



UK COMMISSION FOR  
EMPLOYMENT AND SKILLS

# Financial, Insurance and other Professional Services: Sector Skills Assessment 2012

Briefing Paper  
November 2012

# **Sector Skills Assessment: United Kingdom Financial, Insurance and other Professional Services**

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Views expressed in this Evidence Report are not necessarily those of the UK Commission for Employment and Skills.



## Foreword

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our ambition is to transform the UK's approach to investing in the skills of people as an intrinsic part of securing jobs and growth. Our strategic objectives are to:

- Maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base;
- Work with businesses to develop the best market solutions which leverage greater investment in skills;
- Provide outstanding labour market intelligence which helps businesses and people make the best choices for them.

The third objective, relating to intelligence, reflects an increasing outward focus to the UK Commission's research activities, as it seeks to facilitate a better informed labour market, in which decisions about careers and skills are based on sound and accessible evidence. Relatedly, impartial research evidence is used to underpin compelling messages that promote a call to action to increase employers' investment in the skills of their people.

Intelligence is also integral to the two other strategic objectives. In seeking to lever greater investment in skills, the intelligence function serves to identify opportunities where our investments can bring the greatest leverage and economic return. The UK Commission's third strategic objective, to maximise the impact of policy and employer behaviour to achieve an internationally competitive skills base, is supported by the development of an evidence base on best practice: "what works?" in a policy context.

Our research programme provides a robust evidence base for our insights and actions, drawing on good practice and the most innovative thinking. The research programme is underpinned by a number of core principles including the importance of: ensuring 'relevance' to our most pressing strategic priorities; 'salience' and effectively translating and sharing the key insights we find; international benchmarking and drawing insights from good practice abroad; high quality analysis which is leading edge, robust and action orientated; being responsive to immediate needs as well as taking a longer term perspective. We also work closely with key partners to ensure a co-ordinated approach to research.

Sector Skills Assessments (SSAs) are key sources of authoritative and focused sectoral labour market intelligence (LMI), designed to inform the development of skills policy across the UK. They combine “top-down” analysis of official data with bottom-up intelligence to provide a consistent, comparable and rich understanding of the skills priorities within different sectors of the economy, across the four UK nations. This SSA focuses on the Financial, insurance and other professional services sector and was produced by three Sector Skills Councils with an interest in the sector: Skills for Justice, Financial Skills Partnership and E-Skills UK.

Sharing the findings of our research and engaging with our audience is important to further develop the evidence on which we base our work. Evidence Reports are our chief means of reporting our detailed analytical work. All of our outputs can be accessed on the UK Commission’s website at [www.ukces.org.uk](http://www.ukces.org.uk)

But these outputs are only the beginning of the process and we are engaged in other mechanisms to share our findings, debate the issues they raise and extend their reach and impact. These mechanisms include our *Changing Behaviour in Skills Investment* seminar series and the use of a range of online media to communicate key research results.

We hope you find this report useful and informative. If you would like to provide any feedback or comments, or have any queries please e-mail [info@ukces.org.uk](mailto:info@ukces.org.uk), quoting the report title or series number.

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## Executive Summary

This report assesses the current and future skill needs of the UK Financial, insurance and other professional services sector workforce. In particular it looks at the economic performance of the sector; the characteristics of the sector's workforce; the current level of demand for skills and whether there is any mis-match between levels of demand and supply; the factors driving demand for skills in the future; and likely future skills needs. The final chapter identifies priority areas for action.

The report draws upon national datasets as far as possible and also incorporates research and information generated by the three Sector Skills Councils (SSCs) whose remit, between them, covers the sector. The SSCs include:

- Skills for Justice
- Financial Skills Partnership
- E-Skills UK

The main focus of the report is the UK Financial, insurance and other professional services sector as a whole; however, information specific to individual UK countries has been included wherever practical.

### **The performance of the sector**

Financial intermediation is one of the largest sectors in the UK and has grown significantly faster than the rest of the economy in recent years. It has been identified by the UK government as a priority sector in terms of skills, jobs, growth and it is also of particular economic significance in providing support services to the wider economy. By 2008, the overall contribution of the Financial intermediation sector was £117 billion, accounting for nine percent of the UK economy. This represents the fourth largest GVA contribution across the economy.

The sector is also a significant employer. Some two million people work in the sector and employment is particularly concentrated in London. Employment grew by 357,000, or 22 per cent in the period between 2002 and 2010, at a faster rate than in most other sectors. The number of workplaces in Financial, insurance and other professional services grew from 2006 (271,310) to 2008 (287,015) and then subsequently fell to pre-2006 levels by 2010 (255,000).

In terms of employment, the largest sub-sector covers banks and building societies, investment funds and credit companies and employed 563,000 people in 2010. A further 253,000 work in the insurance sub-sector and 369,000 are employed in related Financial services such as broking. The other main elements of the sector cover legal services, employing some 471,000 people and management consultancy and company head offices (363,000).

### **The workforce**

Across the economy as a whole, 44 per cent of the workforce are employed in Managerial, professional and associate professional occupations and a further 11 per cent in administrative and secretarial jobs. However the occupational profile in the Financial, insurance and other professional services sector is significantly different to the rest of the economy, with 95 per cent of the workforce employed in these four occupational groups.

In the Financial, insurance and other professional services sector, men outnumber women by 52 per cent to 48 per cent. The average across the wider economy is one of 54 per cent men to 46 per cent women. The age profile of the sector's workforce is younger than average, although the proportion of older workers (aged over 45) is rising faster than average. The sector has a slightly higher proportion of employees from a Black, Asian and Minority Ethnic (BAME) group (ten per cent) compared to the UK workforce (nine per cent).

The sector has a higher than average proportion of full-time employees (82 per cent) and a relatively low proportion of temporary workers. There are also greater shares of permanent employees and self-employed workers in Financial, insurance and other professional services compared to the UK workforce.

### **The demand for skills**

The sector's workforce is relatively well-qualified. More than half (52 per cent) of workers have higher level (level 4+) qualifications. Qualification levels in the sector have been increasing over the past decade, faster than in the economy as a whole. Just over a third (35 per cent) of managers and professionals in the workforce are not qualified to Level 4 equivalent which is relatively low. The proportion without a Level 4 qualification has also fallen rapidly in recent years, faster than in the economy as a whole.

Specialist technical skills are increasingly in demand across the sector in addition to more generic skills such as customer service.

The proportion of employees receiving training in the Financial, insurance and other professional services sector declined faster in the period 2002 to 2010 than in the UK as a whole, but employees in the sector are still more likely to be trained than those in other sectors. Employers in the Financial, insurance and professional services sector are more likely than those in other sectors to report adopting High Performance Working practices within their organisations such as flexible working opportunities, variety and task discretion in work undertaken and processes for identifying talented individuals.

Overall training levels in Financial, insurance and other professional services are higher than provision reported for the economy overall.

### **Skills mis-match**

The number of vacancies reported in the sector (58,800) in 2011 account for three per cent of total sector employment, just over the UK average. Of these vacancies, 20 per cent (11,700) are deemed hard-to-fill by employers and 18 per cent (10,600) are due to skills shortages. Associate professional roles are the hardest to fill, due mainly to a shortage of applicants with the right skills. The main skills in short supply are job-specific and technical capabilities such as actuaries within the insurance sub-sector. In addition, 12 per cent of sector employers report skill gaps, again in line with the average for all sectors. Skill gaps are particularly concentrated on sales and customer service jobs.

Under-employment in the sector is relatively low as 45 per cent of employers in the sector say they have some employees whose skills are not being fully utilised, slightly below the all sector average of 49 per cent. Wages levels across the sector are relatively high which could be seen as evidence of skills mismatch but is likely to also reflect the high qualification levels in the sector.

### **Drivers of skill change**

A range of factors will affect the demand and supply of skills in the sector in the future. Increased regulation and financial supervision is likely to have a significant impact on skill demand in the finance sector including increasing the demand for qualified Financial advisers, compliance training for sales and other staff and collaboration and partnership skills at management level.

An aging population is likely to place increasing interest on Financial planning for later life resulting in an increased demand for new products and the skills to develop and deliver them. An aging population is also likely to mean an increased supply of skills as people work longer, although their skills may need regular updating.

Globalisation and the development of new markets will generate demand for innovative new products and the cultural awareness to exploit new opportunities. New technology systems will impact on the demand for technical skills as well as the skills of technology users. Data security and compliance skills are also likely to increase in the coming years. The need to maintain high levels of customer service will mean an ongoing demand for customer service skills among customer-facing staff and managerial skills to maintain high levels of service.

### **Future skill needs**

The employment predictions for the Financial, insurance and other professional services sector across the UK suggest that overall employment levels will rise between 2010 and 2020 by about 10 per cent to 2.5 million. The largest rate of growth is expected to be among professional staff and among those in associate professional occupations, with the number employed expected to rise by 17 per cent and 18 per cent respectively. Most of the employment growth is expected to take place in England. Employment levels in the sector in Scotland are predicted to fall.

In addition to filling new jobs the sector will have to replace people leaving their jobs because of retirement or other factors. For example, while the overall number of administrative and secretarial staff in the sector is expected to fall by 18,000 between 2010 and 2020, over the same period the sector is expected to face a requirement to recruit 138,000 administrative and secretarial staff to replace retirees, a net requirement of 120,000. Overall the finance sector is projected to see replacement demand of 437,000 on top of 67,00 people to fill new jobs – resulting in a total requirement of over 500,000 in all for the period 2010 to 2020.

Among the professional groups there is expected to be strong demand for certain specialist areas such as actuaries, underwriters, and solvency experts.

