THE ADECCO GROUP

Financial Services

Q3 2017

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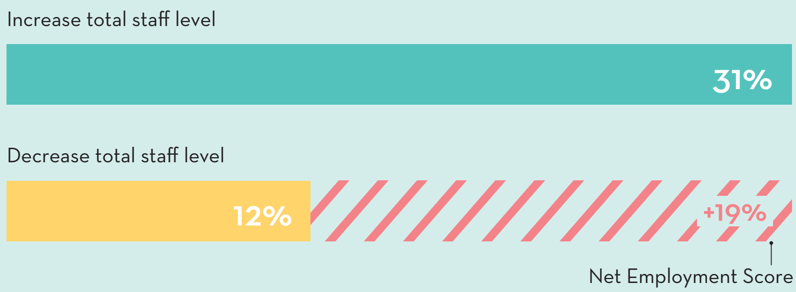
Demand for Labour in the Financial Services

What will be the overall effect of recruiting new staff and/or making redundancies in the next three months (Financial Services)
(Source: CIPD/Adecco Labour Market Outlook, Summer 2017)



As with many areas of the UK over the last quarter the Financial Services (FS) sector seems to have decided that whatever the future throws at them they just have to get on with the process of running a business and deal with problems as they arise.

According to the CBI/PwC Financial Services survey optimism in the sector has been flat or falling for the past 18 months, although it should be stated that this was largely due to external forces. While 15% of respondents said they were more optimistic about the overall business situation than three months ago, 25% were less optimistic – a net balance of -10%.

This said hiring intentions have recently been on the rise.

Advertised vacancies in the FS sector grew by 4.38% in the second quarter of 2017 compared to the previous quarter. They were more than 20% higher than the second quarter of 2016.

The Summer CIPD/Adecco Labour Market Outlook (LMO) report suggested that recruitment intentions in the FS sector were even slightly higher than the UK on average. Nearly one in three (31%) employers expected to increase their workforce in Q3 compared to only one in nine (12%) that expected to decrease it. This gives a net employment score of +19%, compared to the +18% for the whole of the UK.

According to the most recent data from the Office for National Statistics (ONS) the first quarter of 2017 was only the second time that employment in the sector had risen in the last nine, dating back to the start of 2015.

Longer term approach

Despite turbulent times there is a suggestion that employers in the industry are preparing for investing in longer term strategic change rather than short term firefighting.

Growth in advertised vacancies has been driven by the permanent recruitment market where there was a 5% quarterly rise and a 1/3 rise compared to the second quarter of 2016. By contrast the contract market has settled back into a more normal level after a heightened demand level around the time of the EU referendum.

The demand for tech talent

The CBI/PwC Financial Services survey suggests that firms continue to focus investment in technologies such as robotics and artificial intelligence for use in process automation, risk profiling and operational data analysis.

The FS sector currently demonstrates the third largest demand for technology talent in the UK, accounting for 13.58% of all vacancies in the last 12 months. This is larger than the technology industry itself, although some way behind the manufacturing industry.

As with most talent in this sector SQL and Java are the most in demand, with 27% and 20% of vacancies respectively request them. Technologies such as Python (8.32%) and Oracle (9.68%) were unsurprisingly far more in demand in the FS sector.

Unix was also twice as likely to be requested in the FS sector.

Overall IT vacancies accounted for more than 15% of all those advertised in the FS sector during Q2 2017, the largest of any employment sector. Programmers and software developers accounted for 7% of all vacancies whilst finance and investment analysts and advisors accounted for only 6%.

What this means

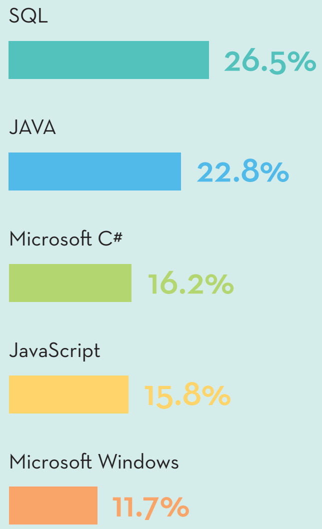
Increasing demand for talent in the FS sector will mean that individuals with experience here will see their value increase dramatically. High value technology talent is already in demand so an increase here will see the marketplace become even more competitive.

Employers will have to review their entire employment package and make it is flexible enough to match the desires of candidates. Employers should also review their recruitment practices and processes to ensure they are speedy and streamlined. A slow recruitment/feedback process might be the difference between acquiring a key skill and not.

Research by Office Angels, a member of The Adecco Group UK&I, found that almost all jobseekers (96%) will use speed of follow up as part of the comparison when considering competing job offers. It also found that 8 eight out of ten jobseekers expect to be contacted within four days of an interview – half of these expect it in less than two days.

