

Banking

UNDER THE SPOTLIGHT



Deloitte.

From Great Resignation
to Great Reimagination

Sector overview and 2022 outlook

Even before the pandemic, the banking sector had a talent problem to tackle.

A 2018 study predicted a severe talent shortage of over 10.7 million financial services million professionals globally by 2030.¹ And then the pandemic hit.

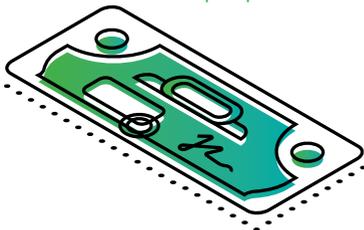
While banks are set to continue performing well as we enter the second half of 2022, a reimagination of the sector's approach to compensation, skilling, mobility, adapting to change, and overall culture, values and purpose is necessary to maintain momentum and continued growth moving forward.²

While banks are expected to recover in tandem with an overall global economic recovery, the future state of the banking sector looks different than predicted in March 2020³ for the following three reasons:

A reimagination of the sector's approach to compensation, skilling, mobility, adapting to change, and overall culture, values and purpose is necessary.

INCREASED USE OF DIGITAL BANKING:

With decreased reliance on physical bank branches, banks are investing heavily in digital banking tools. While this has widened the aperture of potential customers, it has also created less brand loyalty, especially for younger generations.⁴ Banks now face the interesting and evolving dynamic of creating a tailored, personalized (sometimes face-to-face) experience while increasing the integration and access of digital tools. This is driving a rethinking of the end-to-end customer experience as well as how employees use data and technology to better understand customer behavior and thereby predict changing needs.





NEW FINANCIAL ARCHITECTURES ARE GROWING IN STRENGTH:

Cryptocurrencies and fintechs are not new. However, while previously underplayed by the financial sector, the growing formalization, understanding and acceptance of crypto, coupled with the rise of retail traders, has created a shifting revolution of how money is created, grown, stored, owned, and traded.

NEW REGULATIONS ARE FORCING BANKS TO FOCUS ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) REQUIREMENTS:

2022 could be remembered as the year that banks were forced to contend with new ESG regulations. Various financial regulatory bodies (the Securities and Exchange Commission, the European Commission, the International Financial Reporting Standards Foundation, and the Singapore Stock Exchange, to name a few) are proposing and enacting standards to advance goals on climate and diversity.

However, the extent to which banks facilitate change through meaningful and timely actions—not just commitments that could be perceived as ‘greenwashing’—remains an open question.⁵

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Current labor situation



Despite record growth, the banking industry is facing a monumental hiring challenge. With record level job openings being seen in the market, banks simply cannot hire fast enough.

After a brief dip in job postings in the early days of pandemic uncertainty, job postings in U.S. banking rose exponentially—from 60,000 postings in June 2020 to over 200,000 postings in February 2022.⁶

Similar trends occurred worldwide with, for example, an average 129% increase in job vacancies in UK banking from 2020 to 2021; some UK banks had vacancy increases nearing a staggering 300%!⁷

These openings are highly concentrated, with Financial Managers, Sales Agents, and Software Application Developers comprising 25% of open jobs.⁸ These three openings correlate to the most elusive, yet needed, skills to acquire: artificial intelligence and machine learning, cybersecurity, data science / data analytics, software development and cloud engineering.⁹

As the banking sector increasingly embraces a tech-forward, digital architecture, skills related to technology and data analytics are key drivers of continued growth. However, these are the same skills that almost all industries need in the current environment.

Banks, in a pre-pandemic era, could simply pay for this talent. But the dynamic is certainly changing: banks are increasingly losing talent at a faster rate than they are gaining. This drain of talent to other diverse sectors is tipping the competitive landscape from one primarily driven by compensation to one characterized by new drivers and implications, such as purpose, flexibility, non-monetary benefits and simply the need for a change.