## **Priorities for Action**

Across the sector there is likely to be a continual need for more professional and associate professional staff and for existing employees to continually develop their specialist and technical skills. Key professions include actuaries, underwriters, investment accounting and insolvency. Management skills and leadership qualities are likely to be in continual demand as the sector and the economy recovers from recession. This is because organisations will need to operate in a more resourceful and well organised way to comply with changing regulatory regimes and exploit new market opportunities both domestically and overseas.

Sales and customer service staff are another key occupational group, particularly in the finance sector.

There are a number of specific technical skill needs which will also affect a range of occupations within the sector, including risk and management skills, legal, analytical, statistical and IT skills. Increasing use of technology in the workplace is also impacting on learning and skills and the rapidly changing technological environment in which Financial, insurance and other professional services sector organisations operate mean that there needs to be better alignment of training provision with new and changing skills needs to support the competitiveness of the sector.

# 1 Introduction

## 1.1 Purpose of report

The aim of this report is to provide authoritative labour market intelligence (LMI) for the Financial, insurance and other professional services sector to inform the strategic decision making of national governments in the development of employment and skills policy. It is one of 15 UK Sector Skills Assessment (SSA) reports produced by Sector Skills Councils<sup>1</sup> and the UK Commission for Employment and Skills.

SSAs combine top-down data from official sources with bottom-up sectoral intelligence to provide a consistent, comparable and rich understanding of the skills priorities within sectors across the four UK nations. The reports have been produced to a common specification (developed by the UK Commission in consultation with the four UK governments) and follow a consistent structure.

Reports have been produced for the following sectors of the economy:

- Agriculture, forestry and fishing
- Energy production and utilities
- Manufacturing
- Construction building services, engineering and planning
- Wholesale and retail trade
- Transportation and storage
- Hospitality, tourism and sport
- Information and communication technologies
- Creative media and entertainment
- Financial, insurance and other professional services
- Real estate and facilities management
- Government
- Education
- Health

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<sup>1</sup> Please note, the Education report was produced by LSIS who are not a licensed Sector Skills Council



- Care

The reports contain intelligence on sectors and sub-sectors of particular interest to the four UK governments. As each nation has different 'key sectors', that are defined in different ways, it has not been possible to define the SSA sectors in a way that matches precisely the key sectors identified by each national government. Therefore, as far as possible, data has been reported in such a way that it can be aggregated to produce an overall picture for key sectors of interest. In some cases this will involve gathering information from more than one SSA report.

The reports are designed to provide sectoral intelligence at a relatively broad level for strategic decision making purposes. Whilst they do contain some sub-sectoral and occupational intelligence, further intelligence at a more granular level may be available from individual Sector Skills Councils.

In addition to the main UK reports, executive summaries have been produced for Scotland, Wales and Northern Ireland. The UK reports contain information on key regional variations between the four UK nations and within England where appropriate (for example if sectoral employment is focused in a particular geographic area). However, the reports are not designed to provide a comprehensive assessment of sectoral skills issues beyond the national level.

In order to identify the skills issues and priorities within the Financial, insurance and other professional services sector, this report assesses: the performance of the sector, the structure of the workforce, the demand for, use of and value of skills and the extent of current skills mis-match. Chapters 6 and 7 examine the drivers of change and the implications for skills in the sector and future skills needs. The report concludes by identifying skills priorities for the sector based on analysis of the evidence.

## **1.2 Defining the sector**

The Standard Industrial Classification (SIC) is used to segment business establishments into homogeneous groups according to their economic activities.

This report covers the Financial, insurance and other professional services sector, which is comprised of the following sub-sectors:

- Financial and insurance activities
- Professional, scientific and technical activities

Table 1.1 sets out the definition for the sector to be used throughout the report. There are five *divisions* of economic activity which account for the Financial and insurance and Professional, scientific and technical activities sub-sectors. Where possible and relevant, data in this report are presented separately under these two broad classifications for Financial and insurance activities and for professional, scientific and technical activities.

**Table 1.1: SIC definitions for Financial, Insurance and Other Professional Services**

Sub-sector	Division	SIC Codes
Financial and insurance activities	Financial services, except insurance and pension funds but including monetary intermediation, activities of holding companies, trust, funds and similar Financial entities	64
Financial and insurance activities	Insurance, reinsurance and pension funding	65
Financial and insurance activities	Activities auxiliary to Financial services and insurance activities	66
Professional, scientific and technical activities	Legal and accounting activities	69
Professional, scientific and technical activities	Head offices and management consultancy	70

Source: UK Standard Industrial Classification of Economic Activities, ONS, 2007

### 1.3 Sector Skills Councils

Sector Skills Councils (SSCs) are independent, employer-led, UK-wide organisations working in partnership with the UK Commission to create conditions for increased employer investment in skills. The SSCs whose remit, between them, covers the sub-sectors within Financial, insurance and other professional services are:

- Skills for Justice
- Financial Skills Partnership
- E-Skills UK

Each SSC carries out primary and secondary research into skills, labour market information and workforce development that impact on employers and organisations within their respective sectors.

Skills for Justice are primarily responsible for employers, employees and volunteers providing a range of services within the Justice and Community Safety sector. For more information about Skills for Justice including recent research, please see the relevant sections of the website: [www.skillsforjustice.com](http://www.skillsforjustice.com).

The Financial Services Partnership is the SSC for finance, accountancy and Financial services. For more information about Financial Services Partnership including recent research, please see the relevant sections of the website: [www.directions.org.uk](http://www.directions.org.uk).

E-skills UK is the third SSC involved in the compilation of this report. E-skills UK is the SSC responsible for ensuring that Britain has the Business, Information Technology (IT) and Telecommunication (Telecoms) skills it needs to balance amongst increasing demands for innovation, global competitiveness and sustainable economic growth. For more information please see their website: [www.e-skills.com](http://www.e-skills.com).

#### **1.4 Summary of methodology**

This report combines top-down data with bottom-up intelligence to provide a rich assessment of sectoral skills priorities that is consistent and comparable with assessments produced for other sectors of the economy.

Three main types of information have been drawn on in the preparation of this report:

- Economy-wide quantitative data from core labour market information sources (such as the Labour Force Survey (LFS) and the UK Commission's Employer Skills Survey (ESS 2011))
- Sectoral, sub-sectoral and occupational specific quantitative data generated by SSCs / sector bodies and others (including Government departments and agencies, academics and professional associations)
- Qualitative information collected by SSCs / sector bodies and other organisations

To ensure consistency and comparability across all 15 SSA reports, data from core labour market information sources was centrally collected, processed and formatted. It was then distributed by the UK Commission to Sector Skills Councils / sector bodies for inclusion within the reports. This data was quality assured by contractors, the UK Commission and by Sector Skills Councils.

To meet consistency requirements, sub-sector analysis of data from core sources has primarily been undertaken at a 2-digit Standard Industrial Classification (SIC) code level (or by combining 2-digit SIC codes where appropriate).

The skills assessment draws on secondary data, from the key relevant official surveys of industry sectors and workforces, on industry and occupational forecasts, employer surveys on skills and training and a wide range of primary data available from the extensive knowledge and understanding of the sectors involved by each SSC.

The report also draws on qualitative research that has been undertaken to explore sectoral skills issues in more detail. Qualitative research with small samples of employers (and others), most commonly through interviews and focus groups, seeks to provide rich and detailed understanding and insight, rather than measurement. Samples tend to be designed to be broadly representative of the wider population, to gather a range of views. In terms of skills research with employers, size and sector tend to be key drivers of demand and therefore these are usually the main characteristics that are taken into account when designing samples.

The report synthesises and contextualises information from the sources identified above and, by undertaking a rigorous analysis of it, turns the information into intelligence

### **Further information**

Further methodological information is provided within the Technical appendix. This includes descriptions of the main quantitative and qualitative sources used within the report.

## 2 Current performance of sector

### Chapter Summary

- Financial intermediation is one of the largest sectors in the UK and has grown significantly faster than the rest of the economy in recent years. By 2008, the overall contribution of the sector was £117 billion, accounting for nine per cent of the total UK economy.
- GVA per employee job in Financial, insurance and other professional services is higher than across the economy and grew at a faster rate than the wider economy between 2000 and 2010. Just under half (46 per cent) of sector GVA in England is concentrated in London.
- Financial, insurance and other professional services accounts for ten per cent of all establishments in the UK. The number of workplaces in the sector grew from 2006 (271,310) to 2008 (287,015) and then subsequently fell to pre-2006 levels by 2010 (255,000).
- The Financial insurance and other professional services sector is also an important sector for employment, employing two million people. Employment grew by 357,000, or 22 per cent in the period, between 2002 and 2010, at a faster rate than in most other sectors. The sector is a significant employer in London, accounting for 13 per cent of the region's total workforce.
- The largest sub-sector in terms of employment covers banks and building societies, investment funds and credit companies, employing 563,000 people in 2010. The insurance, legal services, and management consultancy and company head offices sub-sectors are also significant employers.

This chapter looks at the performance of the Financial, insurance and other professional services sector in terms of its contribution to the UK economy and the number of people employed.

## **2.1 Economic performance**

Gross Value-Added (GVA) measures the contribution of each producer, industry or sector in the UK. GVA is measured by the value of output less the value of intermediate consumption.

Financial services is one of the largest sectors in the UK and has grown significantly faster than the whole economy in recent years. In the ten years prior to the start of the current economic downturn in 2008, the size of the financial sector, as measured by Gross Value Added (GVA) grew by 140 per cent, while the UK economy as a whole grew by 56 per cent. By 2008, the overall contribution of the Financial intermediation sector was £117 billion (Table 2.1), accounting for nine percent of the UK economy. The sector ranked fourth largest in terms of GVA contribution behind Real Estate, Renting and Business Activities, Manufacturing and Wholesale and Retail Trade sectors.

