

Reskilling Everywhere All At Once

Skills for the future of financial services 2023



April 2023

What is the FSSC?

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. The FSSC has over 30 members, representing more than 300,000 employees across all parts of the sector and all the UK's regions and nations.



Contents

Executive Summary	4
1. The skills landscape across financial services	6
2. Changes in skills needs in the sector	10
High demand for data analytics and other technical skills	10
Behaviours as the foundation for success	14
Customer centricity & commerciality will drive skills demand	18
3. Building skills to improve supply	19
Skills forecasting becoming more wide-spread	19
Successful ways of upskilling/reskilling	20
Benefits of forecasting and building skills	23
Comparison of learning activities offered among firms with shorter/longer forecasting horizons	23
4. Conclusion and recommendations	25
How the Financial Services Skills Commission support the industry	26

Executive Summary

“Though there has been an increase in future skills, there has also been an exponential increase in demand across all sectors.”

2022 was marked by record levels of vacancies in financial services and demand for each of the 13 future skills identified by the Financial Services Skills Commission (FSSC) has increased. This has exacerbated existing challenges for firms: the vast potential offered by data and artificial intelligence, the demand for sustainable finance, and the legacy of the pandemic on working practices, to name a few.

Focus on upskilling and reskilling amongst our members is increasing, but demand for skills is still outstripping supply. Efforts to reskill and upskill need to be stepped up if we are to tackle these shortfalls.

Competition for many of these skills is tough; almost half (47%) of our members found data roles hard to fill and 35% found the same for software roles. Skills shortages – whether due to open vacancies or a lack of skills internally can impact firms in terms of:

- Increased operating costs,
- Increased staff workload,
- Missed opportunities for innovation.

Demand for tech skills continues to grow, and 1 in 8 roles in financial services is now a tech role – double the proportion compared to the wider economy. Our data shows that overall, demand for technical skills is around 20% short of supply. Data analytics and insight skills are most in demand, with 95% of firms identifying this skill as a priority, while machine learning had the largest gap between supply and demand.

Behaviours remain vitally important for the successful functioning of firms and to maximise the potential of technology. Coaching is the behaviour most in demand and often prioritised for investment by our members. We are starting to see firms embed coaching cultures to equip managers to meet staff expectations around growth and development. Relationship management is where firms see the biggest gap – and data suggests this is in part related to the growing importance of sustainable finance demand from customers.

To build future skills, both specialists and the wider colleague base need to be targeted to enable successful transformation. Our case studies show that a base level of competence in each skill is needed for all colleagues so that different parts of the organisation can collaborate effectively, whether via data, coaching or sustainable finance. Specific groups of colleagues need to be equipped with more in-depth knowledge and skills. The challenge is for organisations to tailor learning at both the base level and to more specialist skills needs.

Firms are already using a variety of approaches to embed learning, including allocating dedicated learning time for all staff. Many of our members offer apprenticeship programmes (79%), others run hackathons (40%) or have set up internal academies for future skills to upskill and reskill (27%). Investment in reskilling is having positive impacts

on businesses, helping to build some of the most in-demand technical skills, speeding up processes and building better products.

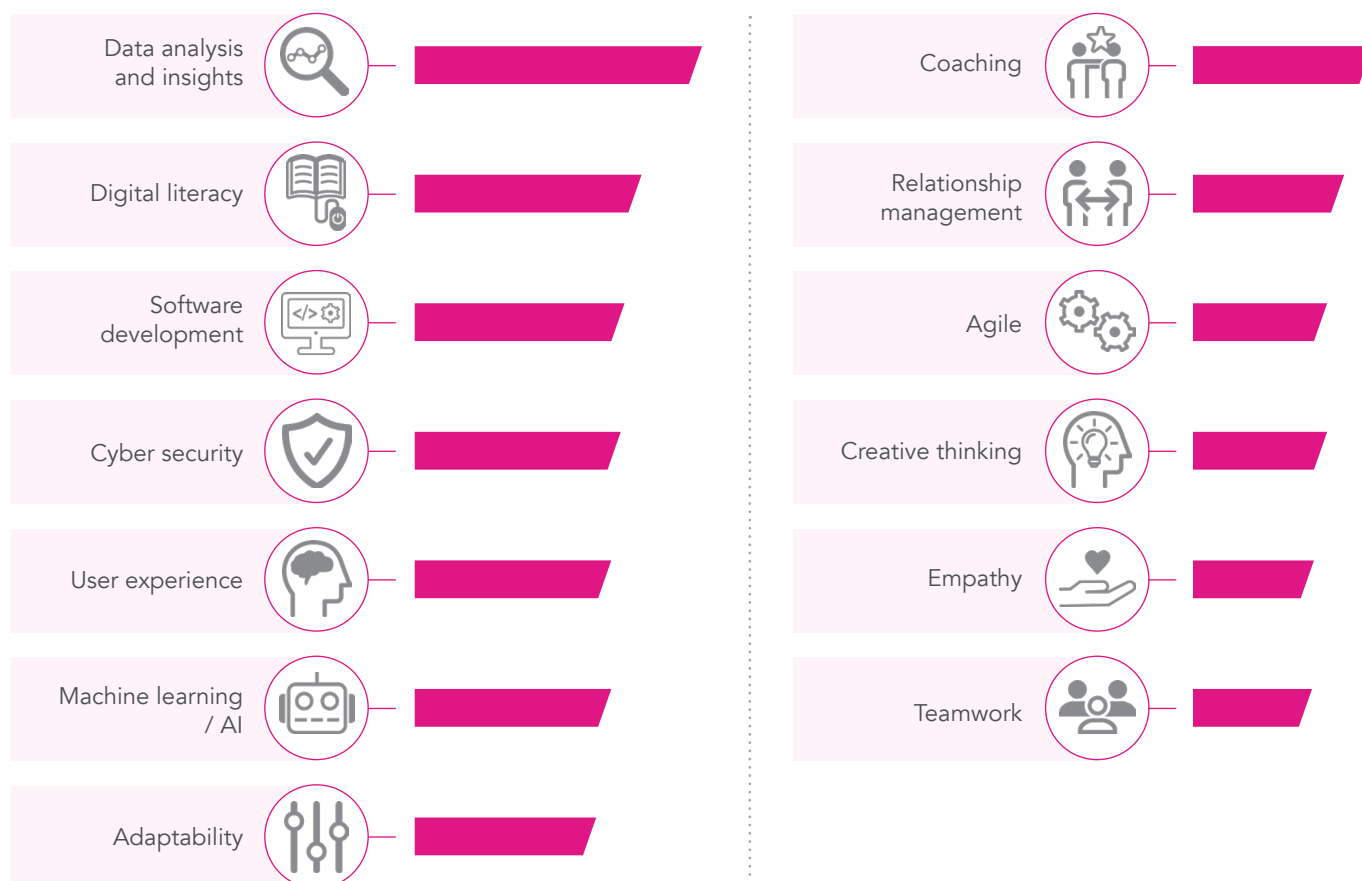
However, with colleagues getting an average of three days of learning time per year, half of our members are actively reskilling, and with around 1 apprentice for every 50 industry professionals, the scale is not yet sufficient to close skills gaps. Our research also shows that existing efforts to build learning cultures are met with a constant stream of challenges.

Encouragingly, over 80% of our members are now forecasting skills. This helps create clarity on ever-changing skills needs and equips firms for the future; those firms who forecast their future skills needs are more likely to initiate learning opportunities. To guide and motivate learning towards future skills, many firms have developed skills frameworks – often informed by the **FSSC Future Skills Framework**.

The approach to reskilling and upskilling needs to move up a gear if we are to tackle these shortfalls. Our recommendations are:

- Business leaders should ensure skills are a strategic business priority, championing skills forecasting and upskilling/reskilling.
- Skills forecasting practices should be further developed in all firms so it becomes embedded in the business planning cycle and provides the necessary clarity on skills needs.
- Firms should continue to build future skills, through investing in meaningful upskilling and reskilling programmes and enabling all colleagues to augment their skills.