Drivers of staffing challenges

Heading into the mid-year of 2022, the banking sector faces a myriad of challenges to attract and retain talent:

COMPENSATION IS LESS OF A KEY DIFFERENTIATOR:

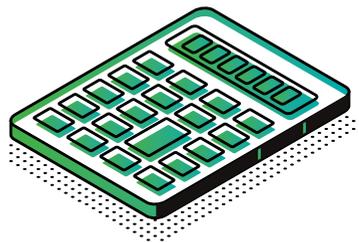
The previous assumption that there is a constant flow of junior bankers is becoming increasingly tested, driving up the focus on compensation, while older workers are exiting the workforce.

Banks historically attracted talent simply by paying them. With junior analyst salaries far above other industries, the influx of young new talent was seemingly in constant supply.

However, with amplified competition for specific skills combined with [all generations' rethinking of priorities](#), compensation costs are becoming even higher as many banks find increased competition for their pipeline, both for salaried and hourly employees.^{10,11} And wages are predicted to increase even more as companies near year end closes, bonuses are distributed, and employees take advantage of the wage competition currently tipping in their favor.

HYBRID MODELS ARE NOT CATCHING ON UNIVERSALLY:

Throughout the pandemic, some banks advocated for the return to the office, even as health officials and public sentiment called for more flexible, virtual and hybrid models. While some banks, such as HSBC Australia, listened when employees said they wanted to work three days in the office and two at home, not all banks conceded to general sentiment.¹²





Although 70% of global respondents in the [Deloitte Insights' 2022 banking and capital markets outlook survey](#)¹³ said that they expected their organization to shift to hybrid, questions still remain about the actualization of that expectation and what will happen to the other 30%. The insistence that employees be in person, regardless of how the policies were actualized, could be a limiting factor in attracting and retaining talent that saw and experienced the benefits of hybrid and virtual work throughout the pandemic.

OLDER WORKERS ARE EXITING:

Having decades of growth in this employee segment, many older banking industry employees are exiting. From 1998 to 2018, the proportion of older employees working in US financial institutions nearly doubled.¹⁴ But strong financial markets and pressure to return to the office has resulted in many older bankers reaching their so-called “FIRE Number” (financially independent, retire early) sooner than expected, resulting in a potential loss of deep industry knowledge and relationships—two critical factors for customer experience and growth, especially on the corporate side of the bank.¹⁵

FIERCE COMPETITION FOR TECH AND DIGITAL SKILLS:

While banks try to keep up with the digital infrastructure expected by both employees and customers—the tech department is often an increasingly important function of banks—they are competing for the same talent as all other industries. With compensation no longer the dominant attraction factor, and many technology-focused professionals asking why they should have to return to the office given the breadth of at-home options, banks are facing an uphill battle in attracting much needed digital skills.

Implications for the organization

The result of these driving factors is a complicated, interconnected set of on-going challenges. As compensation benchmarks grow, banks are experiencing direct pressure on efficiency ratios. This, in turn, affects their ability to continue investing in the technological infrastructure needed to attract the talent they want in order to drive engagement and keep pace both internally to the sector (such as with fintechs) and externally to other industries.

Investment could be for naught without the appropriate level of resources and upskilling for employees.

It also impacts their ability to train and upskill internal employees on the technology in which they have already invested to date. The outcome? Continued spending on technology and digital infrastructure without the ability to hire complementary talent or upskill existing talent will result in underutilization or under-optimization of the investments.