Demand for Labour in the Financial Services (cont'd)

Top five IT skills requested by Financial Services in Q2 2017 (% of vacancies)
(Source: Burning Glass)



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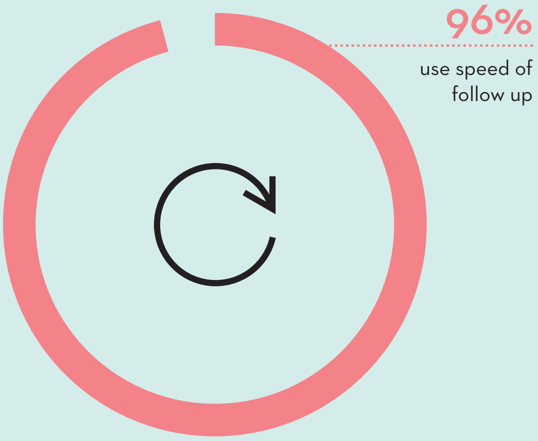
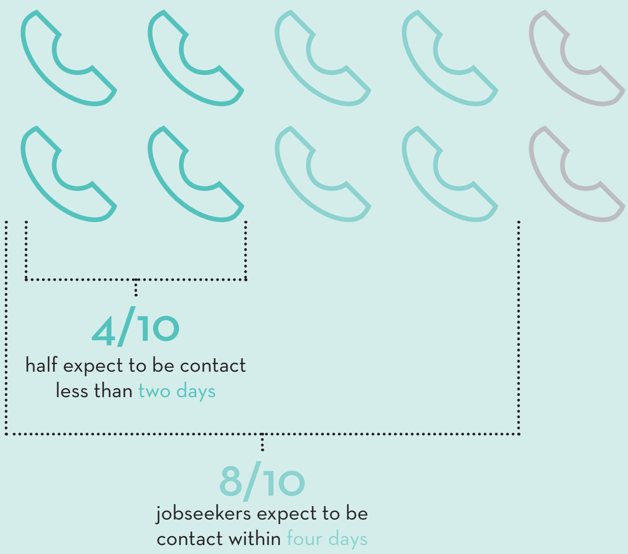


Eight out of ten jobseekers expect to be contacted within four days of an interview – half of these expect it in less than two days.



Financial Services start to make post-Brexit decisions

> "People should focus more on the second step...What happens next is totally up to the EU. It's not up to Britain.
>
> If the EU determines over time that they want to move a lot more jobs out of London into the EU, they can simply dictate that. The regulators can dictate it, the politicians can dictate it."
>
> Jamie Dimon, Chief Executive, JP Morgan

Financial Services has always been a sector that was discussed as more at risk of losing jobs than most. A recent report from consultancy Oliver Wyman suggested that up to 40,000 investment banking jobs are at risk.

This quarter sees the FS sector start to take steps towards realising actual job movements Organisations have started to announce either a new European base of operations or an increase in the workforce for an existing location on the continent.

The need for planning has been heightened as both the Bank of England and new Treasury Select Committee Chair Nicky Morgan have requested to see plans recently.

Expanding existing European locations

As a German institution initially Deutsche Bank has chosen to focus reallocation of talent back to the German financial capital, Frankfurt. Overall the bank expects to move as many as 4,000 roles out of the UK post-Brexit. This said Chief Executive John Cryan said that he 'genuinely' didn't know what the eventual impact would be; on top of the fact that the company has just made a 25-year commitment on a new London headquarters at 21 Moorfields with space for 5,000 employees. The bank currently employs 8,575 people across the UK.

Barclays have said they would spread workers across EU locations but have also signed a 20-year lease on two and a half floors in Dublin.

HSBC Chief Executive Stuart Gulliver has said the proposed move on 1,000 London jobs to Paris could cost up to $300m.

New locations

Royal Bank of Scotland will move 150 staff to Amsterdam as its NatWest Markets arm reviews plans 'to minimise disruption to the business'.

Barclays has announced it is in talks with Irish regulators about expanding its Dublin office. Although JP Morgan Chief Executive Jamie Dimon says he will only move the roles required by the EU they are also buying space in the Irish capital.

Citi is one of a number of institutions joining Deutsche in Frankfurt as it establishes its second EU-based broker-dealer. That said they have also said they will update UK based staff soon on whether they will be increasing other operations in their other European centres.

Frankfurt has also been announced as the venue for Standard Chartered, Nomura Holdings, Sumitomo Mitsui Financial Group and Daiwa Securities Group this quarter.

Both Goldman Sachs and Morgan Stanley are also known to be considering space in the German city although without confirming anything.

Staying put

JP Morgan Chief Executive Jamie Dimon said he was only planning to move roles that the EU insisted need to be performed inside the union.

Dimon said: "People should focus more on the second step...What happens next is totally up to the EU. It's not up to Britain."

This said the bank is acquiring a new office in Dublin.

What this means

Regardless of the final Brexit outcome FS companies will need to start making plans from now, especially the larger ones. The sector seems resigned to the fact that they won't have unfettered access to European market in the future in any case. The outcome of this recruitment trend is less clear.

In the very short term there should be increased availability of staff with FS sector experience on the market – companies who are expecting to remain based in the UK might want to take this as an opportunity to acquire scarce skill-sets.

In the longer term there is a question as to whether these candidates will remain in London. Obviously the same skill sets will become more in demand in various continental locations given candidates the chance to move with them. This is especially true for those with European passports who will be able to move to those locations freely.

The scale of job movements is the other question that only time will answer. Samir Assaf, HSBC's investment Bank Chief believes that the flow can still be stemmed depending on the post-Brexit state.