

Driving growth through prioritising skills - A call to action for the next Government

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Introduction

The financial services industry is a valuable national asset that contributes to the growth and stability of the British economy. Our industry plays a central role in a number of areas including managing risk providing long term financial security to individuals and families through pensions and savings, enabling families to own a home of their own, financing scale up firms to deliver the technologies of the future, driving economic growth across the UK's regions and nations, delivering vital infrastructure, supporting a just transition and delivering export-led growth.

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.

As a sector, financial services is at the leading edge of technological change and provides a template for the challenges faced by the wider economy as it addresses the need to increase productivity and respond to demographic changes. Over the last two decades the proportion of high skilled roles in the sector has increased from 5 in 10 to 7 in 10 and in the next decade will increase to 8 in 10. Over that 30-year period, employment in the sector remains about 1 million people. UK regions, where there are a predominance of low skilled roles, mostly held by women, have been disproportionately impacted by that change. If the sector is to remain a key national asset, businesses and government will need to work together. The success of financial and professional services in Northern Ireland is a great example of the effectiveness of partnership.

We are, therefore, calling on the next government to prioritise strong collaboration between the financial and related professional services industry, government and regulators to foster an environment that enables our industry to do even more to finance Britain's future. This document sets out a programme for the next government with practical recommendations to deliver our shared objectives.

Our key recommendations:

- 1. Drive growth by creating an overall strategy for skills in Financial Services**
- 2. Build a highly-skilled workforce**
 - a. *Enable reskilling at scale and reform apprenticeships.*
 - b. *Increase the supply of highly-skilled talent, especially tech, digital & AI*
 - c. *Put employers at the heart of the skills system.*
 - d. *Ensure access to international talent.*
 - e. *Build skills to support transition to net zero.*
 - f. *Support diverse talent.*
- 3. Boost growth by building skills and talent across UK regions and nations.**

Why Financial Services is a national asset

- In 2023 it produced £209bn GVA – the second highest output per job of all sectors.
- It employs over 1m people, with two thirds of these jobs outside London across the country's regions and nations.
- Play a vital role in the transition to net zero through the provision of capital and expertise.
- Contributes around £270m per year in apprenticeship levy payments¹.

Skills in Financial Services - Key statistics

- 1 million people work in UK financial services, with 2/3 of these roles based outside of London.
- 73% of job roles are classified as highly skilled (managerial and professional roles) – up from 52% in 2004.
- 260,000 highly skilled people are expected to leave the sector through retirement and attrition in the next 12 years.
- 160,000 (16%) of workers in the sector are not fully proficient in their role and require upskilling.
- 250,000 medium and low skilled roles have been lost from the sector in the last 20 years and this trend will continue. The majority of these roles are held by women (NFER, APS).
- In the last 20 years, the proportion of women employed in the industry has fallen from 51% in 2004 to 43% in 2023.
- Apprenticeships completions in FS in England have increased over a 3-year period with FSSC members employing 5,190 apprentices in 2022/23.

Our recommendations

1 Drive growth by creating an overall strategy for skills and Financial Services

Remaining at the forefront of technology and innovation policy is vital to the continued competitiveness of the UK as an international financial centre and to financing Britain's future. Disruption continues to modify the skills and behaviours we need across our whole workforce and this challenge cannot and should not be solved by recruitment alone. The next government must nurture UK talent to maintain a high-skilled population and meet the changing skills needs in line with technological advancements.

To achieve this, the next government should ensure there is a significant pipeline of highly skilled talent, especially tech talent entering the workforce over the next decade. This should include existing workers being upskilled and reskilled as well as more young people leaving school, college or university with STEM qualifications.

This should also involve an ambitious and forward-looking approach in setting strategies and plans to build skills that position the UK at the forefront of emerging technologies. Technological skills need to be developed in combination with interpersonal skills such as empathy and adaptability.

Recommendation for the first 100 days

¹ Source: [Information on apprenticeship levy](#), Department for Education latest data from 2017/18.

- **Put business skills need at the heart of the skills system and publish a clear strategy on skills that directly supports the growth of financial services.** Create a National Skills Plan – co-created with industry – setting out the priority steps needed to turn round historic underinvestment and focus on the priority skills needed to drive growth, support technological change and become a world leader in decarbonisation of the economy.

2. Build a highly-skilled workforce

a) Enable reskilling at scale and reform apprenticeships.

