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THE ADECCO GROUP

# Financial Services

Q1 2017

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## Net Employment Score: Financial Services in the UK

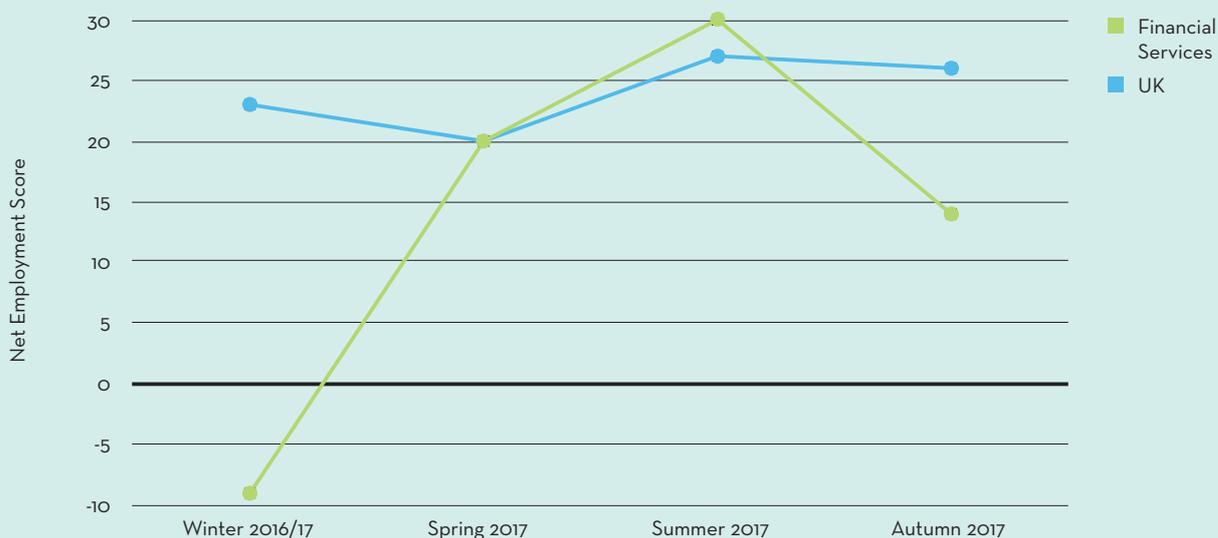
(Source: Labour Market Outlook Autumn 2017, CIPD & The Adecco Group UK&I)



## Net Employment Score: Financial Services in the UK

(Net Employment Score is the difference between the percentage of companies expecting to increase the size of their workforce in the next three months and the percentage expecting to decrease it)

(Source: Labour Market Outlook Autumn 2017, CIPD & The Adecco Group UK&I)



The lead up to the final quarter of 2017 nodded to confusion in the UK's financial services sector.

A fall in confidence was indicated by the Labour Market Outlook (LMO) report published by The Adecco Group UK&I in partnership with the CIPD, along with the CBI's Financial Services Survey, but this is certainly not a uniform and consistent response.

Over the last year, the LMO has seen hiring confidence yo-yo from a negative score, to leading the UK average, and back to the lowest score of any eligible sector in the most recent report.

The CBI survey found that while optimism fell slightly in the three months to September, there was a distinct divide - with banking far less optimistic than insurance or investment management.

"While demand in the sector is expected to hold up in the near term, we can't ignore the fact that optimism has dropped in almost every quarter for the past two years," said [Rain Newton-Smith](#), CBI Chief Economist.

It was certainly not all bad as 12% of firms reported increased confidence in the third quarter of 2017 compared to the second quarter, and an expectation of an increase in headcount during Q4 echoed the LMO's results.

