

The Future of Work: Lessons from a pandemic

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Financial Services Skills Commission

The Financial Services Skills Commission is an independent, non-partisan, member-led body, representing the UK Financial Services industry on skills. We work directly with the sector and advocate for innovative collaboration to increase and diversify the supply of skills and talent into the sector. Members include businesses from across the sector, Chartered Institutes, representatives of industry bodies and higher and further education.

Foreword



Mel Newton

Partner, People Consulting, KPMG in the UK

We have seen long-term workforce trends accelerate significantly over the last six months, largely as a result of remote working in response to the COVID-19 pandemic.

This period has pulled several issues that the financial services industry was already facing into stark focus, with remote working policies, changes to the nature of work, and how we structure our organisations and resourcing models to support this, as examples. Skills and learning are at the centre of this and will be key when it comes not only to retaining the sector’s prized talent but attracting new talent too. Those who are open to rethinking their operations based on the learnings from this period are setting themselves up for success in a new reality, whilst those who aren’t may be hankering for a return for a world that no longer exists.



Claire Tunley

CEO, Financial Services Skills Commission

The last few months have brought the skills challenges facing the UK financial services sector into greater focus.

As we have experienced a huge leap forwards in digitisation and remote working, the need to upskill our employees in digital and technology expertise is more important than ever. Increased investment in our employees’ future skills, alongside a flexible hybrid working model, will help the UK financial services industry address the skills crisis it has been facing, attract the best talent and position for a successful future.

Introduction

COVID-19 has created a global shift in ways of working, impacting the entire workforce. Most firms, at the start of the pandemic, rightly prioritised the health and safety of their employees and managed risk in the short-term by switching rapidly to a remote working model.

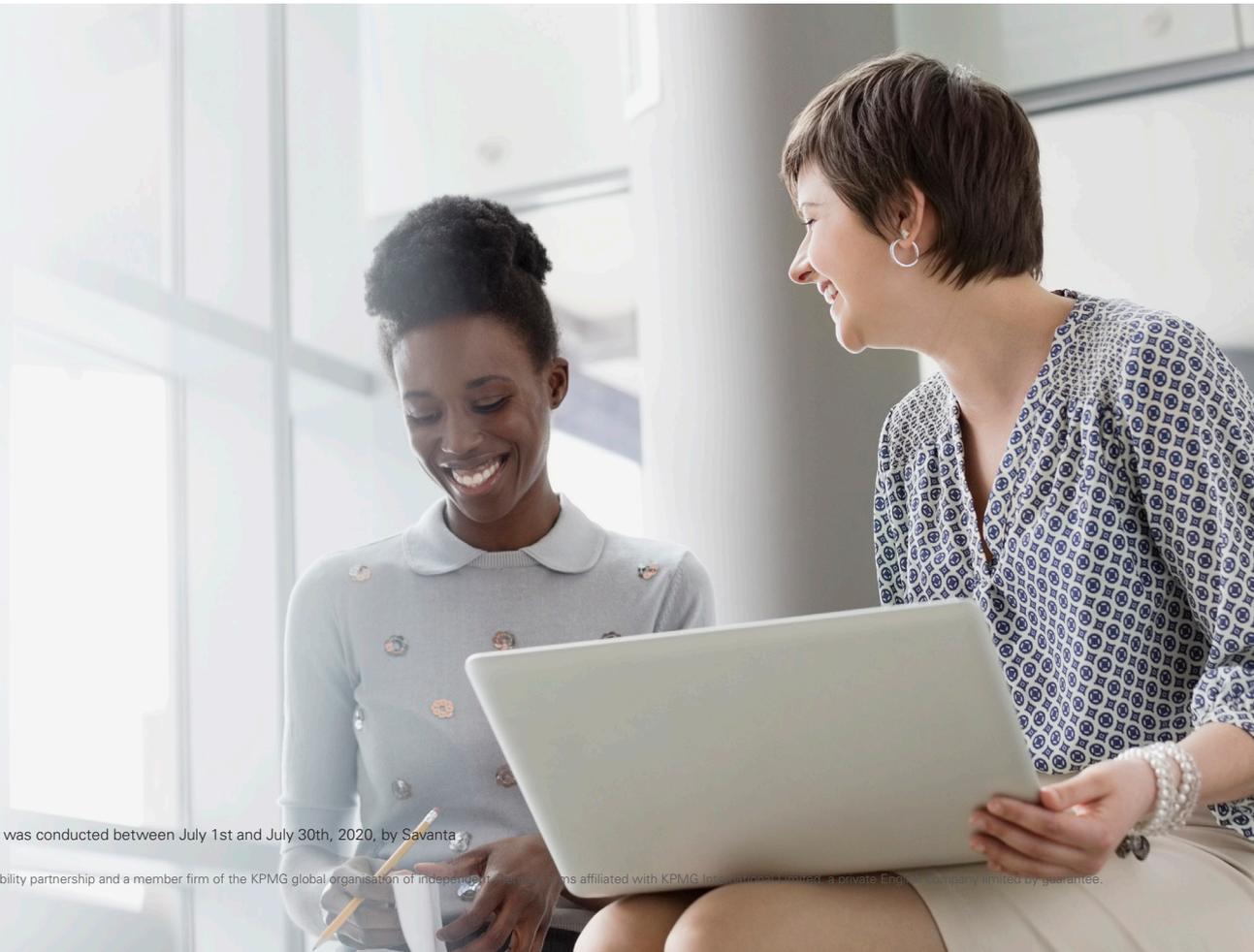
For some, this happened nearly overnight; changing the ways colleagues interact with each other, putting a heavy reliance on technology and interpersonal skills operating via virtual platforms. In turn, this significantly impacted employee-employer relationships. Many firms have had to reframe 'social contracts' - when, where and how employees work - on a personalised level, to make sure employees can work safely and sustainably around their own lives, as their dining tables have replaced their office desks.