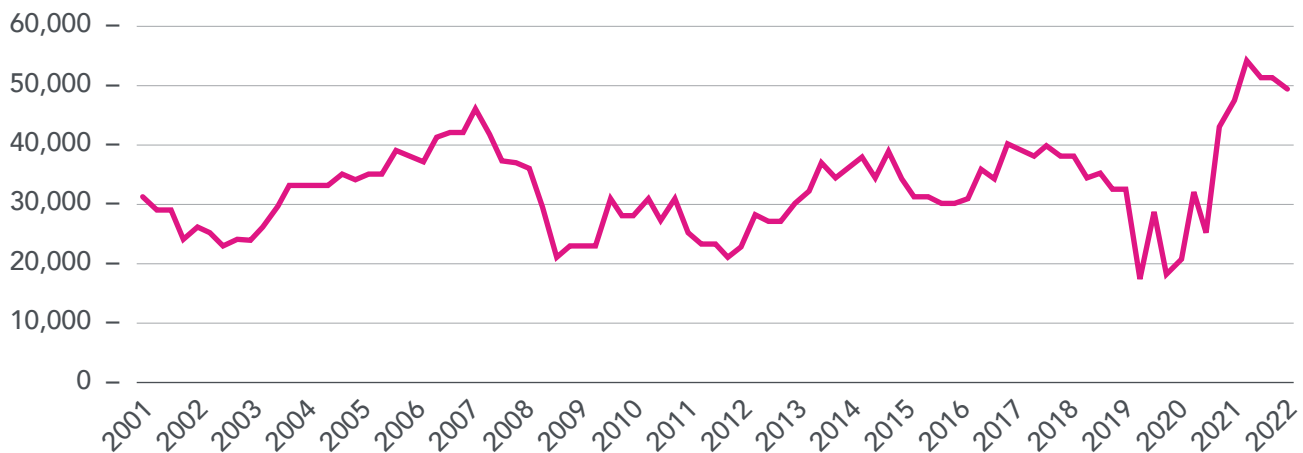
Increased demand for 13 future skills



1. The skills landscape across financial services

2022 was a year of record labour shortages. Vacancies in financial services reached 54,000 over a three-month period between April-June, the highest levels on record for our sector. Although this has reduced slightly since, there were still around five unfilled jobs for every 100 jobs in financial services at the end of 2022. This was, and remains, the third-highest ratio of any sector – only the Hospitality and Health sectors have higher vacancy ratios.¹ Our members have told us that filling roles has been taking far more time and effort than expected.

FS vacancies over time



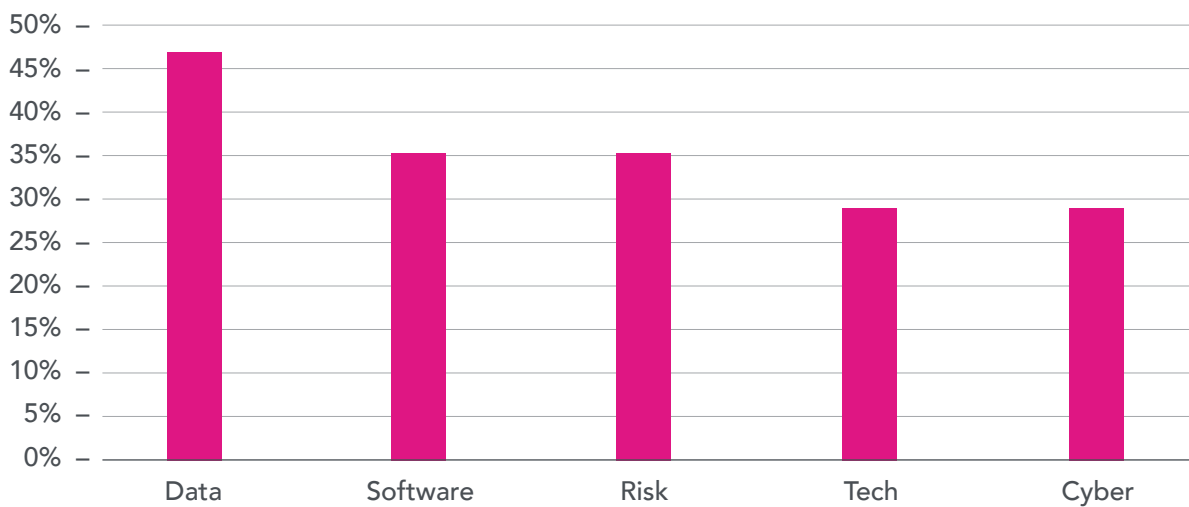
Source: ONS, Vacancies by Industry, February 2023.

The tight labour market has exacerbated competition for skills, especially those already most in-demand, with a significant number of vacancies now being deemed hard to fill (as many as 50% in some firms).² All respondents to our member survey stated that they had at least some hard to fill positions. As roles in the industry shift towards becoming more highly skilled, especially in relation to technology skills, firms are operating in an increasingly competitive talent marketplace.

¹ ONS, Vacancies by Industry, February 2023.

² Hard to fill vacancies refer to those with a time to offer of 12 weeks or more.

Top 5 hard to fill roles in 2022

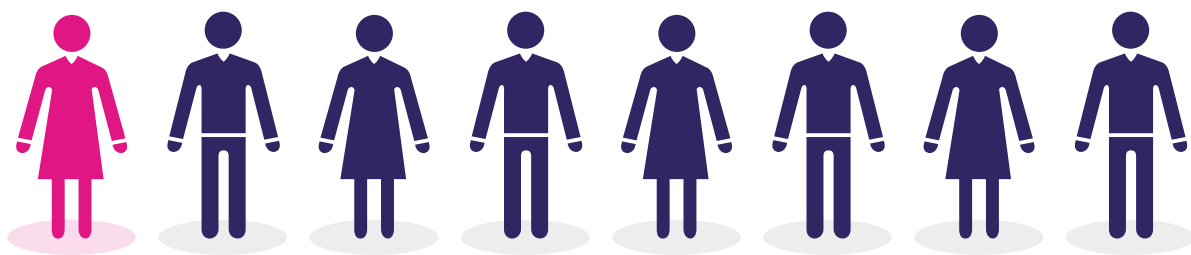


Source: FSSC Member Survey 2022 (17 Respondents)

All of the top five hard to fill roles relate to technical skills which have seen substantial demand growth and feature in the FSSC Future Skills Framework. Almost half (47%) of our members found data roles hard to fill and 35% found the same for software roles.

Moreover, many of the roles which are hard to fill are needed in high volumes. Programmers & software development professionals are among the top 10 roles by volume with 40,000 roles in the industry.³ These numbers increase the challenges of attracting, building and retaining these skills. Overall, 1 in 8 roles in financial services are now tech focused, compared with almost 1 in 16 across the UK.

1 in 8 roles in financial services are tech roles

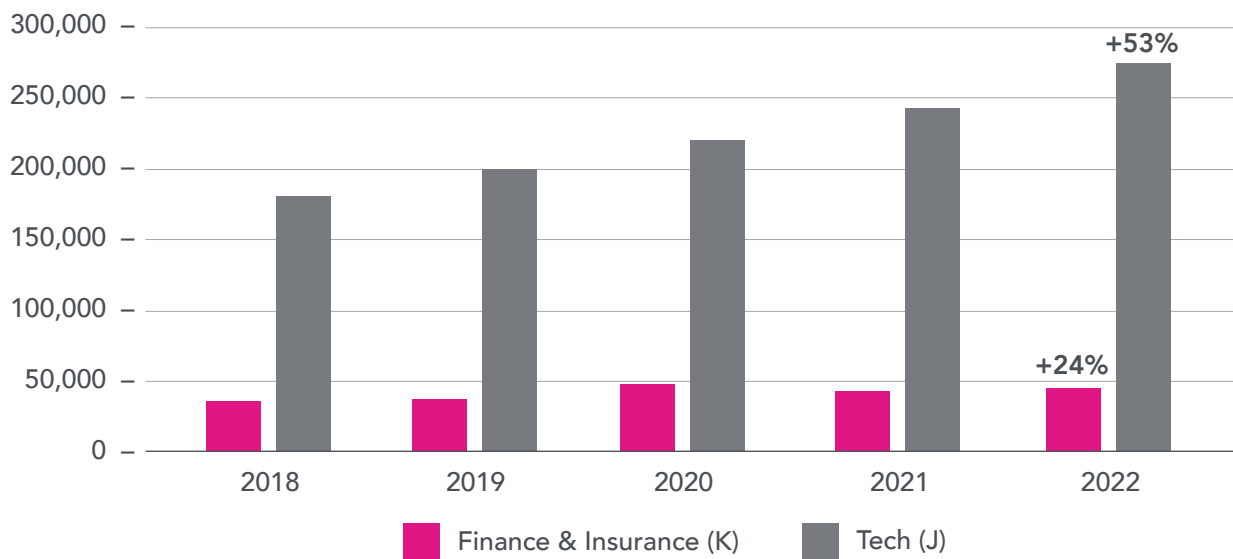


But everyone needs tech skills

The growth in demand for software development skills is reflected in the changing emphasis of roles – programmers have hugely grown in numbers in financial services and adjacent sectors, increasing the already fierce competition to recruit from this pool of talent. While financial services saw a 24% increase in the number of programmers between 2018 and 2022, the tech sector saw a 53% increase, nearly double the growth in financial services, demonstrating the ever-increasing demand for specific skills across the whole UK economy.