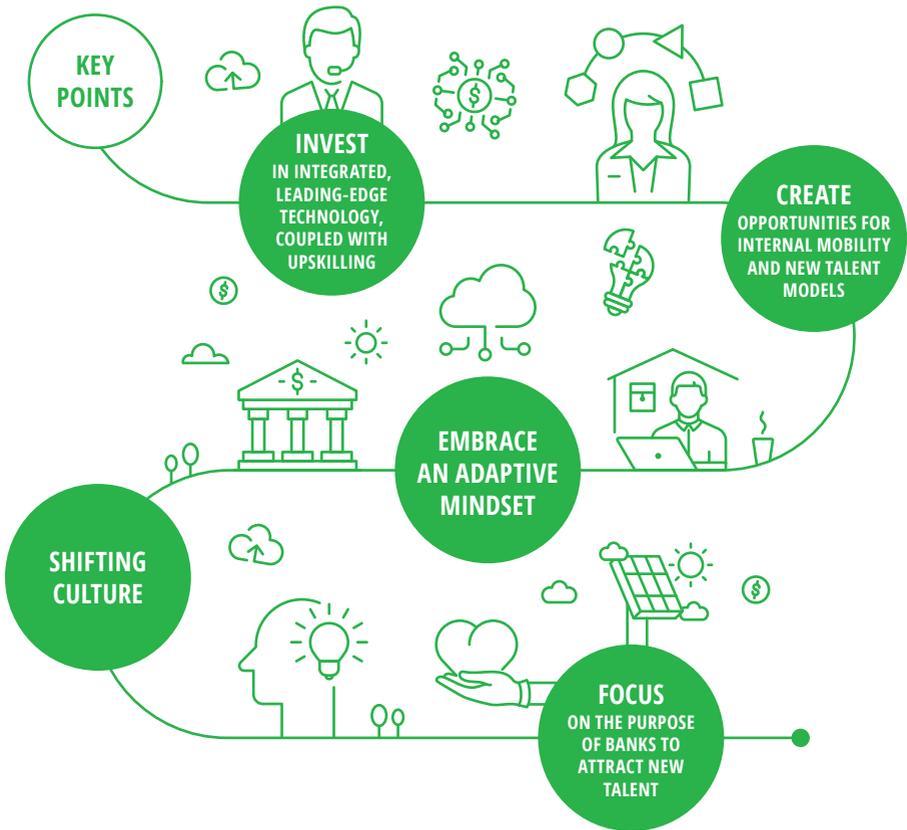
Pressure on both sides of the employee cycle—as junior roles become harder to fill and older employees exit—is resulting in increased pressure on the middle employee demographic to pick up the slack. Couple this with instability in the financial markets and a growing demand for customized products, mid-career employees could be the next wave to exit.

New regulations around ESG reporting could result in a renewed focus on diversity hiring and attract different types of talent energized by the possibilities of impacting climate change and community development. However, real action needs to be taken for these new potential talent pipelines to come to fruition.

The closing of many branches and increased use of digital tools to reach customers—from automated response systems to chat bots—could help address some of these talent issues. However, the investment could be for naught without the appropriate level of resources and upskilling for employees and customers in how to optimize their use.

It's time to take action

With fierce competition for skills and the diminishing power of compensation, banks need to look for new and innovative ways to attract and retain talent.



#1 INVEST IN INTEGRATED, LEADING-EDGE TECHNOLOGY, COUPLED WITH UPSKILLING

Many banks responded to the pandemic with a quick investment in technology; however, this resulted in digital architectures being incremental, localized, and fragmented.¹⁶ Banking institutions need to take a step back and create a holistic and end-to-end strategy for an integrated technology infrastructure (such as aligning systems, removing duplications or inconsistencies across systems, streamlining processes) that moves beyond legacy technology to attract digital skills. In essence, they need to allow their talent strategy to drive their technology strategy.

However, to complement the digital investment and address the skills shortage, banks need to invest in upskilling for the talent they need, such as recognizing and rewarding new skills development, investing in training in the flow of work, or providing stipends for additional training.

Banks traditionally have reputable learning and development programs and these need to be leveraged for the future. Investing in and emphasizing upskilling can also be used as a retention tactic, providing new career opportunities for internal mobility and growth.

Banking institutions need to take a step back and create a holistic and end-to-end strategy for an integrated technology infrastructure.

Finally, the need for specific skills can be addressed by completely rethinking the need for pedigree hiring. By shifting hiring practices towards a skills-based focus, with specific emphasis on the skills needed to address the digital and tech shortage, banks could widen the pipeline to include “non-traditional” hires attracted to the industry.