What is becoming clear is that the changes made by employers during this time, which in March 2020 were seen as short-term changes driven by necessity, are now having a profound long-term impact on how we work.

Some changes will undoubtedly become permanent shifts in working practices, but we need to think carefully about how we structure work in the future. Retaining some of the practices that are now commonplace, whilst rethinking the role of office-based work and face-to-face interactions will be important.

The learning curve has been steep, but as firms begin to plan for their recovery, they must balance meeting changed employee expectations with operational continuity. This report references research¹ from KPMG in the UK and the Financial Services Skills Commission, which surveyed 1,500 members of the UK's workforce. The research aimed to understand how employee sentiment changed as a result of the sector's response to the pandemic, how expectations of work have changed and key considerations for Financial Services firms to ensure they continue to attract and retain top talent moving forward.

¹ The survey of 1,510 people was conducted between July 1st and July 30th, 2020, by Savanta



The sector's response to the pandemic

The financial services industry has responded well to the crisis, earning the respect of existing and prospective talent.

The sector has made significant changes to the way it operates in response to the pandemic. The shift towards more flexible ways of working, for the vast majority, was not difficult, with 78% of financial services (FS) workers saying that they have been able to perform most or all aspects of their role remotely. This was consistent across those working in insurance (78%), banking (74%) and asset management (81%). Moreover, only 4% of FS workers were furloughed, which suggests a significant effort made to retain and redeploy employees during this time. Together, this also suggests the sector's investments in technology and agile working in recent years have paid off.

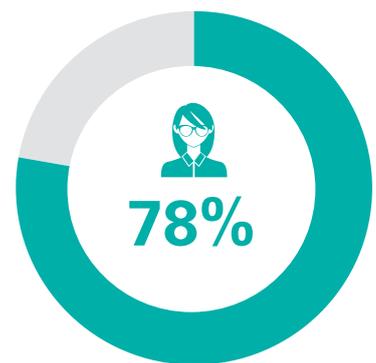
As a result, those working in FS appear to be satisfied with their employer's response to the pandemic, both in terms of their own treatment and how the sector benefitted society as a whole. Over half (56%) of FS workers indicated that they were proud of the contribution the sector had made to society during the crisis. Among the sub-sectors, this sentiment was shared by 60% of those in banking, 54% in insurance and 51% in asset management. In addition to building trust among their existing employees, FS businesses have also improved their outward reputation, which should help attract future talent. Two fifths (40%) of the wider UK workforce said that they had a more positive opinion of FS than they did before the pandemic – rising to 51% of employees aged between 18-30. This is encouraging and could help boost positive perceptions of the sector, diversifying the talent drawn to FS for a career.



40% of the UK workforce said they had a more positive opinion of the FS sector than they did before the pandemic.



56% of those working in FS were proud of the contribution the sector had made to society during the pandemic.



78% of FS workers said they can perform most or all aspects of their role remotely.

Creating a hybrid model

How we work has changed significantly. Firms must find a balance between old and new ways of working.