Table 2.1 tracks the GVA for all sectors of the UK economy from 1999 to 2008. In this instance data are not available for the Financial, insurance and other professional services sector as a whole, so the Financial intermediation sector has been used as a proxy. While the GVA in all the sectors rose during the ten year period, finance grew at a much faster rate (9.2 per cent per annum, compared with 4.5 per cent per annum across all sectors).

Table 2.2 shows that across the nations, the largest share of GVA contributions for the Financial intermediation sector was in England where an estimated £105 billion was recorded for the sector. When compared to all other sectors in England, the Financial intermediation sector ranks fourth, contributing around 10 per cent of the total GVA for England (Table 2.2). The GVA contribution of the sector in Scotland in 2008 was £9 billion, the fifth largest sector, contributing eight per cent of the total GVA in Scotland. In Wales and Northern Ireland, the Financial intermediation sector contributed five per cent to their respective economies. However there was a marked drop in output following the onset of the recession in 2008, although it has recovered slightly since (UKCES, 2012).

**Table 2.1: UK GVA (£m in current basic prices), (1999-2008)<sup>2</sup>**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Agriculture, hunting, forestry and fishing	9,022	8,532	8,333	9,007	9,807	10,670	7,530	7,792	8,632	9,715
Mining and quarrying of energy producing material	2,059	1,998	1,874	1,661	1,456	1,643	2,055	2,297	1,861	2,661
Other mining and quarrying	1,700	1,784	1,750	1,469	1,519	1,848	2,115	2,145	2,291	2,365
Manufacturing	151,157	150,009	149,223	146,308	144,845	145,689	148,110	151,455	154,726	150,298
Electricity, gas and water supply	15,703	15,798	15,660	16,052	16,405	16,106	16,685	20,279	21,884	21,342
Construction	42,236	45,626	50,526	54,684	59,522	66,029	69,868	74,619	80,675	80,756
Wholesale and retail trade (including motor trade)	99,509	103,410	110,249	113,777	120,520	127,367	129,810	135,366	141,735	147,158
Hotels and restaurants	24,146	25,605	26,928	28,639	30,120	31,870	32,902	34,594	35,962	36,428
Transport, storage and communication	64,961	69,201	70,502	73,064	76,587	79,020	80,889	83,655	88,280	91,347
<b>Financial intermediation</b>	<b>48,545</b>	<b>44,989</b>	<b>48,202</b>	<b>63,367</b>	<b>71,530</b>	<b>75,117</b>	<b>79,553</b>	<b>90,807</b>	<b>103,731</b>	<b>116,801</b>
Real estate, renting and business activities	173,329	188,361	204,041	214,849	232,204	248,677	260,116	276,108	296,955	303,179
Public administration and defence	39,891	41,645	43,855	46,212	49,768	53,779	58,229	60,385	61,503	63,281
Education	44,914	48,111	51,675	55,099	58,328	61,934	65,739	68,926	72,766	76,493
Health and social work	51,577	55,282	59,549	64,492	70,593	75,154	79,965	85,965	89,381	93,775
Other services	39,821	42,085	44,560	48,311	51,804	54,947	57,961	60,166	62,824	65,563
All sectors	808,570	842,436	886,927	936,991	995,008	1,049,850	1,091,527	1,154,559	1,223,206	1,261,162

Source: *Regional Accounts, ONS, 2010*

<sup>2</sup> Data is not organised by SSA sector. This is because data is not available at a 2-digit (division) level. Therefore, the list of sectors presented are those used in Regional Accounts.

**Table 2.2: GVA by nation (£m in current basic prices), (2008)<sup>3</sup>**

	<b>UK</b>	<b>England</b>	<b>Scotland</b>	<b>Wales</b>	<b>Northern Ireland</b>
	£m	£m	£m	£m	£m
Agriculture, hunting, forestry and fishing	9,715	7,982	1,180	145	407
Mining and quarrying of energy producing materials	2,661	1,298	1,277	60	27
Other mining and quarrying	2,365	1,777	282	134	173
Manufacturing	150,298	124,860	13,555	7,734	4,149
Electricity, gas and water supply	21,342	17,414	2,653	729	545
Construction	80,756	68,247	7,328	2,924	2,256
Wholesale and retail trade	147,158	127,900	10,441	5,166	3,651
Hotels and restaurants	36,428	30,938	3,297	1,424	770
Transport, storage and communication	91,347	80,262	7,065	2,529	1,491
<b>Financial intermediation</b>	<b>116,801</b>	<b>104,574</b>	<b>8,501</b>	<b>2,305</b>	<b>1,422</b>
Real estate, renting and business activities	303,179	268,770	20,829	8,380	5,200
Public administration and defence	63,281	51,275	6,148	3,275	2,583
Education	76,493	64,478	6,322	3,502	2,191
Health and social work	93,775	76,336	9,851	4,788	2,800
Other services	65,563	57,177	4,804	2,420	1,162
All sectors	1,261,162	1,083,288	103,533	45,515	28,827

Source: *Regional Accounts, ONS, 2010*

Regional GVA figures in England (Table 2.3) show that in 2008, London is the hub of financial activities in England (UKCES, 2010a). Almost half (46 per cent) of the Financial intermediation sector GVA is generated in London with a further 13 per cent in the South East of England. Only two per cent of sector GVA is based in the North East and three per cent in the East Midlands.

<sup>3</sup> Data is not organised by SSA sector. This is because data is not available at a 2-digit (division) level. Therefore, the lists of sectors presented are those used in Regional Accounts.



**Table 2.3: GVA by English Region (£m in current basic prices), (2008)<sup>4</sup>**

	North East	North West	Yorkshire & The Humber	East Midlands	West Midlands	East	London	South East	South West
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Agriculture, hunting, forestry and fishing	303	777	966	996	915	1,387	86	1,168	1,383
Mining and quarrying of energy producing materials	81	90	140	130	82	164	280	270	61
Other mining and quarrying	178	142	156	379	84	132	60	202	442
Manufacturing	6,706	19,336	14,332	13,299	13,974	13,518	13,651	18,084	11,961
Electricity, gas and water supply	979	1,622	1,511	1,952	1,920	1,948	1,823	3,061	2,598
Construction	2,990	8,236	6,266	5,835	6,588	8,946	10,262	12,482	6,643
Wholesale and retail trade (including motor trade)	4,424	14,906	11,348	10,850	12,313	15,933	22,016	24,588	11,522
Hotels and restaurants	1,123	3,527	2,383	2,012	2,905	3,041	7,717	5,063	3,166
Transport, storage and communication	2,668	8,846	6,518	5,866	6,596	9,871	17,509	16,218	6,170
<b>Financial intermediation</b>	<b>2,195</b>	<b>8,356</b>	<b>6,641</b>	<b>3,702</b>	<b>5,260</b>	<b>9,352</b>	<b>48,190</b>	<b>13,828</b>	<b>7,050</b>
Real estate, renting and business activities	7,842	26,072	17,146	16,325	20,405	29,769	74,039	55,440	21,733
Public administration and defence	2,623	5,843	4,753	3,919	4,376	5,634	7,642	10,218	6,267
Education	3,156	8,008	6,302	4,877	6,541	6,725	11,972	10,861	6,036
Health and social work	4,004	10,080	7,552	5,894	7,215	8,201	13,719	11,975	7,696
Other services	1,715	5,174	3,459	3,314	4,583	5,577	18,190	10,551	4,615
All sectors	40,987	121,015	89,473	79,350	93,757	120,198	247,156	194,009	97,343

Source: *Regional Accounts, ONS, 2010*

<sup>4</sup> Data is not organised by SSA sector. This is because data is not available at a 2-digit (division) level. Therefore, the lists of sectors presented are those used in Regional Accounts.

Judged on the basis of gross value added (GVA) per employee job, the Financial, insurance and other professional services sector displays a level of productivity that is almost twice the average for all sectors in the UK economy. Indeed, the sector's productivity level is second only to that seen in the Energy production and utilities sector.

Geographical variations also exist for GVA per person employed (see Table 2.4). The best performance for the Financial, insurance and other professional services sector in terms of GVA per employee job was recorded in England, with an estimated figure of £86,000. The figures for Scotland (£69,000), Northern Ireland (£63,000) and Wales (£57,000) are significantly lower, although still significantly higher than the all sector averages in each of the respective nations.

**Table 2.4: Estimated workplace gross value added per employee job at current basic prices, 2009**

SSA Sector	UK	England	Wales	Scotland	Northern Ireland
	£000s	£000s	£000s	£000s	£000s
Agriculture, forestry and fishing	35	41	11	21	25
Energy production and utilities	131	134	118	127	107
Manufacturing	52	51	49	61	53
Construction, building services, engineering and planning	65	66	54	60	56
Wholesale and retail trade	33	33	27	29	27
Transportation and storage	50	51	44	50	41
Hospitality, tourism and sport	23	23	21	22	20
Information and communication technologies	83	84	72	77	63
Creative media and entertainment	45	49	30	12	38
<b>Financial, insurance &amp; other professional services</b>	<b>86</b>	<b>89</b>	<b>57</b>	<b>69</b>	<b>63</b>
Real estate and facilities management	85	86	103	67	98
Government services	39	40	33	35	40
Education	33	33	32	36	33
Health	27	27	26	25	23
Care	30	30	28	31	26
Not within scope	32	33	27	35	30
<b>All sectors</b>	<b>46</b>	<b>47</b>	<b>38</b>	<b>43</b>	<b>38</b>

Source: UK Commission estimates based on Regional Accounts; Annual Business Survey; Business Register and Employment Survey (BRES). See technical appendix for basis for estimates.

