

TheCityUK | THE FIRST 10 YEARS



# FINANCIAL SERVICES SKILLS TASKFORCE

Final Report



## About the Financial Services Skills Taskforce

The Financial Services Skills Taskforce was launched by the former Chancellor in his Mansion House speech in June 2018 to help ensure that the sector is prepared to meet long-term skills needs over a period of unprecedented technological and social change. The Taskforce, chaired by Mark Hoban, and convened by TheCityUK, with support from EY UK<sup>1</sup> and The City of London Corporation, brings together senior business leaders from across the sector, representatives of trade bodies, Chartered institutes and higher and further education to take on the challenge of ensuring we have the skills and talent we need to be globally competitive into the future.

# TASKFORCE BACKGROUND AND OBJECTIVES

The Financial Services Skills Taskforce was launched by the then Chancellor of the Exchequer, the Rt Hon Phillip Hammond MP, in his Mansion House speech in June 2018 to look at the current and future skills needs of the UK financial services sector and ensure it is prepared to meet long-term skills needs in a period of unprecedented and technological change.

The Taskforce, chaired by Mark Hoban and convened by TheCityUK, with support from EY UK and The City of London Corporation, brings together senior business leaders from across the sector, representatives of trade bodies, Chartered Bodies and higher and further education. Together they have embraced the collective responsibility to address the challenge of ensuring financial services has the skills and talent we need to remain globally competitive into the future.

The Taskforce set out to:

- describe the current state of sector skills and outline the key trends and challenges
- develop a set of actionable recommendations championed by the sector
- encourage adoption and delivery of the recommendations by the sector, government and education providers.

Commencing in December 2018, the Taskforce has engaged with a wide range of senior stakeholders; conducted interviews with industry stakeholders, government and think tanks and reviewed articles, reports and publications. The Taskforce assessment of the current state of skills in

the sector was detailed in an interim report published in June 2019. Following this, the Taskforce has focused on developing the final recommendations contained in this report and securing industry and wider stakeholder input to their development.

## Principles & methodology

The Taskforce was established to look at how skills and job roles in the sector will change and undertook its work according to the following principles:

- **Collaboration** – working together to learn from the sector and reflect back on what we heard to create recommendations.
- **Ambitious, not idealistic** – recommendations that are ambitious, achievable and implementable.
- **Leverage existing expertise** – build on best practice and the existing work in this space from across the sector.
- **Focus on future** – addressing skills needs in the short, medium and long term.
- **Maximise impact** – prioritise actions that will have the greatest impact.

The Taskforce is not examining issues relating to the international movement of talent, school curriculum or forecasting future employment figures.

In undertaking this work, we met with senior individuals within the sector, based in cities across the UK and representing organisations of all sizes including speaking to stakeholders in Edinburgh, Bristol, Cardiff, Belfast and Birmingham. We have also consulted with policymakers, academics and thought leaders, as well as individuals from outside of the sector and conducted a desktop review of documents and reports.

<sup>1</sup> EY UK refers to Ernst & Young UK LLP

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# INTRODUCTION

If we reflect on the drivers of the current and past success of the UK's financial services sector, we will understand that its future success will be determined by the skills of its workforce. The drive, innovation and commitment to excellence of those who work in the sector have provided a key competitive advantage in comparison with other sectors.

The skills, knowledge and behaviours of people in financial services enable the sector to meet the needs of businesses and families not just in the UK but globally too.

The UK's financial services sector is a national success story, with vibrant centres across the country. There is a symbiotic relationship between London, Belfast, Birmingham, Bournemouth, Edinburgh, Cardiff, Glasgow, Manchester and every city and town with a financial services presence, which is essential to our current and future success. Wherever they work, every one of the 1.1 million people employed in financial services makes a contribution to its domestic and international success.

However the sector's success is under pressure from a number of megatrends; data and technology, globalisation and demographics. These megatrends are having a profound effect on financial services; disrupting traditional business models and challenging current approaches to business. They are also impacting its people. There is a growing appetite and need for new skills and knowledge. Changes in the workplace require new behaviours.

In developing its thinking on how to respond to these changes, the Financial Services Skills Taskforce has concluded that it is only by reskilling our people that we will bring about the necessary system-wide changes. We need to need improve diversity and inclusion in our recruitment and retention practices, but this is not enough to transform the workforce.

While there are firms who are already starting to reskill their workforce, the sector as a whole lacks an overarching vision of what its skills needs will look like over the next decade. To bring about transformational change, it needs a skills framework to promote the acquisition of new skills at scale and cost effectively.

This report sets out a number of recommendations on reskilling, a common skills framework, improving the flow of talent into the sector and nurturing the talent that has been recruited. The recommendations are targeted at firms but we also propose, in each of those areas, collective action the sector can take to bring about change at scale. Our final recommendation is for a new, employer-led, Financial Services Skills Commission to take forward that collective action.

Our work speaks to a broader agenda too. The country is undergoing a fourth industrial revolution. Financial services can play its part not just by funding business investment, but by acting in every nation and region of the UK to reskill its own workforce so it can confidently face the challenges of the future.

I would like to take this opportunity to thank members of the Taskforce, TheCityUK, The City of London Corporation and EY UK for their significant contributions to this work.



Mark Hoban



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# FOREWORD

Financial services is one of the great success stories of the United Kingdom's economy over the decades. The financial sector, and its related professions, has thrived because it was willing to transform. It faced many challenges, but the sector continued to prosper because it attracted the best talent from home and abroad: skilled and ambitious individuals who sought out new markets, embraced new technology and strived to deliver the best products and services to their customers. Today, their ingenuity is not only growing our economy but strengthening society too by helping to address some of the big challenges of our time, from meeting the needs of an aging population to combating the threat of climate change. As we enter the 2020s, the diverse talent and skills found throughout the sector will once again prove crucial as the United Kingdom looks to forge a new, confident and ambitious place in the world.

Today, as highlighted in the Financial Services Skills Taskforce report, the sector faces new challenges. Three megatrends - technology and data, globalisation, and demographic change – are disrupting financial services businesses, changing the way they organise, work and relate to customers. These changes are driving dramatic shifts in ways of working and the skills that underpin them. Those that will become the most successful, and the sector's likely future leaders, will be those that combine technical and functional knowledge with digital fluency and strong inter-personal skills. They will use these skills to harness new trends that benefit their customers and clients.

It is therefore imperative to understand the size, shape, location and skills of the workforce the sector needs to continue to thrive and lead, and then be deliberate about the steps which must be taken to develop it. Two thirds of current financial services sector jobs are located outside of London. The strength of the sector lies in the collective expertise of London and strong regional centres that are often hubs of expertise and leading financial centres in their own right. Ensuring these regional centres have the right skills in the future will be particularly important.

Efforts to identify and develop the right skills will be a continuous process, rather than a one-off event. As disruption is increasingly constant, traditional models of business, jobs and skills will have to continuously evolve. Automation, changing customer behaviour and new ways of working indicate that there will be a shift away from administrative and clerical roles and an increase in higher skilled roles. This is a challenge and an opportunity for the sector to grow across the UK and take advantage of the talent in all corners of the country.

It was against this backdrop that the former Chancellor of the Exchequer invited Mark Hoban to lead the Taskforce to develop a system-wide response to ensuring the 1.1 million people in the sector across the UK maintain and develop relevant skills and prepare effectively for the future.

The Taskforce has identified the challenges that the sector faces and demonstrated that the task is so great that it simply cannot be tackled by tactical responses or an injection of fresh talent.

While there are great examples of firms, Chartered bodies and the education sector responding to these changes, there are some warning signs that suggest that, collectively, the industry is simply not doing enough. The amount financial services firms spend per head on training is among the lowest in the economy; attraction of the sector as a career choice is waning; and the workforce at its most senior levels does not reflect the diversity of the society it serves.

While the Government has an important role in setting skills policy, this is only part of the solution. The sector needs to invest in increasing and diversifying the supply of talent. At its heart, this should include:

- reskilling, upskilling and re-training of staff
- protecting and expanding employment in key regional centres
- attracting, motivating and retaining the widest and deepest pool of talent
- strengthening the purpose and culture of the sector to ensure it remains attractive to future generations of talent
- collaborating to create impactful change at scale.

If the industry is to tackle these challenges, it needs transformational, strategic, system-wide change. This final report seeks to build on the issues outlined in the interim report and set out detailed recommendations, which the Taskforce believes will help the sector and its people respond to the existential challenges it faces. The report sets out five core recommendations to address the way forward. Its recommendations are bold. They set the agenda and a work plan for the industry.

I am very grateful to the Chair of the Taskforce, Mark Hoban, and active engagement from sector and education leaders on the Taskforce, the team at TheCityUK, and the significant support from the City of London Corporation and EY UK.



**John Glen MP** | Economic Secretary to the Treasury



# EXECUTIVE SUMMARY

## MEGATRENDS ARE DISRUPTING OUR SECTOR AND IMPACTING OUR PEOPLE

Our reliance on higher skilled talent will increase.

There will be significant growth in technical and digital roles.

We will need our colleagues to adopt a future-based skills set.

Competition for talent will intensify. Demand will exceed supply across the economy, domestically and internationally.

## TO REMAIN COMPETITIVE WE NEED MORE PEOPLE WITH RELEVANT CAPABILITIES

For the sector as a whole this will:

- Maintain the UK as global leader in financial services.
- Reduce overall labour market costs.
- Increase competitiveness.

For individual firms this will:

- Reduce recruitment and employment costs.
- Increase productivity and accelerate training and development.
- Improve deployment of existing workforce.

## TO DO THIS WE RECOMMEND COLLECTIVE ACTION TO INCREASE AND DIVERSIFY THE SUPPLY OF TALENT

WE WILL ADDRESS THIS BY:

### 1. Invest in our people and work with them to develop new knowledge, skills and behaviours

- Cultivate continuous learning.
- Invest in upskilling and reskilling.

### 2. Understanding current and future skills gaps and setting out a future skills framework to align firm and sector efforts

- Create a skills framework focused on new future skills.
- Foster common accreditation and recognition of new skills.
- Use as a basis for industry wide collaboration initiatives.
- Communicate needs to government and education providers.
- Signal learner journeys to industry employees.

### 3. Increasing awareness, widening access, attracting talent

- A common purpose to improve attraction.
- Reach a wider, more diverse talent pool.

### 4. Powering diversity, inclusion and progression

- Challenge our growth cultures.
- Boost collective efforts on diversity and inclusion.

### 5. Enabling deeper levels of sector collaboration to achieve transformational change

- Establish a FS Skills Commission – an independent single voice (to government, education and others).
- Scaled coordination and shared investment.
- Collective sense-making.
- Collective action in non-competitive areas for mutual benefit.

We expect to benefit through:

- Improved competitiveness and productivity.
- An increased supply of relevant capabilities.
- Improved retention and relevance of current talent.
- Cost savings on recruitment and training.
- Improved industry purpose and reputation.

We will commit to:

- The right employer-led body to deliver collaboration.
- Executive-level engagement with the recommendations.
- Information sharing to create the supporting business case.
- Backing of, and participation in, the sector-wide skills Commission.
- Practitioner-level engagement with its programme of work.

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## Financial services is being disrupted – affecting our people

The financial services sector is facing an unprecedented period of disruption because of megatrends such as technology and data, demographics and globalisation. To harness these megatrends, financial services leaders are seeking to transform their businesses. The most tangible sign of this is through technological transformation. Every organisation continues to invest in technology to modernise services and reduce costs. There is increasingly widespread adoption of Artificial Intelligence (AI), banking services are increasingly accessed on smartphones in preference to bank branches, claims handling is automated and machines are replacing people in the management of our pension funds. At the same time, many in the sector believe that we are in the early stages of technological transformation with the pace of change accelerating rather than slowing. The technological transformation has repercussions through the whole business. Technology changes the physical footprint of businesses. It changes interaction with consumers. But above all, it changes the roles of its people.

For example, the adoption of AI releases people to more challenging and less repetitive work. As more people increasingly access their banking services on their phone rather than through a branch, there is greater emphasis on employing people to ensure system availability 24/7 rather than being on a high street between 9am and 5pm. The automation of fund management enables a greater focus on ESG or improving relationships with customers. Data and technology are changing the skills, knowledge and behaviours needed from the people in the sector.

Demographics are changing the people who work and want to work in the sector. The story of increasing longevity feeds into the way we support customers in retirement, but it also means that our people expect to work longer than their parents. Knowledge and skills learnt at school, college or university early in our career will no longer last our working lives. Today's employees will expect to learn new skills or build on their existing knowledge base. The generation that fought for flexibility to care for their children will now need the same flexibility to care for their parents. Managers will need to be able to lead multi-generational teams from Boomers to GenZ. But demographics are not just changing the age of the workforce, they change their values too. Money is becoming a hygiene factor in taking a job, as purpose, culture and the broader employer offer become increasingly important as the sector competes for talented people. As demographics drive change in our workforce, recruitment and retention will become even more important.

Globalisation is also reshaping the sector and is seen as a huge benefit for financial services. A global network of data centres will help provide the 24/7 continuity of service that businesses need. Our pool of labour is not constrained to our locality, we can put together global teams to service our business. This will require new sets of skills as managers seek to lead virtual teams and multicultural groups. But the flexibility that globalisation brings means that potential employees can sell their time at a time that suits them. This requires employers to be more flexible if they need

to recruit particular skill sets. Globalisation produces a mixed pattern for the sector. It creates a new set of opportunities for developing our people but it also presents a set of significant management challenges. In the short term, changes to our ability to access overseas talent, as a result of Brexit, will present an additional challenge as investment in our domestic talent will take time to manifest.

The combination of these megatrends are shaking the foundations of today's businesses. They challenge tradition. They disrupt technology, existing hierarchies and workforces. They force firms to reimagine and reinvent themselves in order to survive. Each megatrend has its own implications for the people who work in the sector, their employers and their managers.

## Responding to change – a stocktake

These megatrends mean that every role at every level in every organisation will change. For some, that change might be negligible. For others it will be utterly transformational – requiring new knowledge, skills or behaviours. This report sets out a roadmap for the transformation of our people so that the sector can adapt to change.

Business leaders are acutely aware of the scale of the challenge, and we have seen some great examples of actions being taken by some firms to tackle this. But our research also shows how variable this is.

