

Mind the gaps – Skills for the future of financial services 2022



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

Foreword	4
FSSC Future skills products	5
Executive summary	6
1. Why we need to identify and invest in future skills	8
Competition is fierce for skills in short supply	8
Digital and data-driven trends are changing financial services	9
Understanding future skills needs in financial services	10
The case for investing in future skills	11
2. What are the future skills for UK financial services?	12
Industry data identifies future skills	12
Which specific skills are business critical for the future?	15
How long will it take to acquire future skills?	18
3. How to forecast skills needs – insights from industry practice	19
State of play in skills forecasting	19
The challenges for skills forecasting	21
Identifying best practice	22
4. Next steps	23
Acknowledgements and contacts	25

Foreword

Ensuring a business can successfully adapt for a future which will continuously involve large-scale technological transformation is only possible with access to the right talent and skills. To get ahead of the curve, firms from across financial services, tech and other industries have been chasing talent from a limited talent pool, driving up competition and cost. With the need for these skills outstripping the supply, it has been getting increasingly difficult to recruit these skills from the external market.

“This report has taken shape as the result of an industry-first collective endeavour to prepare the financial services industry for future skills challenges.”

Failing to prioritise the development of skills internally brings a number of consequences: escalating recruitment costs, unrealised innovation benefits, stalling transformation projects and an inability to design new products and services that really serve customer demand. The list is long.

There is a growing recognition that it makes good business sense to invest in skills. But to act on skills, firms first need clarity on the direction of travel – and their starting point. They need to look at both technical skills and behaviours and recognise that as skills needs are continually changing, that this is not a one-off exercise.

This report has taken shape as the result of an industry-first collective endeavour to prepare the financial services industry for the skills challenges in the context of technological and societal change. It has benefitted from a real willingness from our members to learn from each other and share best practice and skills data.

The Commission has designed a broad suite of future skills products that seeks to position the sector advantageously on skills – and this report is just one element. Our products are designed to encourage firms to carry out their own skills forecasting and to support firms in the journey of building new skills internally.

I look forward to continuing to work closely with other members and industry players to face this important challenge.



Stephen Noakes

Chief Digital Officer and Transformation Director – Retail,
Lloyds Banking Group &
Sponsor of Future Skills Workstream,
Financial Services Skills Commission

FSSC Future skills products

Business case for reskilling

This report, published in January 2022, helps firms make the business case for reskilling. It highlights the return on investment financial services firms can benefit from when they reskill an employee versus hiring someone new with the relevant skills.

Supported by PwC.

The Skills Gap Toolkit

The Skills Gap Analysis toolkit is designed to support 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.

The toolkit will be launched in Spring/Summer 2022.

Supported by Lloyds Banking Group.

Future Skills Report 'Mind the Gaps'

This report consolidates our member firms' 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 a set of five skills - three technical skills and two behaviours - which are crucial to future business success.

Future Skills Framework

To support our members in meeting these skills demands, the Financial Services Skills Commission has created the '[Future Skills Framework](#).'

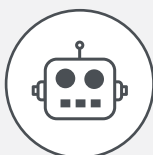
The framework helps organisations and learning providers build their skills and products more effectively. By defining proficiency levels for an initial set of future skills and mapping skills to job families, it helps guide investment in skills.

The framework was launched in October 2021 and already includes 8 skills. It will be updated with the five skills covered in the current report in summer/autumn 2022.

Technical skills



User
experience



Machine
learning / AI

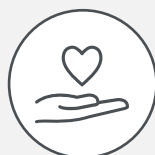


Agile

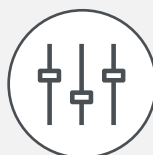


Cyber
security

Behaviours



Empathy



Adaptability



Relationship
management



Teamwork

Supported by NatWest and EY.

Executive summary

Skills needs in our industry are continually changing, highlighting the essential need of skills forecasting – both for individual firms and as a collective endeavour for the industry. Our research identifies five future skills that will be vital to the future success of the industry, but where gaps are impacting business transformation, innovation, and growth.

The drivers of the skills imperative

Two factors emerge as the driving force behind the changing skills needs of financial services. Almost a quarter of firms cite technological change as a key driver and a similar proportion cite changing customer behaviour. Changes to products and services and to business models and strategy are also widely mentioned. Skills are the key to adapting to this rapid change, leveraging technology for competitive advantage and sustainable growth.

But financial firms face stiff competition from other industries in accessing skills, not least from the tech sector itself. Given the skills shortages in UK financial services, **we cannot rely on recruitment alone to address the gaps.**

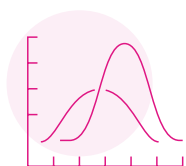
92% of our member firms had hard-to-fill vacancies in 2021. Among firms globally that have not pursued technological transformation, **42%** say it is because of difficulties sourcing talent.

The future skills

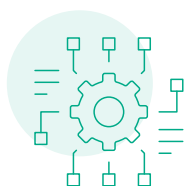
Our research identifies five future skills – relating to both technology and behaviours that will be essential for future success. These five skills sit within a broader cluster of skills where action to close skills gaps is most needed.

FUTURE SKILLS

TECHNICAL



Data analysis & insights



Software development



Digital literacy

BEHAVIOURS



Creative thinking



Coaching

Our findings on future skills are the result of a wide-ranging **survey** across FSSC membership which employs around a third of employees in financial services. Survey research was supported by in-depth interviews and workshops with a number of senior executives, human resources officials and workforce planning specialists.

We have called these **future skills**, not because they are themselves new, but because they are the skills for which demand is growing rapidly or becoming near universal across the industry. These skills will be key to how the financial services industry evolves in the years ahead and are essential to its future success.

As firms address their skills needs, it is crucial they do not regard the challenge as a purely technical one. **While technical skills are essential, they are not sufficient on their own.**

Behaviours such as creativity and coaching will be vital to deliver what algorithms and machines cannot do. Problem-solving and creative thinking will enable companies to overcome challenges and develop innovative ideas. Coaching skills facilitate people's development by encouraging their ability to identify solutions independently, making upskilling and reskilling effective and lasting.

The importance of skills forecasting

This report demonstrates **the importance of financial services firms identifying the skills they need for future success**. Establishing a recurring process to identify future skills can guide investment in reskilling and upskilling. Over 6 in 10 (65%) firms have seen a real positive impact of investing in future skills for their business, reflected in a reduced need to hire externally.

