business, move it closer to customers and enable it to develop new value propositions) and eliminating bad costs (nonessential areas of spending). For example, could robo-advice provide a more cost-effective way to serve mass affluent investors, freeing up human advisers to concentrate on higher-value accounts?

You can also make the most of your talent budget with more flexible workforce practices. A plug-and-play model that draws on contingent and contract workers on a project-by-project basis can not only provide fast access to key talent, but also reduce

fixed costs. In general, productivity and flexibility go hand in hand — and both can be augmented with a better understanding of your company's workforce.

A recently published PwC report, *The productivity agenda: Moving beyond cost reduction in financial services*, finds that FS organisations are largely in the dark about what employees actually do with their time and how genuinely productive they are. For example, many firms don't know how long it takes to process a trade or how much time individuals spend in meetings. Analysis outlined in the report shows that time tracking alone drives a 15% to 20% improvement in productivity. Systematic measurement would enable your business to identify productivity opportunities and implement necessary changes.

Further possibilities centre on a platform model. The success of ride-sharing and home-sharing enterprises is built around leveraging the crowd rather than owning physical assets. Platforms would offer similar opportunities by enabling FS organisations to use crowdsourcing and the contingent workforce to drive down costs and solve difficult issues. We anticipate that gig economy employees will perform 15% to 20% of the work of a typical institution within five years.



About PwC's 22nd Annual Global CEO Survey

PwC conducted 3,200 interviews with CEOs in more than 90 territories. There were 654 financial services (FS) respondents, which included 235 CEOs from banking and capital markets, 164 CEOs from asset and wealth management, 140 CEOs from insurance and 115 CEOs from other types of FS organisations; 85% of participating FS CEOs were male, 13% were female, and 2% preferred not to say. Twenty-three percent of participating FS CEOs reported an annual revenue greater than US\$1bn, with 7% of these more than US\$10bn.

Notes:

- Not all figures add up to 100%, as a result of rounding percentages and exclusion of 'neither/nor' and 'don't know' responses.
- We also conducted face-to-face, in-depth interviews with CEOs and thought leaders from five continents over the second half of 2018. The interviews can be found at ceosurvey.pwc.com.
- Our global report (which includes responses from 1,378 CEOs) is weighted by national GDP to ensure that CEOs' views are fairly represented across all major regions.
- The research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services: www.pwc.co.uk/pwcresearch.

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