- Larger firms have launched self-guided development programmes but research shows that employees would welcome guidance on how to reskill.
- There are firms who have used the Apprenticeship Levy to train new recruits and upskill their current workforce, yet there are others who have yet to do so.
- The under-utilisation of apprenticeships limits a route into the sector at a time when the sector is finding it harder to attract graduates.
- The lack of familiarity in the sector means that you are three<sup>2</sup> times more likely to join it if your parents already work in it.
- At their most senior levels, our firms do not reflect the diversity of the society they serve, so we lose out from the economic and social value that accrues from inclusivity.
- While there has been some great work on enhancing gender diversity through Women in Finance Charter, fewer firms have focused on improving social mobility.
- In some cities, government, industry and the education sector are working together to create and maintain a talented financial services workforce but in other key financial services centres there is a need for stronger leadership to maintain and enhance the existing footprint for financial services.

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2 KPMG 'UK financial services faces a talent crisis' (April 2019)

The pace of change at a firm and sectoral level is slow. Unless the pace picks up, firms risk losing the war on talent as other sectors provide a more attractive and compelling offer. The pace of change slows our ability to harness the megatrends and convert them from a destructive to a constructive force.

To avoid being swept away by this tide of disruption, we need strategic change at a firm and sector level.

## Transforming our workforce

As one industry leader told us “we can only solve the challenges if we think differently to how we have done things in the past”. Given this, the detailed recommendations set out in this report are all aimed at how the industry, government and the education sector can collaborate to better retain, increase and diversify the supply of talent.

### We have set out five recommendations:

- 1 Invest in our people and work with them to develop new knowledge, skills and behaviours.
- 2 Understand current and future skills gaps and set out a future skills framework to align firm and sector efforts.
- 3 Increase awareness, widen access, attract talent.
- 4 Power diversity, inclusion and progression.
- 5 Enable deeper levels of sector collaboration to achieve transformational change.

Within each heading there are two groups of recommendations – those for firms and those, if adopted by the sector as a whole, will help transform the industry.

In summary, below are the five core recommendations that will be discussed in more detail in this final report. Including:

### Invest in our people and work with them to develop new knowledge, skills and behaviours

Employers need to offer their teams the opportunity to reskill and upskill to ensure that they are equipped for the next wave of digitisation and this should then move to a culture of continuous learning. Our analysis indicates that every role in the sector will be affected by automation and technology to some extent in the next 10 years. Investing in the reskilling of our people will tackle the skills gap experienced in the sector. Financial services had the largest increase in skills gaps, and was one of only five sectors where skills gaps had widened, not closed, in recent years.<sup>3</sup> To counter this, **employers need to set out a clear road map for the development of skills with appropriate training support for their acquisition.** For their part, employees will need to co-invest alongside firms in developing these skills. Government has a role to play through enabling and supporting firms to reskill their workforce.

### Understand current and future skills gaps and set out a future skills framework to align firm and sector efforts

While actions by individual firms are at the heart of our response to the challenges facing the sector, we know that we need a system-wide response too. Some skills, such as data analytics, User Experience (UX) and User Interface (UI), are generic and we believe that **it is in the interests of firms to have a common framework for skills such as these.**

A common skills framework will:

- facilitate sector wide cooperation by setting out different levels of skills in a particular area e.g. data analytics
- enable accreditation and validation of skills
- promote cross-sector cooperation on skills training
- provide our people with pathways for personal development
- enhance mobility within the sector.

The scope of these frameworks needs to be clear so that we do not duplicate the work of Chartered Bodies, nor should we develop frameworks for areas where firms believe that there is specific competitive advantage.

<sup>3</sup> Department for Education, ‘Employer Skills Survey 2017’ (2018).



## Increase awareness, widen access and attract talent

While our first priority is to reskill the existing workforce, we also know that we need to broaden and deepen the pipeline of talent joining the sector. Concerns about the sector's purpose and culture can act as a disincentive to people embarking on a career in financial services. In addition, the sector needs to better reflect the make-up of the population as a whole. If we are to tackle these issues, **firms need to design deliberate recruitment strategies to ensure that we use the talent available.** While there are great examples of innovative routes into the sector, we do not make enough use of apprenticeships.

For those joining the sector, whether school leaver, university graduate, career changer or returner, we need to set out a comprehensive offer of the benefits that a career in financial services can offer. While remuneration plays a role in this, for today's recruits future learning opportunities and making a positive contribution to society also matter. **To attract, motivate and retain future talent, we need to create a common purpose** and better articulate what our sector does to benefit people and society, as well as widen routes into the sector.

## Power diversity and inclusion throughout the sector

As we highlighted in the interim report published in June 2019, the sector and societal demographics remain out of kilter. While our workforce is broadly in line with the population it serves, this diversity is not reflected at management levels.<sup>4</sup> Additionally, while two-thirds of jobs are located outside of London, leadership roles in the sector are predominantly in London creating an invisible glass ceiling for those based outside of London who wish to progress but do not wish to move.

**To strengthen progression and inclusivity throughout an organisation, firms need to create well defined programmes that support career development. While there are excellent programmes already in place, we need to see increased scale and rigour to promote greater gender, ethnic and social inclusion. We must also seek to avoid a sense that progression means working in London if we are to ensure a genuinely national sector.**

## Enable deeper levels of sector collaboration to achieve transformational change

The skill needs of the financial services sector are changing rapidly. The scale of the challenge is considerable. While some organisations within financial services and parts of the education and training sectors are keeping abreast of these changes, many are struggling. Therefore,

**the establishment of an employer-led Financial Services Skills Commission to provide a collective view of skills and talent, coordinate activity through a small, focused body and be the voice of the financial services sector on skills** is required. The task of reskilling the current workforce will require the sector to work together to facilitate the reskilling and upskilling in emerging skills and behaviours, which will come to dominate the workplace.

## What does this mean for...?

**Firms** - Your people will have an enhanced mix of interpersonal, technology and industry skills, knowledge and behaviours, that will help you address the megatrends transforming the sector. The common framework will have facilitated sector-wide transformation through more effective training and better accreditation and validation of skills; incentivising personal investment. Strong reskilling and retraining programmes will improve retention and ensure that firms have the best and widest possible group of staff. Broader initiatives around recruitment and retention will enable firms to tap into a wider pool of talent. Those who participate in the new employer-led Financial Services Skills Commission will have the opportunity to shape the skills landscape by working with other employers, governments and education providers to harness the trends shaping the financial services sector.

**Those entering the sector the first time** - As a school or college leaver or a graduate, you will understand the opportunities the sector offers for the acquisition of skills and knowledge. The collaboration between employers and education providers will enable you to follow programmes, which link to careers in financial services. These programmes will include apprenticeships, T-Levels and degree-level qualifications. You will find the sector's role in solving climate change and the challenges of demographics exciting, but also recognise its contribution to meeting the needs of families and businesses in your community. You will see the opportunities for progression in firms that are open to people from all backgrounds.

**Those already working in the sector or returning to it** - Rather than being anxious about the personal consequences of the technological and data revolution, you will welcome your employer's support for reskilling. Your employer will have set out the skills, knowledge and behaviours needed to sustain your career in the face of change. They will have curated carefully selected training materials for you to access, but in return will expect you to invest some time to take advantage of them. The clarity of an employer's offer will encourage returners to the sector. As a returner, you will be able to plug in to the right materials to equip you to reintegrate into firms with clear career paths and a commitment to inclusion.

<sup>4</sup> 'Race in the Workplace; The McGregor-Smith Review' (2017) & The Investment Association 'Black voices; Building black representation in investment management' (2019)

**The sector** - The new Financial Services Skills Commission will provide a focal point for collaborative action by employers to facilitate change. It will monitor the impact of new technology and the evolution of megatrends on the sector and work with its members to set out a coordinated response to these new challenges. It will leverage the actions of individual firms to achieve sector-wide transformation. This will improve the cost effectiveness of reskilling. Its principal achievement will be the creation of the new skills frameworks that have promoted greater consistency on training and facilitated collaborative initiatives within sectors and at a regional or national level. As an employer led Commission working with its partners in the Chartered Bodies and trade associations, it will promote and encourage best practice on diversity and inclusion, highlight initiatives that change perceptions of the sector's culture and purpose and support clearer routes into the sector.

**Government** - Whether at a national or regional level, government will have a partner within the sector to promote economic growth through transforming skills. Whether it is to strengthen an existing financial services centre or to lay the foundations for a new one, governments will have a natural counterpart from the sector for cooperation. As government tackle the need to reskill in the face of technological challenge, it will be able to work with a sector that has already started this process.

**Education providers** - Colleges, universities and training providers will use the new skills frameworks as a basis for developing programmes to meet the sector's training needs. Using shared insights on the changing nature of technology, education providers, employers and employees can build partnerships to understand these changes and adapt to them. These deeper relationships will mirror those established in other sectors who are also wrestling with technological change.

# FINANCIAL SERVICES HAS AN INDISPENSABLE ROLE TO PLAY IN SUPPORTING THE UK'S ECONOMY AND SOCIETY

From London to Belfast, Edinburgh to Bristol, Cardiff to Leeds, our people power a world-leading international financial centre...

Who enable people to:



Who also help power the UK economy, through...



It is almost impossible to imagine a modern economy surviving without the finance industry. The role of finance in facilitating the modern economy is aptly described by the Bank of England in its 2019 report on the Future of Finance:<sup>5</sup>

- payments for the digital age
- financing for business
- supporting the transition to a carbon-neutral economy
- providing well-regulated services that can be trusted as stewards for consumers and businesses
- providing resilient services to customers that they can rely on.

The UK-based financial services sector is key to supporting economic growth and the wellbeing of individuals. The sector serves communities, supports businesses across the country and makes a positive impact on our everyday lives.

Most people in the UK take for granted the ability to use these services, yet may not understand that behind seemingly simple transactions, a powerful infrastructure exists that helps protect people's money and enables them to realise their financial ambitions and goals. It helps them to borrow money, receive their pensions and manage their investments, start a business, plan for retirement, buy a home, save for the future, insure their belongings and buy goods or services. Similarly, our businesses prosper and compete in new markets supported by industry services such as supply chain finance, risk management and legal advice. The sector also has a catalyst effect on creating the right conditions for job creation and economic growth and plays a central role in addressing many of the policy challenges we face as a nation, such as adjusting to an ageing population, the financing of major infrastructure projects and the drive to creating a sustainable economy.

The industry makes an important direct economic contribution:

- providing 1.1m jobs based around the UK, with two thirds of the jobs outside London<sup>6</sup>
- contributing over £75.5bn in tax annually, generating the largest net trade surplus of any other British net exporting industry<sup>7</sup>
- contributing to the UK economy by generating over £135.1bn of Gross Value Added (GVA)<sup>8</sup>
- attracting £15.9bn of Foreign Direct Investment into the UK.<sup>9</sup>

These contributions help to fund our schools and hospitals, finance pensions and benefits and defend our country. The strength of the UK-based industry ultimately benefits customers and communities in the UK, in Europe and across the world.

Both our present and future economy will be reliant on these services to thrive and to grow. The businesses that provide these services are made up, like any other business, of people, processes and systems. As any service industry, it has been people that have made it a success and who have designed the systems and processes that allow it to flourish. Their innovation, creativity and expertise have made the UK a world-leading financial centre.

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5 Bank of England 'Future of Finance' (2019) & Bank of England, 'New Economy, New Finance, New Bank' (2019)

6 TheCityUK 'Key Facts: about UK-based financial and professional related services' (2019)

7 City of London Corporation, 'The total tax contribution of UK financial services in 2019', (2020)

8 TheCityUK calculations based on ONS 'Regional Gross Value Added (balanced) by industry: all NUTS level regions' (December 2019)

9 *ibid.*

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# MEGATRENDS ARE DISRUPTING OUR BUSINESS ENVIRONMENT AND WORKPLACES

Three significant megatrends are impacting our industry. Together they are reshaping our business environment, disrupting established business models, removing borders, and blurring the boundaries between sectors. They are also reimagining work and have profound implications for sector skills.



## TECHNOLOGY AND DATA...

New competitors (e.g. payments)

Automation drives down revenue per transaction

Increasing amount of data and online systems

Risk of cyber threats

Move towards cashless society

Mass personalisation changing services and products

**Technology and data:** The current wave of technological development and deployment has frequently been described as the fourth industrial revolution. If we look at the impact it has had on other industries such as retail, travel, accommodation or music and entertainment, it has manifested itself as disruption. Many new disruptors have entered markets with lower cost, more efficient and new business models. This has gradually driven revenue-per-transaction down: think Netflix vs Blockbuster, where Blockbuster rented out a major movie for about £6 each, by contrast Netflix delivers hundreds of movies but costs less than £10 a month. Mass customisation of products allows a level of personalisation which was previously associated with prohibitive costs that only the wealthy could afford. Crypto currencies and the rapidly evolving contactless and mobile payments systems further illustrate the rapid changes taking place in the finance sector.

This has resulted in incumbents all being driven by similar strategies, underpinned by digital transformation, and focused on cost reduction, simplification, improved customer experience, and organisational adaptability. These strategies all rely on our people being able to design new and adapt current systems and processes to deliver these changes. Relevant skill sets are fiercely competed for across industries, as similar transformations are common to most services industries.

Not only is the war for talent heating up, but the adoption of automation along with a host of new technologies such as blockchain, and the move to cloud-based platforms and increased use of AI, is likely to unleash profound structural shifts in the UK workforce as a whole. Large portions of financial services workforces will need to transition into new roles or skills levels over the next decade to prevent acute talent shortages across technical, managerial, and customer service segments. However, there will still be a place for person-to-person interaction based on tailored, personalised services and complex customer services cases, along with support for the aging, vulnerable population.



## GLOBALISATION...

Moving into a single marketplace

Firms need to innovate and evolve

**Globalisation:** Multinational expansion across markets and the formation of global supply chains has required companies to deploy teams all around the world and knit them together with technology. Workforces have become more global and therefore more diverse. This has both enabled and made necessary different ways of working. Teams have to be more agile to meet tight deadlines and avoid their solutions becoming obsolete before they are implemented. The deployment of new technology has also enabled virtual working. This appeals to many employees, reducing commuting time, increasing the ability to meet home commitments around caring responsibilities and an improved work life balance.

This means that the skills needed to manage staff in remote locations, with niche skills and who speak other languages within the same team, are vital to success. In addition, the decisions on investment in strong pipelines of talent and skills become a strategic issue, which can either enable growth or hold back the business.