Almost 20% of our members do not yet collect data on future skills. Among those firms which forecast, over a quarter only look between 6 months and 2 years ahead, limiting the possibility of putting meaningful reskilling in place. This research identifies best practice in undertaking skills forecasting, which includes streamlining the process and engaging leadership as well as unions. This can help overcome common challenges, such as business-as-usual pressures and a lack of data.

With fierce competition for key skills across all sectors, firms recognise that **closing skills gaps cannot be achieved by recruitment alone**. Identifying and investing in future skills can act as an antidote to the war on talent.

Actions for firms

- Champion skills forecasting within industry and firms
- Seek out and apply best practice to strengthen forecasting
- Invest in future skills

The Commission will continue supporting its members to increase the availability of the required skills in the financial services industry.

1. Why we need to identify and invest in future skills

- Technological change and changes in customer behaviour are key drivers of continually evolving skills needs.
- Lack of skills risks impeding business transformation, innovation, and future growth.
- Investing in skills offers clear benefits. Over 6 in 10 (65%) of our member firms say it reduced the need to hire externally and 8 out of 10 firms report it means employees are prepared for future roles.

Competition is fierce for skills in short supply

UK financial services firms are experiencing acute skills shortages. The lack of talent restricts ability to harness the potential of technology and big data. While those companies with the right skills – both technical and behavioural - can press ahead with transformation, others cannot do so for lack of talent. Among firms that have not pursued technological transformation, 42% say it is because of difficulties sourcing talent.¹

The demand for talent is reflected in the strong growth in high-skilled financial services jobs over the last decade. High-skilled jobs have been growing at twice the rate of overall jobs in financial services.²

Job growth between 2010 and 2020 in UK financial services



This increases competition for skills. When financial services firms are competing with tech firms and other industries in the same limited talent pool, buying talent can be increasingly costly and is not a long-term solution. In 2021, 92% of our member firms struggled with hard-to-fill vacancies. This is why the Financial Services Skills Commission (FSSC) is supporting its members to increase availability of the required skills.

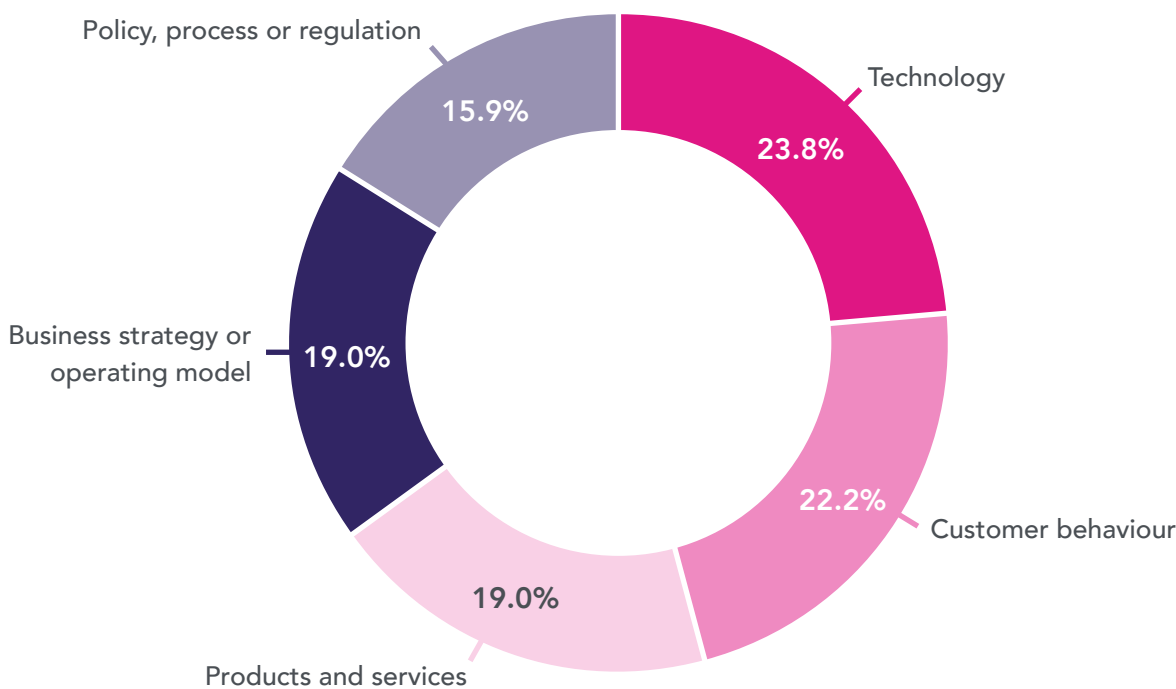
1 McKinsey, [Seven lessons on how technology transformations can deliver value](#). March 2021.

2 High-skilled jobs refer to managerial and professional roles in occupation major groups 1-3. They have grown 32% between 2010 and 2020 compared to 16% across jobs in financial services (APS, user requested data, Financial activities by 1-digit occupation, 2004 to 2020 data, received 2021).

Digital and data-driven trends are changing financial services

The two biggest forces driving future skills requirements are **technology (23.8%)** and **changing customer behaviour (22.2%)** and these two factors are closely linked. Technology is key to changing consumer behaviours as it allows more choice in searching for the best products as well as the fastest transaction and processing times. Price is not the sole factor; consumers may, for example, choose an insurance policy with the fastest or smoothest claims handling.

Trends affecting skills requirements



Changing products and services, and changes to business strategy and operating models, are also significant factors transforming skills requirements. Both are cited by 19% of respondents to our survey. Lastly, 16% expect changes in policy, processes, or regulation to impact skills. The pressure to improve diversity & inclusion (D&I) as well as ESG credentials are likely to be among the main drivers of this skills demand. These shifts also reflect the megatrends impacting financial services – such as the wide-ranging effects of globalisation, post-pandemic changes in ways of working and changing demographics.³

³ Financial Services Skills Taskforce Report, January 2020.