³ APS user requested data, Jobs by 4-digit SOC in FS, Tech, All sectors, 2004-2021 (received in February 2023) and APS user requested data, Jobs by 4-digit SOC in FS, Tech, All sectors, 2022 (received in March 2023).

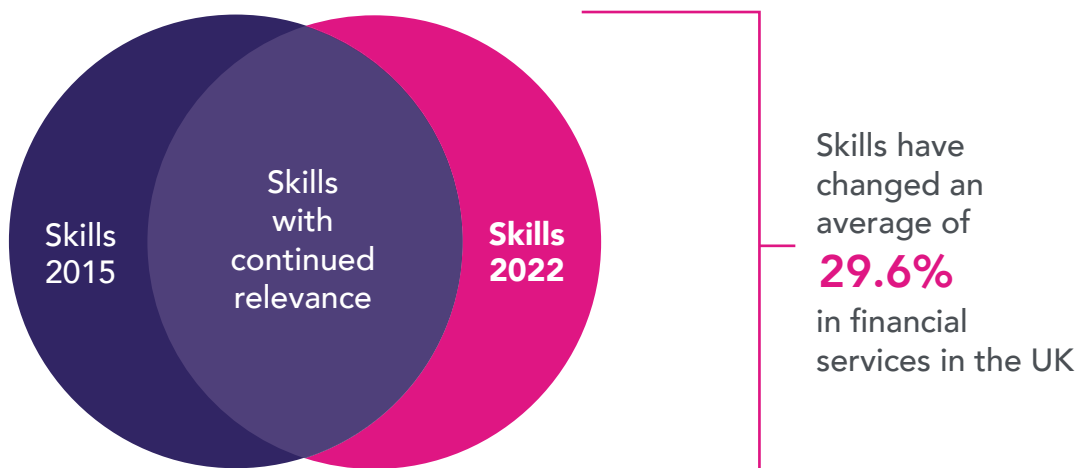
Growth in number of programmers / software developers



Source: ONS, Annual Population Survey, user requested statistics, Jobs by 4-digit SOC in Financial services, Tech, All sectors, 2022 (received in March 2023)

While our future skills are hugely relevant to employers in our sector, we can expect them to shift in the future. Data from LinkedIn⁴ suggests that skills have changed some 30% in financial services since 2015. This means 30% of the skills that are most relevant now were not a high priority in 2015, which marks a major shift for the sector.

Relevant skills keep changing



Source: LinkedIn, Future of Skills, FSSC visualisation

⁴ LinkedIn, Future of Skills 2023 and 2022, <https://linkedin.github.io/future-of-skills/>

As demand continues to outstrip supply, the impact of skills shortages results in⁵:

- Increased operating costs & over-reliance on short-term fixes/outsourcing.
- Competition for the resources to build skills when pressures on salaries is already high.
- Increased staff workload.
- Missed opportunities for innovation and improved customer service.
- Increased risk of slower growth in the future.

Each year we gather data from our members to understand the skills challenges they are facing, and to understand the evolving landscape within financial services. In this report we share the findings of our member survey data, the most significant changes regarding skills needs in the sector, and trends in skills forecasting, upskilling and reskilling.

This offers insights into a range of issues – the focus of this report is on access to skills, skills gaps, skills forecasting and reskilling /upskilling, while other insights will be shared throughout the year. We have supplemented and tested this data with ten interviews and a literature review of insights from training providers, recruitment portals and leading industry stakeholders.

5 Select Committee on Business, Energy and Industrial Strategy, Written Submission of the FSSC to the Post-pandemic economic growth inquiry "UK labour markets", July 2022 <https://committees.parliament.uk/writtenevidence/110256/default/>

2. Changes in skills needs in the sector

“Though there has been an increase in [supply of] future skills, there has also been an exponential increase in demand across all sectors.”⁶

The **FSSC’s Future Skills Framework** contains 13 priority “future skills” which have been identified using data from our member firms. These are skills for which demand is either growing rapidly or which are required universally across the industry.

To gain clarity about future skills against a backdrop of mixed levels of skills forecasting, we surveyed our firms about the supply and demand changes they have experienced within their firm. From this we analysed the direction of travel for the sector over the last 12 months and identified gaps.

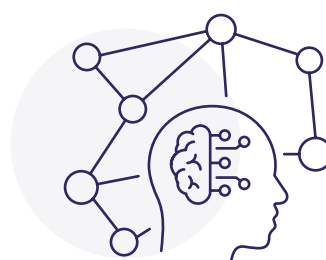
The data shows that demand for all 13 technical skills and behaviours has increased in the majority of firms participating in the survey.

- No skill has seen such a universal increase in demand in 2022 as data (by 95% of firms), while 40% saw an increase in demand for empathy.
- Most of our firms (76%) have also seen an increase in the supply of some or all of the skills, meaning they have successfully built or attracted these skills, ensuring better availability of these skills when compared to the previous year.

In the words of one of our members: “Though there has been an increase in supply of future skills, there has also been an exponential increase in demand across all sectors.” However, for almost all of our 13 future skills, more firms have seen an increase in demand than in supply, suggesting that – **despite all efforts - gaps remain to be filled**. The two exceptions where skills investment seems to have met demand are empathy and agile.



Demand for technical skills remains, in most instances, at least **20 p.p.** ahead of supply



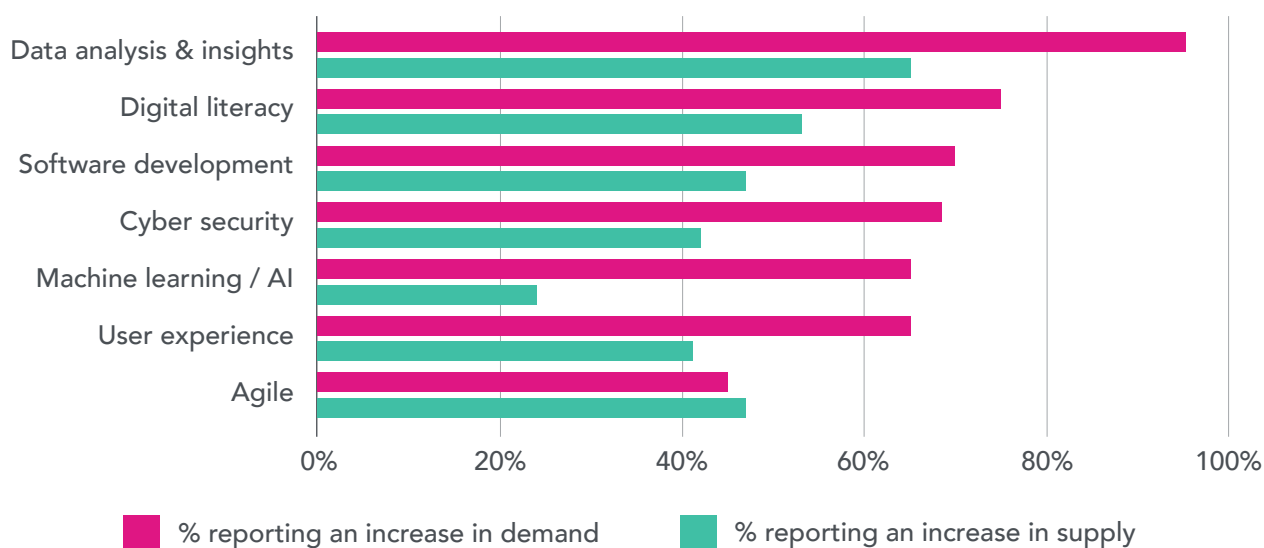
Demand for behavioural skills remains, on average, around **10 p.p.** ahead of supply

High demand for data analytics and other technical skills

Overall, across firms we saw a greater increase in demand than supply for all technical future skills. The data on hard to fill roles confirms the prioritisation of these skills as firms seek to recruit as well as build the skills they need. Looking towards the technical skills with the highest demand – data analytics and insights – and those with the largest gap between supply and demand (machine learning/AI) we can see where firms feel the strongest push to cultivate a comprehensive skillset amongst their workforce.