## DEMOGRAPHICS...

Longer life expectancies and generational shifts

Changing customer demographics

Moving to a sharing society

**Demographics:** Longer working lives are changing the profile of customers, and increasing the number of generations in the workplace - this is the first time in which four generations (Boomer, Gen X, Gen Y/Millennials and Gen Z) have worked side by side in the same workforce. This requires an increased focus on inclusive workforce cultures, employee experience and wellbeing, and the motivation and productivity of staff. This in turn has resulted in employees demanding more purpose-led and flexible work environments.

People working in the sector will also face new challenges due to longevity and longer working lives. Skills learnt at school, college and university will no longer be enough to sustain an individual throughout their career. Longer working lives will increase the focus on lifelong learning as people need to reskill in order to stay relevant. Furthermore, the generation that has fought for flexible working arrangements to care for their children will need the same freedom to care for their parents.

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# THESE MEGATRENDS ARE IMPACTING ON OUR MOST IMPORTANT ASSET - OUR PEOPLE

Our key competitive advantage will remain our people, yet the war for talent will intensify.

Some roles will be eliminated altogether, but new roles will also be created.

The onus for ongoing learning will be on the individual, with support from employers and the education sector.

The reliance on higher skilled talent will increase.

There will be growth in technical and digital roles, but these will not necessarily be filled by tech specialists.

Culture change will be crucial and will involve a longer-term outlook and solution.

All roles will change in some way, with new task and skills requirements.

A continuous learning mindset and capability will determine future success.

Our employees will need a more varied and diversified skill set to advance their careers.

In the interim report, we drew nine conclusions for the sector from these megatrends. They point to the need for the sector to change. But it goes beyond that, change is not optional, it is an imperative. Without change, the sector will lack the people it needs to be a world leader. This will have adverse consequences for people who work in the sector and impact the broader economy. For our customers, businesses that embrace change, whether incumbents or challengers, will provide better products and services – exemplified by more choice, lower charges and better returns.

Financial services relies on highly skilled talent to innovate, adapt and succeed. **This reliance on higher skilled talent will continue and increase.** Job roles within the sector will change, with some roles being eliminated altogether, but many new roles will be created. However, this change will not happen via a simple overnight shift in roles at a mass scale. Our analysis indicates that **all roles in the sector will change in some way**, with new tasks and job functions requiring **every employee to learn new or different skills, knowledge and behaviours** to some degree.

We have already seen a significant **increase in the number of technical and digital roles** in the sector and this trend will continue, although these roles will not necessarily all be filled by specialists. Financial services faces challenges similar to other sectors to secure the specialist technology and digital talent that it requires with digital skills now a utility across the entire economy. This **war for talent will continue and intensify.** However, the speed of change in digital skill areas cautions against investing too heavily in training in specific specialties. Coding languages evolve and technology changes rapidly. Our analysis clearly shows that employers value individuals who can work across a range of specialities to realise the innovation and added value that results from the interplay of different disciplines.

In the future, employers told us that increasing numbers of **roles will require a more diverse skill set.** A combination of sector-specific knowledge and experience coupled with an element of technology or digital experience, underpinned by strong skills and behaviours that support an agile and adaptable approach. The most **successful individuals will provide this 'blend' of skills, knowledge and behaviours** that provide most value to the sector as it continually adjusts and adapts to the megatrends that are shaping its environment.

Our analysis indicates that these changes will occur incrementally, with roles augmenting over time as tasks are automated, new technologies are introduced and business functions are reshaped. Therefore, a **continuous learning mindset will be essential** to support ongoing learning through a person's career. Upskilling, reskilling and ongoing learning will encompass skills, knowledge and behaviours and this journey will be a partnership between individuals, employers and the education sector. **A mindset shift for employers and individuals** will be necessary to achieve this, putting learning and skills at the heart of business strategy and planning.

As we look across the economy, we see the fourth industrial revolution happening. Technology and data, globalisation and demographics are disrupting traditional business models. As these nine conclusions demonstrate financial services is not immune to that revolution. It is imperative, therefore, that businesses change to survive.










# A FUNDAMENTAL SHIFT IN JOB ROLES

## CURRENT STATE

## DRIVERS OF CHANGE...

## FUTURE STATE (10 YEARS)

<p><b>Leadership – examples include:</b></p> <ul style="list-style-type: none"> <li>• Chief Investment Officer</li> <li>• Chairperson</li> <li>• Director</li> <li>• Chief Counsel</li> </ul> 	<p>New roles and capabilities</p> <p>Increasing utilisation of technology</p>	<p><b>Leadership – examples include:</b></p> <ul style="list-style-type: none"> <li>• Chief Innovation Officer</li> <li>• Chief Data Officer</li> <li>• Chief Digital Officer</li> <li>• Chief Technology Officer</li> </ul> 	
<p><b>Professional – examples include:</b></p> <p>Corporate treasury, finance and accounting, legal, risk manager, strategic manager, compliance, IT operations, HR, claims handling, account management, investment manager, analyst</p> 	<p>Marketplaces and blockchain</p> <p>Automation and back office digitisation</p>	<p><b>Professional – examples include:</b></p> <ul style="list-style-type: none"> <li>• Data analyst</li> <li>• Business intelligence analyst</li> <li>• Data modeller</li> <li>• Call centre architect</li> <li>• Fraud investigation manager</li> <li>• Customer support specialist</li> <li>• Social media manager</li> <li>• Green finance specialist</li> <li>• Skills curator</li> </ul> 	<p><b>Automation</b></p> <ul style="list-style-type: none"> <li>• Increasingly sophisticated processes</li> <li>• Transactions</li> <li>• Payments</li> </ul>
<p><b>Specialist skills – examples include:</b></p> <p>Tech, cyber, innovation, product design, software, cloud, AI</p>	<p>Ways of working</p>	<p><b>Specialist skills – examples include:</b></p> <ul style="list-style-type: none"> <li>• Big data scientist</li> <li>• Data engineer</li> <li>• Web technologist</li> <li>• Middleware manager</li> <li>• Voice networks specialist</li> </ul> 	
<p><b>Admin, clerical – examples include:</b></p> <p>Transaction processing, payments, settlement, customer service, sales</p> 	<p>Data, predictive analytics, and proposition-led banking</p> <p>Operational optimisation</p>	<p><b>Admin, clerical</b></p>	

“ It’s an augmentation of roles and skills ”

(Education sector leader)

These megatrends are driving fundamental shifts in the job and skill profile of the financial services sector

## 1 There will be a fundamental shift in job roles

Financial services in the UK currently employs 1.1m people.<sup>10</sup> Of this workforce:

- Twenty-five per cent are employed in admin/clerical roles<sup>11</sup>, in jobs such as customer service, transaction processing, payments etc.
- Around 60% are employed in highly skilled roles, including, 15% in senior leadership roles.<sup>12</sup> These roles encompass the wide range of professions and specialisms across the breadth of the sector and an increasing number of specialists in technical and specialist roles as well as senior leaders.

Much has been written on the future of work and how this will impact on jobs (e.g. UCKES, McKinsey, CIPD, OECD, CBI/Pearson, WEF, ONS, Gartner). We tested many forecasts and trends in our analysis phase and how they will apply to financial services.

Interviewees told us that they believe the overall size of the sector will remain relatively stable, but the composition of job roles, specialisms and professions will look radically different in 10 years.

- **There will be an overall reduction in the number of roles in admin and clerical functions:** This trend is already apparent in particular parts of the sector as basic customer services functions are automated, supported by increasing digitisation of banking services, particularly personal banking. In other parts of the sector where significant numbers of staff are currently engaged, such as compliance, fraud and insurance claims processing machine learning tools are able to process more efficiently, with lower error rates and therefore greater customer satisfaction than ever before.
- **There will be a significant increase in the number of roles in specialist areas, e.g. tech/digital specialists:** This shift is already well underway as major financial services companies increasingly view themselves as a tech business and the 'FinTech' sector moves into the mainstream of the industry.

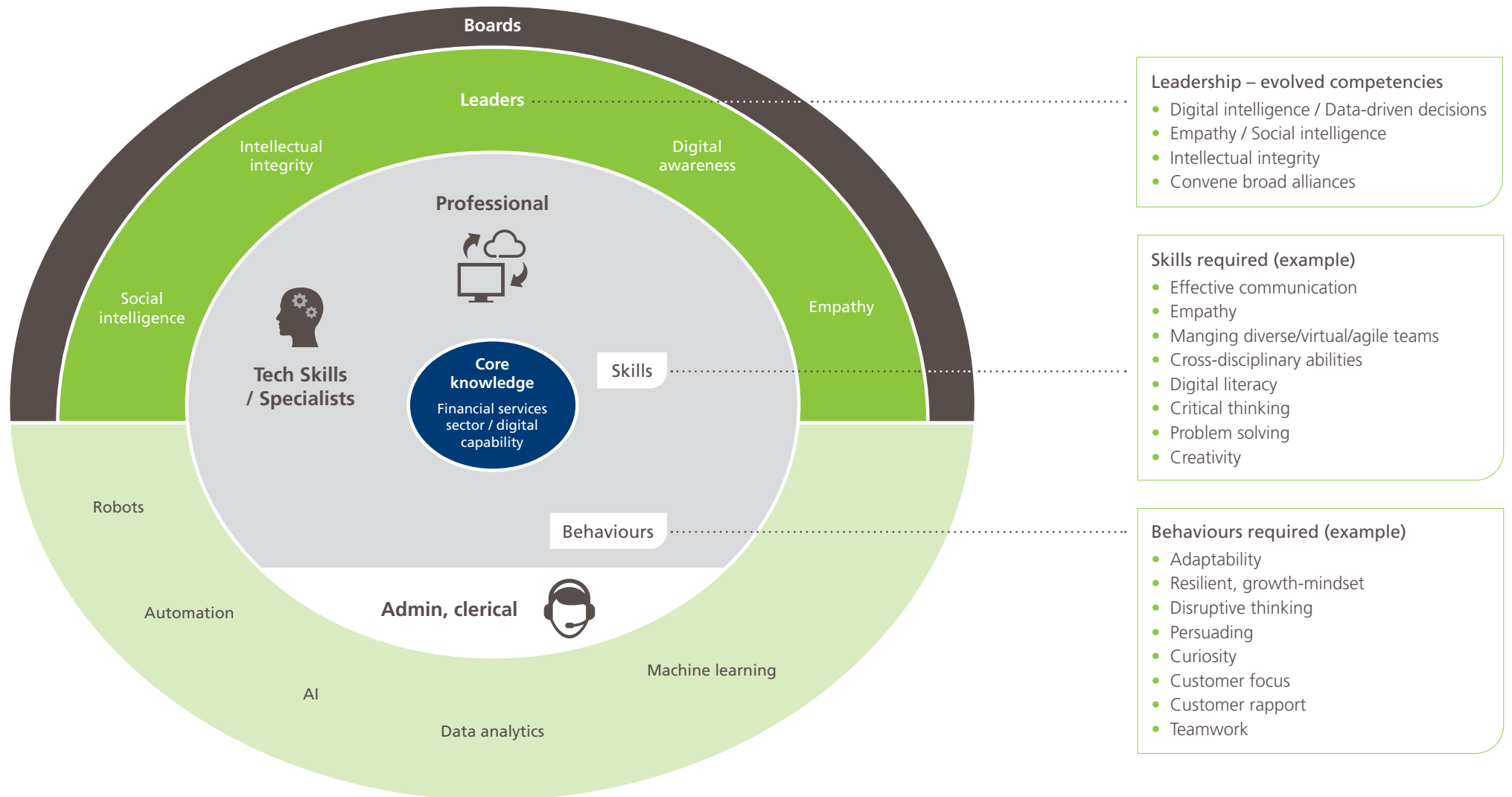
- **The boundaries between professional and specialist roles will become increasingly blurred:** We know that many employers are already shaping their business in a new way. Bringing together multidisciplinary teams, working in an agile way to focus on business solutions and create innovation outside of traditional departmental structures. Some employers told us that this trend will continue and individuals who possess a 'blend' of skills, knowledge and behaviours that covers the financial services and tech disciplines will be highly valued.
- **Leadership and management roles will also evolve:** As mentioned earlier in the section on megatrends, managers will be required to bring together and manage the multi-disciplinary teams that add value to the business. Managing a workforce that is increasingly virtual and outsourced/casual will need individuals to excel in managing a workforce that can be more transient, international and flexible in nature. This trend has already been in evidence for over two decades in technology firms where the talent required to design systems and products has always been scarce and this has driven the acquisition of teams based across the globe. Similarly, in financial services, leaders and HR professionals will need to be able to maximise the opportunities that the megatrends shaping the industry offer. They will also need to harness and nurture a workforce that advances the businesses interests and maximises competitiveness and success.
- **Automation and AI has potential to increase productivity:** A recent study by Accenture estimated that AI alone could add £650bn gross value added (GVA) to the UK economy through a combination of intelligent automation, augmentation of labour and capital investments, increasing the annual growth rate of GVA from 2.5% to 3.9%. In the context of financial services profits across the industry could be boosted, through the introduction and adoption of new technology to improve customer experience, managing risk, meeting regulatory requirements and providing new products.

<sup>10</sup> TheCityUK 'Key Facts: about UK-based financial and professional related services' (2019)

<sup>11</sup> TheCityUK calculations based on Nomis, 'Annual population Survey/ Labour Force Survey open access' (January 2019)

<sup>12</sup> *ibid.*

# A FUNDAMENTAL SHIFT IN THE SKILLS, KNOWLEDGE AND BEHAVIOURS THAT OUR PEOPLE NEED



“ We need to reframe the attributes we look for. The City still looks for conformity, in background and experience, whereas the focus should be on behaviours...”

(Education sector leader)

## 2 There will be a fundamental shift in knowledge skills and behaviours that our people need

Our analysis identified the need for a shift in the attributes that are required in our workforce to ensure ongoing success. Recognising the increasing demands for a 'blended' skill set, many employers told us that they now value capability over knowledge when recruiting, reasoning that specific financial services knowledge can be taught if underlying capability is present. An example of this came from one insurer who was exploring the use of data science and machine learning. Initially they took their brightest talent and trained them in data science. This approach proved slow and yielded little return. They subsequently recruited a small team of data scientists and teamed them with some of the hand-picked insurance talent. When the second approach was taken results started to be seen rapidly with a number of projects yielding excellent return on investment after a very short time. As well as this shift towards those with new skill sets, as the shift to a high-skilled economy continues, skills and behaviours such as critical thinking, problem solving, curiosity and analysis are required to create the innovation the sector demands. These inherently 'human' skills provide the differentiation between activity that can be automated and that which adds value. Employers demand these attributes across the 'professional' workforce and require an ability to work in cross-disciplinary/agile or virtual teams.