Notes: Figures for Real estate and facilities management sector include contribution from owner-occupier imputed rental. All figures exclude Extra-Regio element. Estimates will tend to overstate the level of GVA per job in those sectors with high levels of self-employment.

The *Working Futures* model (Wilson and Homenidou, 2011) provides historic estimates of productivity (output per job) by sector on a constant price (chained volume measure) basis. This analysis indicates an average rate of productivity growth for the UK Financial, insurance and other professional services sector for the first half of the last decade (2000-2005) of 2.4 per cent per annum. In the second half of the decade productivity growth is estimated to

have moderated to an average rate of 1.3 per cent per annum, reflecting the impact of the recession. This compares with an average rate for the wider UK economy of 1.4 per cent for 2000-2005 and 0.7 per for the second half of the decade. According to *Working Futures* the sector's above average productivity performance was driven by strong growth in finance and insurance productivity, with professional services seeing fairly flat performance over the course of the decade.

## **2.2 Employer profile**

This next section examines the profile of employers in the sector, including national and regional distribution, trends in employer numbers over time, recent start-ups and closure figures and size of establishments.

Across the UK economy there are over 2.5 million employing establishments. Table 2.5 provides an overview of the number and proportion of establishments by sector across the four nations for 2010. The Wholesale and retail trade sector accounts for one in five establishments across the four nations, and 14 per cent are construction sites or workplaces. The Financial, insurance and other professional services sector accounts for ten per cent of all establishments in the UK and England and a lower proportion in Scotland, Wales and Northern Ireland at eight per cent, six per cent and five per cent respectively.

**Table 2.5: Number of establishments by sector and nation (2010)**

Sector	UK		England		Scotland		Wales		Northern Ireland	
	Number	%	Number	%	Number	%	Number	%	Number	%
Agriculture, forestry and fishing	144,895	6	96,770	4	17,625	9	14,210	13	16,290	19
Energy production and utilities	13,290	1	10,365	-	1,495	1	865	1	565	1
Manufacturing	144,115	6	124,235	6	9,395	5	6,040	5	4,445	5
Construction, building services, engineering and planning	358,455	14	303,300	14	27,845	14	14,280	13	13,030	15
Wholesale and retail trade	509,215	20	431,330	20	38,165	20	23,000	20	16,720	20
Transportation and storage	83,825	3	70,685	3	6,370	3	3,925	3	2,845	3
Hospitality, tourism and sport	223,370	9	185,390	8	20,515	11	11,580	10	5,885	7
Information and communication technologies	131,065	5	120,095	5	6,610	3	3,130	3	1,230	1
Creative media and entertainment	134,115	5	121,900	6	6,830	4	3,640	3	1,745	2
Financial, insurance & other professional services	255,000	10	228,725	10	14,770	8	7,160	6	4,345	5
Real estate and facilities management	149,325	6	129,340	6	10,610	5	5,730	5	3,645	4
Government services	52,210	2	40,870	2	5,625	3	2,985	3	2,730	3
Education	67,125	3	55,020	3	5,535	3	3,250	3	3,320	4
Health	55,135	2	46,925	2	3,895	2	2,515	2	1,800	2
Care	85,935	3	70,460	3	7,810	4	4,710	4	2,955	4
All economy	2,574,230	100	2,183,845	100	193,305	100	112,810	100	84,270	100

Source: Inter-departmental Business Register (IDBR), ONS

Further analysis of the distribution of establishments by English regions indicates that 61,915 or 16 per cent of Financial, insurance and other professional services establishments are based in London; a further 45,495 or 12 per cent are in the South East and the rest are fairly evenly spread around the remaining regions (Table 2.6).

**Table 2.6: Number of establishments by sector and English region (2010)**

Sector	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West
Agriculture, forestry and fishing	3,870	11,305	11,205	10,770	11,880	12,170	935	11,785	22,850
Energy production and utilities	475	1,460	1,155	1,025	1,065	1,320	950	1,605	1,310
Manufacturing	4,650	15,950	13,100	12,915	15,930	15,235	13,350	20,025	13,080
Construction, building services, engineering and planning	10,845	35,520	26,035	24,975	28,750	41,485	42,520	58,785	34,385
Wholesale and retail trade	16,630	55,955	41,975	36,895	45,695	48,635	67,620	71,850	46,075
Transportation and storage	2,610	8,775	7,270	6,830	7,930	9,305	9,190	11,570	7,205
Hospitality, tourism and sport	8,395	23,095	17,600	14,030	16,700	19,290	32,470	31,885	21,925
Information and communication technologies	2,325	10,885	6,685	6,900	9,260	14,735	29,655	28,805	10,845
Creative media and entertainment	2,660	10,035	6,735	6,215	7,425	12,210	43,255	22,760	10,605
Financial, insurance & other professional services	5,440	23,475	14,900	14,950	18,300	23,850	61,915	45,495	20,400
Real estate and facilities management	4,185	14,800	10,225	9,390	11,925	15,045	27,475	22,980	13,315
Government services	1,815	4,810	4,260	4,270	4,040	4,215	6,495	6,340	4,625
Education	2,495	6,890	4,965	4,810	5,465	6,330	8,215	9,925	5,925
Health	2,010	6,255	4,265	3,830	4,570	4,850	8,045	8,280	4,820
Care	3,575	9,340	6,950	6,110	6,940	7,210	10,725	11,700	7,910
All economy	75,975	255,705	187,810	174,700	210,065	253,120	392,540	394,505	239,425

Source: Inter-departmental Business Register (IDBR), ONS.

If the number of establishments by sector is considered for the period 2006 to 2010, it is clear that the pattern of change has been highly uneven across the UK economy (see Table 2.7). The number of workplaces in Financial, insurance and other professional services grew from 2006 (271,310) to 2008 (287,015) and then subsequently fell to pre-2006 levels by 2010 (255,000). This change represents an overall six per cent decrease in the number of establishments in the sector, compared to two per cent growth across the economy as a whole. This decline could be partly accounted for by widespread mergers throughout the sector in the UK during this period and in particular the closure of bank branches (French, 2009).

**Table 2.7: Number of establishments by sector, 2006-2010 (UK)**

Sector	2006	2007	2008	2009	2010	% Change 2006-2010
Agriculture, forestry and fishing	146,485	158,080	163,715	146,620	144,895	-1%
Energy production and utilities	18,170	18,260	11,435	12,980	13,290	-27%
Manufacturing	165,675	163,525	167,335	151,165	144,115	-13%
Construction, building services, engineering and planning	230,610	240,535	258,055	374,320	358,455	55%
Wholesale and retail trade	533,105	532,905	532,060	520,070	509,215	-4%
Transportation and storage	70,425	70,750	71,665	86,680	83,825	19%
Hospitality, tourism and sport	219,770	222,920	227,430	229,690	223,370	2%
Information and communication technologies	136,395	140,505	144,080	134,805	131,065	-4%
Creative media and entertainment	125,100	130,185	131,180	132,225	134,115	7%
Financial, insurance & other professional services	271,310	283,920	287,015	256,915	255,000	-6%
Real estate and facilities management	180,305	191,195	201,915	155,855	149,325	-17%
Government services	159,395	164,690	54,875	52,060	52,210	-67%
Education	28,935	28,880	66,055	66,725	67,125	132%
Health	25,860	25,810	53,300	53,900	55,135	113%
Care	40,150	40,075	82,755	83,675	85,935	114%
All economy	2,533,855	2,600,065	2,643,215	2,634,790	2,574,230	2%

*Source: Inter-departmental Business Register (IDBR), ONS Note: Data for 2006-2008 is based on SIC 2003 whereas data beyond this use SIC 2007. Some of the data for 2006-2008 is based on estimates. For full details please see technical appendix.*

Between 2006 and 2010, the number of establishments in the Financial, insurance and other professional services sector in England dropped by five per cent. The rate of decline was more pronounced in Wales, where sector establishments diminished by 19 per cent and Scotland (a decline of 11 per cent). However the number of sector establishments in Northern Ireland between 2006 and 2010 was positive, increasing by three per cent between 2006 and 2010.

Table 2.8 shows the number of business start-ups and closures across the economy for 2009.

**Table 2.8: Business (enterprise) start-ups and closures, 2009 (UK)**

Sector	Start-ups	Closures
	Number	Number
Agriculture, forestry and fishing (SIC 75 only)	285	190
Energy production and utilities	1,270	408
Manufacturing	10,570	15,445
Construction, building services, engineering and planning	35,835	51,040
Wholesale and retail trade	38,760	47,090
Transportation and storage	6,980	10,805
Hospitality, tourism and sport	23,345	28,030
Information and communication technologies	16,120	19,935
Creative media and entertainment	24,290	20,805
Financial, insurance & other professional services	25,640	25,765
Real estate and facilities management	12,805	16,275
Government services (SIC 94 only)	1,010	1,260
Education	3,485	3,160
Health	4,135	3,110
Care	2,745	2,165
Other sectors	28,750	32,135
<b>All economy</b>	<b>236,025</b>	<b>277,618</b>

Source: *Business Demography-Enterprise Births, Deaths and Survivals 2009 (ONS)*

In 2009, there were slightly more business closures in the Financial, insurance and other professional services sector, than start-ups (Table 2.8). In all, a total of 25,765 Financial, insurance and other professional services establishments closed during the year, around nine per cent of all business closures throughout the UK. The number of sector closures exceeded the number of new businesses by 0.5 per cent, while across the economy as a whole, the number of closures exceeded the number of new businesses by 17 per cent.