⁶ Member insight

Supply-demand changes: Technical skills



Agile, which enables organisations to employ iterative project management, stood out as the sole technical skill where the increase in supply almost matched the increase in demand. In many cases this was the result of successful investment. For example, firms have told us: “(Our) biggest increase has been in agile skills.” and “Agile investment in training internally and availability in the external market (...) has made a difference”.

Source: FSSC Member and Skills Gap Survey 2022 (20 Respondents)

Data analytics & insight

“We continue to have gaps in data and technology (...) specifically around core skills on data analysis.”⁷

No skill has seen such a universal increase in demand in 2022 as data (by 95% of firms), despite this already being the skill firms are most likely to invest in developing. 65% of firms noted an increase in supply of data analytics & insight skills in 2022, also higher than for any other skill. However, gaps remain and other technical skills also face high demand.

Demand for data analytics & insights is being driven by the volume of data being generated, the growth in use of mobile banking apps and other digital tools increases.⁸ According to the World Economic Forum, 90% of the data produced in 2017 had been produced in just the preceding two years⁹ - growth since then has likely been exponential. Against this context, firms will need to consider not only how to meet demand driven by data, but also how to plan, collect and manage data in a more effective, efficient and secure manner.

7 Member insight

8 Insider Intelligence, UK Banks still need to work on matching their mobile apps with customer demand, 2022, <https://www.insiderintelligence.com/content/uk-banks-mobile-apps-with-customer-demand>

9 World Economic Forum, The Value of Data, 2017, <https://www.weforum.org/agenda/2017/09/the-value-of-data/>

Our member firms are conscious of the value of data for accurate decision-making, anti-fraud and value-add for customers. They've told us they are seeing a "desire for greater levels of personalisation, 24/7 access and improved customer experience". Customers benefit from banks' abilities to analyse real-time data to decline transactions when there is a suspicion of fraud.¹⁰ Wealth managers leverage data-led investment strategies to allow for a broad risk-spread and maximise returns, often using huge data sets that are dependent on computers to uncover complex patterns.¹¹ In insurance, product pricing and underwriting for changing insurance needs is reliant on data about risks and new data sources are being identified for accurate pricing of, for example, cyber risks.

Data analytics & insights skills are relevant to numerous functions across organisations, with 77% reporting that a wider colleague base needs these skills¹². We have heard how HR teams are upskilling themselves in data to harness the potential of data-driven decisions and to model best practice. Data provides firms with a competitive advantage for serving customers better but further advantages can be gained from spotting staff retention pain points and in the attraction of talent.

CASE STUDY: Why data skills are integral



At Direct Line Group we believe that everyone, regardless of role or seniority, will need to learn more about data in the coming years. It is the only way to build an evolving business that's fit for the future in the ever-changing technological world. This is true for our customer services colleagues, head office employees and data specialists.

This is why we have turned our attention to developing data skills across the organisation. Having brought our Executive Committee on board the data upskilling journey by showcasing the benefits of increased efficiency, we prioritised providing accessible learning opportunities tailored to individuals' data proficiency and specific business area requirements.

Self-led data upskilling for all

10% of all DLG employees have already taken part in some data and insights upskilling through accessible self-led studying via our Data Academy. Through a partnership between our HR team and Data Chapter we curated a comprehensive catalogue of learning content relevant for everyone. Our approach centres on core data literacy with a strong emphasis on understanding the significance of data, its definition, and its practical applications using data tools – as well as deeper technical learning for data professionals enabling development within role or transition to different specialisms. We are continuing to release new content each quarter. Our recently announced partnership with DataCamp, will enable even more data upskilling across all skill levels from data fundamentals to deep coding for our data specialists.

Upskilling with apprenticeships through our 'Ignite: Data programmes'.

In addition to self-led learning, we have also provided structured learning leading to accredited qualifications through our partnership with innovative apprenticeship

10 The Data Coffee Break Podcast, What is Data Engineering? March 2023, <https://open.spotify.com/episode/0fSA7j8I5xryyHhRoZJMh8>

11 Fitch Learning, Webinar: How is data analytics transforming the industry, February 2023

12 FSSC Member Survey 2022

provider Multiverse. This is our Ignite: Data Apprenticeship. 150 employees from across the organisation – new joiners and long-serving colleagues – have already been upskilled through the programme by end of 2022 and this is set to continue to rise, now curiosity is peaked. Ignite: Data brought together a data community across DLG, connecting people passionate about data, whilst developing their technical experience and growing useful data skills.

Ignite: Data programme comprises four distinct pathways:

- **Customer service and data L3** – This is a unique data apprenticeship with a customer service overlay for customer service advisors and Team Leads. It is the first of its kind, helping people use data to support and provide great service to our customers, whilst opening potential career progression and building diverse talent pipeline for data roles.
- **Data Literacy L3** – Our Level 3 apprenticeships are offered to colleagues across the organisation allowing people the opportunity to learn ways to incorporate data into their day-to-day role, working smarter, better, and faster.
- **Data fellowship L4** – This level 4 apprenticeship is available to those who work closely with data in an existing role while formalising their data learning journey and discovering deeper data technical upskilling opportunities.
- **Advanced Data Fellowship L6** – Our level 6 apprenticeship is available to data specialists where data forms a significant part of their role.

Benefits and Conclusion

We have seen a 22% data effectiveness increase for those on course in our customer service departments in 2022. Overall, the focus on data and insights upskilling programmes has led to an increase in productivity and huge time savings across our organisation as employees have gained new skillsets and learnt new behaviours.

Machine learning

The increasing demand for other technical future skills is mirrored in software development, machine learning/artificial intelligence and cyber security where more firms reported an increase in demand than an increase in supply. The gap is biggest for machine learning & artificial intelligence – a very specialist skill set and essential to support ongoing automation of services, customer interactions and processes.

Almost three quarters (72%) of financial services firms were using or developing machines and systems capable of thinking autonomously last year – up from 67% in 2019¹³. As use of AI becomes more commonplace across the sector, organisations need to ensure that sufficient skill and expertise is available – including in risk and compliance functions - to support both the technological priorities and the business. Top risks identified by respondents to the latest Bank of England survey on the topic were the risks of data bias and representation for diverse groups of consumers when incorporating historic biased or poor-quality data, and a lack of interpretability of ML application and difficulty explaining outputs for the business.

13 Bank of England, Machine Learning in UK financial services, 2022, <https://www.bankofengland.co.uk/report/2022/machine-learning-in-uk-financial-services>

Digital Literacy

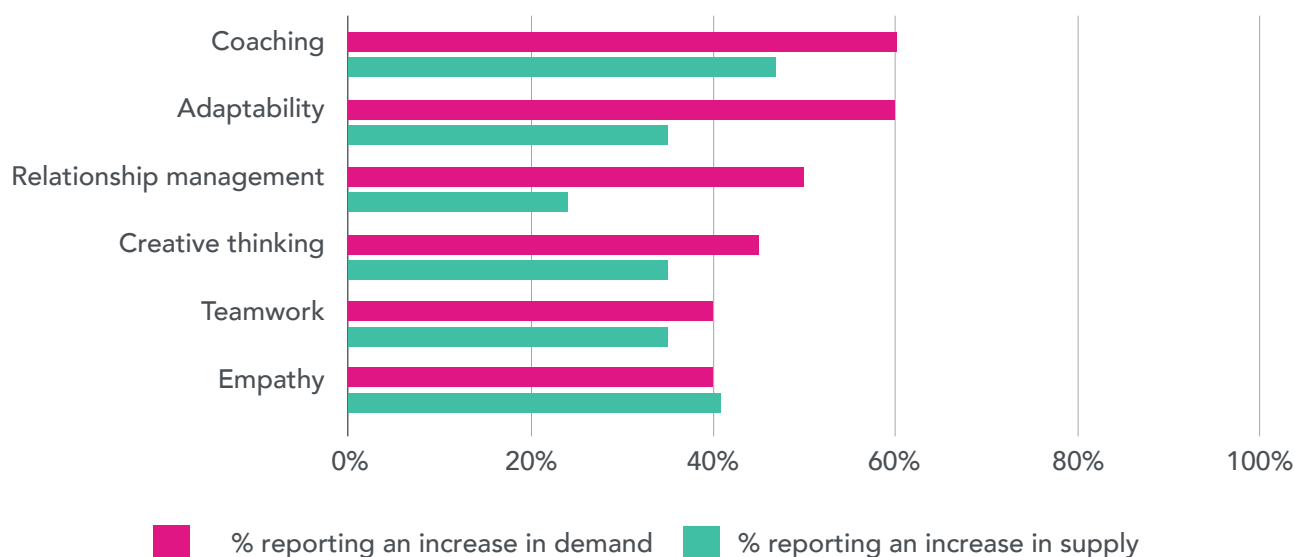
Just over half of firms reported an increase in supply of digital literacy skills, and three-quarters reported an increase in demand. Digital literacy is an essential skill for the workplace. The need to embed it across organisations and the wider workforce is growing.