Leaders and managers will need to possess an 'evolved' skill set. Increasingly, managers will lead multi-disciplinary teams with a range of skills, cultures and approaches. This will require a different leadership and managerial style to get the best from teams and deliver on objectives. Skills such as digital intelligence, the ability to make data driven decisions, empathy, social intelligence and convening broad alliances combined with effective communication, managing diverse teams, empathy and creativity are the required skill sets that the most advanced and technologically enabled companies are looking for in their workforce. For many years it was assumed that these softer skills were unteachable. You either possessed them or you did not and if you did not then you were unlucky and unlikely to ever acquire them. Like most assumptions and clichés this is rapidly being debunked.

Agile is a great example of how this happens. Agile is a process for rapid change derived from the software development world, which has been deployed widely across financial services to support change and improve leadership. However, it was once seen as a set of skills which a few genius developers possessed and not formalised until relatively recently. Its history can be traced back to developments in evolutionary project management in the 1950s and adaptive software development in the 1970s, but it was only formalised into a set of disciplines in 2001. It advocates adaptive planning, evolutionary development, early delivery and continual improvement. It also encourages rapid and flexible response to change (Agile Alliance, 2013). All of these skills were once regarded as unteachable soft skills and now one UK based high street

bank has almost 40% of its UK workforce trained in Agile. We expect this shift from soft skills to formalised techniques which can be used to engender behavioural change to be a significant feature of future development in the sector.

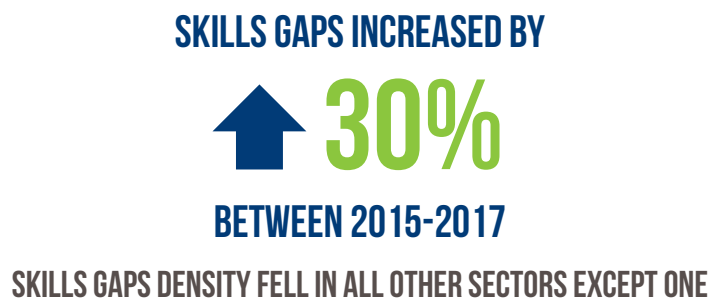
# SKILLS DISRUPTION IS TAKING PLACE IN A SECTOR ALREADY FACING SERIOUS TALENT CHALLENGES

For the sector to continue to thrive, it needs to adapt to the megatrends of technology and data, globalisation and demographics. But, as we look at our sector today, we can see that there is some way to go.

## Current skills and talent acquisition

### 1. The sector is facing growing skills gaps

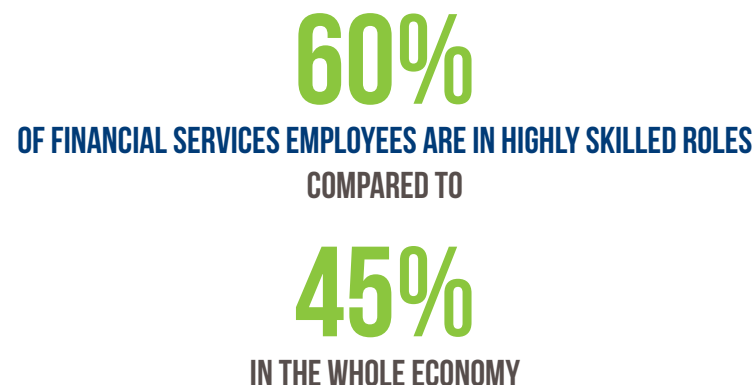
The proportion of the workforce that lack full proficiency to do their job increased by 30% between 2015-2017, compared with a fall of 20% across the whole economy.<sup>13</sup> There are particular roles that have a higher density of skills gaps in financial services, sales and customer services, operational skills, specialist technological skills, management and leadership skills. We also know that areas such as compliance and risk face a shortage of skilled workers. We need to close these gaps to be successful.



Source: Department for Education, 'Employer skills Survey 2017' (2017)

### 2. Dependency on skilled workers is high and will increase

Our sector is already defined by a higher than average presence of highly skilled roles, with 60% of the workforce in roles that require a high level of skill, compared to 45% across the wider UK economy. Indications are that this reliance will increase, which will fuel competition with other, high valued-added sectors to secure top talent.<sup>14</sup> At the same time, administrative roles account for 25% of the financial services workforce compared to 10% of the economy as a whole. Our expectation is that proportion of highly skilled roles in the sector will increase.



Source: TheCityUK calculations based on Nomis, 'Annual Population Survey / Labour Force Survey open access', (January 2019)

<sup>13</sup> Department for Education, 'Employer Skills Survey 2017', (2018)

<sup>14</sup> UKCES 'Working Futures 2014-2024' (2016)

### 3. High reliance on migrant talent

The UK's success in financial services is underpinned by its unequalled pool of talent and expertise. People from all corners of the world come here to work in our dynamic global market and learn alongside some of the most renowned industry practitioners. Over 12% of the banking and finance workforce in the UK as a whole is from the EU and the rest of the world. In London, this figure is even more stark, with over 28% of the workforce from the EU and the rest of the world.<sup>15</sup> The vast majority of these employees are engaged in highly skilled roles.

#### THE UK FINANCIAL SERVICES SECTOR EMPLOYS A HIGH PROPORTION OF PEOPLE FROM THE EU AND THE REST OF THE WORLD...

OVER ONE IN FOUR EMPLOYEES IN THE SECTOR IN LONDON ARE NON-UK CITIZENS

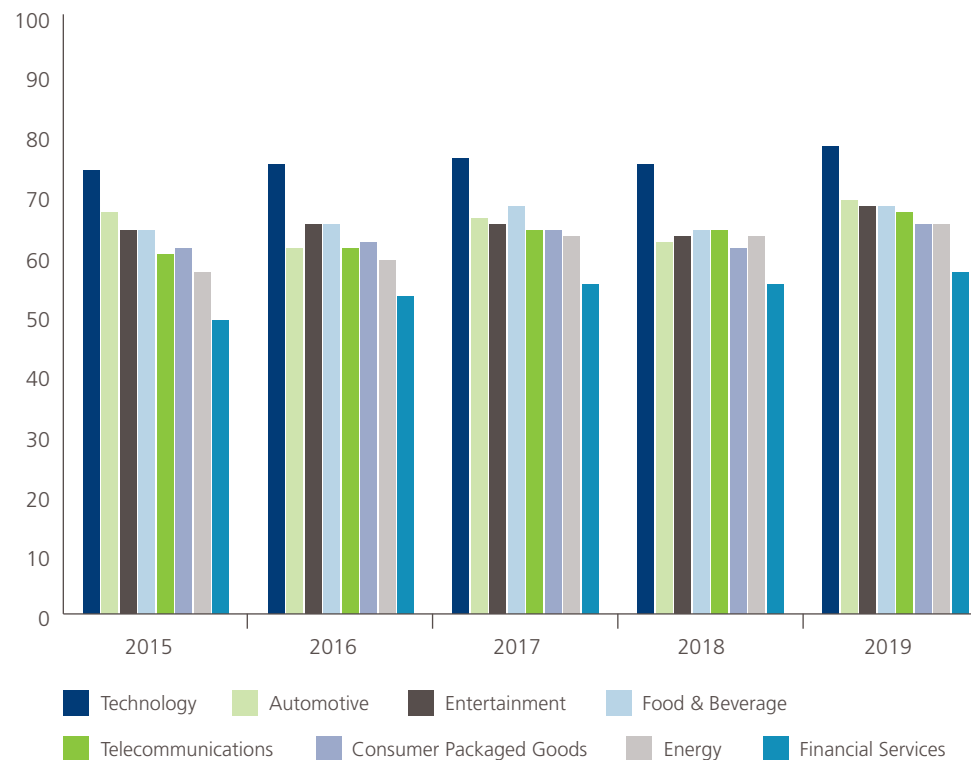


Source: TheCityUK 'The UK's Future Immigration System and Access to Talent' (2018)

### 4. Trust in financial services

Public trust in financial services, while at its highest level since 2012, is still critically low on a relative basis and remains the least trusted sector. While 70% of survey respondents believe it is important for financial services to lead on social issues that make the world a better place for everyone, the number of consumers who believe banks will 'do what is right' is low. Many people also believe that the culture of the sector is a problem. Nearly four out of five people believe that how a company treats its employees is one of the best indicators of trustworthiness. Public perceptions of financial services influence individual choices of careers and employment. Low levels of trust and perceptions of a toxic culture push people away from the sector.<sup>16</sup>

Financial services remains least trusted



Source: Edelman 'Trust Barometer 2019' (2019) & Edelman 'Trust barometer 2019: Financial Services' (2019)

<sup>15</sup> TheCityUK 'The UK's Future Immigration System and Access to Talent' (2018)

<sup>16</sup> Edelman 'Trust Barometer 2019' (2019) & Edelman 'Trust barometer 2019: Financial Services' (2019)

## 5. Waning attraction

Financial services faces a challenge in attracting individuals to work in the sector. Data shows that there has been a decrease in the number of MBA graduates entering financial services firms<sup>17</sup> and the number of applications for graduate vacancies in banking and investment banking are lower than other sectors with the number of applications per vacancy to banking and finance graduate programmes falling by 13% between 2018-19, despite an increase in the number of vacancies.<sup>18</sup>

University and college graduates are increasingly seeking a dynamic and creative work environment and a career that has a wider impact on societal issues. Many believe that there is greater opportunity to promote the industry's work on sustainability and societal impact and potential to influence this agenda through the investment management sector for example, where £9.1tn of assets are managed in the UK.<sup>19</sup>

Attracting experienced individuals from other sectors and retaining employees are also part of the skills challenge. Our work suggests that some individuals, particularly those in more senior roles, choose to leave the sector mid-career because of frustration with barriers to progression, difficulties in managing a work-life balance, disillusionment with company culture and sector values coupled with a desire to contribute to wider societal issues. For roles, such as customer service and claims handling, the availability of flexible working hours, home working and part-time opportunities are increasing.

### THE ATTRACTIVENESS OF WORKING IN FINANCIAL SERVICES HAS DECLINED...

There has been a decrease from **43%** to **28%** of MBA graduates from a leading business school entering financial services between 2007 and 2013

Source: The Economist 'Banks? No thanks!' (2014)

## 6. We cannot rely on recruitment to address skills challenges

Data indicates that around 11% of employees in the sector, around 125,000 people changed jobs last year.<sup>20</sup> However, recruitment at the entry level makes up a small proportion of overall recruitment. In 2019 and top firms in banking and finance recruited just over 3,000 graduates.<sup>17</sup> Apprenticeships offer an alternative route to recruit talent and although the number of apprentices in the sector is increasing, the number employed in financial services remains lower than that of other sectors.<sup>21</sup>

Respondents told us that:

“ *We cannot address the skills challenges simply by increasing investment in recruitment at entry level or for experienced hires.* ”

While recruitment remains important, the scale of the challenge requires a combined approach with reskilling sitting alongside attraction of new talent, creation of new routes into the sector such as apprenticeships, T-levels, returnships as well as improving efforts on traditional routes, e.g. graduates and experienced hires.

17 The Economist 'Banks? No thanks!' (2014)

18 Highfliers 'The Graduate Market in 2019' (2019)

19 Investment Association 'Investment Management in the UK 2018-19' (2019)

20 Analysis of job changes and stayers' (2019)

21 Department for Education 'The incidence of apprenticeships in England' (2017)

Sector demographics

7. Greater diversity is needed

The demographics of our workforce remain out of kilter with our society. The lack of gender and ethnic diversity is both a social issue and a skills issue. Talent that the industry needs is not being utilised.

Gender

Our workforce is 53% male and 47% female<sup>22</sup>, however among the most senior roles, women hold only a third of positions. In recent years, the number of women represented on boards has increased. Of the 17 financial services firms in the FTSE 100, 33.5% of board positions are held by women.<sup>23</sup> However, the majority of these are in non-executive roles and when looking at executive board roles, the proportion held by women drops further. A 2013 survey by accountants Rothstein Kass revealed that hedge funds run by women were more successful than those run by men every year over a six-year period.<sup>24</sup> Despite this, men hold 80% of roles in hedge funds.<sup>25</sup>

More senior female executives may be cracking the glass ceiling, but overall women are still less likely to be promoted to or hired for leadership roles. With 72 women promoted to management for every 100 men, and men holding 62% of manager-level jobs, the gender imbalance at senior levels is deep seated and persistent.

SECTOR AND SOCIETAL DEMOGRAPHICS REMAIN OUT OF KILTER

Men in financial services employment in 2018 totalled **53%** of the workforce compared to **47%** for women.



While **half** of the workforce is female, only a **third** of senior managers are.

Source: TheCityUK calculations based on Nomis 'Annual Population Survey/ Labour Force Survey open access' (January 2019)

22 TheCityUK calculations based on Nomis 'Annual Population Survey/ Labour Force Survey open access' (January 2019)

23 TheCityUK calculations based on 'Hampton Alexander Review FTSE women leaders' data (November 2019)

24 Rothstein Kass Institute 'Women in Alternative Investments - a marathon not a sprint' (2013)

25 <https://www.theguardian.com/society/2018/sep/03/women-tiny-minority-financial-services-firm-partners> (3 September 2018)

26 TheCityUK calculations based on Nomis 'Annual population Survey/ Labour Force Survey' (January 2019)

27 Mercer, 'Diversity in Investment Management benchmarking Study' (2017)

28 Social Mobility Commission 'Socio-Economic Diversity in Life Sciences and Investment Banking' (2016)

Ethnicity

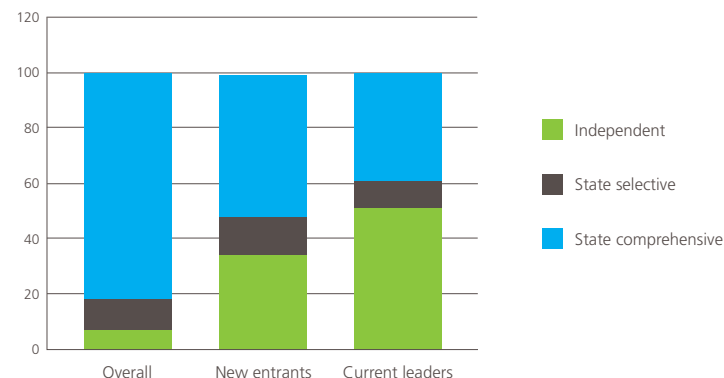
Nine in 10 of financial services workers are white, and while this is broadly in line with the UK population as a whole, it does not reflect the urban centres across the country, where many people who work in the sector are based.<sup>26</sup>

Mercer's investment industry benchmarking showed that just 1% of British investment managers identify as black, compared with 3% for the UK population.<sup>27</sup> When set against the population of London, the centre of the financial industry where more than 13% of the population is black, that 1% figure becomes even more stark.