Most sectors of the economy are dominated by small establishments and the Financial, insurance and other professional services sector is no exception. Across all sectors, 89 per cent of workplaces employ fewer than 25 people and 52 per cent employ between two and four. In the Financial, insurance and other professional services sector 92 per cent of establishments have fewer than 25 people working there and 57 per cent employ between two and four (Table 2.9)

**Table 2.9: Size of establishments by sector, 2010 (UK)**

Sector	Number of employees						
	2-4	5-9	10-24	25-49	50-250	251+	All
	%	%	%	%	%	%	Number
Agriculture, forestry and fishing	80	14	5	1	0	0	97,910
Energy production and utilities	36	22	20	10	10	2	10,265
Manufacturing	43	22	18	8	8	1	108,050
Construction	67	18	10	3	2	0	211,710
Wholesale and retail trade	49	27	16	4	3	1	385,760
Transportation and storage	48	20	16	7	8	1	52,620
Hospitality, tourism and sport	42	30	19	6	3	0	198,630
Information and communication technologies	68	15	10	4	3	1	56,710
Creative media and entertainment	66	17	10	4	3	0	62,305
Financial, insurance & other professional services	57	21	14	4	3	1	134,900
Real estate and facilities management	62	21	11	3	3	1	95,270
Government services	34	21	20	10	12	4	41,505
Education	20	14	20	23	21	2	56,740
Health	31	24	25	10	7	2	47,570
Care	26	24	28	13	8	0	75,725
All economy	52	22	15	6	4	1	1,742,370

Source: Inter-departmental Business Register (IDBR), ONS

Table 2.10 details the size of Financial, insurance and other professional services establishments by nation for 2010. Establishments in Scotland on average employ more people than those in the rest of the UK. In Scotland, 27 per cent of establishments within the sector employ ten or more employees, compared with 22 per cent in England and in Wales.

**Table 2.10: Size of establishments within the Financial, insurance and other professional services sector by nations (2010)**

Employees	England		Scotland		Wales		Northern Ireland	
	Number	%	Number	%	Number	%	Number	%
2-4	68,365	57	4,135	49	2,290	53	1,435	48
5-9	24,065	20	2,105	25	1,085	25	825	27
10-24	16,865	14	1,410	17	695	16	540	18
25-49	5,020	4	430	5	140	3	125	4
50-250	3,780	3	345	4	115	3	75	2
251+	935	1	90	1	20	0	10	0
Total	119,030	100	8,515	100	4,345	100	3,010	100

Source: Inter-departmental Business Register (IDBR), ONS



## 2.4 Employment

This section looks at recent employment in the Financial, insurance and other professional services sector in the UK.

Prior to the recession, overall employment levels in the UK grew, by almost four per cent between 2002 and 2009 (Table 2.11). The number employed fell in 2010 by over 500,000, although remained relatively high at almost 27 million, which is still two per cent higher than in 2002. Some two million people work in the Financial, insurance and other professional services sector. Employment in the sector grew by 357,000, or 22 per cent in the period, between 2002 and 2010, at a faster rate than in most other sectors. The Financial, insurance and other professional services sector accounted for 7 per cent of the total UK in 2010.

**Table 2.11: Total employment by sector, 2002-2010 (UK) ('000s)**

Sector	2002	2003	2004	2005	2006	2007	2008	2009	2010
	000s	000s	000s	000s	000s	000s	000s	000s	000s
Agriculture, forestry and fishing	389	396	394	421	433	426	447	371	385
Energy production and utilities	431	395	396	420	433	462	483	479	433
Manufacturing	4,119	3,860	3,726	3,622	3,492	3,526	3,254	2,889	2,888
Construction, building services, engineering and planning	2,216	2,318	2,421	2,512	2,526	2,553	2,574	2,789	2,645
Wholesale and retail trade	4,335	4,511	4,464	4,473	4,329	4,240	4,321	4,093	3,920
Transportation and storage	1,481	1,483	1,491	1,521	1,490	1,462	1,477	1,412	1,407
Hospitality, tourism and sport	1,684	1,692	1,715	1,727	1,719	1,731	1,735	1,983	1,938
Information and communication technologies	796	813	830	821	828	824	852	766	735
Creative media and entertainment	1,089	1,106	1,097	1,099	1,110	1,124	1,112	955	921
Financial, insurance & other professional services	1,631	1,639	1,592	1,678	1,655	1,712	1,685	1,947	1,988
Real estate and facilities management	877	878	907	947	965	1,032	994	901	926
Government services	2,102	2,144	2,160	2,256	2,242	2,236	2,294	2,159	2,161
Education	2,264	2,409	2,539	2,577	2,599	2,581	2,624	2,964	2,919
Health	1,812	1,878	1,958	2,056	2,040	2,014	2,048	2,075	1,987
Care	1,289	1,336	1,393	1,463	1,451	1,433	1,456	1,680	1,674
Whole Economy	26,516	26,858	27,084	27,592	27,312	27,356	27,356	27,463	26,927
<i>Unweighted base</i>	<i>97.889</i>	<i>94.637</i>	<i>91.588</i>	<i>91.112</i>	<i>87.451</i>	<i>86.904</i>	<i>84.648</i>	<i>39.202</i>	<i>38.041</i>

Source: Inter-departmental Business Register (IDBR), ONS

Table 2.12 shows that at a national level, the sector employs a greater proportion of the workforce in England (88 per cent) than the all-sector average (84 per cent) and slightly less than the economy average in Scotland (seven per cent), Wales (three per cent) and Northern Ireland (three per cent).

**Table 2.12: Total employment by sector and nation, 2010**

	UK		England		Scotland		Wales		Northern Ireland	
	000s	%	000s	%	000s	%	000s	%	000s	%
Agriculture, forestry and fishing	406	100	296	73	51	13	31	8	27	7
Energy production and utilities	473	100	346	73	88	19	25	5	14	3
Manufacturing	2,970	100	2,542	86	199	7	138	5	91	3
Construction, building services, engineering and planning	2,697	100	2,270	84	244	9	113	4	71	3
Wholesale and retail trade	4,140	100	3,471	84	353	9	205	5	112	3
Transportation and storage	1,448	100	1,252	86	117	8	46	3	33	2
Hospitality, tourism and sport	2,046	100	1,704	83	198	10	100	5	44	2
Information and communication technologies	761	100	675	89	56	7	18	2	13	2
Creative media and entertainment	987	100	876	89	65	7	32	3	14	1
Financial, insurance & other professional services	2,001	100	1,768	88	138	7	53	3	41	2
Real estate and facilities management	978	100	848	87	75	8	38	4	18	2
Government services	2,209	100	1,835	83	173	8	111	5	89	4
Education	3,088	100	2,625	85	235	8	154	5	75	2
Health	2,087	100	1,713	82	199	10	111	5	64	3
Care	1,729	100	1,409	81	183	11	97	6	40	2
Whole Economy	28,855	100	24,331	84	2,446	8	1,312	5	766	3
<i>Unweighted bases</i>	<i>194.448</i>	<i>100</i>	<i>161.501</i>	<i>83</i>	<i>17.022</i>	<i>9</i>	<i>8.693</i>	<i>4</i>	<i>7.232</i>	<i>4</i>

Source: Labour Force Survey 2010, ONS

**Table 2.13: Total employment by sector and English region, % share within region (2010)**

Sector	London	South East	East of England	South West	West Midlands	East Midlands	Yorkshire and the Humber	North West	North East
Agriculture, forestry and fishing	0	1	1	3	2	2	1	1	1
Energy production and utilities	1	1	1	2	2	2	1	2	2
Manufacturing	5	9	12	12	15	15	12	12	12
Construction, building services, engineering and planning	9	11	10	10	9	9	10	10	11
Wholesale and retail trade	12	14	15	14	15	15	16	15	14
Transportation and storage	5	5	6	4	6	6	5	6	4
Hospitality, tourism and sport	8	6	6	7	7	7	7	8	9
Information and communication technologies	4	4	3	3	2	2	2	2	2
Creative media and entertainment	8	4	3	4	2	2	2	2	2
Financial, insurance & other professional services	13	8	9	6	6	5	6	6	5
Real estate and facilities management	5	3	3	3	3	2	3	4	4
Government services	8	8	7	8	8	6	8	8	10
Education	10	11	11	10	10	12	11	11	11
Health	6	7	6	7	7	8	8	8	7
Care	5	6	5	6	7	6	7	6	8
Whole Economy	100	100	100	100	100	100	100	100	100
<i>Weighted base</i>	3,603	3,901	2,677	2,344	2,292	1,988	2,340	3,054	1,079
<i>Unweighted bases</i>	3,700	5,100	3,710	3,240	3,240	2,900	3,510	4,460	1,590

Source: Labour Force Survey 2010, ONS

Table 2.13 shows total employment by sector and English region in 2010. Financial, insurance and other professional services is the largest sector employer in London where it accounts for 13 per cent of the region's total workforce. Sector employment is also significant employer in the East of England and the South East where levels of employment make up nine and eight per cent of regional totals respectively. The employment levels of the other six regions are lower and do not exceed six per cent of total employment in these areas.

## 2.6 Main components of the sector

The Financial, insurance and professional services sector comprises a number of subsectors. In terms of employment, the largest sub-sector (SIC 64) covers banks and building societies, investment funds and credit companies and employs 563,000 people or 28 per cent of sector employment in 2010 (Table 2.15). A further 24 per cent of people work in legal services, 363,000 are employed in management consultancy and company head offices (18 per cent) and 369,000 are employed in related financial services such as broking. The other main elements of the sector cover insurance, where 253,000 people are employed (12 per cent).