Building digital literacy skills needs to be a key component of any learning strategy for financial services firms and is increasingly considered as a basic skill for life. Therefore, efforts by firms to build digital literacy must consider the existing skill level of individuals. Future.Now recently published findings which measured a set of 20 essential digital skills which were needed in the UK workforce. In financial services, 42% of employees cannot undertake all essential digital tasks, compared to only 32% in media and advertising – showing the sector still has an essential basic skills challenge to meet.¹⁴

Behaviours as the foundation for success

Behaviours remain vitally important for the successful operation of firms. They deliver what algorithms and machines cannot do and maximise the potential of new ways of working. Overall, firms are seeing an increase in demand for all - outstripping the increase in supply in all but one case. Coaching is the most prized behaviour and most prioritised for investment - 60% of firms reported an increase in demand for this skill. The largest gap between supply and demand was for relationship management. For creative thinking, teamwork and empathy the gap between supply and demand was small. In the following section we focus on coaching and relationship management.

Supply-demand changes: Behaviours



Source: FSSC Member and Skills Gap Survey 2022
(20 Respondents)

14 UK Essential Digital Skills for Work, Future.Now & Lloyds Banking Group, 2023, p.17
<https://www.lloydsbank.com/banking-with-us/whats-happening/consumer-digital-index.html>

Coaching

“Since the pandemic colleagues throughout the UK workforce have reassessed their working life. Many are looking for more challenge and innovation in their roles, (...) leading to the increased demand for coaching.”

Six in 10 firms reported an increase in demand for coaching skills in 2022 recognising the need for good leadership and (self-)management skills, many firms are investing in programmes to equip as many people as possible with coaching skills. This is a decisive shift away from 1-2-1 coaching as a support tool mainly for executive teams towards embedding a coaching culture throughout their organisation. Demand for coaching has grown over the pandemic, which revealed the extent to which managers (departmental or line) are critical to the pastoral care and development of their teams. As a result, changes to performance assessment now require many managers to demonstrate coaching skills.

Financial services firms believe that if everyone has coaching skills, they can resolve challenges more quickly and efficiently. Coaching skills allow colleagues to ask the right questions, encourage them to be curious, and build a mutually supportive workforce, including through peer-to-peer coaching. In many firms anyone colleague can enrol into their coaching skills programmes, not just line managers.¹⁵

One member firm where coaching is already well-established has seen higher retention in teams that had benefitted from performance coaching interventions. According to CoachHub, nine out of ten firms are planning to increase their use of coaching next year¹⁶, illustrating the future relevance of this skill. Coaching could be particularly valuable in the context of upskilling and reskilling, where belief in potential and motivation make all the difference.

CASE STUDY: Coaching skills as a lever for performance and engagement

Danske Bank

In Danske Bank our purpose is to help customers, colleagues and society thrive. Culturally, this means two things; first that we have a clear ambition and direction which individuals and teams feel both ownership and motivation to deliver. Secondly that we have a psychologically safe environment where every team member feels supported to learn and grow on a continuous basis. In pursuit of this goal, we are working to embed a coaching culture where we use coaching tools extensively throughout the business. This has required us to consider coaching in a number of ways, with particular focus on how we upskill our people leaders and include coaching skills as part of every leadership intervention. This stretches across the continuum of new people leaders through to our most senior leaders within the business. Some examples of how we are doing this include:

- **Coaching as an adaptive leadership tool.** In 2022 we partnered with Hult Ashridge to design and deliver an experiential learning programme called Adaptive Leadership for all of our 250 people leaders. A key part of this programme was the

15 Stakeholder interview, December 2022.

16 CoachHub, Business Trends in Coaching 2023.

establishment of action learning/peer coaching sets who coached each other on live business challenges, broadening each others' perspectives, unblocking mindsets, developing options to address and resolve these business issues. The intent was for all participants to experience real time coaching and its benefits and to catalyse generative behaviours.

- **Leader as Coach programme.** This best practice programme covers both coaching theory and extensive coaching practice and has received very positive feedback from participants on how deploying the tools has elevated their teams' performance. By the end of 2023 this new programme will have 4 cohorts – with circa 25% of people managers having experienced this in-depth coaching upskilling. An extension of this programme has been recognised by the Association for Coaching – the only business in Northern Ireland to hold this accolade.
- **Internal Coaching Panel.** Across the business we have a panel of professionally qualified coaches, with an additional number currently completing their ILM qualification. This internal coaching panel is active in coaching new leaders, early career colleagues and some career transitions. They have regular coaching supervision and participate in quarterly training. Additionally, several of our Executive Committee member are completing their Diploma in Executive Coaching, meaning that we have externally validated coaching expertise across all levels of the business.

The results of all this work to create a coaching culture have been positive – Danske Bank is now ranked #1 in Northern Ireland, #1 in Financial Services and #8 UK Large Companies in the Q1 Best Companies survey. Over the last year our Best Company index has increased by 50pts, our score for My Manager has increased by +3%, and Personal Growth has increased +5%. Individual scores for questions relating to coaching have also increased by +3%.

As we look ahead, we will continue to build coaching skills and understanding by creating a "You Coach You" intervention for all colleagues across all the business, making coaching increasingly accessible. We will continue to build our leadership muscle through new coaching inspirations, creating a coaching community, and by extending our internal coaching panel, inviting best practice both internally and externally that we can continuously learn from.

Relationship management and impact of ESG

“We have been upskilling our relationship managers so that they can support their clients on their sustainability journey.”¹⁷

Relationship management is the behaviour where the gap between supply and demand remains the largest in our survey. Building and maintaining trusted relationships with customers based on a deep understanding of their needs is a key skill in our industry.

Our data suggests this relates at least partly to growing ESG initiatives and requirements, as the industry, and indeed the world, moves towards a more sustainable future. Our

17 Lloyds Banking Group

member data provides insight on which skills and behaviours are relevant to ESG activities in firms and underpin a successful shift to sustainable finance. When asked about the effects of growing ESG demand on future skills, relationship management was mentioned most frequently as becoming more relevant – alongside data analytics. Other skills mentioned less frequently, but with data analytics and machine learning in second place, are also listed below:

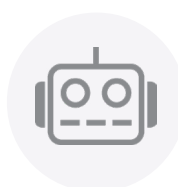
Future Skills augmented by ESG



Relationship management



Data analytics



Machine learning/AI



Adaptability



Critical thinking



UX



Agile

Source: FSSC Member Survey 2022 (16 Respondents)

While seen as a smaller concern relative to the shortage of data, software and programming professionals¹⁸, 90% of respondents to our pulse survey in May 2022 told us that they had a need to build ESG knowledge and skills across their businesses¹⁹. Overall, these findings suggests that the focus is on subject-specific knowledge.

ESG Knowledge can include:

- Advising clients on sustainability transition,
- Knowledge of ESG governance and oversight,
- Expertise in sustainable finance frameworks and regulatory compliance,
- Knowledge of ESG data vendors and sourcing alternative data from non-traditional sources,
- Industry-specific expertise to assess ESG issues of the concerned investment/project.

We found that most firms were already making progress in equipping staff with the required knowledge, and also working to understand which skills underpin the transition to sustainable finance and ESG, with some firms able to get ahead of the curve.

18 Our member survey shows that, when asked about skills gaps, only 11% of members referenced ESG or sustainability, compared to the 61% that were concerned about a shortage of data professionals & skills.

19 FSSC, ESG Skills and Knowledge Survey, May 2022 (unpublished).

CASE STUDY: Building relationship management and augmenting with ESG



Sustainability is core to the Lloyds Banking Group strategy; and ensuring we continue to embed this as a key factor within our day-to-day decision making is essential. We recognise that it's important to support colleagues and leaders with how to consider both the direct and indirect impacts of their decisions on the environment, our net zero ambitions and the UK's wider transition to net zero. In partnership with our Group Sustainable Business team, the Cambridge Institute for Sustainability Leadership and subject matter experts from across the business, we developed a Sustainability foundation level training programme.