Socio-economic background

A lack of diversity in the sector is not limited to protected characteristics. Research by the Social Mobility Commission identified that people from privileged backgrounds are overrepresented in front office roles in investment banking, compared with the population as a whole. The research found that nearly half (48%) of new entrants over the previous three years had attended a fee-paying school or a selective state school compared with 18% of the wider population. Overall, 51% of banking leaders were privately educated, with prominence in under 45s (72% of leaders) than the over 55s (57% of leaders).<sup>28</sup>

School background of new entrants in banking sector (including investment banking, retail, corporate and private)



Source: Social Mobility Commission 'Socio-Economic Diversity in Life Sciences and Investment Banking' (2016)



## 8. Leadership roles are concentrated in London

Jobs in financial services are located across the UK with two thirds of roles located outside London. Edinburgh, Glasgow, Leeds, Birmingham, Manchester, Bristol, Cardiff, Belfast and Swindon each host more than 10,000 financial services jobs. However, the occupations and roles located in each city and region are not spread evenly with nearly half of the most senior roles in the sector located in London and the South East. In London itself, over 70% of the financial services jobs are in the three most senior occupations (managers, professionals and technical specialists), compared with these roles making up less than half of financial services roles in the North East. There are some examples of financial services firms such as HSBC and Citi Bank embracing the potential of regionalisation and relocating significant roles to other UK cities.

Roles in admin, clerical and elementary occupations are present in every region, but make up a larger proportion of the financial services roles in the North East, East Midlands and Northern Ireland. Our analysis has indicated that these occupations are likely to be at high risk of automation, indicating that the impact of job change due to automation will not be uniform across the country and may more acutely impact in certain regions and cities.

We know that national and regional centres are vital to the success of UK based financial services businesses.<sup>29</sup> Sectoral centres like Edinburgh and Glasgow play a key role as do cities that host major institutions; Citi in Belfast, J.P. Morgan in Bournemouth and HSBC in Birmingham. All of these centres complement London. Both they and London would be weaker without the other. However, concentrating senior roles in London increases competition for talent in the capital and means we are not maximising the skilled talent present in the regions.

### THE SPREAD OF LEADERSHIP ROLES IS NOT EVEN ACROSS THE COUNTRY...

...although **two thirds** of jobs are located outside London, and different roles are concentrated in different regions and cities, e.g. Edinburgh has the second highest number of jobs in the sector after London.



Source: TheCityUK 'Key facts about the UK-based financial and related professional services 2019, (2019)

## Technology

### 9. Increasing competition for technology skills

The rapid increase in demand for tech skills, not only in financial services but across the whole economy, has increased competition for candidates with specific skills and fuelled wage growth.<sup>30</sup> Our analysis showed that the supply of individuals with the skills required is so low that it is harming competitiveness and innovation. Over half (53%) of UK FinTechs cite attracting suitable talent as a concern, the top ranked challenge facing the sector.<sup>31</sup> Software engineering, system architecture and development was cited as the most in-demand skillset (ranked first by 52% of firms), but also the hardest to find. The second most valuable, and equally difficult to source, was data analytics and data science skills (ranked top by 19% of firms).

Several respondents told us that increasing spend on recruitment alone will not generate the supply of candidates required, the industry must look to all solutions to increase and diversify the supply of talent into the sector.

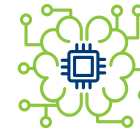
### THERE WILL BE AN INCREASED NEED TO RECRUIT EMPLOYEES WITH TECH SKILLS....

There will be a change in the type of talent required, with a need for depth in digital skills such as data analytics and cyber security.

#### UK RECRUITERS HAVE SEEN A

51%

INCREASE IN  
AI HIRES



49%

INCREASE IN  
CRYPTOCURRENCY HIRES



46%

INCREASE IN  
BLOCKCHAIN HIRES



Source: TheCityUK, EY 'Fuelling FinTech' March 2019

29 TheCityUK and PwC 'A vision for a transformed world-leading industry', (2017)

30 Hays 'Global Skills Index 2018 (2018)

31 Innovate finance and EY 'UK FinTech census 2019', 2019

## 10. Technology is fundamentally changing the way we do business

In recent years, financial services has rapidly adopted digital innovation across the industry as digital insurgents have emerged and incumbents have redefined business models to adapt and remain competitive. This digital transformation will continue, and financial services is likely to be a significant adopter of technologies. The World Economic Forum identified that financial services will be a significant adopter of new technologies.<sup>32</sup>

In financial services, the skills where demand is increasing are dominated by tech skills: The ABC skills (AI, Big Data and Cloud Computing Skills) have risen in demand consistently from 2016 through to today. Automation is also becoming part of HR systems and processes, changing how the people function at the heart of business operates. However, as highlighted in our interim report, not all of the new technical and digital roles will require or need to be filled by tech specialists. In many cases what is needed is someone who has a working knowledge of the technology and its potential and who can call on detailed specialists as necessary.

### TECHNOLOGY IS DRIVING OPERATIONAL CHANGE...

The financial services sector is promising to be a significant adopter of technologies.

Technology adoption in financial services 2018–2022 (%)	
User and entity big data analytics	86
App and web-enabled markets	89
Internet of things	65
Machine learning	73
Cloud computing	65
Digital trade	70
Blockchain	73
Encryption	73

Source: Future of Jobs Survey (2018), World Economic Forum

32 World Economic Forum 'Future of Financial Services' (2015)

33 Department for Education, 'Employer Skills Survey 2017' (2018)

## Investment in learning

### 11. Low spend on training

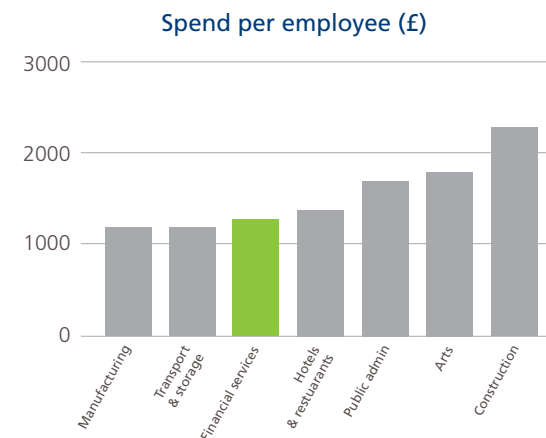
Government data shows that financial services has a lower relative spend on training when compared to other sectors. Spend per employee in 2017 was an average of £1,300 compared to an average of £1,530 across all sectors. When looking at spend per trainee, financial services spent an average of £1,860, compared to £2,470 across all sectors and £4,510 in construction.<sup>33</sup>

Training in financial services is more widespread across the workforce than the average, with 72% of employees receiving training in 2017 compared with 62% of employees across all sectors. Data also shows that financial services is a significant user of online training or e-learning, with nearly three quarters of employers offering training in this way, compared to 42% across all sectors. Financial services was also the most likely sector to offer self-learning.

While the low levels of investment in training compared to other sectors is a concern, the high use of online and e-learning indicate that delivery of training is achieved at a lower cost in financial services. However, many individuals we spoke to believed much of the training offered included mandatory or compliance related training, reducing the time and funding available for training and development in other areas.

### FINANCIAL SERVICES HAS A LOWER RELATIVE SPEND ON TRAINING

Third lowest spend per employee of any sector and second lowest spend per trainee



Source: Department for Education, 'Employer skills Survey 2017' (2018)

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## 12. The benefits of an aligned learning approach are not fully realised

In financial services we are fortunate to have in place world-leading Chartered Bodies, facilitating professional development within the sector. Membership of the Chartered Bodies core to the financial services sector<sup>34</sup> in the UK is over 200,000 and growing, demonstrating the value that individuals in the sector place on qualifications, professional development and ongoing learning.

The breadth of knowledge, skills and behaviours required in financial services is evolving and technological and digital skills are now acknowledged to be central to the future of financial services. Research shows that individuals are keen to learn and develop their skills, however it is not always clear exactly what learning will be valuable to an individual in their role or future career and what skills, knowledge and behaviours employers require as needs evolve.

Our analysis identified that often the enthusiasm to invest in ongoing learning by individuals is lost as skills, knowledge and experience required by employers and the pathway to securing these skills is not clearly set out. We also heard that the complexity of accreditation, or sometimes lack of accreditation, in new skill areas, e.g. cloud or AI, can be confusing for individuals and companies. If we are to develop our workforce and people are to invest in their skills, we need a clearer framework for skills acquisition.

### **LACK OF CLARITY AND LIMITED PUSH COMMUNICATIONS REDUCES ALIGNMENT BETWEEN THE EMPLOYER AND INDIVIDUAL'S LEARNING JOURNEY...**

**80%** of employees say they know what they need to learn but  
**40%** say they can't find what they need to learn.

Source: CIPD 'Driving the New Learning Organisation:  
How to unlock the new learning potential of L&D' (2017)

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<sup>34</sup> Chartered Insurance Institute, Chartered Institute of Securities and Investments, Chartered Banker Institute, Institute and Faculty of Actuaries, Chartered Financial Analyst Institute

# TO REMAIN RELEVANT AND COMPETITIVE

Technology, globalisation and demographic change is becoming increasingly disruptive, changing future skill requirements and job roles

1

Recruitment and a reliance on migrant talent are insufficient to close the growing skills gaps, and emerging talent paths are currently insufficient

2

Diversity is lacking in workforce composition and geographic distribution

3

Declining trust in and attractiveness of the sector makes it harder to compete for skills

4

Investment in learning is insufficient and less effective than it could be

*There will be unparalleled change in job roles due to digital transformation. The demand for highly skilled technical expertise will grow and the majority of the workforce will be in skilled roles that blend sector knowledge with technical expertise, and place more emphasis on skills and behaviours.*

**Our biggest asset is the 1.1m people who already work in the sector**

*We need a fundamental shift in how we invest in our people to continue our success into the future...*

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# RECOMMENDATIONS

Financial services is a significant and important part of the UK economy. However, the three megatrends identified will have major workforce implications, especially regarding the type of roles in the sector and the type of capabilities required. These changes must be seen in the context of an already widening skills gaps, issues with access and diversity and a waning attraction. Yet the sector is neither investing sufficiently in skills and training nor is it working together to address this issue at the scale required.

In order to remain relevant and competitive, financial services must act on these issues to retain, grow and develop the widest possible pool of talent.

## To survive and thrive we need to:

- 1) Invest in our people and work with them to develop new knowledge, skills and behaviours.
- 2) Understand current and future skills gaps and set out a future skills framework to align firm and sector efforts.
- 3) Increase awareness, widen access, attract talent.
- 4) Power diversity, inclusion and progression.
- 5) Enable deeper levels of sector collaboration to achieve transformational change.

## The recommendations we have put forward will:

- o put continuous learning, reskilling and upskilling at the heart of all we do to increase training in the sector
- o enable us to collaborate with Chartered Bodies, government, education and academia to develop a framework setting out the skills we need
- o build, develop and promote strategies that will allow the sector to change perceptions of itself and widen access and attract talent
- o ensure the sector does more to reflect the society that it serves at all levels and allows people to progress within the industry, regardless background or where they are based in the UK

- o enable the development of an employer-led Financial Services Skills Commission, which will provide a collective view of skills requirements, co-ordinate activity and be the voice of financial services when talking to academia and other relevant stakeholders.

As our industry moves through the next decade, technology will continue to be a disruptor. While we cannot predict exactly what our sector will look like and how it will operate in 10 years' time, we can ensure we are ready to respond to changes, opportunities and challenges as they arise. By implementing these recommendations, we can make sure we have the people we need to compete and thrive. We will be clear about the skills we need and will work collectively to address skills gaps and emerging skills needs. Continuous learning and development will be a core part of our business strategy and our offer and collective will have created a wide and diverse talent pipeline into and through the sector.

## Recommendation 1

### Invest in our people and work with them to develop new knowledge, skills and behaviours

#### Recommendations for firms

- **Ensure skills are a strategic business priority** – Ensuring a firm possesses the right skills currently and in the future is crucial to their ability to deliver on their business strategy and protect their long-term future competitiveness. Addressing this challenge through recruitment or short-term training programmes will not achieve the required change. A more comprehensive, long-term strategy supported by strategic workforce planning is critical to achieve the changes required to attract new talent to the sector, and reskill, upskill and retain the existing workforce.
  - **Skills to be included as part of the annual business planning cycle** – Skills, like finance and operations, must be considered a strategic business priority, with thought given to targets, the approach, and resourcing and investment required upfront.
  - **Identify acute skills shortage** – Firms should conduct an annual skills assessment to identify current and future skill gaps. A plan would then need to be developed to address any skill deficits.
- **Develop capability build strategy and refresh and integrate approaches to talent acquisition, development, motivation and retention.**
- **Champion the importance of learning and adopt an investment mindset** – Firms must create a culture of continuous learning, with an emphasis on leadership commitment and investment in lifelong learning and employees owning their own learning and development. Namely:
  - **Willingness to train the sector as others, set a budget and report on return on investment measures to propel investment** – Increase training budget in line with good practice across other sectors, set a budget and report on return on investment to evidence improvement and effectiveness.
  - **Provide a structured and blended learning approach for employees to learn** – As a minimum, everyone should have access to self-guided material but the greater the structure and different learning options, including access, courses and accreditation – the more effective the learning experience will be
  - **Engage with training and education providers and establish partnerships** – While much of the required learning can be delivered in house with carefully curated learning materials, we do believe that there is the opportunity for firms to develop relationships with universities, further education colleges and other training providers to provide more structured learning. There are already examples of this happening, but the evidence on skills gaps suggests that there is scope to scale this.
  - **Leverage what already exists** – Structure learning programmes around apprenticeships where possible to promote structured learning and use of the levy (see appendix).