The UK, and in particular London, is a global financial centre. For example a recent report on the City of London (TheCityUK, 2011) found that:

- The foreign exchange market in the UK is the largest in the world, with average daily turnover of \$2,191 billion in April 2011, representing an estimated 40 per cent of global turnover, more than New York and Tokyo combined
- The £4.8 trillion funds under management in the UK are greater than in any other country, apart from the US
- The UK insurance industry is the largest in Europe and third largest in the world with net premium income of nearly £200 billion in 2009.
- The UK is the biggest market in the world for interest rate derivatives traded over the counter with 46 per cent of global turnover in April 2010.
- The UK has the world's most liquid spot market for gold and for gold lending and the global clearing centre for worldwide gold trading. It is also Europe's largest centre for commodities trading and accounts for around 15 per cent of global trade in commodities
- The London Stock Exchange is one of the leading centres for foreign-listed companies and for foreign equity trading.

**Table 2.15: Employment within the main sub-sectors of the Financial, insurance and other professional services sector (2010)**

Sector	Number (000s)	%
Financial services, except insurance and pension funds (SIC 64)	563	28
Insurance, reinsurance, etc. (SIC 65)	236	12
Other Financial Services (SIC 66)	369	18
Legal and accounting activities (SIC 69)	471	24
Head offices and management consultancy (SIC 70)	363	18
<b>Total Financial, insurance and other professional services</b>	<b>2002</b>	<b>100.0</b>

Source: Labour Force Survey 2010, ONS

Evidence on growing and contracting sub-sectors can be drawn from the 89th Confederation of British Industry (CBI) and PricewaterhouseCoopers (PWC) Financial Services Survey published in December 2011 (CBI and PWC, 2011). A major output of the CBI/PwC Financial Services Survey is a quarterly trends report that discusses the health, perceptions and plans of the UK Financial services industry. The key findings from the survey are summarised below by sub-sectors.

- **Banking:** The banks reported that they faced increasing competitive pressures, but report surprisingly buoyant levels of business. Profitability was growing, although regulatory spending continued to climb and staffing reductions were planned. The banks were increasingly keen to pass on their funding costs to customers.
- **Building societies:** The building societies were facing weak demand, tough competition and growing funding pressure. Non-performing loans were seen as trending upwards, and compliance costs rising. Even so, there were some encouraging signs, including a surprising prediction for reduced pressure on margins.
- **General insurance:** General insurers reported a stable outlook, balancing the negative effects of domestic retail competition with the possibility of stronger commercial activity. In contrast, insurance brokers took a far more negative view of their business situation.
- **Life insurance:** Life insurers reported a stable quarter of activity, but made much more downbeat predictions for the coming quarter. Investment market volatility and tighter household budgets were expected to hurt income and profitability, but the sector reported a surprising increase in headcount.
- **Securities trading:** Securities traders continued to feel the effects of the sovereign debt crisis, with all respondents reporting lower levels of business. Predictions for the coming quarter were slightly more positive, but regulatory change and increasing constraints on capital were seen as growing concerns.

- Investment management: Investment management revenues were suffering from falling markets, net outflows and the allocation of capital to low-fee assets. In response, firms appeared to be focusing on their core activities and shying away from expansion. The coming year was expected to be one of exceptional compliance efforts.

## 3 The workforce

### Chapter Summary

- Managerial, professional and technical occupations account for a significantly greater proportion of total employment in the Financial, insurance and other professional services sector workforce than is the case for the economy as a whole.
- In line with the whole economy, men outnumber women in the Financial, insurance and other professional services sector by 52 per cent to 48 per cent. Men are disproportionately represented in top positions (managerial, professional and technical roles) in the sector.
- The age profile of the sector's workforce is younger than that the average for the wider economy, although the proportion of older workers (aged over 45) is rising faster than average.
- The Financial, insurance and other professional services sector has a slightly higher proportion of employees from a Black, Asian or Minority Ethnic (BAME) group (ten per cent), compared with nine per cent across the UK workforce.
- The Financial, insurance and other professional services sector has a higher than average proportion of full-time employees (82 per cent), permanent employees (97 per cent) and self-employed workers (15 per cent) than the rest of the UK labour force.

This chapter looks in more detail at the jobs people do or occupation structure, key characteristics of the sector's workforce, as well as working patterns in the Financial, insurance and other professional services sector.

### 3.1 The jobs people do

This section examines the occupational structure of the Financial, insurance and other professional services sector. Occupations are defined using Standard Occupational Classification (SOC) codes.

Across the economy as a whole, 44 per cent of the workforce are employed in Managerial Professional and Associate Professional occupations and a further 11 per cent in administrative and secretarial jobs (Table 3.1).

**Table 3.1: Employment by occupation and nation, 2010 (UK)**

	UK		England		Scotland		Wales		Northern Ireland	
	000s	%	000s	%	000s	%	000s	%	000s	%
Managers and Senior Officials	4,357	16	3,760	16	354	15	167	13	78	10
Professional Occupations	3,851	14	3,300	14	297	12	168	13	86	11
Associate Professional and Technical	3,983	14	3,385	15	341	14	170	14	86	11
Administrative and Secretarial	3,141	11	2,625	11	271	11	132	11	112	15
Skilled Trades Occupations	2,966	11	2,409	10	283	12	147	12	127	17
Personal Service Occupations	2,450	9	2,061	9	215	9	110	9	64	8
Sales and Customer Service Occupations	2,098	8	1,719	7	220	9	103	8	56	7
Process, Plant and Machine Operatives	1,901	7	1,552	7	164	7	113	9	71	9
Elementary Occupations	2,964	11	2,457	11	286	12	141	11	80	11
All occupations	27,710	100	23,269	100	2,432	100	1,250	100	759	100
<i>Unweighted base</i>	<i>31.490</i>		<i>3.450</i>		<i>1.680</i>		<i>1.480</i>		<i>38.100</i>	

Source: Labour Force Survey 2010, ONS

As shown in Table 3.2, a substantially greater proportion of Managers and Senior Officials are employed in the Financial, insurance and other professional services sector (24 per cent) than across the economy as a whole (15 per cent). The sector also has a larger share of employment in Professional and Associate Professional and Technical roles (22 per cent respectively) than across the UK (14 per cent and 15 per cent respectively).



**Table 3.2: Employment by occupation within the Financial, insurance and other professional services sector, 2010 (UK)**

Occupations	Financial, insurance & other professional services		All economy	
	000s	%	000s	%
Managers and Senior Officials	487	24	4,455	15
Professional Occupations	437	22	4,028	14
Associate Professional and Technical	431	22	4,265	15
Administrative and Secretarial	504	25	3,181	11
Skilled Trades Occupations	9	0	3,061	11
Personal Service Occupations	*	*	2,544	9
Sales and Customer Service Occupations	97	5	2,146	7
Process, Plant and Machine Operatives	*	*	1,907	7
Elementary Occupations	24	1	3,257	11
All occupations	1,999	100	28,842	100
<i>Unweighted base</i>	12.796		194.372	

Source: Labour Force Survey 2010, ONS \* Sample size too small for reliable estimate.

Table 3.3 lists the top fifteen specific occupational groups within the Financial, insurance and other professional services sector. There is clear demand for highly technical personnel within the sector. Over a quarter of sector employees (507,000) work in specialist professional and technical roles such as investment analysts, lawyers, actuaries and accountants. Accounts wages clerk, bookkeeper is the most common occupational group in the sector, employing 130,000 people.

**Table 3.3: Largest occupational groups within the Financial, insurance and other professional services sector, UK (2010)**

Rank	Occupation	000s	% workforce
1	4122 Accounts wages clerk, bookkeeper	130	7
2	3534 Finance & investment analyst & advisers	124	6
3	1151 Financial institution managers	123	6
4	2411 Solicitors & lawyers, judges & coroners	114	6
5	4123 Counter clerks	107	5
6	1131 Financial managers & chartered secretaries	100	5
7	2423 Management consultants, actuary, economists & statisticians	93	5
8	2421 Chartered and certified accountants	82	4
9	4150 General office assistants or clerks	68	3
10	1132 Marketing and sales managers	62	3
11	4132 Pensions and insurance clerks	57	3
12	2132 Software professionals	50	3
13	4215 Personal assists & other secretaries	46	2
14	3532 Brokers	44	2
15	7212 Customer care occupations	41	2
	Other occupations	746	38
	Total workforce	1,987	100
	<i>Unweighted base (000s)</i>	<i>2.599</i>	

Source: Labour Force Survey 2010, ONS

## 3.2 Workforce characteristics

This section sets out the profile of the Financial, insurance and other professional services sector, covering the gender, age and ethnic profile of the workforce.

### 3.2.1 Gender

There has been increasing female participation in the UK workforce since 2002. The number of females in the workforce grew across the economy by nearly five per cent from 12.8 million in 2002 to over 13.4 million in 2010. Table 3.4 outlines employment by gender across the UK nations. There are two million more men than women employed across the UK economy as a whole. Slightly fewer men, although still in a majority, are employed in Scotland than in the other UK nations. Table 3.5 shows that men outnumber women in the Financial, insurance and other professional services sector across all nations by a similar proportion (52 per cent to 48 per cent). There are substantially greater proportions of women employed in the sector in Northern Ireland (67 per cent) and Scotland (58 per cent) compared to Wales (50 per cent) and England (47 per cent).