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 the 13 Future Skills identified by FSSC.

There is a need for firms to create and build the skills we need through deep reskilling, upskilling, increasing learning and building talent pipelines. We need to offer deep upskilling 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 and we need to fill more vacancies with internal candidates. By the end of 2025, we need to increase 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. Whilst firms must take the lead in tackling these issues, reforms to the apprenticeship system could accelerate this.

Recommendation for the first 100 days

- **Introduce flexibilities to the apprenticeship system to increase the amount of training delivered.** The UK must rapidly build a highly skilled workforce to maintain competitiveness.
- **Enable levy funding to be used to fund high-level, professional development training.** Utilising existing accredited and industry-supported qualifications and courses aligned to chartered professional qualifications.
- **Enable firms to use the levy for bootcamp-style training** that could fill the training gap between an employee's current role and future role.
- **Introduce modular apprenticeships**, to allow candidates to undertake elements of apprenticeship training that are relevant to the skills that individuals need in their current role.
- **Provide flexibility in linking the apprenticeship with a productive job role** so that more workers can be phased into a future-facing role over the course of the programme through revising paragraphs E15 and E17 of the [funding rules](#).

Recommendations for the next 5 years.

- **Increase the availability of modular, employer-led, flexible training.**
- **Frame apprenticeships around skills rather than roles** so they can be more responsive to changes in roles and allow better forward-planning (currently, it is impossible to do an

apprenticeship in a role that doesn't exist yet). As many roles require an augmentation of skills to be fully proficient, this will enable firms to upskill workers in their current role.

b) Increase the supply of highly-skilled talent, especially tech, digital & AI.

Skills are integral to business success and a driver of competitive advantage and growth. 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.

UK businesses are experiencing shortages of skilled workers² which is impacting on growth, innovation, and competitiveness. Building a pipeline of highly skilled workers is essential to position the UK for strong economic growth. This pipeline needs to come from reskilling the existing workforce as well as early talent.

Recommendation for the first 100 days

- **Significantly increase the numbers of people securing high-level qualifications (level 4 and above)** especially in critical skills shortage areas such as tech, data, AI and sustainability. Increase the availability of such courses and incentives to attract individuals and businesses to train.

Recommendations for the next 5 years.

- **Build strong pipelines of highly-skilled talent in the workforce** by ensuring significant numbers of people with are leaving school, college and university with STEM qualifications and reskilling or upskilling of existing workers.

c) Put employers at the heart of the skills system.

Apart from the Green Jobs Taskforce which is doing an important job on the specific issue of green / sustainable skills, there is no current formal mechanism for Financial Services employers to engage with Government on the future skills agenda for the sector. The lack of employer voice in the skills system is a weakness that can easily be addressed.

Recommendation for the first 100 days

- Agree **sector skills deals** with industries, containing flexibilities and co-investment to design focussed workforce development plans that tackle skill shortages impeding growth.
- **Create a national skills body that is employer led**, taking a sectoral perspective, working with existing industry-led bodies.

Recommendations for the next 5 years

² <https://commonslibrary.parliament.uk/research-briefings/cdp-2023-0001/>

- **Create a careers strategy that transforms career development for young people and adults.** A strategy exploring career development's potential to help address broader economic and social issues and connect individuals and industry.

d) Ensure access to international talent

The ability to mobilise global talent is critical for our industry, enabling businesses to tap into essential skills and spur the innovation necessary to maintain the UK's status as a leading global financial centre. This sits alongside our commitment to recruit, retain, upskill and reskill people from across the nations and regions.

A recent [City of London Corporation report](#) noted intense competition for highly skilled talent, particularly in areas where core skills gaps exist that are key to FS goals. Our domestic and international agendas must be complementary - driving reforms at home can increase the appeal of the UK brand for international talent. We want the UK to attract and retain that global talent which it doesn't itself create, and we need to ensure the pathway for both employer and employee is efficient, effective and equitable.

Recommendation for first 100 days

- **Create a new hybrid short-term Global Mobility stream through Intra-Corporate Transferee (ICT)** to allow employees to enter the UK for a short period of productive activity, such as covering sick leave, without a work visa. It can combine the controls associated with sponsorship with the flexibility of visa-free entry.

