

Skills scenarios for the financial services sector

Insurance sector Social dialog Committee

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The study encompasses 8 steps :

- ❑ Sector mapping : from 1996 to 2006**
- ❑ Identification of the drivers of change**
- ❑ Analysis of the emerging competences**
- ❑ Scenarios of employment evolution**
- ❑ Competences implications**
- ❑ Strategic choices**
- ❑ Education and training implications**
- ❑ Recommendations**

For this presentation :

- ❑ The economical mapping of the sector is presented in the Interim Report and will be developed in the Final Report (January 2009)**
- ❑ Some elements about the structure of the European workforce**
- ❑ The changes of the main functions within the companies**
- ❑ A look on the training and education issues**
- ❑ The main trends of change and the drivers for the future**
- ❑ A draft of three possible scenarios**

Employment in the sector

- ❑ **Financial services employ 5 629 600 people in EU27 (LFS 2006).**
- ❑ **65% in banking sector**
- ❑ **20% in insurance sector**
- ❑ **15% in intermediaries and brokers**
- ❑ **2.7% of EU total employment (banking and insurance industry represents 10% of European GDP)**
- ❑ **A small increase for employment between 1996 and 2006 : + 0.5%**
- ❑ **Mainly full time jobs : 87% in 2005 and mainly on non definite contracts**
- ❑ **In the USA : 4.1 million people (56% in banking activities and 44% in insurance activities with a lot of intermediaries, SMEs , brokers, insurance experts...)**

Occupational structure of workers

- ❑ It is a sector of professionals, with a very small share of “ elementary occupations”
- ❑ Similar jobs require different qualifications in different countries, for example in Germany a big share of jobs require middle skilled employees (clerks) while in other countries, they require high skilled employees (professionals), particularly in the NMS
- ❑ The group of IT occupations have nearly the same importance in the EU15 and NM10. But this group is larger than in the other sectors of economy : 4,3% of the sector employment and 1,9% in total economy for EU15; 4,1% and 1,2% for NM10
- ❑ Behind the slow evolution of the total employment volume in the sector (+0,5% from 1996 to 2006) , a lot of changes in the structure of occupational profiles, new skills needs dues to a customer oriented organisation

Educational level

- ❑ It is a sector of middle and high skilled employees (higher skilled than in total population) and the share of high skilled people is still increasing, even from 2006 to 2007 (see LFS 2007)
- ❑ For all the jobs, the workforce is younger and higher skilled in the NM10, because of recent recruitment of young graduates
- ❑ Sales related workers can have a lower level of formal education, but this is a matter of differences and discussions in countries and companies
- ❑ Employees in the intermediaries sector are often medium skilled but have a wider experience
- ❑ Between 1996 and 2006 the required level of formal education became higher for all sorts of jobs

Employment by age group and gender

- ❑ The sector is younger in NM10 (even for the intermediaries), there are more women and more women in senior management position
- ❑ It's more and more a women's sector for all jobs except for the IT occupational group
- ❑ IT employees is a very young group in all the European countries
- ❑ Poland and UK have a very young group of « senior managers »
- ❑ The age distribution is similar to the one in the total economy, except for France and Germany (with a larger share of seniors)
- ❑ We could notice that the results of this study are very similar with the demographic study carried out by the European Social Partners in 2007 for the banking sector

The main functions : back office jobs

- ❑ **3 types of back office jobs : 1) administrative jobs; 2) back office for sales (even for call centres and others platforms); 3) back office for wholesale banking**
- ❑ **In all the countries, even in NM10, the volume of administrative jobs decline and the importance of professional profiles increase**
- ❑ **The proportion between middle skilled and high skilled changes**
- ❑ **Perspectives : - big treatment platforms (located every where in the world?); - no border between back and front office (except sales) because of a new proximity back office; - risks for the employment in the wholesale banking back office (impact of the present crisis)**

The main functions : front office jobs

- ❑ **3 types of jobs : 1) marketing; 2) direct sales (call centres, insurance agents or brokers...); 3) client counsellors in branches local offices and intermediaries' offices**
- ❑ **« Client counsellor » becomes a very decisive job with a lot of tasks to do : answering the client questions or claims; making administrative treatments just in time; selling new products**
- ❑ **Perspectives : - sales and call centres employ temporary staff according to the different publicity campaigns; - companies use two different models for selling : hard selling and/or proximity approach; - sales related jobs are often proposed as a first job for young people and it can become more and more difficult to attract them.**

The main functions : middle office jobs

- ❑ It encompasses : control, supervising, risk management, management accounting...
- ❑ All the experts think this function must be more developed in companies (in volume and in quality).They underline that this function is not old fashioned and must be more recognised (wages, incentives...)
- ❑ This function requires high skilled people with financial knowledge, regulations and law knowledge, and IT use.
- ❑ See the recent study of the French Insurance Employment Observatory “ Les métiers de la comptabilité et du Contrôle de gestion” , October 2008

The main function : IT jobs

- ❑ **IT is in the very heart of the business : for all the activities : selling (Customer Relation Management), daily operating and administrative treatments, financing and re-financing, wholesale banking...**
- ❑ **It encompasses : studies, design and management of data bases, network architectures, design of new products in link with the marketing function, IT safety , CRM...**
- ❑ **Perspectives : - the volume of employment is increasing, - a high level of formal education, and lifelong training is required, - there are risks of shortages for this function (in competition with IT companies)**