Understanding future skills needs in financial services

- **Technical skills and behaviours to manage change are both essential.** The demand for technical skills is best illustrated by growth in vacancies for data science skills, which leapt by 1,287% between 2013 and 2017/18 across all industries.⁴ This is an area where banks have increased their investment.⁵ But to focus solely on technology would be to overlook behaviours which are vital in all roles, and never more so than now.
- **Skills needs are continually changing – indeed, skills in financial services have changed an average of 25.7% since 2015 in the UK.**⁶ This means there is only a 75% overlap of the top skills today compared with those a few years ago. Some of the skills are disruptive and may not yet be widely taught, while others have long been top priorities and continue to be so. Simultaneously, the average number of skills required per job has been increasing steadily.⁷
- **We are witnessing the decreasing half-life of technical skills.** This means the time it takes for a skill to become half as valuable is accelerating because of innovation and technological change. This increases the pressure to keep up and regularly forecast skills requirements.⁸
- **Journey time to reskill and upskill varies.** For data and artificial intelligence skills the reskilling journey time is longest, not least because the people transitioning into this field have the largest variation in skill profiles. Half of them possess skills with low similarity to their new roles and came from an unrelated field.⁹ Other future skills have a large degree of similarity with existing skills, so firms and colleagues can build on the skills already in place and upskill rapidly.¹⁰

Identifying these skills is not a one-off exercise, making it crucial to keep a finger on the pulse of the industry. Future skills are those most crucial to future business success and firms need to make sure they are equipped for the future.

4 [Dynamics of data science skills. How can all sectors benefit from data science talent?](#) The Royal Society and Burning Glass. May 2019.

5 David Bholat, Mohammed Gharbawi and Oliver Thew. [The impact of Covid on machine learning and data science in UK banking.](#) Bank of England, 2020.

6 [Future Skills.](#) LinkedIn.

7 [Gartner Survey Reveals HR Leaders' Number One Priority in 2022 will be Building Critical Skills and Competencies.](#) Gartner, October 2021.

8 Sonia Malik. [Skills Transformation for the 2021 Workplace.](#) IBM, 2020.

9 [Building bridges towards future jobs.](#) Burning Glass and City & Guilds.

10 [Future Skills.](#) LinkedIn.

The case for investing in future skills

Firms are committed to building future skills and recognise the material benefits of doing so. There are demonstrable financial benefits to investing in reskilling existing employees compared to acquiring skills through recruitment.

The business case for investing in reskilling is clear. Recent FSSC research, published in January 2022, highlights the return-on-investment financial services firms can benefit from when they reskill an employee. Firms can generate cost savings of up to £49,100 per worker through reskilling individuals who would otherwise have been made redundant into roles that would have required external hires.¹¹

The majority of our member firms (82%) invest budget and staff time in future skills development. They find identifying future skills and closing skills gaps helpful in several ways:

Benefits of investing in future skills



Over 8 in 10

(82%) say employees were prepared for future roles because of investment in forecasting and building future skills. Almost all **(94%)** say it improved employees' career prospects.



Over 6 in 10

(65%) say it reduced the need to hire externally, reducing contractor costs, and **53%** say redundancy costs were reduced.



Over 1 in 2

(53%) say it improved the quality of outputs.

Recognising the importance of investing in future skills is the first step. The next chapter identifies the future skills for financial services and highlights where there are existing skills gaps.

¹¹ [Reskilling: A business case for financial services organisations](#). FSSC. January 2022

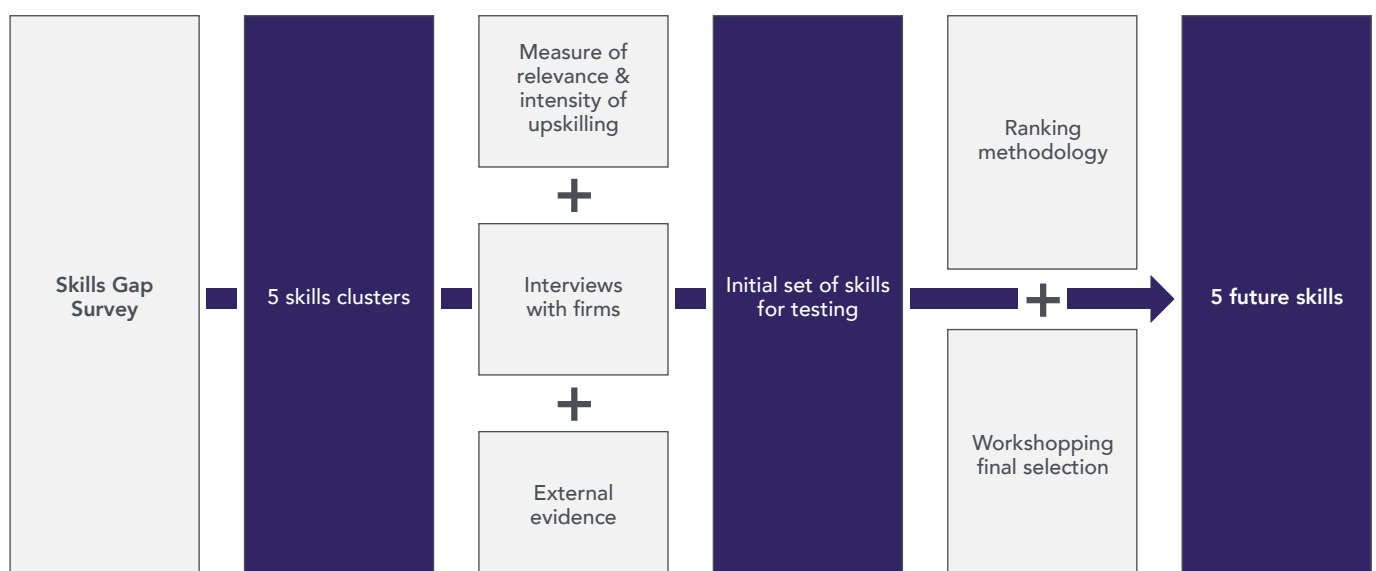
2. What are the future skills for UK financial services?

- Our research identified five skills with crucial importance for the future. These five skills sit within a broader cluster of skills where action to close skills gaps is most needed.
- Technical skills:
 - data analytics & insight,
 - digital literacy, and
 - software development
- Behaviours
 - coaching, and
 - creative thinking
- While technical skills are essential, they are not sufficient on their own. Behaviours such as creativity and coaching will be vital to deliver what algorithms and machines cannot do.