This was designed with all colleagues in mind and covered the Group's net zero ambitions and strategy, with deep dives into climate risk and specific sectors such as homes, vehicles and the role of digital technology. Over 60,000 colleagues across a number of UK locations completed the mandated elements of the programme in 2021. This provided a greater understanding on the importance of sustainability and its impact across our workforce, no matter their role.

More specifically, in Business & Commercial Banking and Corporate & Institutional Banking we have been upskilling our relationship managers so that they can support their clients on their sustainability journey. By the end of 2022, over 2,600 colleagues had participated in the Sustainability Essentials Course accredited by Cambridge Institute for Sustainability Leadership (CISL), including a majority of Small and Mid Corporate client facing colleagues. Of these colleagues, 1,270 have pursued further training via a bespoke programme developed in collaboration with CISL which specifically focuses on climate and nature-related risks and opportunities and their implications for the finance sector and Commercial banking clients.

Our dedicated ESG Financing team was created to support the sustainability-related needs of large organisations. Over 2022 the team developed deep sector expertise to provide our clients with detailed knowledge and information. Today this makes up over 60% of our training for our relationship managers.

Customer centricity & commerciality will drive skills demand

The research has identified some key new skill areas that firms are prioritising and the broader drivers of change that are influencing skills needs within firms.

Our members identified the need to be customer-centric as a strong driver of skills development:

“If you don't do real research with real customers, you can't know what people want.”²⁰

The FCA's consumer duty is reinforcing this imperative making firms responsible for demonstrating their products offer fair value to customers. Commerciality was often mentioned as the flip-side of customer-centricity – the best products are those which combine a novel offer for customers with a commercially viable proposition.

²⁰ Stakeholder interview, December 2022.

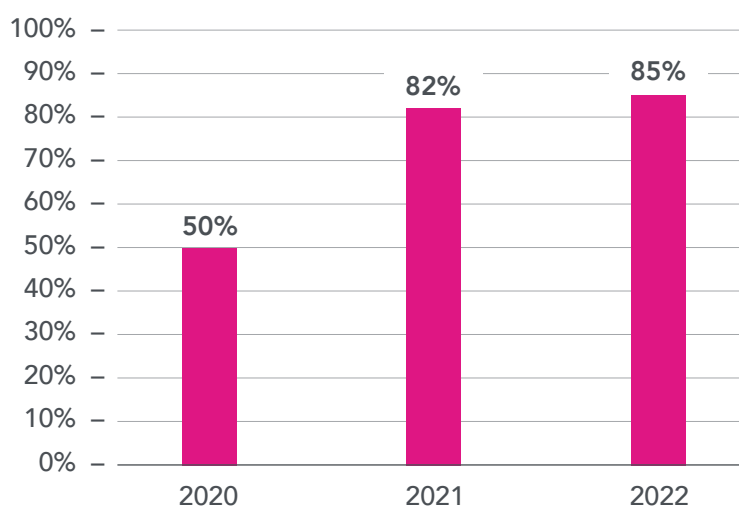
3. Building skills to improve supply

Skills forecasting becoming more wide-spread

A majority of firms now understand the need to address skill gaps by shifting their approach to upskilling and reskilling.²¹ A focus on lack of skills (rather than unfilled vacancies) opens up more options to build skills from within and recruiting is no longer seen as the only option. Forecasting is required to identify skills needs and in autumn 2022 we published a **skills gap analysis toolkit**, to help firms do this.

The share of member firms forecasting their skills needs has reached over 80%, up from 50% in 2020. However, it is reported this often takes place only in individual business units or in an ad hoc way and further work is needed to quantify the size of skills gaps.

Share of member firms forecasting future skills



Source: FSSC Member Survey 2020, 2021, 2022. In line with growing membership, 5 out of 10 members were forecasting in 2020, 14 out of 17 in 2021 and 17 out of 20 members in 2022

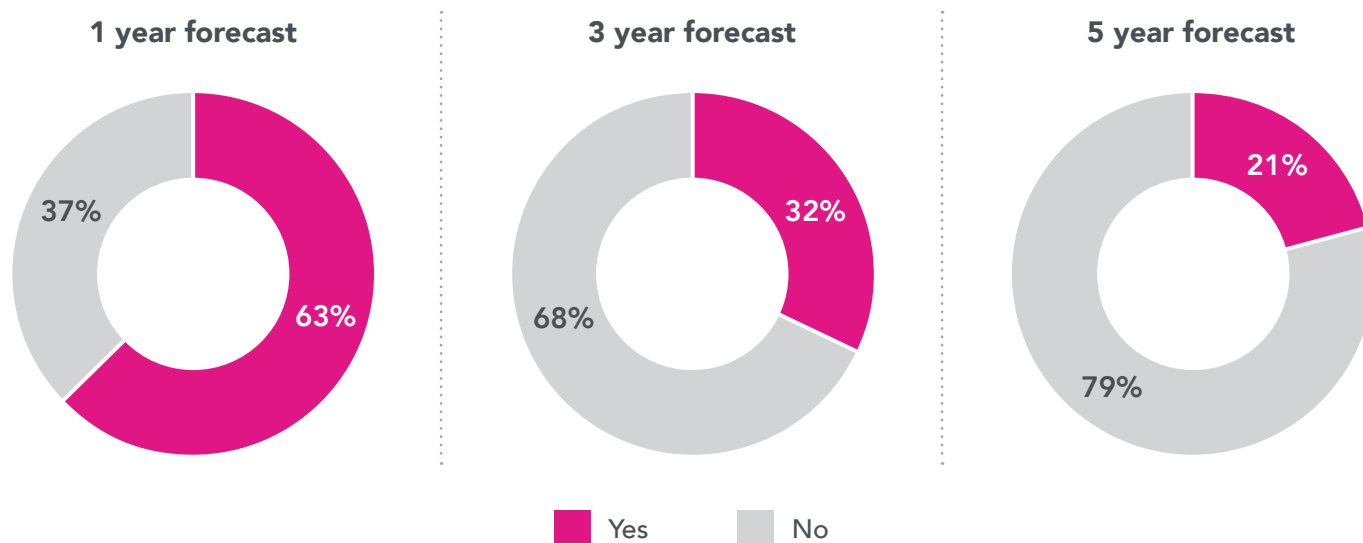
Firms are forecasting their skills needs over a variety of time horizons, 63% of firms told us that they are forecasting skills needs for at least the next 12 months, whereas 21% said they are forecasting up to five years ahead. Firms who have shorter time horizons can experience challenges when trying to enable a shift of the workforce to in-demand skills. It takes time to put in place reskilling programmes, so sufficient clarity is needed as early as possible for businesses to take action.

INDUSTRY EXAMPLE

Barclays has launched an internal online programme known as the Progression tool. This allows colleagues to self-evaluate on skills related to their role or a role they're aspiring to and where they identify gaps, the tool will signpost to relevant learning modules to help support career development. It is anticipated that over 35,000 UK colleagues will have completed an evaluation by the end of April 2023, giving them a clear view on development areas to help them as they progress in their career.

²¹ PwC's 26th Annual Global CEO Survey, 2023, <https://www.pwc.com/gx/en/issues/c-suite-insights/ceo-survey-2023.html>

Length of skills forecasting horizons



Source: FSSC Member Survey 2022 (19 Respondents)

While the supply of skills continues to lag somewhat behind demand, there are encouraging signs that firms in the sector are investing in their existing workforce to fill some of the gaps identified through forecasting or otherwise. We should further consider why some skills have not seen as great an increase in supply than others.

Successful ways of upskilling/reskilling

“Overall the number of individuals in the market with future skills has increased as more and more people turn to upskilling to improve or change their career opportunities.”

All 13 of the future skills previously identified have seen improvements in supply. 65% of firms reported that they had seen an increase in supply of data analytics and insight skills, 53% for digital literacy, and 47% a piece for agile, software development and coaching (see charts on page 11 and 14).

Firms reported several ways in which they are building the skills they need. Investment in technical skills has been more significant, reflecting their critical importance to an organisation's bottom line, productivity and ability to withstand competition.

Universal upskilling needed – but depth of specialism varies

Crucially, both our data and our case studies show that firms need all colleagues to have a baseline proficiency in all skills from coaching via data analytics to relationship management and sustainability. For each of these skills, specific teams and small groups of specialists will need greater proficiency - but the scale of how many specialists and the required depth of their expertise varies. The challenge is for organisations to cater for a range of different skills, proficiency levels and colleague groups, as the graph below shows.

