

# People + Technology: How skills can unlock value for Financial Services



Supported by PwC UK and EY



November 2023

The UK's financial services sector has been transformed over the last twenty years by technology, globalisation, the global financial crisis, the pandemic, race to net zero, and changing consumer and workforce demographics: many of which continue to influence the sector today. This transformation has impacted every aspect of businesses including physical footprint, products and services and its workforce. Skills needs have shifted too as firms adapt to changing expectations and seek to maintain growth and value.

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Increasing recognition that skills are integral to business success is reflected in greater ownership of skills at board and exco level. Action is helping to tackle skill deficits: more firms are forecasting skills needs and putting skills frameworks in place; learning hours and development of personalised learning plans have grown; reskilling programmes have been implemented.

The sector has come together in the form of the Financial Services Skills Commission, a collaboration of 42 firms from across the sector to address skills gaps. Through the creation of practical, actionable content and data-led insights, we are broadening understanding of skills challenges and solutions.

While progress is being made, we should not underestimate the scale of the task that remains. Disruption continues to modify the skills and behaviours we need across our whole workforce and this challenge can't be solved by recruitment alone. Most of the people who will deliver a thriving FS sector already work for us. We must grow and augment their skills, in technical areas such as AI and cyber, in sustainability and in inherently human skills such as empathy, creative thinking, and adaptability. We can build a workforce which is more flexible, adaptable, creative, and agile, with learning and upskilling as a routine part of the working environment.

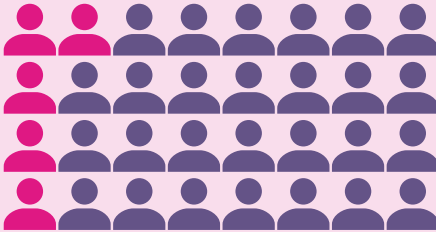
This report, produced by the FSSC and supported by Ernst & Young LLP (EY) and PwC UK, is the result of forty-five interviews with sector leaders, senior stakeholders, and commentators. For the first time, we have been able to quantify skills proficiency gaps and produce new

insights into how our workforce is changing. The result is a series of practical recommendations which will further intensify action, create skills-based organisations that can adapt to the tech-driven, people-centred future we see approaching over the next decade.

## Key Findings

1

**The sector already has a significant skills gap.** Investment in skills has not kept pace with changing skills needs – meaning we now have a skills and capability gap. Research by EY estimates that at least 16% of the UKFS workforce equivalent to 160,000 workers currently require upskilling, with an estimated 8% proficiency shortfall across all skills, including **FSSC Future skills**.

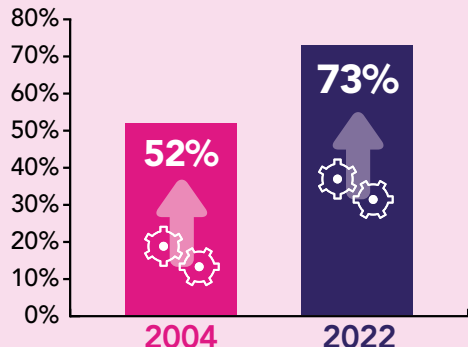


**16%**  
currently require  
upskilling

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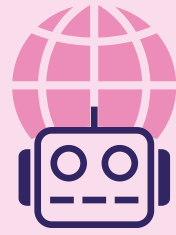
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**Demand for highly-skilled talent will continue to grow** – 73% of roles in the sector are now highly-skilled compared with only 52% almost 20 years ago. This trend is mirrored in other sectors, sharpening competition for highly-skilled talent.



3

**Technology and AI are huge opportunities, but also disruptors.** Technology promises to remake our economy once again with FS at the leading edge of every opportunity and challenge. AI promises to change not just business models but every team, job, and the nature of many skills, the data we need, how we are regulated, financial crime and how we train and upskill people.

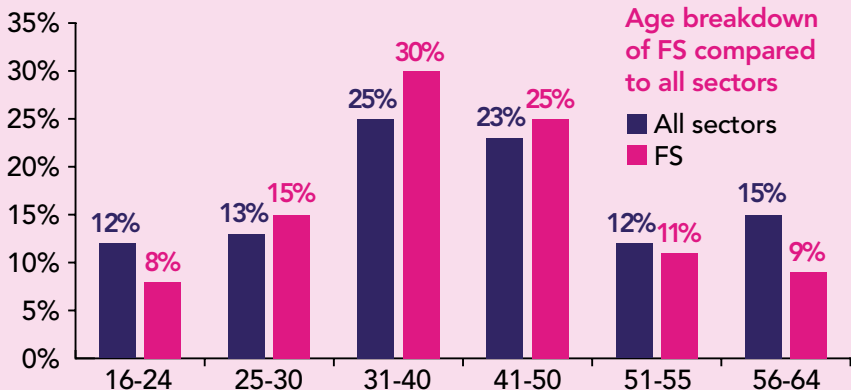


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**Over the last 20 years, there has been a decline in the number and share of women employed in the industry: 51% in 2004 to 43% in 2022.** The overall decline can be attributed to both the reduction in medium - and lower-skilled roles - in which women were more highly represented – and the increase in tech roles, which data suggests are more typically held by men. While the increase of women in highly-skilled jobs is a positive trend, it isn't yet at a volume to counteract this historic trend.

5

**An aging society and workforce change means we will lose 260,000 highly-skilled people by 2035.** The FS workforce already struggles to attract younger workers and to retain older employees. 55% of our workforce is aged 31-50: we employ fewer people in the younger and older age groups than other sectors. By 2035, we will lose over 260,000 highly-skilled people through retirement and attrition.