**Table 3.4: Employment by gender and nation (2010)**

	Male	Female	Total	Male	Female	Total	Unweighted base
	000s	000s	000s	%	%	%	000s
UK	15,439	13,416	28,855	54	46	100	194,448
England	13,081	11,250	24,331	54	46	100	161,501
Scotland	1,257	1,189	2,446	51	49	100	17,022
Wales	692	620	1,312	53	47	100	8,693
Northern Ireland	409	358	766	53	47	100	7,232

Source: Labour Force Survey 2010, ONS

**Table 3.5: Employment by gender and nation, Financial, insurance and other professional services sector (2010)**

	Male	Female	Total	Male	Female	Total	Unweighted base
	000s	000s	000s	%	%	%	000s
UK	1,043	958	2,001	52	48	100	12,805
England	945	823	1,768	53	47	100	11,123
Scotland	58	81	138	42	58	100	948
Wales	27	27	53	50	50	100	359
Northern Ireland	14	28	41	33	67	100	375

Source: Labour Force Survey 2010, ONS

Table 3.6 shows that in the Financial, insurance and other professional services sector, there tends to be more women than men employed at more junior levels. A substantially greater proportion of women are employed in administrative and secretarial positions (77 per cent) and sales and customer service roles (64 per cent). The top positions, particularly manager and senior officials (64 per cent), professional occupations (66 per cent) and technical roles (63 per cent), in the sector are still dominated by men. There are similar proportions of men employed in manager and senior officials across the economy, however female participation in professional and technical occupations is greater elsewhere. Gender imbalance in Financial, insurance and other professional services is more pronounced in London, where there is a concentration of senior and specialised jobs. In the devolved nations (particularly Wales and Northern Ireland) there are more junior jobs, and more women are employed.

**Table 3.6: Gender profile by broad occupational group (UK)**

Occupational group	Financial, insurance and other professional services sector			All economy		
	Male	Female	Total	Male	Female	Total
	%	%	000s	%	%	000s
Managers and Senior Officials	64	36	501	65	35	4,357
Professional occupations	66	34	421	56	44	3,851
Associate Professional and Technical	63	37	417	50	50	3,983
Administrative and Secretarial	23	77	514	22	78	3,141
Skilled Trades Occupations	*	*	*	92	8	2,966
Personal Service Occupations	*	*	*	16	84	2,450
Sales and Customer Service Occupations	36	64	93	34	66	2,098
Process, Plant and Machine Operatives	*	*	*	88	12	1,901
Elementary Occupations	58	42	26	55	45	2,964
All occupations	52	48	1,987	54	46	27,710

Source: Labour Force Survey 2010, ONS. \* Sample size too small for reliable estimate.

### 3.2.2 Age

Examining the age profile of the workforce can reveal whether there are likely to be any effects of a growing cohort of people retiring in the sector.

Overall, the age profile of the Financial, insurance and other professional services sector workforce is younger than that for the UK as a whole. For example, eight per cent of employees in the sector are under 25 compared to two per cent overall. Similarly, 29 per cent of employed people in the sector are aged between 25 and 34 in 2010 compared with 22 per cent across the UK.

The age profile for the UK workforce since 2002 is shown in Table 3.7. Since 2002, the largest shares of the UK workforce are concentrated within the 45-59 years age bracket. The share of workers within the 45-59 age bracket fluctuated between 31 per cent in 2002 and 33 per cent in 2010.

There are slightly fewer younger workers employed in 2010 compared to 2002. During this period, those aged between 25 and 34 years made up 23 per cent of the workforce in 2002 and dropped to 22 per cent in 2010. Those workers who are less than 18 years made up four per cent of the total economic workforce in 2002, falling to two per cent by 2010. By contrast, the share of the UK workforce aged 60 years increased from six per cent in 2002 to nine per cent in 2010.

**Table 3.7: Age profile of UK workforce, 2002-2010**

Age bracket	2002	2003	2004	2005	2006	2007	2008	2009	2010
	000s	000s	000s	000s	000s	000s	000s	000s	000s
Under 18	1,016	1,033	992	983	922	888	841	715	610
19-24	2,912	2,928	3,019	3,087	3,065	3,140	3,074	3,055	2,819
25-34	6,361	6,275	6,162	6,244	6,129	6,039	6,122	6,037	6,048
35-44	7,286	7,368	7,471	7,585	7,377	7,399	7,259	7,001	6,835
45-59	8,447	8,680	8,802	8,940	8,967	8,933	8,993	9,107	9,012
60-64	1,126	1,187	1,258	1,329	1,399	1,547	1,613	1,632	1,622
65 +	485	530	557	595	629	648	686	768	776
Total	27,633	28,000	28,262	28,761	28,487	28,594	28,589	28,314	27,722
<i>Unweighted base</i>	<i>97.890</i>	<i>94.638</i>	<i>91.587</i>	<i>91.112</i>	<i>87.452</i>	<i>86.905</i>	<i>84.647</i>	<i>39.202</i>	<i>38.041</i>

Source: Labour Force Survey 2010, ONS

Table 3.8 below shows the age profile of the Financial, insurance and other professional services sector from 2002 to 2010. The proportion of older employees in the sector has been rising. In 2002, the share of Financial, insurance and other professional services sector workforce who were over 60 years old was three per cent. The figure increased to six per cent in 2010. More generally, the proportion of employees aged 45 or more increased from 26 per cent in 2002 to 35 per cent in 2010, faster than the increase from 36 per cent to 41 per cent across the whole economy.

**Table 3.8: Age profile of the Financial, insurance and other professional services sector workforce, 2002-2010**

Age bracket	2002	2003	2004	2005	2006	2007	2008	2009	2010
	000s	000s	000s	000s	000s	000s	000s	000s	000s
Under 25	253	235	226	233	233	240	210	210	157
25-34	520	512	477	489	480	495	503	541	570
35-44	428	442	448	493	467	482	471	509	574
45-59	374	392	381	396	404	418	426	567	562
60+	55	58	61	68	70	77	75	119	125
Total	1,631	1,639	1,592	1,678	1,655	1,712	1,685	1,947	1,988
<i>Unweighted base</i>	<i>5.606</i>	<i>5.336</i>	<i>4.978</i>	<i>5.098</i>	<i>4.874</i>	<i>4.977</i>	<i>4.743</i>	<i>2.577</i>	<i>2.601</i>

Source: Labour Force Survey 2010, ONS

Table 3.9 shows that the age profile of the workforce is fairly consistent across the four nations of the UK, with Northern Ireland reporting a greater share of workers aged 19-24 (14 per cent) and slightly fewer employees in the 60-64 age bracket, (four per cent) compared to the UK. There are also slightly more employees in Wales aged 60 or over (11 per cent) than across the other nations.

**Table 3.9: Age profile of workforce by nation (2010)**

Age bracket	UK		England		Scotland		Wales		Northern Ireland	
	Number	%	Number	%	Number	%	Number	%	Number	%
16-18	610	2	518	2	51	2	29	2	12	2
19-24	2,819	10	2,331	10	255	10	129	10	104	14
25-34	6,048	22	5,117	22	471	19	271	22	189	25
35-44	6,835	25	5,767	25	607	25	289	23	172	23
45-59	9,012	33	7,531	32	847	35	398	32	236	31
60-64	1,622	6	1,362	6	142	6	87	7	31	4
65 +	776	3	652	3	60	2	47	4	17	2
Total	27,722	100	23,278	100	2,432	100	1,251	100	761	100
<i>Unweighted base</i>	<i>38.041</i>		<i>31.453</i>		<i>3.448</i>		<i>1.678</i>		<i>1.462</i>	

Source: Labour Force Survey 2010, ONS

There are marked differences in the sector age profile across the UK nations. The proportion of sector employees aged between 25 and 34 is higher in Northern Ireland (37 per cent) and Wales (33 per cent), than in England (29 per cent) and Scotland (24 per cent). The share of sector workforce aged between 45 and 59 is greatest in Scotland (49 per cent), compared to Wales (30 per cent), England (28 per cent) and Northern Ireland (20 per cent).

**Table 3.10: Age profile of the Financial, insurance and other professional services sector workforce by nation (2010)**

Age bracket	UK		England		Scotland		Wales		Northern Ireland	
	000s	%	000s	%	000s	%	000s	%	000s	%
Under 25	157	8	135	8	13	8	*	*	*	*
25-34	570	29	500	29	38	24	17	33	15	37
35-44	574	29	498	29	52	32	12	23	12	30
45-59	562	28	489	28	49	31	16	30	8	20
60+	125	6	113	7	8	5	*	*	*	*
Total	1,988	100	1,735	100	159	100	53	100	41	100
<i>Unweighted base</i>	<i>2.601</i>		<i>2.228</i>		<i>0.224</i>		<i>0.072</i>		<i>0.077</i>	

Source: Labour Force Survey 2010, ONS

\* Sample size too small for reliable estimate.

### 3.2.3 Ethnicity

Across the UK, nine per cent of the UK workforce belong to a Black and Minority Ethnic Groups (BAME), with a higher proportion in England (10 per cent) compared with the other UK nations (two or three per cent), see Table 3.10. This UK figure represents an increase from six per cent in 2002.

**Table 3.10: Ethnicity of workforce across whole economy, four nations (2010)**

	White	BAME	Total	White	BAME	Total	<i>Unweighted base</i>
	000s	000s	000s	%	%	%	000s
UK	24,448	2,461	26,908	91	9	100	38.018
England	20,256	2,336	22,592	90	10	100	31.433
Scotland	2,296	70	2,366	97	3	100	3.445
Wales	1,172	40	1,212	97	3	100	1.678
Northern Ireland	724	15	739	98	2	100	1.462

Source: Labour Force Survey 2010, ONS

In Table 3.11, the ethnicity figures of the UK workforce are shown across sectors. In comparative terms, two sectors (Hospitality, tourism and sport and the Information and communication technologies sector) have the largest representations of BAME groups (14 per cent respectively). Around ten per cent of the Financial, insurance and other professional services sector workforce is from a BAME group.