Upskilling/ reskilling efforts must provide skills at the right level - everyone will need a baseline level, specialists need more



Source: FSSC Member Survey 2022 (19 Respondents).

The above graph was generated using data from our member firms, who were asked to rank the depth and breadth of upskilling/reskilling offered on a scale.

Guiding learning

Members are addressing the challenge of guiding and orienting learning towards future skills. All our members²² engage in upskilling colleagues, which takes place in a wide variety of formats such as formal courses, peer-to-peer learning, on-the-job training, short and self-guided learning, and which can be highly informal. A majority (60%) of our members offer dedicated learning time to their employees, whether as weekly, monthly or yearly learning hours / days or in another format. Our data shows that employees across our firms get over 3 days of learning per person per year, on average – of which around one day is taken up by mandatory learning.

Employees across our firms get over **3** days of learning per person per year

To rally the business and the workforce around future skills, many firms are using skills frameworks. Often these are based, to a greater or lesser degree, around the **FSSC Future Skills Framework**.

²² This refers to all members, who responded to the question about learning in the member survey.

Future Skills Framework

Using a skills framework to build competencies is a core component of our work to help guide investment in skills amongst members and the wider sector. We published the first iteration of our **Future Skills Framework** in 2021 and added to five new skills to it in 2022. 75% of our members used our Future Skills Framework or an equivalent in 2022 or were planning to use these in 2023.

However, given the nature of upskilling, it is hard to capture both the quantity and the impact of activities that are happening, both as classroom-based, self-directed or on-the-job learning. More work is underway at the FSSC to understand the costs and benefits of learning.

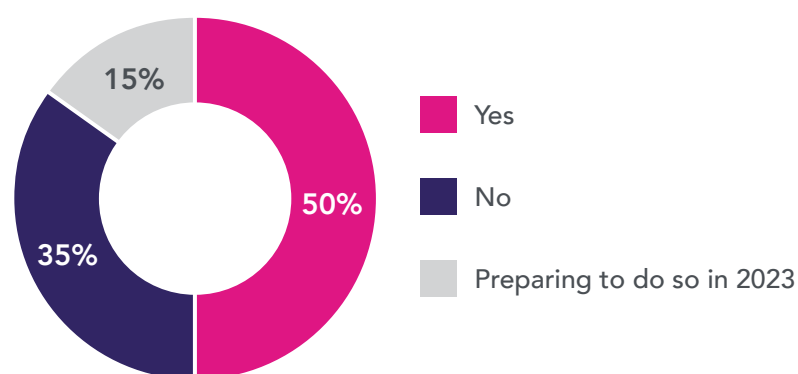
Upskilling / reskilling formats

Reskilling and upskilling can be supported by a variety of learning formats. Many of our members offer apprenticeship programmes (79%), run hackathons (40%) or have set up internal academies for future skills (27%) to upskill and reskill.

Academies are an accessible way to equip all colleagues with a base-line level in a specific skill (e.g. data). More ambitiously, the use of academies has supported the reskilling of frontline colleagues (e.g. through Covid-19 pandemic), to develop skills to serve customers online / via the telephone. A smaller number of our members use academies to help build a diverse leadership talent pipeline.

The majority of firms offering apprenticeship programmes (59%)²³ have aligned them to FSSC identified future skills. Many use them to upskill existing staff into technical roles. In 2022, Commission members employed at least 5,190 apprentices.²⁴ However, our members remain constrained by the difficulties that the rules present when trying to use apprenticeships to reskill. Apprenticeship levy payments worth £22m were returned to government in 2021/22 unused. Overall, FSSC firms invested around six times more in training than they drew down from their apprenticeship levy funds. There is scope to grow the number of apprentices – currently around 1 in 50 industry professionals are apprentices.²⁵

Share of firms reskilling in 2022



Source: FSSC Member Survey 2022 (19 Respondents)



Currently around

1 IN 50

industry professionals
are apprentices

²³ Percentage refers only to firms who offer apprenticeships.

²⁴ Gov.uk, Apprenticeships in England by industry <https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-in-england-by-industry-characteristics>

²⁵ Gov.uk, Apprenticeships in England by industry <https://explore-education-statistics.service.gov.uk/find-statistics/apprenticeships-in-england-by-industry-characteristics>

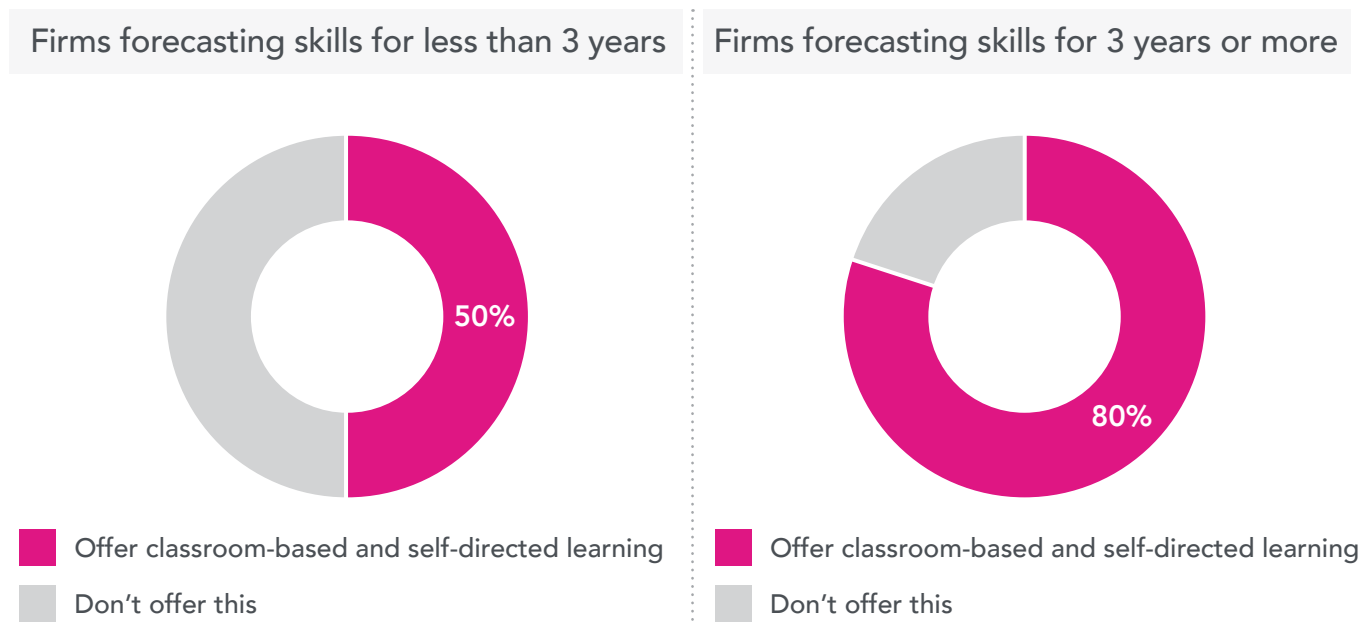
Half of the Commission’s members reported that they had undertaken reskilling activity in 2022, with a further 15% due to do so in 2023. Unlike upskilling, which focuses on adding to or enhancing an existing skill set within a role, reskilling refers to the process of learning new skills needed to do an entirely different job. We have heard excellent examples of members giving customer-focused colleagues (e.g. in branches or call centres) the opportunity to reskill into data or software focused areas of the business. This reflects the shift towards digital and self-service tools available to customers, and away from direct customer interactions. Pilot programmes received good feedback, both for businesses and individuals concerned, and we see ambitions to roll these out at scale.

Benefits of forecasting and building skills

There are clear benefits to investing in skills and our data shows this. Our members include firms with sophisticated and well-developed skills forecasting practices alongside others that are still starting out or forming their practices, who typically forecast for only a year or two ahead.

Firms who forecast 3 years ahead or further are more likely to be offering a wide and varied learning offer. 80% of members who forecast 3 years or more use a combination of classroom learning as well as self-directed learning on, and outside of, corporate platforms; whereas only 50% of members who forecast for less than 3 years use the same mixed approach.