6

**Unpredictable geopolitical, economic, and social forces create shockwaves that ripple ever faster through economies.** A 'polycrisis' of recent conflicts, alongside climate change, Brexit, the pandemic, hybrid working, the cost-of-living crisis and unprecedented domestic political turmoil, have helped to undermine an established set of norms for the sector. A political retreat from globalisation and trends towards insularity threaten our ability to grow, compete and contend with the challenges to come.

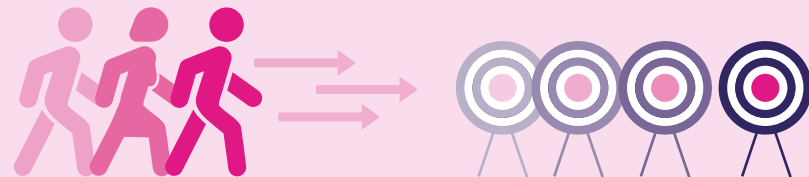


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**Customer expectations are changing meaning firms need to respond.** Changing habits and expectations of customers coupled with significant intergenerational wealth transfers creates opportunities but also requires firms to respond to changing customer needs as they manage their wealth. Protecting customers from crime and maintaining trust will remain high priorities as cybersecurity threats develop due to AI.

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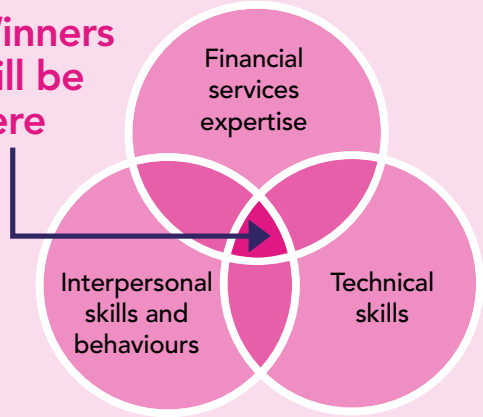
**Current efforts to close skills gaps are not going far or fast enough.** Firms are increasing efforts to address skills gaps through advancing skills forecasting, increasing non-mandatory learning and using common tools such as our [Future Skills Framework](#) to identify reskilling priorities. However, demand for skills is still outstripping supply so skills gaps are growing. Skills forecasting is often done with a short-term horizon and firms continue to struggle to fill business critical roles.



9

**To succeed we need a fundamental shift in how we invest in our people and integrate human capabilities with tech opportunities.** Tech skills will need to be combined with interpersonal skills and behaviours, as well as the need for continued expertise in the fundamentals of financial services. Customer expectations and the way we serve them will evolve. We will also need to attract those with new skills and reskill our current workforce to address a new world.

**Winners will be here**



## **We now need action at pace and scale to reach our shared goals:**

**Recommendation 1: Skills are integral to business success and a driver of competitive advantage and growth.**

Each firm in the sector should, by the end of 2024, ensure skills are integral to their business strategy, transformation plans and risk registers. Firms should move to become skills-based organisations over the long-term with clear leadership and accountability at the most senior level.

**Recommendation 2: Clarity on skills needs through a robust data-led evidence base of existing capabilities and future skills needs that inform future business strategy.**

Firms should build a robust data-led evidence base of existing capabilities and future skills needs, to inform business and skills strategies and monitor progress and impact, with robust three-year skills forecasts in place by the end of 2027.

**Recommendation 3: Firms create and build the skills we need through deep reskilling, upskilling, increasing learning and building talent pipelines.**

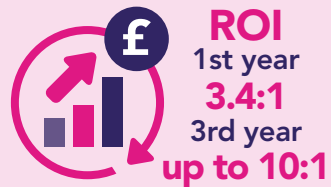
Offer deep reskilling to the 16% of colleagues with skills proficiency gaps by the end of 2025, creating a tailored skills development plan for every employee by 2026, fill more vacancies with internal candidates. By the end of 2025 grow non-mandatory learning hours from the 2022 employee average of 14.9 hours per year, alongside improving workforce inclusion and diversity and rebalancing workforce demographics, particularly around age and gender.

**Recommendation 4: We collaborate to achieve transformational change.**

Continue to collaborate as a sector to reduce skills gaps for firms and the sector, establishing impactful relationships with education and training providers, and working collectively to engage government and others to drive a higher priority for skills in public policy.

**The prizes for acting now are significant.**

The sector could gain **£555.6 million** per year in additional output by closing its skills gaps, equating to **£3,339 p.a.** for each employee who has a skills proficiency gap: A return on investment of **3.4:1** in the first year, and up to **10:1** by the third year.



There is a potential cost saving of **£175-225 million** for our sector through improved retention following upskilling.

**£175-225m**



Our business case for reskilling has been updated with a saving for firms of **£49,916** for each employee reskilled in reduced recruitment, redundancy, and onboarding costs.



# Financial Services Skills Commission

**The Financial Services Skills Commission (FSSC)** is an independent, not for profit, member-led body, representing the UK's financial services sector on skills. The FSSC works directly with the sector to ensure that businesses have the talent and skills they need for the future.



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## Membership

To find out more about the Financial Services Skills Commission and the benefits of membership visit [www.financialservicesskills.org](http://www.financialservicesskills.org) or email us at [info@financialservicesskills.org](mailto:info@financialservicesskills.org)

## Financial Services Skills Commission

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