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## Recommendations for collective action

- **Collaborate to understand sector and regional training requirements and opportunities** – Work with other firms to understand sectoral or regional training requirements and opportunities with other firms and training providers, taking advantage of economies of scale and fostering innovation. This will be particularly valuable for smaller firms or offices which may have limited internal training resources.
- **Sharing insight and information** – Encourage sharing of skills needs, forecasts, best practice and innovation to create sector wide view of current and future skills needs.
- **Engage with the education sector and government, and lobby to remove constraints or back accelerators** – Develop collaborative relationships with the education sector and government to promote skills. The government and education establishment are more likely to respond to skill needs or trends that exist across the sector and can be presented holistically. Working in collaboration will help our engagement with government.
- **Work with regulators to identify priority skills** – While commercial pressures and opportunities will define many of the skills that will be required, the current and future regulatory priorities and approach will define others. Working collaboratively with the regulators the sector can identify which skills are likely to be a regulatory priority or necessary for future compliance requirements.

## Benefits from this approach

The only way for the sector to gain the skills needed today and in the future is to invest in the current workforce. Developing existing employees makes commercial sense, as it allows firms to retain historical corporate knowledge and experience of the firm, and for employees to put their new or improved skills to use swiftly improving business productivity and results. Knowing your employer is committed to your continuous development will also improve employee engagement and retention. The collective impact of this investment will improve the availability of these skills within the broader financial services industry.

The big challenge for employers now is ‘how do I curate training for colleagues that will be useful for the development of the business?’ and similarly the big challenge for employees is ‘what should I learn to help me develop?’

## How firms are tackling these challenges

### CASE STUDY - Zurich

Zurich UK's automation journey began four years ago and since then they've introduced over 95 roboticised processes in claims, underwriting and HR to speed up routine administrative tasks. These improvements have not necessarily translated into fewer roles but have freed up time to allow team members to focus on activity where human interaction really adds value to our customers.

The key to success for Zurich has been ensuring that individuals joining the team have the right behaviours and capabilities to learn the required technical skills. By adding technology expertise to business expertise, these individuals are perfectly positioned to select the right processes to automate for customers, while being clear which ones need to retain human interaction. Since starting this journey four years ago, 50% of new hires to the UK Continuous Improvement and Automation team have come from the claims team. For the most recent hires to the team, 100% of have come from within the business.

Skills in the automation space have also expanded across the wider business to ensure that the company can scale up its expertise during high-need periods. This ensures that Zurich has a self-sufficient team to support its UK function with increased training for employees in automation while avoiding losing its most valuable asset, its people.

### CASE STUDY - Lloyds Banking Group Digital People Strategy

In February 2018, Lloyds Banking Group (LBG), announced the Group's new three-year business strategy. It focused on four key strategic priorities for success in the digital world. Key among them was a significant investment in people to help transform the Group's ways of working and build new skills for the future. To support the latter, the Group conducted a strategic workforce planning exercise which helped identify the 10 key skills required by the Group, the number of colleagues to be trained and recruited by each key skill and the number of training hours. This culminated in a significant public commitment of an additional 4.4 million training hours to help colleagues build their skills for the future.

To support the development of these key skills, the Group embarked on an ambitious programme to build 10 new Strategic Learning Hubs, providing colleagues with easy access to curated learning content focussed on each of the 10 key skills at beginner, intermediate and advanced level. In addition, it designed and launched 15 new role-based Accelerated Development Programmes to help colleagues in critical roles build the skills they would need to excel in roles deemed critical to the future success of the Group. These initiatives were complemented by further enhancements made by the Group to its graduate development programmes, apprenticeship offering, leadership development proposition and approach to recruitment and redeployment.

In order to successfully embed the change, ownership at the top of the organisation has been critical, along with the need to engage colleagues in a variety of different ways to help build a lifelong learning culture. As a result, not only has the Group developed new skills at pace but engagement with learning has also improved with nearly 2/3rd of colleagues saying that the Group's commitment to learning was making a difference to them and more colleagues than ever before saying they knew the skills and knowledge they would need to build their career.

### CASE STUDY - Citi, Belfast

Citi, Belfast was established in 2005 and has approximately 2,700 staff who are able to access a range of training support, covering topics such as: communication & relationship management skills, creative problem solving, giving constructive feedback and building personal brand. Employees are also encouraged to use the job-related technical training programmes and courses and 93% of the Belfast Market Operations group completed at least three online courses a year.

To create a learning culture, one of the components includes a regional engagement campaign called '#BeMore' which focused on the development of behaviours needed to create a culture of inclusion, innovation and continuous learning. Supporting managers play an active role in employee development.

Citi on a global level invests heavily in employee development through Degreed, a mobile platform for continuous learning. To support the future technical skills and employee engagement in their own learning, at-scale content is available on topics like cyber, big data, artificial intelligence and cloud computing, and a new engagement campaign which incorporates insights from behavioural science will be rolled out across the EMEA.

Employees are empowered to take control of their own learning using these resources, participating in transition programmes and using these resources and programmes to take responsibility for their careers at Citi.



## Recommendation 2

### Understand current and future skills gaps and set out a future skills framework to align firm and sector efforts

#### Recommendations for firms

- **Identify future skills requirements and gaps** – Identify the future knowledge, skills and behaviours required along with any gaps within your own organisation across each functional area.
- **Align strategic and future skills thinking** – Consider the implications for the customer, location, technology, strategy, aligned to the strategic business priorities.
- **Form a view of the current capability** – Assess current skill levels by job family, review capability taxonomy and conduct skills assessments.
- **Adopt and use the skills framework within your organisation** – Use the framework as a basis for the organisations reskilling and upskilling initiatives, including learning and development programmes, internal transfers and mobility opportunities. This will also provide employees with a clear roadmap for skills acquisition and development.

#### Recommendations for collective action

- **Collaborate to conduct an industry wide identification of new and future skills** – Focused predominately on:
  - Skills rising in demand i.e. new, primarily technology-based roles and skills (e.g. AI).
  - Technical and functional skills (e.g. compliance).
  - Transferable/soft/future skills (e.g. collaboration).
- **Collaborate to create an industry wide articulation of skills in a framework and contribute to ongoing evolution of the framework** – An industry wide skills framework will:
  - Increase the availability of transferrable skills and improve consistency and accreditation.
  - Provide a basis for sector collaboration and standard setting.
  - Signal scale and nature of need to education and training providers.
  - In the first instance the framework would focus on:
    - user experience
    - machine learning/AI
    - cyber
    - agile.
- **Use the framework to create more flexible accreditation approaches, and inform education and training solutions** – The framework will:
  - Set industry standards to underpin new, more flexible accreditation approaches.
  - Provide for portable skills recognition.
  - Offer an opportunity to address skills gaps and shortages on an industry wide basis, and to work with education and training providers to create tailored courses, qualifications and learning and development programmes.
- **Government engagement and support** – to align the framework with relevant emerging digital skills qualifications and standards.

## Benefits from this approach

A skills framework will allow firms to better identify and address skills gaps, tailor their own training programmes, and match training providers and materials to skills needs. It will also allow them to better assess the skills the employees have already developed and match them to the right roles. The framework will be invaluable in ensuring Government policy and the education establishment are targeting the right skills and individuals in their efforts. These should combine to significantly increase the efficiency and effectiveness of both internal and external training provision.

By creating an industry wide future skills framework, we will:

- **Enable more efficient investment in training** – Firms will better understand what their future skills requirements are and prioritise investment in those areas.
- **Support development of common assessment and accreditation** – Filling gaps and building on good practice, providing consistency that will benefit the entire sector and input to development of professional standards in new and existing professions.
- **Create an impactful dialogue with education and training providers** – To refine course content and develop new training offers to meet industry needs. The framework will be used by academic establishments, including Universities and further education Colleges, as the main source for skills information for the Industry to develop and refine their courses.
- **Allow for leadership and influence** – Creating an industry-wide statement of skills needs, will support an informed dialogue with government and other relevant bodies to influence policy thinking. There is potential for the framework to inform future policy on immigration and visas.
- **Support action on outreach and diversity** – By demonstrating a clear progression pathway for career and skills development in the sector.

A Skills Framework for financial services would be an industry-wide articulation of the skills, knowledge and behaviour needs for now and the future and a process to ensure it is maintained to reflect the continuous change in the sector.

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## How firms are tackling these challenges

### CASE STUDY - EY Badges

EY Badges is a global in-house training programme designed to encourage all 280,000 EY professionals to develop new skills on demand at a lower cost.

EY Badges are awarded for reaching bronze, silver, gold and platinum levels of capabilities in differentiating new future focused skills, including, analytics, emerging technology, cybersecurity, digital, innovation and transformative leadership. The learning involves a combination of internal and external sources, along with experience on-the-job, and knowledge contributions.

Since the launch, over 60,000 badges have been initiated and 15,000 earned. With over one million learning hours completed by over 150,000 people in the last 12 months. The feedback from EY professionals has also been extremely positive. People appreciate the flexibility and convenience of completing the learning online at their own pace, and a way to better prepare and position themselves to be successful in the future.

### CASE STUDY - The Chartered Body Alliance (Chartered Institute for Securities & Investments, Chartered Insurance Institute, Chartered Banker Institute)

The UK's leading Chartered Bodies have seen significant growth in membership in recent years, and in their UK and international impact and influence. More than 200,000 individuals are now members of the CII, CISI and Chartered Banker Institute.

Activities include:

- Providing an inclusive, open-access model of initial and continuing professional learning and qualifications that removes the majority of barriers to advancement (geographic, financial, age, previous education) and supports the reskilling, upskilling and lifelong learning of financial services professionals.
- Outreach to schools, colleges, universities and communities through a UK-wide network of volunteers to promote financial education, and careers in financial services.
- Long involvement in leading campaigns to widen access to, and promote social mobility within financial services.

Chartered Body Alliance members work in close partnership with employers, who are strongly represented within the bodies, to develop and deliver programmes of initial professional development (qualifications) and continuing professional development (CPD) relevant to the modern financial services sector, and based on latest developments. This includes qualification programmes such as the Chartered Banker Institute's Advanced Diploma in Banking & Leadership in a Digital Age and MSc Digital Banking (in partnership with Cranfield University) where core ethical and financial services knowledge and skills are developed alongside digital and technology skills; and CPD resources and networks such as the CISI FinTech Forum.

The Cranfield University MSc in Retail and Digital Banking was developed in through a three-way partnership involving Cranfield, Metro Bank and the Chartered Banker Institute. An initial cohort of 30 students was enrolled in October 2018, all from Metro Bank. In 2019, the programme was opened to other banks and cohort numbers have increased to 45 and 60, with students from a wide range of institutions. The programme is the first of its kind banking master's level apprenticeship, with employers utilising the apprenticeship levy to enhance the digital skills of the next generation of banking leaders.

## Recommendation 3

### Increase awareness, widen access, attract talent

#### Recommendations for firms

- **Distil purpose, values and commitment to diversity and inclusivity into a clear EVP and focus on ensuring an inclusive culture that motivates continuous learning** - Increasingly all stakeholders expect a company to have a clear purpose and values, which it demonstrably lives up to. This is especially true of high-potential, entry-level talent and those transferring from other industries who are in demand by other sectors. They want reassurance that their new employer is a purpose led organisation and good corporate citizen. In addition, employers who create a value proposition that goes beyond salary and benefits and covers areas such as workplace culture, ongoing learning and development, and flexible working practices will help attract, motivate and retain high calibre talent.
- **Adopt a total talent view and refresh the talent acquisition approach accordingly** – Understand talent needs in relation to full-time/traditional; remote/flexible; contingent and off-shore. Consider talent acquisition at early career and other entry points (returnees etc) including contextualised recruitment etc. Place emphasis on development and progression, flexibility and career fluidity.
- **Broaden industry outreach** – The best performing firms source talent from every group within society. However, without targeted outreach underrepresented groups are less likely to see the sector as an attractive employer meaning firms miss out on potential talent.
- **Improve the employee experience across key moments that matter** – Use personas and journeys, examples of real people working in the sector, helping to make the sector relatable to those outside so that people feel it is a career for them. These could reflect the diversity of our workforce, different demographic groups, entry points and career pathways.
- **Increase use of alternative channels into the industry**
  - Use apprenticeships to reach a wider talent pool (see appendix).
  - Offer work placement opportunities for the new T-levels in digital.
  - Create an offer for experienced hires/ career changers, e.g. returnships, ex-military talent, older apprentices.
- **Modify recruitment processes** – Learn from good practice to remove bias and increase inclusion.
- **Join up the pipeline of talent** – Ensure that outreach activity is linked to recruitment practices and mechanisms are in place to maintain engagement with those who aspire to a career in financial services as they progress through their education.
- **Build on existing channels** – There is a wealth of activity and infrastructure already in place, e.g. Careers and Enterprise Companies, charities and not-for-profit organisations that can support and facilitate engagement with schools and educational establishments.
- **Social mobility** – Reduce inequalities relating to education and geography. Ensure individuals from non-privileged backgrounds and living outside of London are granted equal employment opportunities within the financial services sector.

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## Recommendations for collective action

- **Work on an industry wide value proposition and narrative, and invest to promote it** – When considering careers, most individuals focus on sectors rather than individual firms. By curating and promoting the best examples from the industry we can shift perceptions of the industry. This can then be targeted to high demand or underrepresented groups.
- **Agree industry wide diversity and social mobility indexes and commitment to measure and set targets building on existing initiatives** – Setting clear collaborative targets and holding one another to account will significantly improve diversity and social mobility across the sector.
- **Joint research to build an evidence base** – The sector needs to build its understanding of which factors are most effective at increasing access and attracting talent. Research can provide an evidence base that cannot only improve individual firm performance but allow more effective collaboration.
- **Agree joint approaches to outreach to target underrepresented groups** – New channels will be most effective if there is a degree of standardisation and universality. Underrepresented groups can be harder to reach and can fall outside of the sectors existing channels. Collaboration on outreach and education will bring economies of scale and could improve pipelines.
- **Collaborate locally to improve effectiveness of current initiatives** – Work with other financial services firms in a local area to coordinate engagement with other stakeholders to broaden reach and maximise efficiency of current initiatives, e.g. apprenticeships and T-levels.

## Benefits from this approach

By working together to change perceptions of our industry and inspire a new generation of talent, we will increase and diversify the supply of talent into the industry. By ensuring the sector is seen as competitive against other industries requiring the same skills, we can ensure access to top talent. A wealth of evidence shows how a diverse workforce positively impacts business performance, so these efforts will enable our sector to remain competitive and successful.

## How firms are tackling these challenges

### CASE STUDY – PRIME

PRIME is an alliance of law firms across the UK, committed to improving access to the legal profession through work experience. PRIME was founded in 2011 and has over 60 member firms and 11 charity partners which have given over 10,300 weeks of work experience. PRIME was established because, put simply, the legal sector should be open to talent from all economic backgrounds. A recent Social Mobility and Child Poverty Commission report found that:

- 71% of senior judges went to independent schools
- 65% of people believe 'who you know' is more important than 'what you know'
- 75% People think family background influences life chances in Britain.