Comparison of learning activities offered among firms with shorter/ longer forecasting horizons



Source: FSSC Member Survey 2022 (20 Respondents)

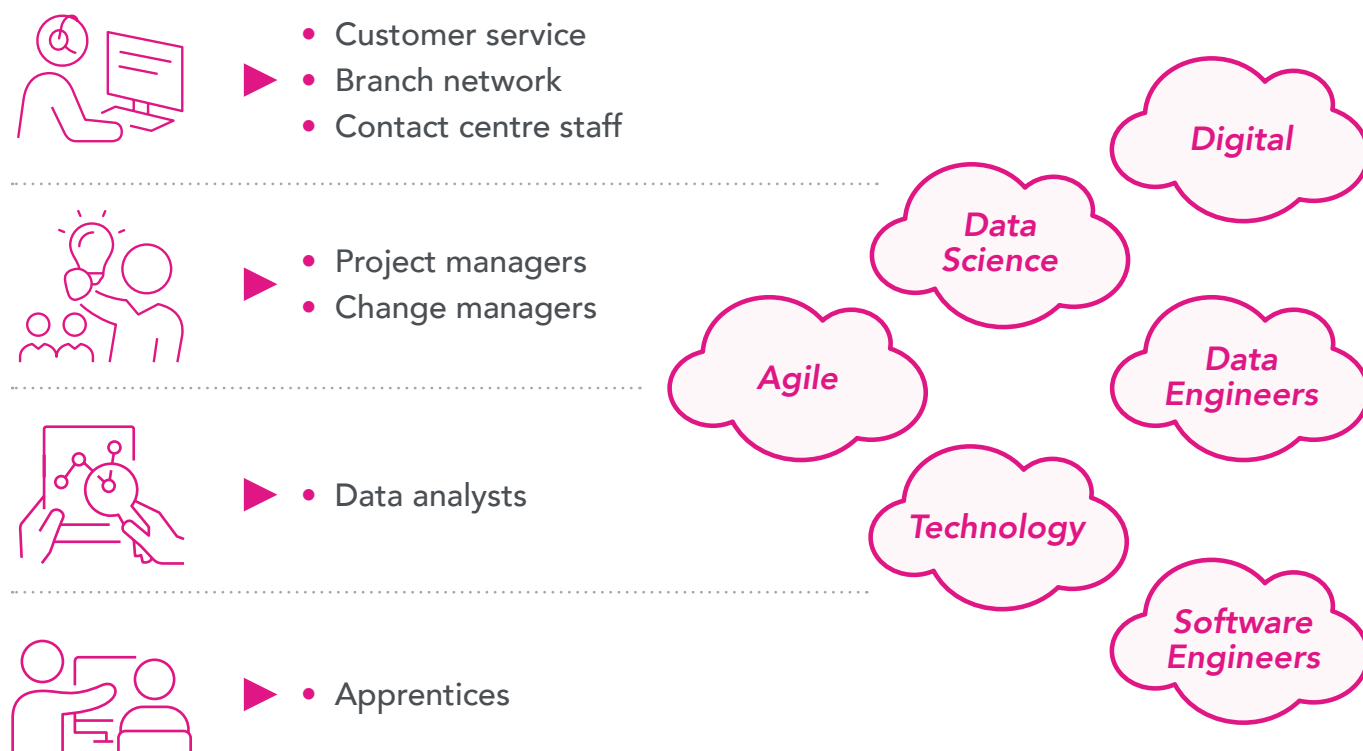
Putting in place the right learning opportunities is a key success factor in making sure firms have access to the talent they need. Many of our member firms report positive impact of learning on staff retention and internal talent mobility, in other words retaining crucial skills and deploying them in the right place across the business. We have also heard about the impact of colleague learning on customer satisfaction and sales though the benefits of

learning for the business are by no means limited to just this.²⁶

This finding aligns with the CIPD's 2022 survey of employers.²⁷ Organisations with a less strategic approach to skills were more likely to react to recruitment difficulties by lowering recruitment standards. Employers that do not approach skills strategically are more likely to miss out on the skills, candidates and experiences they are looking to obtain through recruitment.

Data from our Business Case for Reskilling²⁸ illustrates the cost savings associated with reskilling. Through reskilling individuals who would have been made redundant into roles that would otherwise have required external hires, firms can create cost savings of up to £49,100 per reskilled worker. The visual below demonstrates the skills our members are reskilling and upskilling colleagues towards. The advantage of reskilling customer service staff into software-related roles, for example is that those colleagues have in-depth knowledge both of the products on offer and the customer journey around them and can help design better solutions.

Reskilling activity



Source: FSSC Member Survey 2022 (10 Respondents)

26 FSSC Member Survey 2022, question about impact of learning.

27 CIPD, Employer Views on skills policy in the UK, 2022, https://www.cipd.co.uk/Images/employer-skills-survey-1_tcm18-110268.pdf

28 FSSC, Reskilling: a business case for financial services organisations, January 2022

4. Conclusion and recommendations

This report, and the member insights it contains, show that while there is an increasing focus on upskilling and reskilling amongst our members, demand for skills is still outstripping supply. More needs to happen and fast.

Demand for skills continues to grow across each of the 13 future skills we have previously identified, putting further pressure on firms, with 2022 marked by record levels of vacancies. Technical skills remain most in demand, with a 20% supply shortage – compared to around 10% for behaviours. No skill has seen higher demand than data analytics skills, despite it being the skill where firms are investing the most.

Behaviours remain vitally important, with coaching the most prized and prioritised for investment. Relationship management is the behaviour where most firms see gaps – and data suggests this is closely related to the challenge of helping financial services clients with their ESG transition.

Firms building the skills they need use a variety of approaches to embed learning, including through the earmarking of dedicated learning time for all staff. Over 80% of our members are now forecasting skills, meaning these employers are better equipped to create and implement the learning required. Investment in reskilling is having positive impact on businesses, helping to build some of the most in-demand technical skills, speeding up processes and building better products.

However, with colleagues getting an average of 3 days of learning time per colleague per year, only half of our members actively reskilling in 2022, and around 1 apprentice for every 50 professionals, the scale is not yet sufficient to close skills gaps.

To build future skills, both specialists and the wider colleague base need to be targeted to enable successful transformation. As an industry, we need to go further and faster to understand skills gaps and identify the most impactful ways to close skills gaps.

Recommendations

- Business leaders should ensure **skills are a strategic business priority**, championing skills forecasting and upskilling/reskilling as the foundation of overall business success.
- **Skills forecasting practices should be further developed in all firms** so it becomes an essential component of each business planning cycle and provides the necessary clarity on skills needs, including:
 - considering how strategic drivers such as sustainable finance and customer-centricity drive changes in skills needs across the business,
 - understanding how changes in roles and skills affect different groups in the workforce and prioritise reskilling these individuals,
 - firms are invited to share insights on skills needs with the Financial Services Skills Commission to support an industry-wide view of skills needs.
- Firms should **continue to build future skills, through investing in meaningful upskilling and reskilling programmes** and enabling all colleagues to augment their skills through dedicated time for learning and a supportive learning culture. Where possible, develop and share innovative approaches to building skills to understand what works best.

How the Financial Services Skills Commission support the industry

The Financial Services Skills Commission brings organisations together from across financial services to collectively understand and respond to the skills challenge in our sector. We support the industry by providing clarity on future skills needs and inspire action to build these.

Reskilling business case

Reskilling: A business case for financial services organisations, provides evidence on the cost savings financial services firms can benefit from when they reskill an employee; versus hiring someone new with the relevant skills. Reskilling a financial services employee costs on average £31,800 compared to the redundancy and rehire approach which carries an average cost of £80,900. The research shows over a four-year period a company with 30,000 employees could potentially save between £75 million and £115 million by upskilling current employees into the roles they need filled.

Supported by PwC

The Skills Gap Toolkit

The **Skills Gap Analysis toolkit** supports financial services organisations to identify the skills they will need in the future. It is centred around three questions firms need to answer as part of their skills forecasting. To do this, it includes a set of supporting materials including workshop slides, a skills dictionary, and data capture templates.

Supported by Lloyds Banking Group

Future Skills Report 'Mind the Gaps'

This **report** consolidates our member firms' 2022 insight on future skills and best practice in skills forecasting. Based on data from our Skills Gap Survey, our Member Survey, interviews and workshops, we have identified the future skills and themes - which are crucial to future business success.

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Future Skills Framework

To support our members in meeting these skills demands, the Financial Services Skills Commission has created a '**Future Skills Framework**.' The framework helps organisations and learning providers build their skills and products more effectively. By defining proficiency levels for a set of future skills it helps guide investment in skills. The framework was launched in October 2021 with 8 skills, technical and behavioural, and was expanded in 2022 to include the 5 skills identified in the 'Mind the gaps' report.

Supported by NatWest and EY



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