#2 CREATE OPPORTUNITIES FOR INTERNAL MOBILITY AND NEW TALENT MODELS

With many bank branches closing, the bank experience changing, and other customer-facing jobs shifting, banks have a significant opportunity to leverage talent marketplaces to retain talent by amplifying adjacent skills. Rethinking diverse career pathways, and messaging these pathways and accompanying learning opportunities, can help banks retain talent with institutional knowledge while providing increased employee agency and choice.

In addition, rethinking the actual tasks and deliverables of each role, could open the conversation to diversify talent models, creating opportunities to attract new talent (or retain older employees who may be considering leaving).

#3 EMBRACE AN ADAPTIVE MINDSET

With the understanding that not all roles in banking will shift to virtual or hybrid work in the future state equilibrium, banking leadership needs to embrace a more adaptive mindset in the face of continued changing environments and conditions. The traditional ways of working, coupled with rigidity of policies, could hinder flexibility of where and when work is done, driven perhaps due to a lack of trust.

Yet, by emphasizing trust, by upskilling managers to manage a distributed workforce and technical security, and by focusing on outcomes not outputs, banks can expand who and how they attract and retain talent through more flexible talent models. This is not an overnight action but one which must first start at the leadership level and trickle down.

#4 SHIFTING CULTURE:

A key part of the shift towards hybrid work and new talent models is a culture shift.

Prior to the pandemic, banking culture was not always the most attuned to what and how young talent was looking for in a job—and, quite frankly, they didn't have to be.

But now, listening and acting upon employee sentiment in real-time could become a key competitive differentiator; older generations who sit in leadership have a real opportunity to listen, influence and reshape the overall bank culture, leveraging the pandemic as a launchpad for meaningful change.

#5 FOCUS ON THE PURPOSE OF BANKS TO ATTRACT NEW TALENT

The [Deloitte 2021 Human Capital Trends: Special Report](#) focuses on the importance of the Social Enterprise and Purpose, of emphasizing both the business impact and the social good of work, to attract younger workers.

The pandemic provides an opportunity to reframe banks' role in the wider community as a force for good.

The roll-out of Paycheck Protection Program (PPP) loans, and the varying success of regional banks in becoming purveyors of community support, should be leveraged, and continued forward with a focus on local development and individual wellness.

Prior to the pandemic, banking culture was not always the most attuned to what and how young talent was looking for in a job.

The new ESG regulations also provide an opportunity for banks to move beyond the “right” words into real action. By focusing on concepts of fairness, equity, community development, diversity and climate, and financially-driven change through tangible actions and initiatives, banks can begin shifting their public image and widening the pool of talent attracted to their larger purpose.

READY TO REIMAGINE WHAT'S NEXT?

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- ² "Banks' profit to improve in 2022 – analysts," *Business World*, March 21, 2022.
- ³ Deloitte Insights, [2022 banking and capital markets outlook: Scaling new heights with purpose](#), accessed 2022.
- ⁴ Ibid.
- ⁵ Ibid.
- ⁶ LinkUp; Data Analysis: Deloitte.
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- ¹⁰ "Wall Street Grudgingly Allows Remote Work as Bankers Dig In," *The New York Times*, November 24, 2021.
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CONTACTS



MARGIE PAINTER

DC PRINCIPAL

mpainter@deloitte.com



EDDIE BARRETT

MANAGING DIRECTOR

ebarrett@deloitte.com



LINDA QUARANTO

MANAGING DIRECTOR

lquaranto@deloitte.com



PAYAL VASUDEVA

PARTNER

pvasudeva@deloitte.co.uk

CONTRIBUTORS AND ACKNOWLEDGEMENTS

STEVE HATFIELD, REBECCA GREENBERG,
CATHY CHUKWULEBE, CENTER FOR
FINANCIAL SERVICES (VAL SRINIVAS,
JIM ECKENRODE, JILL GREGORIE)



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