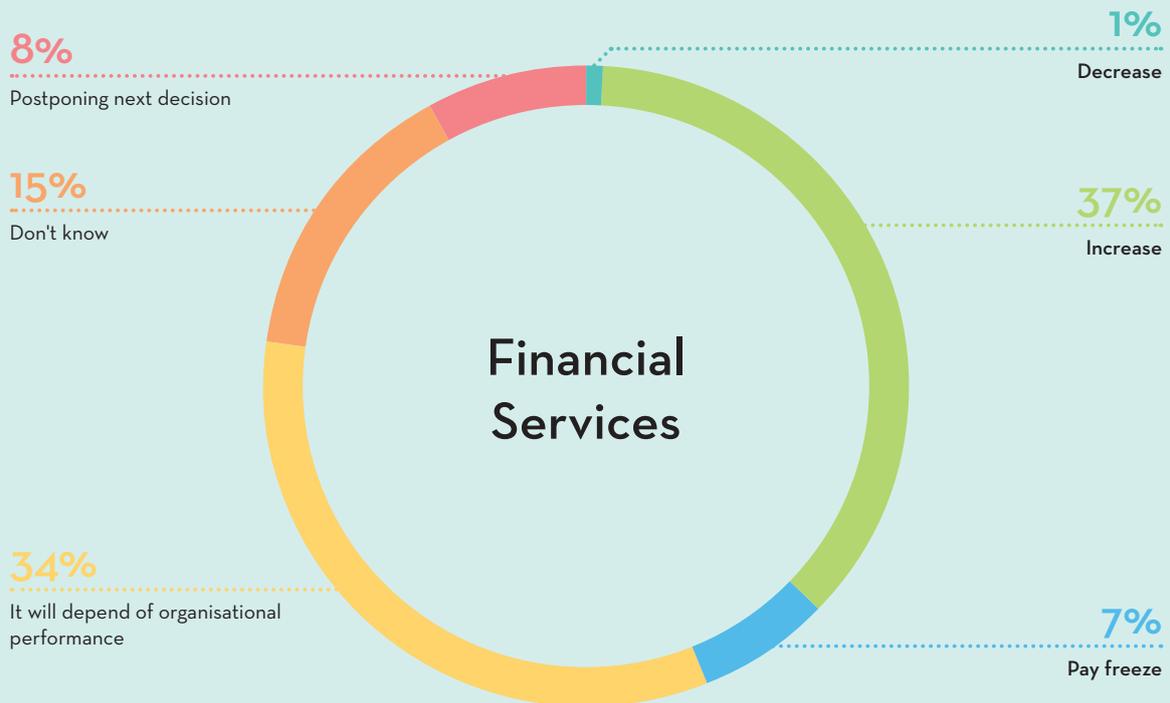
[PwC Head of Financial Services Andrew Kail](#) thinks that the financial services sector is at a crossroads: "The way ahead is uncertain, particularly as Brexit negotiations are yet to be resolved." Access to talent from the EU remains high on the list of priorities for the industry, alongside maintaining internationally-focused regulation and the UK's reputation for innovation and FinTech.

### Wage Pressures

Uncertainty does however extend into the pay sphere, with nearly half (49%) of the industry currently unsure of what their next pay award will look like. While there will always be a certain amount of uncertainty in this process and an element of business performance involved, the sector is still showing significantly more uncertainty than the UK as a whole (38%), and the rest of the private sector (42%) in particular.

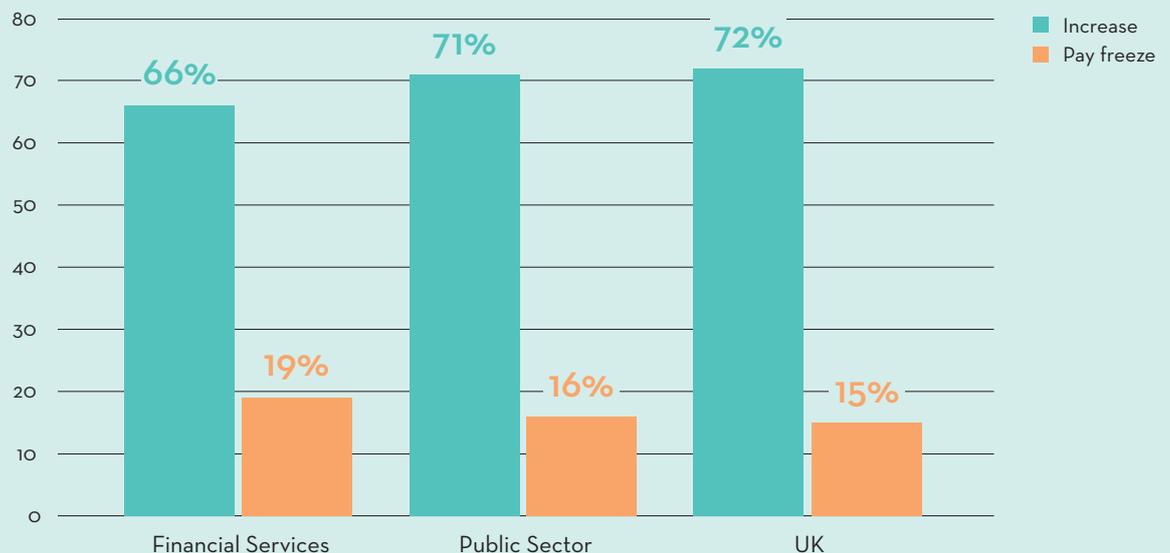
## What will be the average result of your next pay decision on basic pay?