Over 700 students per year access PRIME. Every firm involved in PRIME makes what is called the PRIME Commitment. It is how it makes sure it is offering the right quality of experience across all placements. Firms are only able to sign up if they are able to make that commitment. One of the tools that PRIME makes available to its members is a contextual recruitment system.

### CASE STUDY – Rare's Contextual Recruiting Scheme (CRS)

Companies use Rare's CRS at the initial screening stage. It is a means of levelling the playing field for disadvantaged candidates at the critical decision moment. This is when a lower grade profile can in fact be a sign of strong outperformance, hence indicate a high potential applicant when put in context. On occasions, this has been used to put through to interview candidates who would not otherwise have been put through. In addition, Rare partners with a range of top law firms to run insight programmes for BAME and low socio-economic status candidates. Rare engages directly with candidates from these backgrounds, provides coaching and interview training, and brings them forward to interview for full-time positions.

### CASE STUDY - Divento

Futures trading company Divento is working to source and educate the next generation of financial services future professionals. Divento's unique offering goes beyond the more conventional academic routes and presents a vocational pathway into careers in the financial services sector. Embracing an employer-led education programme, Divento's courses develop students to a professionally competent and work-ready level for enhanced employability prospects.

Participants learn the fundamentals about becoming a successful trader while developing the knowledge and skills needed to work in investment management.

Divento has developed a level five programme, recognised by the CISI and delivered over five weeks on a live trading floor. Participants get to experience the fast-paced, real-time action of the global derivatives markets on the first accredited course of its kind to be launched in the UK. Divento are also partnering with the Department for Work and Pensions (DWP), training job seekers referred by JobCentre Plus. The most recent DWP cohort saw 95% of participants pass the course and 68% were in full time employment within three months of completing their training.

Divento are also an accredited apprenticeship training provider, working with employers to deliver apprenticeship training on a range of professional services standards.

### CASE STUDY – REACH (Routes to Enhancing ACHievement)

The London Institute of Banking and Finance launched REACH in February 2018 to increase engagement with underrepresented student populations. The programme involves a series of one day free workshops, each one aimed at an underrepresented group, e.g. BAME, mature learners, women. Each workshop includes a keynote speaker to talk about diversity within banking and finance, an industry professional panel, careers and employability, networking skills and trading simulations.

## Recommendation 4

### Power diversity, inclusion and progression

#### Recommendations for firms

- **Create an inclusive culture** - Ensure senior leaders are accountable for addressing barriers to progression and retention and act as a role model for positive and inclusive behaviours. Create guidance on the positive and inclusive behaviours everyone in your organisation is expected to demonstrate, and clearly define what behaviour is unacceptable and inappropriate. Conduct regular culture surveys, report key themes/findings, and design and implement initiatives to address areas identified for improvement. Firms should implement practical actions such as those in the Women's Progression in the Workplace action note, Black Voices Matter and Tackling the Glass Ceiling publications.<sup>35</sup>
- **Support career development** - Ensure that career progression is transparent, with equal access to stretching work and sponsorship from senior leaders. Implement standardised performance management processes to measure performance and potential, with guidance on what potential means, and clear criteria on the skills and experience required at each stage of progression. Provide training to line managers on how to support people to progress.
- **Progression for part time workers** - Highlight senior role-models who work part-time, to bust myths around the ambition and abilities of part-time workers. Clearly advertise that part-time and job-sharing is available on job advertisements, particularly for manager and senior roles. Ensure they are able to access networking, and learning and development opportunities, at a time that is convenient for them.
- **Improve internal recruitment and promotion processes** - Use name blind, skills and competency-based recruitment to ensure that the highest -qualified individual gets the job. Use structured interviews for recruitment and promotion so that, for a given role, all candidates are asked the same questions in the same order, and their responses are scored according to pre-agreed criteria. Have standardised, formal criteria around performance and reward that employees understand.
- **Measure and evaluate policies to support diversity and inclusion** - Collect data and set specific, realistic objectives for diversity and inclusion across your organisation and measure and evaluate the take-up and effectiveness of policies such as flexible working and talent development programmes, to identify problems and bottlenecks. Use exit interviews to understand the reasons people leave your organisation and use this information to inform your HR processes and diversity and inclusion strategy.

#### Recommendations for collective action

- **Sign up to public commitments** - Firms should sign up to initiatives such as the Women in Finance Charter and Social Mobility Pledge to support efforts in tackling lack of inclusion. Participation in these initiatives demonstrates a public commitment to tackling these issues and enables transparent reporting benchmarked against industry peers. While the initial focus has been on gender, more recent initiatives aimed at ethnic diversity, as well as socio-economic background (see appendix), LGBTI+, age and disability, have come to the fore.
- **Participate in collective action** - Work with other firms to create a sector-wide ambition on inclusion, synthesising and codifying existing activity across the sector to create an evidence base and benchmarks to measure and monitor progress. Participate in sector wide forums to share best practice and promote positive change.
- **Advocate for inclusion** - Champion and drive activity, widening participation from companies and accelerating activity within leading organisations.

<sup>35</sup> Government Equalities Office 'What works to reduce the gender pay gap: women's progression in the workplace action note (2019) & The Investment Association 'Black voices, building black representation in investment management & Tackling the glass ceiling: Recognising potential over polish (2019)

## Benefits from this approach

Retaining talented individuals protects corporate knowledge, reduces cost and ensures firms benefit from increased spending on development. A good retention strategy also improves productivity as resolving the issues causing employees to leave improves performance in itself. A positive workplace culture that encourages diversity and inclusion, will ensure the most talented people develop and stay, increase overall collective contributions and business results.

## How firms are tackling these challenges

### CASE STUDY – Association of British Insurers (ABI) industry job-share portal

In 2018 the ABI published the 'Tackling the gender seniority gap' report to understand what is driving the low representation of senior women in the sector and what can be done about it. The research revealed that the dominant driver for the gender seniority gap was the 'motherhood penalty', with many women often returning to part-time roles and not progressing. The report concluded that to reduce the gender seniority gap substantially, it needs to be easier for part-time, or formerly part-time, employees to advance, and recommended the ABI explore creating an industry job-share portal. The ABI is taking forward this recommendation and intends to create a job share portal modelled on the civil service portal – the first commercial sector to seek to develop such portal. The job-share portal will be a profile matching service and aims to help make more senior jobs available part-time, make job shares easier and more attractive and contribute to the development and advancement opportunities for women who work part-time.

### CASE STUDY – Investment20/20

Investment20/20 is the multi-award winning talent and career service for the investment management industry that provides trainee programmes for a broader group of young people to access the sector. Alongside the trainee programmes, Investment20/20 delivers an extensive outreach programme and pre-employment initiatives that develop the confidence, skills and knowledge of young people, enabling them to start a career in the industry. These include the successful Think Investments programme, which last year saw 64 state-educated school and college leavers from diverse and disadvantaged socio-economic backgrounds attend a series of masterclasses. All students received work shadowing opportunities with industry firms and in 2020 the Think Investments programme will also include an undergraduate stream. Investment20/20 have also rolled out their Ambassador Programme which provides industry professionals with the opportunity to deliver career presentations to students as part of their outreach initiatives to schools, colleges and universities across the country. Most recently, Investment20/20 has launched its industry-wide work experience programme for 50 sixth form students from diverse backgrounds that includes a week's work experience alongside employability skills development.



## Recommendation 5

### Enable deeper levels of sector collaboration to achieve transformational change

The preceding recommendations have the potential to drive a targeted yet comprehensive improvement in the skills of the existing workforce; keep those more valuable workers in the sector; and attract the best and brightest in the future. However, this will not happen spontaneously. A single permanent body is needed, covering the entire industry and continually focusing on the issue of future skills needs in financial services. It is required to coordinate and review progress of the initiatives outlined in this report, provide a collective view of skills and talent, and act as a single collective voice for the financial services sector on skills. The body will be lean, focussed, employer driven and funded.

### Establish an employer-led Financial Services Skills Commission

The Commission will have a mandate to coordinate activity to achieve transformational change across the financial services sector and take the lead on delivering the key recommendations in this report. It will also:

#### Act as the collective voice of the sector

- Maintain oversight of future skills needs, gathering insight/input from the industry to identify future skill and talent requirements, along with strategic workforce planning initiatives.
- Ensure engagement and active participation from the industry to enable legitimacy and meaningful representation across the sector, including firm size, location etc.
- Create a policy agenda for skills in financial services, advocating for change.
- Maintain an active dialogue with governments.
- Put in place mechanisms for constructive dialogue and engagement with education sector and other stakeholders.
- Lead on sector-wide issues, e.g. diversity and inclusion.
- Produce an annual report.

#### Define the new future skill requirements and the application to financial services

- Define the new future skill requirements via a new skills framework.
- Remain at the forefront of skills needs/forecasting for financial services.

#### Identify and build appropriate opportunities to enhance the capability of talent within financial services

- Create learning and development opportunities, initially focussing on areas with acute skills shortages and skills needs.
- Create and maintain a dialogue with the education and training sector.
- Promote future skills needs of the sector as widely as possible.
- Explore potential to develop industry recruitment initiatives or work placement activity to widen access and build a talent pipeline.

### Key principles

In recent years, similar skills bodies have been created, such as the Sector Skills Council and the National Skills Academy to act as a sector voice on skills. We have engaged with individuals involved in these bodies to understand the factors which were successful and others that were challenging.

The Commission will be:

- **Industry led** – driven by industry priorities, with membership representative of the various sub sectors across the industry, including organisations of all sizes and locations across the UK. Employers have been clear that the new Commission must be owned, funded and managed by businesses to enable strong recognition from government at national, regional and local level to influence skills policy and government expenditure. In contrast with previous skills bodies in the sector that have been a creation of government that subsequently sought employer engagement, this body will be created by the sector for the sector.
- **Independent** – ensuring control and providing clear delineation of governance from the individual organisations involved. Membership and resources will be funded by the sector and other stakeholders. Independence enables engagement with government to be maintained through political change. Independence from existing financial services bodies will ensure strategic focus on this vital issue and help the Commission build legitimacy within the education and training sector.
- **Collaborative** – ensuring the Commission engages with the whole sector. Membership enables participation for companies of all sizes, and involvement of industry bodies Chartered Bodies and regulators. The new skills Commission will have the ability to work with colleges, universities, schools and training providers and their representatives to ensure they are clear about the skills needs of the sector, and are able to translate these needs into appropriate courses, training programmes and qualifications accessing significant levels of funding available.

- **Strategic influence** – focus on strategy, coordination, commissioning, collaboration and communication, but excluding delivery of skills training. Staffing and governance will be streamlined. Government engagement to be embedded and defined in the Terms of Reference.

The Commission will be led by a Chair and Board supported by a small team. The Commission will oversee the delivery of each of the four other recommendations in this report via creation of workstreams led by a senior industry figure, made up of employers, industry bodies, education sector representatives, regulators and other relevant parties. As the work of the Commission and each of the workstreams progress, regular reviews will be undertaken to evaluate progress and assess impact and revise future priorities.

### Deliverables

The new Financial Services Skills Commission will:

- identify and codify current and future skills needs across the financial and related professional services sector
- work with firms, Chartered Bodies, education partners and others to perform a gap analysis to identify areas of urgent and long-term need
- use this analysis to create a comprehensive skills framework for the sector
- use the framework to:
  - co-create training opportunities and resources with industry and educators at a sector or regional level
  - increase the quality and relevance of internal and external training
  - influence government policy to ensure formal education pathways prioritise the identified skills and skill-mixes
  - provide skills and career pathways for new and existing employees wanting to develop.
- identify drivers of attractiveness for existing and new talent and promote best practice
- identify structural issues with underrepresented groups and promote best practice and collaboration
- coordinate a more effective talent pipeline locally and nationally
- champion the sector as a great place to work for all.

## How firms are working collaboratively

### CASE STUDY – Professional services week: West Midlands

Launched in 2016, Birmingham Professional Services Week is an inspiration campaign designed to increase awareness and enthusiasm for careers and opportunities in the business, professional and financial services sectors in the West Midlands. The campaign builds on individual firm efforts to achieve greater scale and impact on a shared agenda of building greater connectivity between the regions, youthful, diverse population, and seeking to attract them to working in sector. Not only is this a business imperative for supporting future skills needs, but ensuring more local citizens benefit, as part of an inclusive growth agenda, is a regional priority. The week provides an opportunity to land key messages about the routes to entry, challenge stereotypes, and the quality of opportunities outside of London.

In 2019, the campaign expanded across the West Midlands, delivering experiences for secondary school students in Birmingham, Solihull and Coventry. Since inception, around 50 schools have taken part, equivalent to nearly 5000 pupils and 10,500 meaningful encounters with business professional and financial services firms. The most popular activity is the 'business walk' where groups visit a minimum of two businesses as well as an escorted tour of the business districts by young professionals, giving greater insight into the realities of living and working in the sector. Over 40 businesses participate each year, many every year since the beginning, with over £100k of time donated during the campaign week this year alone.

#### Over the four years the lessons learnt include:

- Collaboration delivers greater impact on not only the scale of schools engaged, but also through helping to address perception issues regarding the industry through a campaign media wrapper around the core activities.
- Partnership working with education providers and the Careers and Enterprise Company networks/career hubs ensure the relationships that start in professional services week can be supported, bringing sustainability beyond one focus week.
- Rigorous evaluation is essential to demonstrate impact and increased awareness and understanding. Research has found that teachers value meeting businesses in the flesh.
- A sector lead is essential to drive collaboration and ensure success.

### CASE STUDY – The Investment Association's (IA) talent strategy

The IA is the trade body that represents UK investment managers. Recently, the IA has developed a talent strategy to support its members to attract, develop and retain a high quality workforce with the skills, knowledge and competencies the sector needs for the future. It covers the career arc from entry point to executive level, and has been developed following extensive discussions with IA members around the skills needs of the industry.

It is designed to complement IA members' own internal strategies and is structured around three key themes: attraction, advancement and environment, with considerations around diversity and inclusion underpinning each one. The strategy's priorities provide the foundation for a programme of work for the next three years and include:

- Building on the successful work of Investment20/20 so that school and college leavers and graduates can access the industry.
- Using the IA's research on public perception of investment management to create a more relatable way of describing the industry and the range of interesting jobs on offer within it.
- Undertaking a feasibility study into the creation of new routes into the industry via conversion courses.
- Researching the changing world of work specific to the investment management sector; and continuing to deliver thought leadership on diversity and inclusion topics.