Recommendation for next 5 years

- **Build a global talent strategy** and align immigration policies and key routes to it. There is currently no global framework for considering holistic, indirect factors when assessing the impact of international talent on productivity. A strategy informed by a holistic framework has the potential to set global standards.
- **Continue to prioritise Youth Mobility Schemes** with key trade partner countries for the sector to enable mutual knowledge sharing and talent exchange.
- **Streamline visa and regulatory regimes for highly skilled FS talent** by reducing approval times for the Senior Management Regime and Senior Management & Certification Regimes, for example through preferential trade agreements.

e) Build skills to support transition to net zero

Decarbonising the economy and the transition to net zero and nature positive are bringing about seismic change for every sector, and FS has a central and positive role. Providing products and investment to finance the transition towards climate and nature positive mean the application of many skills in a new way, and our sector must be ready.

Sustainable finance skills are the perfect example of where augmenting existing skills can be a highly effective way forward rather than relying only on new external recruits or new intakes. For sustainable finance to work effectively - whether it is in ESG, ESG ratings, green mortgages, underwriting for climate risk, climate risk in asset management, corporate engagement on sustainability by pension funds, sustainability linked bonds, lending or investment, sustainability governance, strategy and reporting etc - it is absolutely essential to combine in depth

knowledge of financial systems, products, business models and clients with knowledge on sustainability best practice, legal and regulatory frameworks for sustainability and ESG, climate change, nature and biodiversity etc.

It is only through the combination of these skills that success in sustainable finance can be achieved and therefore reskilling can be particularly effective in addition to bringing in experienced taken from outside including from other sectors and ensuring that sustainability is part of the learning journey of all of new intakes.

First 100 days recommendation

- **Enable rapid upskilling on green skills** by allowing modular and stackable green finance qualifications to be funded via the apprenticeship levy.

Recommendations for the next 5 years

- **Produce detailed plans to build skills to support a green transition.**

f) Support diverse talent

Demographic change will have a major impact on the availability of talent in financial services over the coming decade. 260,000 highly-skilled workers are due to leave the sector by 2035 through retirement and natural attrition. As well as attracting new talent, retention of expertise will need special focus, particularly older workers. Learning and development will have a core role in supporting retention of talent and keeping skills up to date.

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 positive, it is not yet at a volume to counteract this historic trend.

First 100 days recommendation

- **Facilitate upskilling and reskilling of under represented groups into skills shortage areas by enabling more flexible use of the apprenticeship levy.**

Recommendations for the next 5 years

- **Build aspirations for highly-skilled careers for individuals from under represented groups**, starting with careers advice in school

3. Boost growth by building skills and talent across UK regions and nations

Building up the skills of people across the UK and strengthening existing and emerging regional clusters will require broad dialogue and collective effort. The sector must commit to working together - and with government, education providers, and others - to implement these recommendations effectively. Many UK employers have operations across all the UK's regions

and nations and firms struggle to roll out apprenticeship programmes across the whole of the UK because of the different systems run in different jurisdictions.

Strong civic leadership can support our industry to finance Britain's future but there is not consistency in the devolution of powers offered to different parts of the UK. A major business operating in Manchester or Birmingham can engage with their local mayor on skills policy in a way which a major business operating in another area cannot. This is not optimal or sustainable in the long term.

First 100 days recommendation

- **Create strong talent attraction by locating senior & leadership roles in regional centres**, to attract and retain highly skilled talent to these areas and act as a magnet for other talent, as has been done by locating the UK Infrastructure Bank in Leeds.
- **Boost the availability of skills across the regions through strategic collaborations between employers, education providers, and regional government.**

Recommendations for the next 5 years

- **Develop regional centres of specialisation**, building on clusters that already exist.
- **Facilitate investment in apprenticeships across the UK.** Working with its counterparts in Belfast, Cardiff and Edinburgh, the UK government should set out a clearer framework for the apprenticeship levy and its objectives which would support businesses to make more investments in skills across the UK.
- **Deliver further devolution of education policy and funding to Mayoral Combined Authorities in future English devolution deals**, with the long-term aspiration of local leaders taking a greater role in oversight of education at all phases so this can be better integrated with Local Skills Improvement Plans.
- **Support UK-based businesses to innovate and grow by enabling short-term business mobility and supporting local talent development**, using the funds from the Immigration Skills Charge

NB

The views contained in this document are solely those of the Financial Services Skills Commission and do not necessarily represent the views of its individual member organisations.