(Source: Labour Market Outlook Autumn 2017, CIPD & The Adecco Group UK&I)



## Outcome of 2017 pay decision

(Source: Labour Market Outlook Autumn 2017, CIPD & The Adecco Group UK&I)

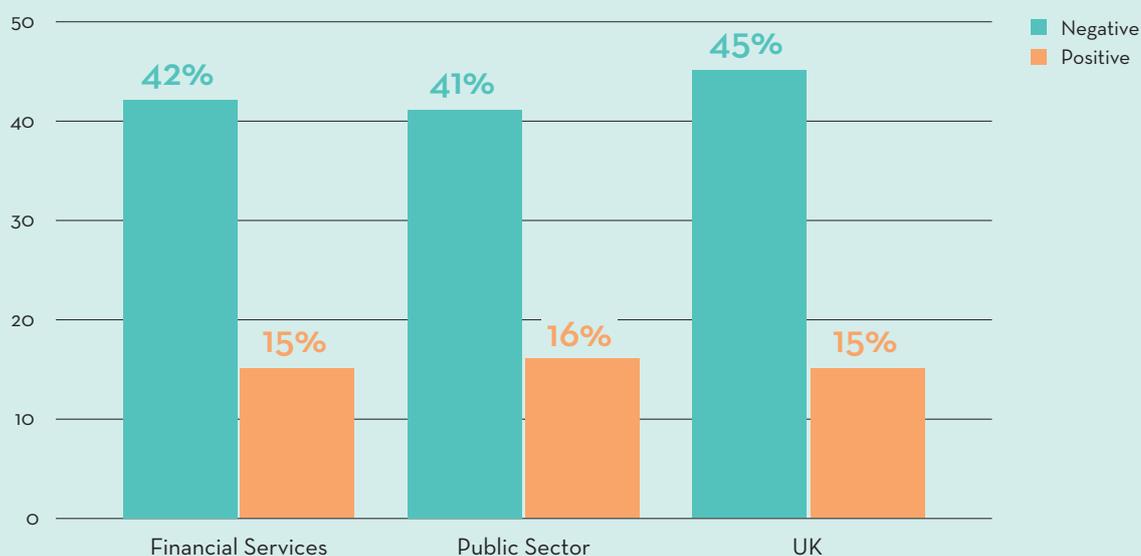


Financial service companies are also less likely to have been positive so far in this year's pay awards. Of those companies that have made a decision this year, 19% have implemented a pay freeze (compared to 16% across the whole private sector) and 66% have increased pay (compared to 71% in the public sector).

Despite this, the financial services sector does not appear to be showing significantly higher wage pressures than the rest of the private sector. This appears to be due to a belief that the sector is already offering a total employment package (combining financial and non-financial benefits) that is better than the standard market offering.

## What impact do you expect future EU immigration policy to have on your organisation?

(Source: Labour Market Outlook Autumn 2017, CIPD & The Adecco Group UK&I)



### The Brexit Effect

Sam Woods, a Deputy Governor at the Bank of England, said that financial services firms would activate contingency plans if no transition period had been decided upon by Christmas 2017. TheCityUK agreed, given the time it will take to approve new licences for the continuation of cross-border banking after Brexit in March 2019.

Similar views were heard from Katherine Braddick, Director General for Financial Services at the UK Treasury, Barclays Chairman John Macfarlane, and RBS Chairman Sir Howard Davies. Mr Davies believes that job losses to the continent will be heavier the longer it takes for a deal to be achieved.

Xavier Rolet, Head of the London Stock Exchange, asserted that the lack of a clear plan could cost the City of London up to 230,000 jobs.

The Bank of England has said it will decide by year-end whether London branches of EU banks must become subsidiaries if there is no transition deal in sight.

Meanwhile, outgoing HSBC Chief Executive Stuart Gulliver warned that clarity and detail would still be vital; adding that he would delay his decision to move 1,000 staff to France for as long as possible.

Despite comments by Chancellor Philip Hammond that the UK is targeting a 'bespoke' deal to protect the City, Barclays Chairman John MacFarlane - who is also chairman of TheCityUK lobby group - has said that: "Frustration is building in the business community".

### What this means

With the continued lack of clarity around Brexit, it is unsurprising that the financial services sector has reported its lowest confidence levels since the 2007 credit crunch. This is unsurprising given that the Governor of the Bank of England, Mark Carney, recently predicted that the major economic impact of Brexit had yet to be felt by UK businesses.

From a recruitment point of view it is difficult to say how future Brexit developments will impact the sector: more than half (57%) of the sector still believes they do not have enough information to start making decisions about their post-Brexit recruitment strategy.

It is however worth noting that the concern voiced from within the financial services sector does not appear to be any more pressing than from the rest of the UK: while 42% expect future immigration policy to negatively impact their business, this is only slightly higher than the 41% seen across the public sector.