Industry data identifies future skills

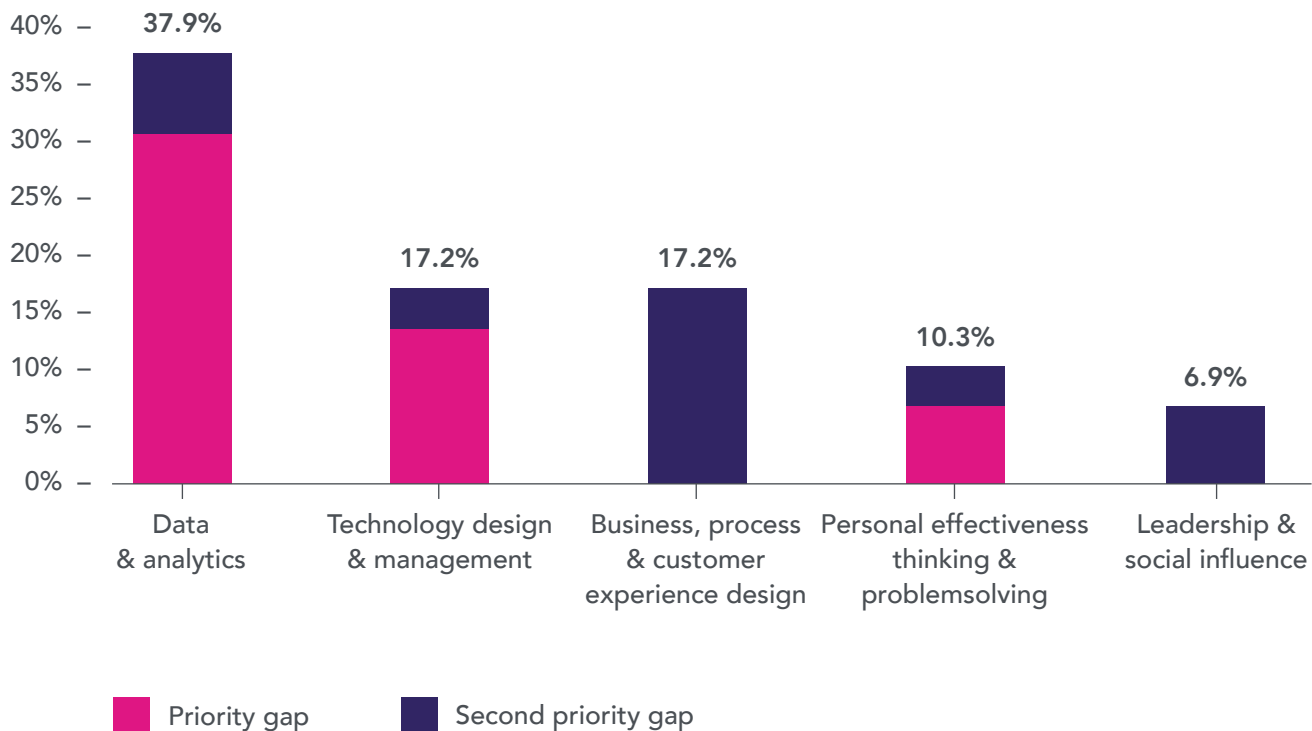
We have worked closely with our members to identify future skills through a combination of qualitative and quantitative insights. Undertaking a Skills Gap Survey provided a baseline, whilst deeper insights into future skills and skills forecasting were gained through interviews with senior executives, HR officials and workforce planning specialists across FSSC membership. FSSC members employ around a third of the UK's financial services workforce – around 350,000 employees – and the firms participating in the survey include asset managers, investment banks, insurers, retail and commercial banks, as well as building societies.

Methodological steps in identifying FSSC future skills



Member firms responded to our Skills Gap Survey and this identified five skills clusters.¹² Skills experts in firms identified those skills clusters they are addressing as a priority to harness future business opportunities and maintain performance. They were asked to rank these clusters as either their main priority or secondary priority gap. The survey, carried out from May to November 2021, was based on the taxonomy of skills developed in our emerging Skills Dictionary to avoid duplicating any skills. The findings are consistent with those from previous FSSC research and are common across the UK's regions and nations.¹³

Top 5 skills clusters affected by gaps



Data and analytics are a clear priority for 38% of participating member firms, with the highest number of overall responses and the highest number of votes as a first priority. This cluster includes a range of skills essential for increasingly data-heavy services.

Technology design and management was selected by 17% of respondents and for the majority was a first priority gap. This skills cluster is about translating data and business ideas into apps and other services embedded in a functioning infrastructure.

Business process and customer experience design was cited by 17% of respondents, though all describe it as their second priority. This cluster covers the skills needed to present and deliver services through efficient processes.

It is not all about technology, however. Two further skills clusters emerge as significant priorities.

¹² 16 member firms responded to the Skills Gap Survey.

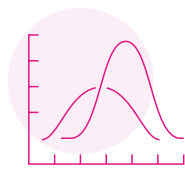




¹³ [Skills for future success: How financial, professional, and business services can address skills challenges to deliver recovery and growth in UK regions and nations](#). PBSC & FSSC. June 2021.

Personal effectiveness and thinking skills are cited as a cluster meriting attention by 10% of respondents. This reflects the continuing importance of human judgement and critical thinking – skills that may be more rather than less important in a period of rapid technological change.

Leadership is a priority for 7% of respondents, though always as a second priority. While other skills gaps may be more obviously pressing, leadership is also an essential skill for implementing change of any kind and bringing colleagues along on the journey. Separate research by the FSSC, published in autumn 2021,¹⁴ found that 80% of leaders in financial services see a need for upskilling in leadership and communication. One aspect of leadership needed for the future could be described as ‘Technology evangelism’ and this came out strongly in Spotmentor analysis carried out between January and March 2021 (partnership with EY, unpublished).

Each cluster contains a selection of skills that contribute to business success. These include skills considered as cutting-edge and where demand is growing fast, and skills relevant to a large and increasing share of the workforce. These cover technical skills required to leverage new technologies and behavioural skills that deliver what algorithms and machines cannot do.

14 Staying ahead in a changing world: the skills leaders in financial services need. Financial Services Skills Commission and Odgers Berndtson, November 2021.

Skills in top five skills clusters									
Cluster 1		Cluster 2		Cluster 3		Cluster 4		Cluster 5	
									
Data & analytics	• Data analysis & insight	Technology management & design	• Software development	Business, process & customer experience design	• Digital literacy	Personal effectiveness	• Creative thinking	Leadership	• Coaching
	• Data science		• Software testing		• Business design		• Stress management & adaptation to change		• Ethical leadership
	• Data reporting		• Software architecture		• Service design		• Working independently		• Liaising & networking
	• Data literacy		• Blockchain		• Customer experience design		• Time management		• Building trust
	• Data management		• Cloud computing		• User experience design		• Willingness to learn		• Empathy
	• Data collation & assessment		• Infrastructure engineering & management				• Strategic thinking		• Persuasion & negotiation
	• Change & release management								

Which specific skills are business critical for the future?