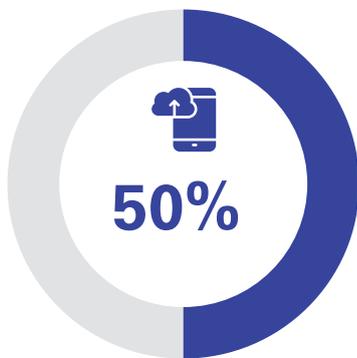
Feedback from firms suggest that the ability of most people working in the sector to perform their roles from home had a limited impact on employee productivity. Our research shows that many employees are keen to continue working this way in the future. Half (50%) of FS workers have indicated that they want to work more flexibly following the pandemic. This was a much higher figure than in any other industry, with almost a third (30%) of those working in the public sector saying the same. For some, the ability to work remotely was so successful, that they'd like to continue doing so indefinitely, with over a quarter (26%) of FS workers saying they want to work from home permanently.

Whilst inter-generational differences - particularly involving expectations around organisations' social footprints, for example - have historically highlighted contrasting views within the workforce, the preference for more flexible working now seems consistent across all age groups. Those aged 31-45 want to work flexibly the most (53%), whilst employees aged 18-30 were more comfortable with permanent home-working (28%) than other age groups. Further, some are considering even more significant changes – 13% of workers wanted the option to work from a different office location in future.

Balancing employee flexibility whilst maximising operational efficiency isn't a new problem, but the pandemic has tested a new way of working, at scale. Perceptions of productivity, presenteeism and trust have been challenged. Indications are that flexible working has proved to be compatible with sustained employee productivity and prompts us to rethink the purpose of the office and the associated cost of office accommodation.

However, it is important to note that whilst more workers in FS than in any other sector want to work flexibly as a result of the pandemic, those saying they'd like to do so only constitutes half of the FS workforce. There is a dichotomy in terms of those looking to return to the workplace and those looking to maintain some of the flexibility of recent months. As the pandemic continues, firms will need to consider which of the 'new' ways of working to retain and how to embed them, long-term.

In addition to flexible working, almost one fifth of the FS workforce (16%) said they want to do more to help their community and society after the pandemic, suggesting that COVID-19 has continued the trend of drawing employees towards socially responsible organisations and opportunities. Whilst firms have, to date, dedicated much resource to the 'environmental' element of Environmental, Social and Governance (ESG), it seems consideration of the 'social' and 'governance' elements will become increasingly important moving forward.



50% of those working in FS want to work more flexibly due to COVID-19.



26% of FS workers want to work from home permanently.



16% of FS workers want to do more to help their community and society as a result of the pandemic.

Moving forward

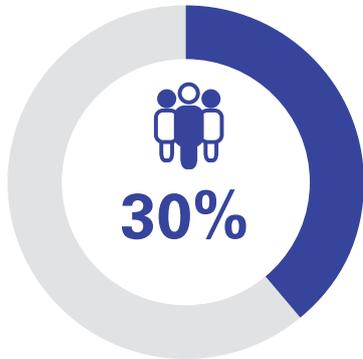
Retaining and retraining the workforce – equipping businesses for the future.

The pandemic has not only influenced workers' priorities and expectations around how they work; new ways of working have also changed the skills they need to perform their roles. Whilst the sector has been able to successfully transition to a remote working model, the majority of workers believe that their pre-COVID skills are not sufficient to perform effectively now. Every respondent in the survey highlighted at least one way in which the pandemic has affected the skills required for their roles — underpinning the need to invest in upskilling.

Remote working and greater use of online services and systems has increased demand on and expectations of the technological infrastructure of firms and, crucially, how their employees use these. People working in the

FS sector identified that remote working required them to become familiar with new digital tools and platforms, as well as how they interact with their colleagues. Whilst nearly one in three (30%) said they needed more digital expertise to work effectively during the pandemic, over a third (36%) identified managing their work-life balance as a big challenge. Similarly, 28% said they now needed to have a better understanding of colleagues' and customers' mental and physical health, compared to before the crisis. A fifth (21%) indicated that they need different management and leadership skills whilst working remotely. With further homeworking on the horizon, businesses will need move quickly to understand their employee's training and development needs. Firms will need to put in place adequate support and training programmes that enable optimal productivity, and avoid contributing to the existing skills and capabilities gap that the sector is experiencing.





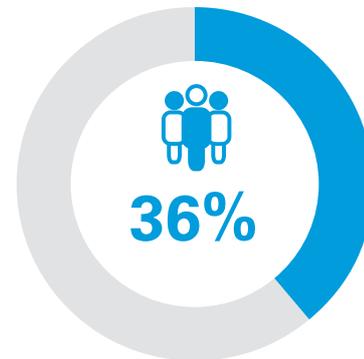
30% of the FS workers said they needed more digital/tech expertise.