The main functions : the RandD jobs

- ❑ Financial group have often an RandD department (but it cant ' be compared to the industrial RandD)**
- ❑ It encompasses : economists, mathematicians, actuaries, market and finance experts, IT designers, but it is not a large group of employees**
- ❑ Innovation in the sector concern products, CRM, financial products : as some innovations were at the origin of the recent crisis, will it stay a strategic function ?**

The HR policies : the demographic challenge

- ❑ **Facing the demographic challenge : the companies take advantage of these important retirements to realise productivity gains (1 recruitment against 2 retirements and 2 for 3 for the management function); no recruitment for administrative jobs**
- ❑ **Sometimes retention of older staff and updating their skills (ex : DK, ND,P, UK, the recent agreement - July 2008 - in French banking sector) : will this policy go on with the crisis?**
- ❑ **Hiring new young graduates directly from Universities and business schools**

The HR policies : hiring young people

- ❑ High level and highly specialised graduates for business banking
- ❑ 2 or 3 years of study in universities or institutes for call centres, new back office, middle office and client counsellors
- ❑ The sector is not recruiting new comers in the middle of their professional career (except for a few marketing and commercial managers and except for intermediaries' companies)
- ❑ Turn over problems in UK and hard problems of shortages in the NM10 (where there is not enough graduates with financial knowledge and where the young people tend to leave to work abroad)

Implications for education and training

- ❑ **The personnel for retail activities are recruited at a minimum of 2 years of university (or equivalent) studies. They are often trained in institutions in link with the professions or in the dual system. A need for more university courses exists in the NMS.(Ex : in Romania, the education system only provides 40% of the employers needs)**
- ❑ **The personnel in the core financial business (wholesale banking that represents around 10% of the banks 'employment, managers, experts, come from universities and business schools (5 years of studies). Companies consider the training received in Europe as being of very good quality (even in NMS)**

Implications for education and training

- ❑ **Western European companies are very involved in life long training for their employees - except for the older ones**
- ❑ **But in the NMS, there is still a skill gap : the recruitment is more open to graduates from non financial disciplines, there are structural changes within the companies and the needs for lifelong training are very important**
- ❑ **The needs for training in the sub - sector of intermediaries must be noted : as the employees are mostly in very small companies (1 to 4 employees), innovative approaches must be developed.**

Change trends 1996-2006 - market growth in Europe

- ❑ Banking industry was growing in Europe, particularly in the NM which are still with few banking facilities (50% of the Polish population have no deposit bank, 40% in Latvia...)
- ❑ Insurance market has been growing with life insurance products, new pension insurance products...For example approximatively +26% in 2006 for NM10. The changes of the different « Welfare systems » were an important driver.
- ❑ So the enlargement has a big influence, but the financial sector in these countries is highly dependent on Western European companies and on their problems...



Trends of change 1996-2006 - globalization

- ❑ On one hand , there are still margins for growth in a big number of countries (ex with insurance business : the premium income doubled in Europe and North America while it only grew from 8% in Asia)
- ❑ On the other hand, the financial services are more dependent on the global financial market
- ❑ Financial groups become global players
 - Increased systemic risk
 - Risk of losing customers and investors confidence
 - Although they are present in all the countries, competition and standardisation of products can lead to relocations

Technological trends of change

- ❑ **IT are in the very heart of the business for services and for the world financial market**
- ❑ **IT were spreading faster in banking than in the insurance sector**
- ❑ **Up to now the « inertia » of customers habits was important : but what about the future ? The new generations of customers can be fan of direct and Internet banking : what about the big number of branches in all the countries and what about these new branches opening every day in the NMS?**
- ❑ **New tools for payment are spreading in some countries (mobile phone such as in Estonia)**

What about the distribution channels?

- ❑ **Internet and direct banking was spreading slowly but the search for budget savings and change of customers can be a new driver**

- ❑ **In insurance activities : the market share of agents and brokers is very different in each country, but the crisis can lead to needs for a proximity relation with clients :**
 - **It is the largest in Germany, France, Greece, Poland, Portugal, Spain, Estonia, Ireland and Slovakia**

 - **Insurance companies deliver themselves their products in Austria, Denmark, Finland**

Possible scenarios

- ❑ The identification and description of the main drivers is made from the analysis of the changes between 1996 and 2006, from researches and studies and interviews with experts and companies. We imagine 3 scenarios, trying to take in account the impact of the present crisis:
- ❑ **SCENARIO ONE : « Low cost financial services »** with hard consolidation within the sector; development of direct distribution; call centres for selling; shared large European platforms for managing back office and middle office operations (with the industrial principles of lean production); possible relocations; budget savings on middle management, on the wage packages and employment decrease.

Possible scenarios

- ❑ **SCENARIO TWO : « High value added services : come back to proximity »** with regulation and separation between retail activities and business ones; proximity offices in all countries; high skilled counsellors and intermediaries; distribution channels according to the different types of clients and new services (for ex with a particular attention to senior people); economic advice and new services for SMEs; a high degree of control and transparency...
- ❑ **SCENARIO THREE : « Business as usual »** with forgetting the crisis lessons and soft regulation; financial innovations not under control; new markets (health care; new products for companies; new products for young people...); development in countries under risks; exchange rate speculation...

The agenda of the study

- ❑ You received (on CIRCA system) an Interim Report from May 2008
- ❑ This Interim Report was written before a « Scenario Workshop » that took place in Paris on June 27th and 28th
- ❑ You will receive a first draft of the Final report at the end of January 2009
- ❑ The final Experts Meeting will take place in Brussels on February 26th and 27th (a day and half) : the European Social Partners, experts, HR managers will be invited .
- ❑ The final draft of the final Report will be ended in March 2009

□ Thank you for your attention

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