### CASE STUDY – Financial advisory board for Scotland (FiSAB)

FiSAB was established shortly after Scottish devolution in 1999 and is the primary Industry Liaison Group (ILG) for banking, financial and professional services. The permanent board of 30 business and ScotGov members is co-chaired by the First Minister of Scotland and the chairman of Scottish Financial Enterprise (SFE). The board has created a number of workstreams, including Skills, Talent and Retraining (STaR), currently chaired by Barry Connolly, Head of everyday banking at RBS.

STaR provides the ability to work effectively across all key stakeholder groups and with the relevant ScotGov Ministers where required on a number of priority workstreams:

- the financial services Unified Schools Campaign (USP)
- apprenticeships (foundation, modern and graduate)
- the universities strategy
- retraining
- the two regional (East and West Coast) fast track work readiness hubs
- strategic forecasting to help identify future roles in Banking and financial services.

# WHAT DOES SUCCESS LOOK LIKE?

## THESE RECOMMENDATIONS WILL DRIVE THE CHANGE THAT THE SECTOR NEEDS OVER THE NEXT THREE YEARS

### Recommendation

### How will this recommendation develop?

### Success factors: What does great look like?

**1. Invest in our people and work with them to develop new knowledge, skills and behaviours.**

- Industry leadership to achieve mindset shift to continuous learning demonstrated by significant number of employers.
- All employees receive a training offer in addition to mandatory/compliance related training.
- Innovation in training seen in regional and national centres.

- Increased number of employees trained, ringfenced time for training.
- Increase in apprenticeships in existing workforce.

**2. Understand current and future skills gaps and set out a future skills framework to align firm and sector efforts.**

- Mature skills framework in place supporting strong eco-system of training, standards, accreditation, professionalism, leadership and outreach.
- Common standards in use across the industry allowing mutual recognition of attainment and competency.
- Healthy market place of high quality, agile and relevant training provision.

- Increase in training aligned to skills framework.
- Reduction in skills gap.
- Increased availability of suitable skills.
- Suitable training available across the sector and UK.
- Increased employee participation in own learning journey.

**3. Increase awareness, widen access, attract talent.**

- Agreed narrative on sector purpose and value to society.
- Coordinated and effective action on attraction and diversity.
- Active engagement with routes in, e.g. colleges, apprenticeships, T-levels, university, returnships.
- Internal system changes to promote diverse recruitment.

- More alternative routes into sector, e.g. apprenticeships, college leavers, T-levels.
- Increase in diversity of recruits.
- Sector is more attractive to new entrants.

**4. Power diversity, inclusion and progression.**

- Leadership commitment and action to achieve inclusion and progression.

- Increased workforce diversity and retention.
- More motivated and committed workforce.

**5. Enable deeper levels of sector collaboration to achieve transformational change.**

- Establishment of employer-led Financial Services Skills Commission as an influential voice for the sector on skills.

- Increased supply and diversity of talent with the required skills.
- Impactful collaboration on skills across the sector and in regions and nations.

# CONCLUSION AND NEXT STEPS

The financial services sector makes a significant economic and social contribution to the UK and employs over 1.1 million people, two-thirds of whom work outside of London. While financial services in the UK remain a world leader, today the sector faces unparalleled challenges from megatrends of technology and data, globalisation and demographics. As evidenced by this report, these trends are disrupting financial services, changing the skills required for future success and intensifying the war for talent. In order to remain competitive, the industry must respond to these issues to ensure it continues to attract, motivate and retain the widest possible pool of talent. To succeed, the sector must undergo rapid transformational change or risk an existential crisis.

To deliver this change the sector must:

- **Invest in our most valuable asset, our people, by putting continuous learning, reskilling and upskilling at the heart of our efforts** - The needs of the sector are changing fast. There is increasing demand for technology and digital skills, and the majority of roles will change in some way with new task and skill requirements. As technology and the use of automation increases there will be numerous new roles in customer service, data analysis and other areas, with significant demand for soft/future skills, e.g. creativity, problem solving and critical thinking. Consequently, firms will need to develop a new relationship with their people based on providing them with continuous learning opportunities to acquire these new skills in their current roles.
- **Identify and define our future skill requirements by developing a framework setting out the skills needed** - Some financial services firms develop their own strategic workplans but overall data on skills demand is weak. It is also the case that the current landscape is too complex and, in some cases, ineffective at meeting the needs of the industry for the future. Therefore, the sector requires a single articulation of the skills, knowledge and behaviours it needs through the development of a framework. The framework would not just be a snapshot of skills and behaviour requirements at a particular time but should be regularly updated to cover emerging trends and their impact on our people.

- **Ensure our sector is attractive and accessible to top talent by raising awareness, widening the routes into the sector and developing a value proposition** - Since the financial crisis in 2008, the attractiveness of financial services has declined. There has been a decrease of MBA graduates entering the industry and only 10% of young professionals already working in the industry plan to stay long term. Fewer than 40% of students associate creativity and a dynamic work environment with working in banks but are placing greater value on these elements when selecting a future employer. Based on this, we need to develop a value proposition to improve not only the perceptions of the industry as a corporate citizen, but also as an attractive place to work.
- **Power inclusion and diversity throughout the industry** - Despite employing over 1 million people in the UK, there is significant evidence that the sector, particularly at a higher level, does not reflect society as a whole. More needs to be done to promote inclusion and social mobility in the sector. More diverse companies not only 'win the war' for talent but typically outperform their peers by 33%.
- **Collaborate to achieve transformational change by establishing an employer-led Financial Services Skills Commission** - It is recommended that a Commission is set up to form a collective view of skills and talent across the financial services sector. It will be lean and have a broad representation of senior representatives from across the industry. Most importantly, it should be employer-led and funded, thereby ensuring it is independent and sustainable.

## Next Steps

Following publication of this report, several steps will be taken in the first quarter of 2020 to ensure we execute at pace and that momentum is maintained. These include:

- confirm executive level support across the financial services sector to implement the core recommendations
- work with both national and regional government to understand and leverage best practice
- hold strategic working sessions to agree implementation plans for the core recommendations.

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# APPENDICES

## Apprenticeships

Apprenticeships offer a structured method of learning 'on the job'. In 2017, the government introduced significant reforms to apprenticeships in England, including the introduction of the apprenticeship levy and creation of new apprenticeship standards developed by industry-led 'trailblazer' groups. Many existing professional qualifications are now 'embedded' in apprenticeship standards, meaning that employees can be trained in professional qualifications using apprenticeship levy funding. Apprenticeships in Scotland and Wales are managed by their respective governments.

The use of apprenticeships to train for financial qualifications is growing, but still lags behind other sectors. We have received much feedback on frustrations with the system:

- the complexities and demands of administering apprenticeships particularly for smaller employers
- difficulties in accommodating the required 20% off the job training
- a variance in cost of qualifications via a traditional versus an apprenticeship route
- difficulties for employers with employees across more than one nation in managing apprenticeship systems that differ across England, Scotland, Wales and Northern Ireland. Many employers who want to utilise apprenticeships are unable to have parity of offer for staff based in different nations.

However, we have also seen many examples of creativity and innovation related to apprenticeships, where employers have navigated the system and are seeing real impact in terms of upskilling of staff.

There is potential for apprenticeships to play a greater role in the upskilling of staff that our sector needs. To achieve this:

- employers should put apprenticeships at the heart of their efforts to upskill and reskill their workforce
- the sector should work collaboratively with each other to support smaller employers to engage with apprenticeships across the country
- government should work with employers on their concerns and focus on how the apprenticeship 'system' can best meet their needs to reskill their staff. By reviewing some requirements and introducing flexibility (e.g. increased alignment with professional qualifications, use of modular apprenticeships) the use of apprenticeships for upskilling can be increased without compromising on quality
- government must work with the devolved nations to find ways to support employers who have staff located in more than one nation
- government should continue to work with the sector through the proposed Financial Services Skills Commission to ensure apprenticeships meet employer needs.

## How firms are working with apprenticeships

### CASE STUDY – WhiteHat apprenticeships

WhiteHat are transforming apprenticeships and creating a credible alternative to even the best universities by developing high quality education and training that supports the needs of both employers and young people, underpinned by a thriving on and offline community. This will help to solve the UK's skills gap, filling the shortage while addressing the lack of diversity in key industries.

WhiteHat work with some of the UK's most exciting companies to bridge the digital skills gaps, increase diversity and drive performance. This provides a way for companies to invest in young people at the outset of their careers and to upskill existing employees. Iain Gallagher, Senior Manager, Emerging Talent at Santander, who recently launched a pioneer Data Science Apprenticeship programme in partnership with WhiteHat said: "We recognise that apprenticeships offer people an alternative route into a banking career other than the traditional graduate path. This helps attract talent from all walks of life and ensures the financial services sector as a whole better reflect the communities we serve. We are delighted to partner with WhiteHat to offer inspiring learning while developing critical digital skills across the bank."

### CASE STUDY – RBS digital & innovation apprenticeships

RBS has introduced a digital and innovation apprenticeship to give talented individuals from economically and socially disadvantaged backgrounds the opportunity to move into Higher Education and the workplace. Developed in partnership with social mobility charity, Leadership Through Sport and Business, participants undertake a paid apprenticeship within our bank and simultaneously complete a fully funded degree.

Over the summer 2019 the programme was showcased on social media and in schools and community events across London and attracted high numbers of applications. Shortlisted candidates embarked on a month-long boot camp in September with support from companies including Google, CapCo, Salesforce and West Ham United, where they were assessed on their decision making and influencing traits, critical people capabilities and digital skills. From November 2019, the 10 successful individuals started their journey at NatWest working within CPB's Ventures and Digital teams.



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## Social Mobility

The Social Mobility Commission data shows that the UK is a country of inequality. The job that your parents did is a good indicator of your future career. This inequality also manifests in different locations, with London being a 'hot spot' for social mobility - the breadth of opportunity in London means 'life chances' are enhanced for Londoners, even those from disadvantaged backgrounds.

In financial services this inequality manifests in two ways:

- Inequality of opportunity – we know that individuals who attended private school are much more likely to be in senior positions in investment banking compared with those who attended state schools. When recruiting, we know that the range of universities from which investment banks recruit is relatively narrow and focussed on a small number of elite institutions meaning that young people who do not attend a target university may be less likely to gain access to a front office role in investment banking, irrespective of prior attainment. Similarly, individuals who didn't have the right contacts in the industry, or couldn't afford to work unpaid, can find themselves excluded from jobs in the sector because of how recruitment processes often identify talent and potential.
- Inequality of geography – London is home to one third of the UK jobs in financial services. Over 70% of financial services jobs in London are in the most senior job roles compared to an average of 55% elsewhere. While many financial services firms are creating jobs outside of London, the unequal spread of senior roles in our industry limits progression in cities and regions. We know that the strength of the UK financial services sector lies in the overall offer of financial services across the country. Not everyone, wants to or should need to move to London. The industry can and should do more.

**To tackle these challenges companies should:**

1. Use data – good data is key to tackling social mobility. It identifies where the issues are and means change can be monitored.
2. Have strong leadership and communication – emphasising the importance of social mobility, creating a compelling narrative, securing support and ensuring meaningful action.
3. Identify action at all sates of the employee journey – including outreach, recruitment, progression and reward.
4. Collaborate – to share good practice and drive sector-wide change.

Employers can enhance their social mobility journey by participating in initiatives such as the Social Mobility Pledge and Social Mobility Employer Index which provides employers with a private, rigorous assessment of their action on social mobility against seven pillars.

## How firms are addressing Social Mobility

### CASE STUDY – J.P. Morgan

J.P. Morgan in the UK is investing in programmes, combining its financial and non-financial resources to provide effective career guidance and access and quality and timely work experience which can help increase diversity in occupations and social mobility for young people. 'The Schools Challenge' initiative provides career guidance and work exposure to students from low-income backgrounds, especially young girls, focusing on careers utilising S.T.E.M skills. Through engagement with J.P. Morgan staff, the initiative leverages the skills and expertise of employees, who help to train students in professional skills such as project management, business planning and pitching. This is complemented by the Aspiring Professionals Programme, delivered in partnership with the Social Mobility Foundation, to support bright young people from disadvantaged backgrounds across the UK to access top universities and professional careers. As part of the programme, students receive two weeks of work experience in mainly front-office roles and 12 months of mentoring and skills-building sessions.

Since 2012, 475 students have benefited from the programme with participants being around 72% more likely to attend one of the 24 leading UK universities than otherwise similar pupils. Alumni from 2012 have accessed highly competitive professional jobs, including 12 who are now working at J.P. Morgan, and many more who have taken part in the ultra-competitive Spring Week and internship programmes.

J.P. Morgan also recognises that this pathway may not be suitable for everybody. This is why they have provided significant investment to bolster quality vocational and technical training, including apprenticeships, and improving access to underserved communities. For example, J.P. Morgan has been running an apprenticeship programme in Financial Services Operations for sixth-form leavers since 2014 and have launched a new four year, university-equivalent apprenticeship in technology in Bournemouth, as well as expanding this to other parts of the UK, including London and Glasgow. J.P. Morgan also recognises that smaller businesses may not have sufficient infrastructure to take on apprentices, therefore, they support the London Progression Collaboration set-up by the Institute for Public Policy Research (IPPR) and the Greater London Authority to enable SMEs to offer higher quality apprenticeships.

### CASE STUDY – The Social Mobility Pledge/Social Mobility Employer Index

**The Social Mobility Pledge** is a commitment that over 100 large organisations have signed, becoming Social Mobility Pledge accredited employers. To do this, organisations agree to the following commitments:

- Partner with schools or colleges to provide coaching through quality careers advice, enrichment experience and/or mentoring to people from disadvantaged backgrounds or circumstances.
- Ensure access by providing structured work experience and/or apprenticeship opportunities to people from disadvantaged backgrounds or circumstances.
- Will adopt open employee recruitment practices which promotes a level playing field for people from disadvantaged backgrounds or circumstances.

**The Social Mobility Employer Index** is an important bench-marking initiative that ranks Britain's employers on the actions they are taking to ensure they are open to accessing and progressing talent from all backgrounds. The aim of the Index is to encourage firms to monitor their progress on social mobility, share best practice and to showcase those companies that are taking the issue of social mobility most seriously. The Index launched in 2017 and since then 172 employers across 18 different sectors, collectively representing 1.5 million employees in the UK, have taken part.

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