28% of the FS workers said their roles required a better understanding of the mental and physical health of their staff and customers.



21% of the FS workers said they needed different management and leadership skills.



36% of the FS workers said they required better understanding around work-life balance.

Whilst views about flexible working were similar regardless of age, a 'one-size-fits-all' approach when it comes to employee training might not be optimal. Employees aged 31-45 were most worried about new digital/tech skills required to perform their roles (33%). However, under 30s were more concerned about management and leadership skills (23%).

Younger employees were also the most worried about mental and physical wellbeing – with 35% of 18-30s highlighting that the working through the pandemic requires them to have a better understanding of this, compared to 31% of 31-45-year-olds, and only 18% of the over 45's.

Despite many workers indicating that the pandemic has altered the skills required for them to perform effectively, training opportunities have not increased proportionally to bridge this skills gap.



Only **25%** of FS workers have been offered **digital training** to equip them for the ways in which their roles have changed in light of the pandemic.



Only **17%** of FS workers have been offered **leadership and management training**.

Is there an emerging training deficit?



Only **25% of FS workers have been offered guidance on cyber security** despite worries around the safety of home working.



Only **37% of FS workers have been offered guidance on maintaining mental wellbeing** during the pandemic. More women (40%) have been offered support on maintaining mental wellbeing than men (34%).

We know that the sector was facing skills shortages before the pandemic and the last few months have created additional areas where staff need to be upskilled and trained. Compared to employees in other sectors, FS respondents rated their employers higher staff training during lockdown. But, the number of staff who received training in critical areas such as cyber, is still low.

If firms are to maximise business outcomes and productivity, they must respond to the immediate training needs prompted by new ways of working as well as focus on building the 'future skills' required for future success.

Lessons from the pandemic

Three points to consider for future success.

For the sector to thrive, it will need to continue to adapt to the changes brought about by the pandemic and integrate new ways of working.

1 Reinventing work – personalising the employee offer

With much of the workforce working remotely from kitchen tables, living rooms and spare bedrooms, the lines between professional and personal lives have blurred significantly as a result of the pandemic. This new way of working has presented challenges but has also offered flexibility, as employees juggle their personal and professional lives from home. The clear division between employees wanting to continue working in this way and those that are keen to return to the office is important, and demonstrates that for some employees, flexibility is more than just working from home occasionally. The future workforce wants, more than anything, personal choice and options.

Moving forward, organisations will need to think about how they offer remote and flexible working options while ensuring adherence to mandatory tax and legal regulations and maintaining productivity. To achieve this, firms will need to review how they manage productivity whilst ensuring employee wellbeing. Measuring employees on their outputs, rather than hours worked, could be a critical move to ensure organisations make the most of their talent.

By taking a long-term approach to flexible working, FS firms may be able to increase positive employee sentiment and loyalty. This could act as a key differentiator when it comes to talent attraction in the future.

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The division between those wishing to work more flexibly and those seeking a return to the office raises awareness of the fact that, for some, home-working is not a viable option. Remote working enables more diversity amongst the workforce, but we mustn't lose sight of the value offices create in providing equal access to resources and opportunities for collaboration. ”

Mel Newton, Partner, People Consulting, KPMG in the UK

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The shift to homeworking has been a positive experience for some whilst it continues to be a struggle for others. In the future, employers will need to offer flexibility and choice for employees about how and where they work, whilst re-thinking the function of offices as places to foster collaboration, build networks and facilitate in person knowledge transfer. ”

Claire Tunley, CEO, Financial Services Skills Commission



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Extending the talent pool beyond traditional geographical barriers

Since the pandemic began, FS has continued to perform effectively, achieving business continuity and even improving its reputation, despite most of its workforce operating outside of key business hubs. Increased remote working should, in theory, eliminate most of the restrictions encountered by firms when it comes to where they source talent. In the UK, London and Edinburgh have long been major operating hubs for FS and talent has gravitated to these, and other cities. However, there is an opportunity to break these locational constraints, inviting workers from across the UK, and possibly even the world, to join the sector through firms' (digital) doors.

The regions have, for a long time, seen much of their prized talent relocate to more highly skilled jobs in London and other major UK cities. However, a shift towards remote working arrangements may provide dual benefit, not only to organisations but to levelling up regional economies.