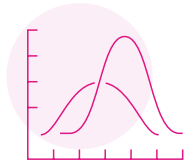
We identified the specific skill in each cluster that will have the greatest future relevance for business success. We compared our data with other key industry reports and found a high degree of overlap, confirming the relevance of our findings.¹⁵

Five skills emerged as priorities for the future of financial services — three technical skills and two behaviours — one from each of the five priority skills clusters. Each of them was confirmed through firms highlighting needs in a particular skill in the survey as well as in-depth qualitative interviews and workshops with our member firms.

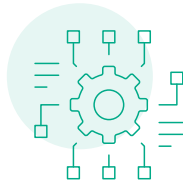
¹⁵ [The Future of Jobs Report](#), World Economic Forum, October 2020. [Salary & Recruiting Trends 2022](#), Hays. [Global Survey on Reskilling](#), McKinsey, April 2021.

FUTURE SKILLS

TECHNICAL



Data analysis & insights



Software development



Digital literacy

BEHAVIOURS

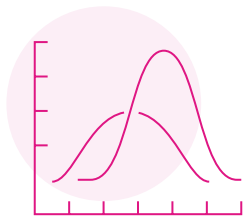


Creative thinking



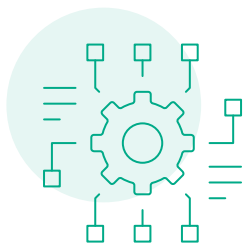
Coaching

Technical Skills



- **Data analysis & insights** is crucial to maximise the value of data for the business and the products and services it provides. This skill includes being able to analyse trends from data and to draw relevant and actionable insight to support decision-making.

Demand for data analysis & insights is huge and has grown by 3/4 in 2021.



- **Software development** is a skill in high demand where financial services are in direct competition with tech firms for the best talent. Demand is only set to grow. The skill centres around the ability to design and build software applications or programmes.

Demand for software development is large and has grown by 2/3 in 2021, compared to the previous year.



- **Digital literacy** is essential to the safe and effective use of a variety of digital platforms. In our digital age, this is the most widely needed skill with about three-quarters of staff across all industries requiring digital literacy.¹⁶ The ability to access information and complete tasks hinges on digital literacy.

Demand for digital literacy has continually grown - tripling in 2021 compared to 2020.



16 Julia Nania, Hal Bonella, Dan Restuccia, and Bledi Taska. No Longer Optional: Employer Demand for Digital Skills. Department. Burning Glass and Department for Culture, Digital Media & Sport, June 2019.

Behaviours



- **Coaching** is vital in future-looking financial services. Coaching facilitates people's development by encouraging their ability to identify solutions independently and developing their confidence.¹⁷ FSSC data illustrates the growing demand for virtual coaching throughout the pandemic.¹⁸

Demand for coaching skills has nearly doubled in 2021, although the numbers are still low.¹⁹



- **Creative thinking** drives innovation. It covers the ability to imagine something that does not yet exist. These new ideas can then be developed into propositions that generate value. In a world undergoing significant change, from technology to consumer behaviour, creative solutions and innovative ideas are crucial to keep pace with the market and to capture opportunities.

Demand for creative thinking has also nearly doubled in 2021, albeit from a small base.



Demand figures for future skills are indicative and refer to US banking sector. Data was provided by **EY Skillsfoundry**.

These skills will be covered in the next edition of our [Future Skills Framework](#), due summer/autumn 2022. They will complement the existing set of 8 future skills.

“While the number of data scientists required is small, the volumes of colleagues who need to understand data analytics is huge.”

.....
Anthony Mazen, Head of People for Customer Services, Lloyds Banking Group

17 Loosely adapted from Coaching Skills, 4th ed. Jenny Rogers. 2016

18 [UK financial services firms choose hybrid working model to increase access to skills](#). FSSC, April 2021.

19 Coaching includes both employee and executive coaching.

How long will it take to acquire future skills?

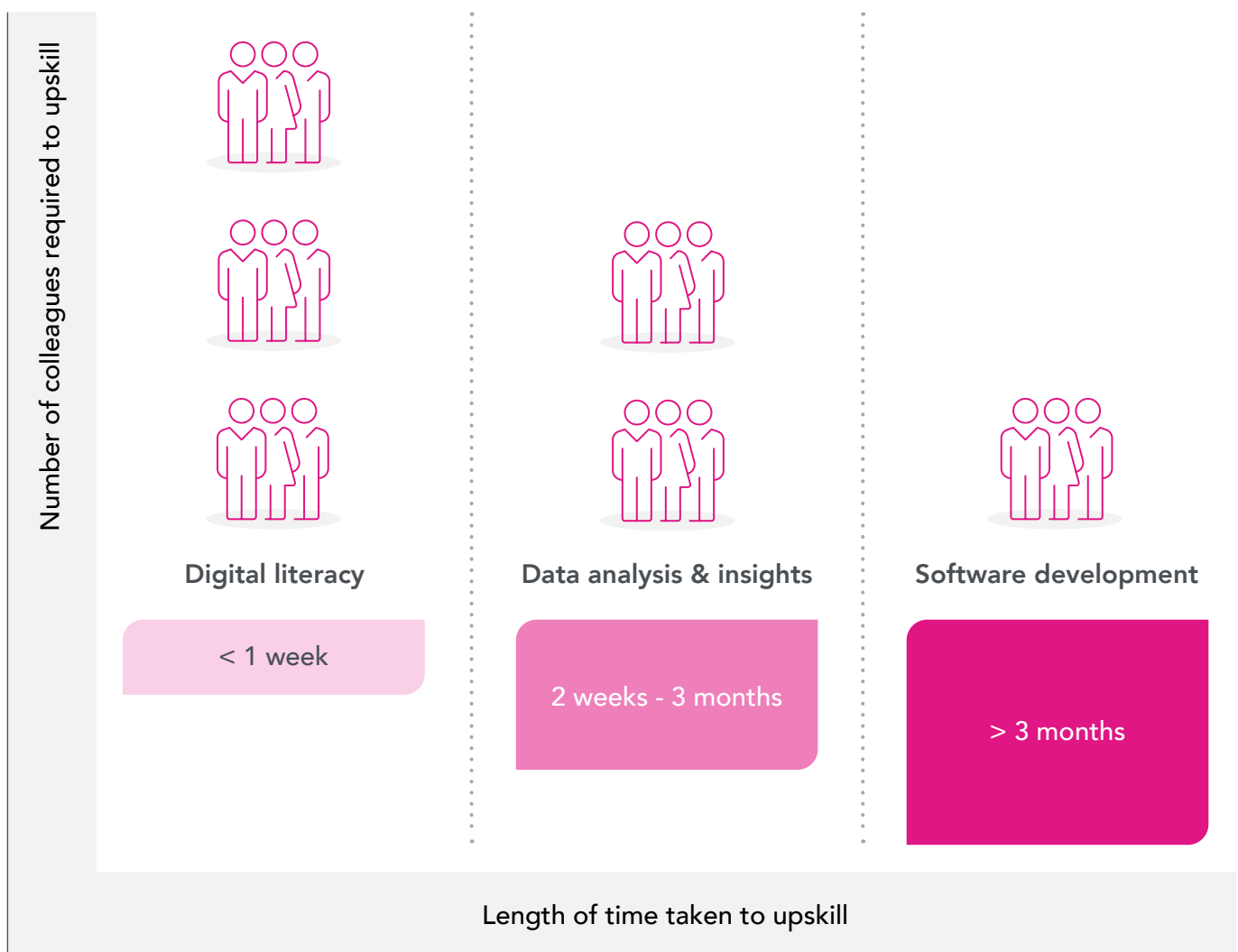
Our research asked member firms how long would be needed to upskill in various types of technical skills. Our findings add to previous cross-industry analysis from the World Economic Forum (WEF).²⁰

- Unsurprisingly, only **lengthy investment** can deliver the required proficiency in specialist skills. For example, software development requires upskilling staff for three months or more, given the complexity of the skill.
- Acquiring data analysis and insight skills, while less technical in comparison, is still a **matter of several weeks or months**, according to our Skills Gap Survey.

The number of colleagues who need data analysis skills is about double the number of those who need software development skills.²¹

- Other skills, **which large numbers of employees will be required to be proficient in**, can be acquired more rapidly. The volume of staff requiring digital skills, for example, is large and spans almost all areas of operations, but the required time investment to upskill is shorter.

Length of time and number of colleagues required to upskill



20 [The Future of Jobs Report](#). World Economic Forum, October 2020.

21 EY Skillsfoundry. Figures are indicative and refer to US banking sector.

3. How to forecast skills needs – insights from industry practice

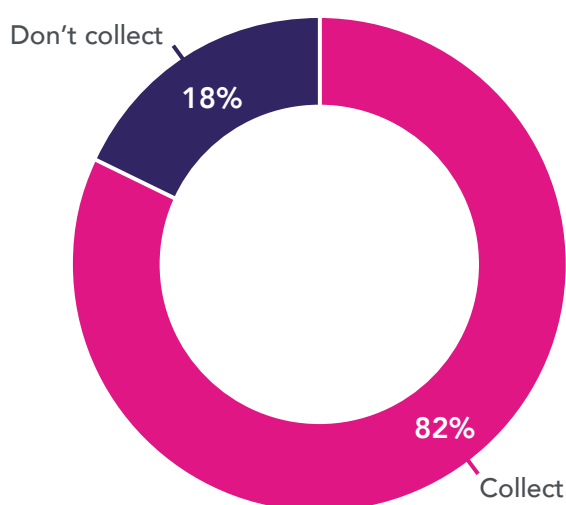
- Our member firms use a variety of methods to identify their skills needs for the future, drawing on insight from business leads, HR and leveraging external data.
- Almost 20% of our members do not yet collect data on future key capabilities and skills. Among those firms who forecast skills, over a quarter only look between 6 months and 2 years ahead.
- This research identifies common challenges in undertaking skills forecasting, such as business-as-usual pressures, securing buy-in for the process and overcoming a lack of data.
- Firms can learn from best practice, which includes streamlining the process and engaging leadership.

State of play in skills forecasting

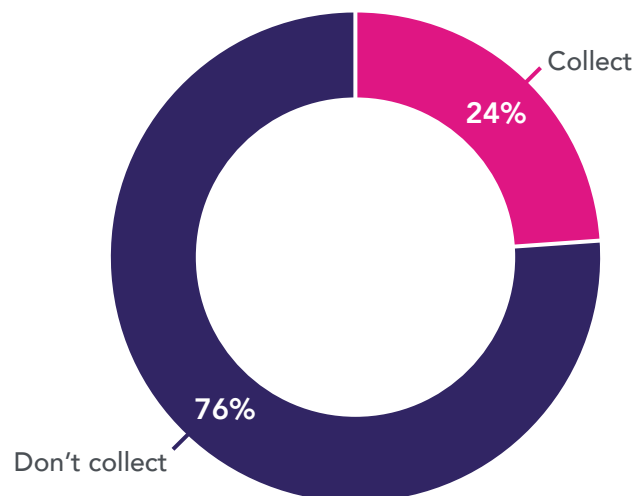
All FSSC member firms use organisational data and some degree of forecasting to identify skills gaps. And over 80% of firms surveyed in our member survey already plan specifically for their future skills capabilities. This indicates an increase in skills planning compared to our previous member survey.²² However, almost 20% still do not identify future skills capabilities.

Three quarters of firms do not hold data on future skill proficiency levels. This restricts firms' ability to develop effective upskilling and reskilling journeys. Employees tend to find clarity on proficiency levels helpful in planning their careers.