Whilst remote working can widen access to talent regardless of location, restrictions on physical movement of staff, quarantines and legal issues particularly affect overseas talent. This reinforces the need to invest in and grow our supply of UK-based, domestic talent.

Businesses seeking to attract the best talent will have to adapt their attraction and recruitment strategies to allow for remote recruitment, on-boarding and management of staff that they may never meet face-to-face. As locational constraints to recruitment are removed for all employers, firms will also need to build a competitive employee offering to differentiate themselves and attract a new breed of remote workers.

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A greater level of remote working creates opportunities to recruit talent from across the UK and shift the inclination to concentrate highly skilled roles in London. ”

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Claire Tunley, CEO, Financial Services Skills Commission

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Both the pandemic and Brexit uncertainties have opened financial services leaders' eyes to new possibilities regarding working locations, not least working from home. Wherever we land, there is little doubt that the ability to lead teams virtually, using digital solutions rather than in-person contact, will be the defining leadership characteristic of the next five years. ”

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Tim Payne, Partner, People Consulting, KPMG in the UK

3 | Invest in skills to attract and retain

One of the more surprising findings of this research is that the pandemic has inspired much of the workforce to reconsider their current lifestyles and vocations, with 44% of UK FS workers currently considering a career change. This places more pressure than ever on the sector, as it faces both the risk of losing existing talent, as well as disruption to the recruitment market and how it attracts new talent.

Our research shows that employees currently working in the FS sector value good remuneration packages and career progression opportunities. Competitive salaries (54%) and good employee benefits, such as insurance and private healthcare (35%), were listed by FS employees as top reasons for working in the sector. Among under 30s, almost a third (31%) said that progression opportunities were a key attribute attracting them to the sector.

Among those FS workers looking for a career change, only 13% said they would not choose the sector again for their next career move. Those who said they would not work in the sector again cited long hours (15%), long commutes (13%) and heavy regulation (9%) as key factors driving their decision.

With many workers identifying their own skills gaps in areas of people management, cyber, digital and tech, businesses looking at workforce planning in the coming months must consider upskilling and reskilling employees if they are to retain their talent. Investing in skill development will ensure the workforce is prepared for changes to ways of working and ongoing technological disruption.

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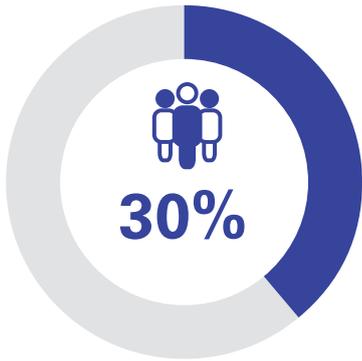
In setting the organisation up to survive in the short term and thrive in the post COVID-19 world, it is key to ensure you have the right skills, at the right time, in the right place to constantly adapt to uncertain external trends, agile operating models and rapidly changing customer demands. ”

Mel Newton, Partner, People Consulting, KPMG in the UK

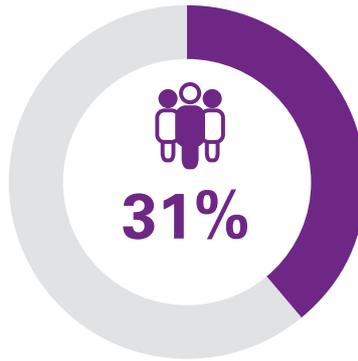
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COVID-19 has accelerated automation and digitisation, demanding faster reskilling. Investment in skills must keep pace with this trend and invest in leadership and management skills, ‘human’ skills such as creativity and empathy as well tech skills to position the sector for long-term success. ”

Claire Tunley, CEO, Financial Services Skills Commission



30% of FS workers said they needed more digital/tech expertise to fulfil their roles as a result of the pandemic.



31% of FS workers will be looking for a new role within a year.



61% of FS workers said coronavirus has changed the skills needed for their role.



Managing the change will be key to success

In responding to COVID-19, organisations are moving from the reaction phase to resilience, recovery and new reality at different speeds. There will be winners and laggards through these transitions.

Those who move through these phases with purpose and intent are more likely to emerge as winners. In the new reality, successful organisations will be those that place greater focus on learning and equip their employees with the skills of the future.

When planning the steps ahead, some considerations include:



How will you build capabilities to manage agility and ambiguity in the future?



What skills, knowledge and experience will your people require?



How will you approach upskilling and reskilling?



How will you work in the future and ensure retention of talent?



What will your workforce strategy be after the pandemic?

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