Future key capabilities and skills



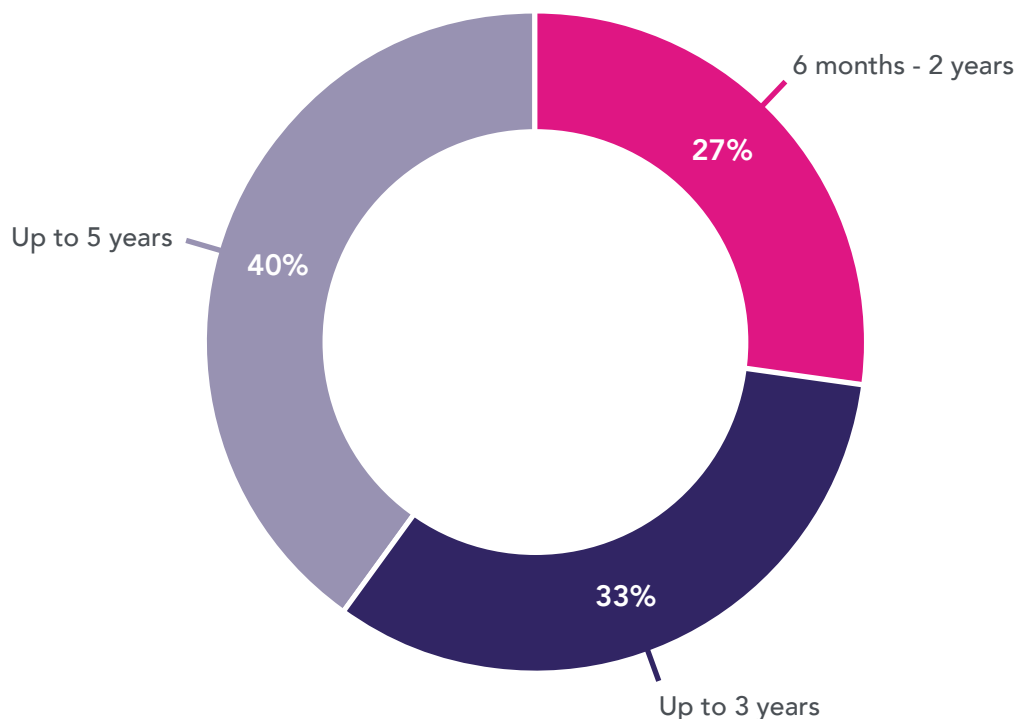
Future proficiency levels



²² In our Annual Member Survey 2020, only half of participating members said they forecast future skills. Membership has since expanded, and the wording of the questions was amended so figures are not directly comparable.

Among those firms who forecast skills, over one quarter have relatively short forecasting horizons. They only look between 6 months and 2 years ahead. However, three quarters of firms have built the capability to look up to 3 or 5 years ahead. Having a longer forecasting horizon can provide a useful direction of travel, given upskilling and reskilling programmes can have delivery times of 2-3 years.

Time horizon firms use for skills forecasting



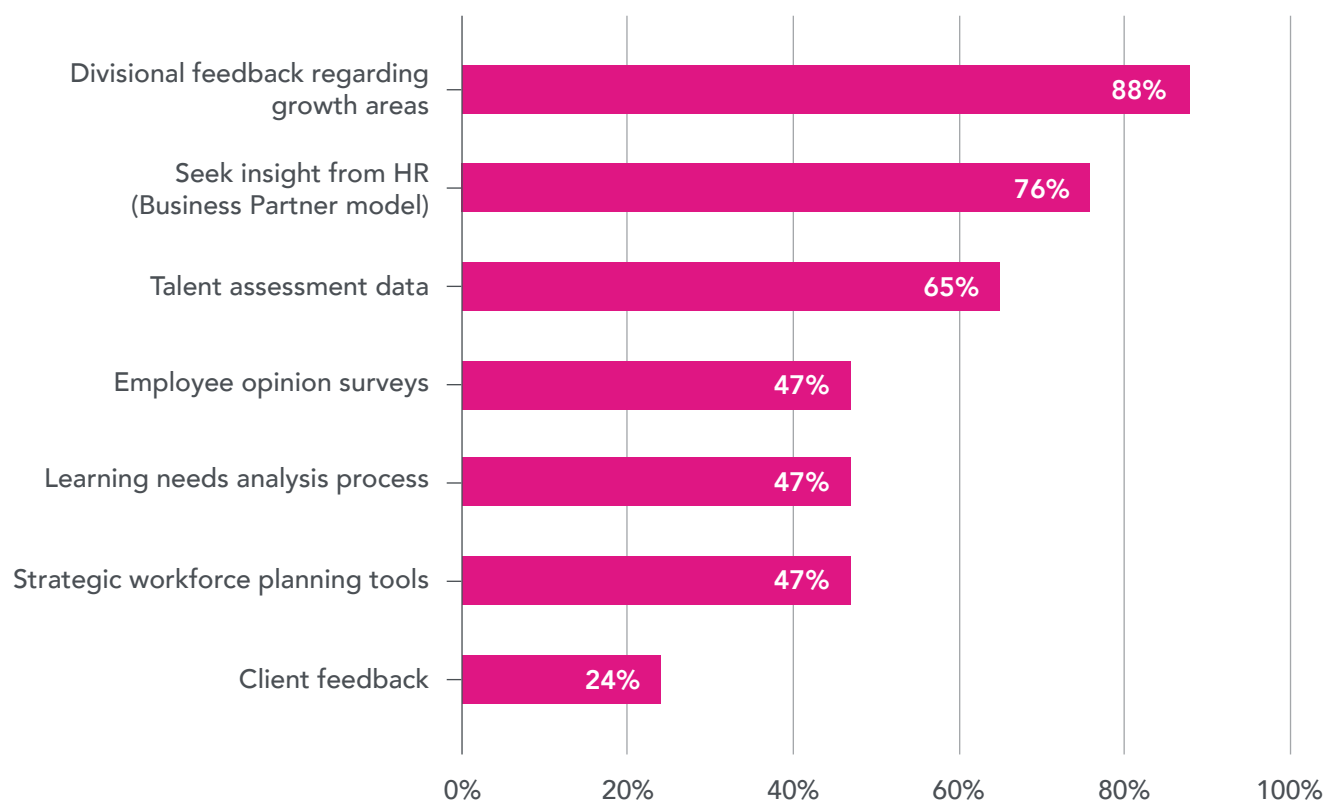
The tools and processes used vary, depending on the size of the firm, and many firms use a collection of tools to identify future skills. Methods used by firms include using technology to analyse skills, conversations with relevant stakeholders to capture internal expertise in business or human resources (HR), and external insight. The objective is always the same, however; getting a complete picture of what is changing in the business or wider industry, and how this will impact skills.

Divisional feedback is the first source of information on future skills, used by 88% of firms in our member survey. Such feedback helps track the implications of changing business requirements for skills. Most firms also seek insight on emerging skills from HR (76%) and specifically from talent assessment data (65%). Almost half of firms (47%) undertake strategic workforce planning using tools such as Workday or Faethm to streamline this process and complement it with insights on skills priorities voiced by the workforce through employee opinion surveys. Almost a quarter (24%) of firms also use client feedback to identify future skills.

“(Success of skills forecasting) is less about which tool to use and more about getting the right buy-in, ensuring it sits within the normal finance planning cycle.”

Mark Jackson, Strategic Workforce Planning Lead, Nationwide

How firms identify skills gaps



The challenges of skills forecasting

Time pressures and issues in engaging all relevant stakeholders are the top concerns for members firms in forecasting their future skills needs, but many other challenges were cited in our annual member surveys 2020 and 2021.

Common challenges in forecasting future skills

- **Pressures of business-as-usual.** Day-to-day business operations limit the capacity for forecasting. This was a particular challenge during the pandemic when the focus was on adapting to disruption.
- **Time-consuming processes and lag in governance.** In some cases, the firm-wide process of assessment, solution, delivery, and evaluation took longer than anticipated, compromising accuracy and impact.
- **Buy-in and ownership of the process.** Not all business areas or managers treat the exercise with the same priority, while some business areas want to run a process exclusive to their areas.
- **Lack of job architecture and data** make it difficult to assess current and future skills gaps, as does a historic focus on behaviours rather than skills.
- **A lack of understanding of the 'transferability' of existing skills** to future skills can result in the scale of the effort required to build new skills being over-estimated. This acts as a barrier to improving mobility around the organisation.

- **Issues with consistency.** In some cases, the methodology is not accurate when replicated because definitions or the reporting of data points may have changed.
- **Aversion to targets & numbers.** Some stakeholders are unwilling to commit to any numbers, often because they associate the process with target-setting for redundancies rather than an opportunity for the business and workforce.

Identifying best practice

To help identify best practice we asked member firms about their most successful techniques for skills forecasting. The most impactful was engaging the business voice, but there are plenty of other effective solutions.

Best practice in skills forecasting

- **Building allies for forecasting across the business.** Partnering with department leads and showing the benefit of a central process is key.
- **Identifying the people with relevant knowledge.** Find out who has the relevant insight or knowledge and convince them that sharing their expertise is valuable to the business and to their career. Typically, the individuals with this valuable knowledge can be found one level down from the Executive Committee.
- **Generate trust in the process.** Demonstrate how staff stand to benefit from the exercise. It pays to give reassurance that the exercise is about identifying opportunities for training and upskilling.
- **Leadership engagement.** The process should be driven from the top down. This will give business leads the support and confidence to treat the exercise with the strategic priority it needs.
- **Detailed job understanding and data.** Getting into the detail of tasks is essential to understanding people's roles and identifying the necessary skills for today and the future. This helps firms understand capability issues, the future landscape, and the gap in-between.
- **A streamlined process.** Providing clarity on responsibilities, tasks and timings from the start can increase engagement and rally participants to the project.
- **Ensure accountability.** All relevant senior stakeholders should commit to actions to address skills gaps and put in place quarterly follow-ups on agreed actions.
- **Engage with unions.** Unions have an interest in their members being well prepared for the future and can act as multipliers for future skills messaging where effective partnerships have been established.

“(Our) head of information & cyber security is one of the leading champions on skills shortages.”

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Tanuj Kapilashrami, Group Head Human Resources, Standard Chartered Bank

4. Next steps

- Our research illustrates the challenge of skills shortages – both technical skills and behaviours – and provides evidence on how skills needs are changing.
- The unique insights from our survey demonstrate the value of a collective endeavour by the financial services industry to address the skills gaps.
- Getting all steps of the skills journey right is business critical and the Commission will support firms in getting ready for the future with upcoming Future Skills Products: the Skills Gap Toolkit and Future Skills Framework.

The financial services industry is facing significant **skills gaps for the future**. Our research identifies skills clusters and five specific skills that will be vital to the future success of the industry, and where there are currently gaps.

These gaps are both technical and behavioural, and closing the skills gaps in both are equally important. In our fast-changing industry, this is not a fixed target, which is why constant updating of forecasts is essential.

Individual firms and the industry as a whole need to **establish a recurring process to identify future skills** to guide our investment in reskilling and upskilling. It provides a common language for the industry and supports building skills internally.

Next steps for firms and industry:

- **Champion skills forecasting within industry and firms:** Leadership and business representatives in firms should act as ambassadors for skills forecasting, demonstrating the need for clarity on future skills requirements – at an individual and industry-wide level.
More specifically, this includes:
 - **Contributing to building skills infrastructure** through collaboration with other firms and organisations e.g. Chartered Professional Bodies on development of professional qualifications, apprenticeship standards etc.
 - **Ensuring skills are considered a strategic business priority**
 - **Sharing insights on skills needs** with the Financial Services Skills Commission, supporting an industry-wide view of skills needs
- **Seek out and apply best practice to strengthen forecasting:** Firms should regularly forecast skills to identify future skills needs – and, where possible – skills proficiency levels. In doing so, they should ensure the right level of resources and engagement is available for an effective outcome.
- **Invest in future skills:** Firms should continue to invest in building future skills, especially the future skills identified in this research. Put in place meaningful reskilling and upskilling to ensure the workforce and businesses meet future skill requirements.

The Commission will continue supporting its members to increase the availability of the required skills in the financial services industry.

Ongoing processes to monitor skills gaps and to assess future requirements are essential – forecasting and planning for future skills must be a permanent strategic exercise across financial services. Further, planning and forecasting must be **matched by action to reskill and upskill employees at every level**.

Some of the skills gaps that currently exist relate to highly technical capabilities such as software development. Others are skills that will be vital to almost every role, like digital literacy and data analysis. It barely needs saying that these skills themselves are constantly developing.

Recruitment is one tool for addressing skills gaps, but in **a fiercely competitive market for technical skills**, it is not a complete solution. For those wider skills gaps that matter to the effectiveness of tens of thousands of staff, recruitment is simply not a solution. We must build our skills organically and internally.

Firms will have to meet this skills imperative at an individual level, but it is also **a collective endeavour for the wider industry**. The Financial Services Skills Commission exists to support that wider endeavour and has developed a package of Future Skills Products.

The skills challenges faced by financial services must be addressed. Those that fail to do so face an existential threat. But identifying and investing in future skills can act as an **antidote to the war on talent**.

Acknowledgements and contacts

We would like to thank all FSSC workstream and Board members who have contributed to this research by participating in our Skills Gap Survey, our Annual Member Survey or in interviews and workstream meetings.

We are grateful to Lloyds Banking Group for supporting this report with expert guidance from its inception and to EY for providing insightful industry data.

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