Consistent with figures for the rest of the economy, the proportion of BAME employees in the sector has been rising steadily over the past decade (table 3.12). Between 2002 and 2010, employment among the BAME group increased from six per cent to ten per cent, which is broadly consistent with whole economy figures.

**Table 3.11: Ethnicity of workforce within sectors, 2010 (UK)**

Sector	White	BAME	Total	White	BAME	Total
	'000	'000	'000	%	%	%
Agriculture, forestry and fishing	382	*	385	99	*	100
Energy production and utilities	414	19	433	96	4	100
Manufacturing	2,712	175	2,886	94	6	100
Construction, building services, engineering and planning	2,520	125	2,645	95	5	100
Wholesale and retail trade	3,495	423	3,918	89	11	100
Transportation and storage	1,235	170	1,406	88	12	100
Hospitality, tourism and sport	1,668	267	1,935	86	14	100
Information and communication technologies	632	102	734	86	14	100
Creative media and entertainment	859	61	920	93	7	100
Financial, insurance & other professional services	1,781	207	1,988	90	10	100
Real estate and facilities management	835	90	926	90	10	100
Government services	1,995	165	2,160	92	8	100
Education	2,719	195	2,915	93	7	100
Health	1,725	262	1,987	87	13	100
Care	1,476	196	1,672	88	12	100
<b>All economy</b>	<b>25,165</b>	<b>2,538</b>	<b>27,703</b>	<b>91</b>	<b>9</b>	<b>100</b>

Source: Labour Force Survey 2010, ONS; \* Sample size too small for reliable estimate.

**Table 3.12 Employment by ethnicity**

	White (%)	BAME (%)	Total	Unweighted base
2002	94	6	100	14,340
2003	93	7	100	13,522
2004	92	8	100	12,655
2005	92	8	100	12,702
2006	91	9	100	12,454
2007	90	10	100	12,645
2008	90	10	100	12,206
2009	90	10	100	13,684
2010	89	11	100	12,800

Source: Labour Force Survey, 2010 (ONS)

Table 3.13 outlines the levels of employment within sectors by country of birth, for 2010. Overall five per cent of the UK workforce was born in the EU and a further eight per cent in the rest of the world, with the rest born in the UK.



The Agriculture, forestry and fishing sector has the largest share of employees (93 per cent) born in the UK when compared to other sectors. The sector with the smallest share of UK-born employees is the Hospitality, tourism and sport where 79 per cent of the workforce was born in the UK. Up to 87 per cent of Financial, insurance and other professional services sector employees were born in the UK. Four per cent of the Financial, insurance and other professional services sector workforce were born within the European Union (EU), compared with nine per cent of sector employees born in the rest of the world.

**Table 3.13: Employment by country of birth and sector, 2010 (UK)**

Sector	UK	Rest of Europe (EU 27)	Rest of world	Total	UK	Rest of Europe (EU 27)	Rest of world	Total
	'000	'000	'000	'000	%	%	%	%
Agriculture, forestry and fishing	357	20	7	385	93	5	2	100
Energy production and utilities	395	12	26	433	91	3	6	100
Manufacturing	2,507	206	173	2,887	87	7	6	100
Construction, building services, engineering and planning	2,387	128	127	2,642	90	5	5	100
Wholesale and retail trade	3,460	149	311	3,920	88	4	8	100
Transportation and storage	1,190	67	150	1,407	85	5	11	100
Hospitality, tourism and sport	1,537	146	254	1,937	79	8	13	100
Information and communication technologies	612	31	92	735	83	4	13	100
Creative media and entertainment	800	47	75	921	87	5	8	100
Financial, insurance & other professional services	1,723	80	186	1,988	87	4	9	100
Real estate and facilities management	784	59	83	926	85	6	9	100
Government services	1,970	44	148	2,161	91	2	7	100
Education	2,614	113	191	2,918	90	4	7	100
Health	1,664	74	250	1,987	84	4	13	100
Care	1,437	61	177	1,674	86	4	11	100
Other sectors	689	45	61	794	87	6	8	100
<b>All economy</b>	<b>24,124</b>	<b>1,281</b>	<b>2,310</b>	<b>27,715</b>	<b>87</b>	<b>5</b>	<b>8</b>	<b>100</b>

Source: Labour Force Survey 2010, ONS

The levels of employment by country of birth are shown across the UK nations in Table 3.14. Only England employs UK-born workers at a rate slightly below the average for the entire country. Wales has the least share of workers born within the rest of the EU while England employs the largest share of workers from outside the EU.

**Table 3.14: Employment by country of birth and nation (2010)**

Place of birth	UK		England		Scotland		Wales		Northern Ireland	
	000s	%	000s	%	000s	%	000s	%	000s	%
UK	24,124	87	20,009	86	2,251	93	1,161	93	702	92
Rest of Europe (EU 27)	1,281	5	1,112	5	91	4	40	3	38	5
Rest of world	2,310	8	2,149	9	91	4	49	4	21	3
Total	27,715	100	23,271	100	2,432	100	1,251	100	761	100
<i>Unweighted base</i>	38.034		31.446		3.448		1.678		1.462	

Source: Labour Force Survey 2010, ONS

### 3.3 Working patterns

This section explores full and part-time employment, self employment and permanent and temporary employment across the Financial, insurance and other professional services sector.

#### 3.3.1 Full and part-time employment

Table 3.15 shows the working patterns across different sectors. The Financial, insurance and other professional services sector has a higher than average proportion of full-time employees (82 per cent), compared to the all-sector average (73 per cent). Part-time working is lower than the average (18 per cent) compared to 27 per cent economy-wide (see table 3.13).

**Table 3.15: Working hours by sector, 2010 (UK)**

Sector	Full-time	Part-time	Full-time	Part-time	Weighted base	Unweighted base
	000s	000s	%	%	000s	000s
Agriculture, forestry and fishing	312	73	81	19	385	0.579
Energy production and utilities	400	33	92	8	433	0.612
Manufacturing	2,629	259	91	9	2,888	4.026
Construction, building services, engineering and planning	2,363	281	89	11	2,644	3.584
Wholesale and retail trade	2,406	1,513	61	39	3,919	5.309
Transportation and storage	1,174	232	84	16	1,406	1.929
Hospitality, tourism and sport	1,092	846	56	44	1,938	2.543
Information and communication technologies	664	71	90	10	735	0.959
Creative media and entertainment	691	229	75	25	920	1.178
Financial, insurance & other professional services	1,623	364	82	18	1,988	2.601
Real estate and facilities management	606	319	65	35	926	1.260
Government services	1,761	400	81	19	2,161	3.010
Education	1,758	1,160	60	40	2,919	4.146
Health	1,309	677	66	34	1,986	2.842
Care	1,050	625	63	37	1,674	2.376
All economy	20,353	7,360	73	27	27,713	38.029

Source: Labour Force Survey 2010, ONS

Table 3.16 outlines working hours by sector and nation. Full-time employment is more prevalent among Financial, insurance and professional services staff in Northern Ireland (85 per cent), England (82 per cent) and Scotland (81 per cent) than in Wales (78 per cent). Overall, the proportions of full-time working are much greater in the sector than across the economy more broadly.

**Table 3.16: Working hours by sector and nation, 2010 (%)**

Sector	England				Scotland				Wales				Northern Ireland			
	Full-time	Part-time	Weighted base	Unweighted base	Full-time	Part-time	Weighted base	Unweighted base	Full-time	Part-time	Weighted base	Unweighted base	Full-time	Part-time	Weighted base	Unweighted base
	%	%	000s	000s	%	%	000s	000s	%	%	000s	000s	%	%	000s	000s
Agriculture, forestry and fishing	79	21	281	0.407	85	15	45	0.069	90	*	28	0.035	88	*	31	0.068
Energy production and utilities	92	8	308	0.429	89	11	86	0.126	98	*	27	0.035	*	*	11	0.022
Manufacturing	91	9	2,487	3.423	92	8	185	0.271	96	*	134	0.176	96	*	83	0.156
Construction, building services, engineering and planning	89	11	2,207	2.936	91	9	245	0.350	93	7	117	0.152	91	9	77	0.146
Wholesale and retail trade	62	38	3,270	4.377	57	43	366	0.499	58	42	185	0.246	62	38	99	0.187
Transportation and storage	84	16	1,200	1.623	79	21	123	0.175	77	23	47	0.063	88	*	36	0.068
Hospitality, tourism and sport	57	43	1,591	2.059	55	45	195	0.261	51	49	103	0.132	53	47	49	0.091
Information and communication technologies	91	9	653	0.840	83	17	50	0.069	*	*	15	0.020	88	*	17	0.030
Creative media and entertainment	76	24	814	1.022	64	36	64	0.091	77	23	28	0.037	*	*	15	0.028
Financial, insurance & other professional services	82	18	1,735	2.228	81	19	159	0.224	78	22	53	0.072	85	15	41	0.077
Real estate and facilities management	65	35	794	1.069	70	30	76	0.106	65	35	36	0.049	65	35	19	0.036
Government services	82	18	1,782	2.430	84	16	173	0.246	77	23	112	0.153	79	21	94	0.181
Education	59	41	2,481	3.481	65	35	229	0.333	68	32	144	0.203	67	33	65	0.129
Health	65	35	1,645	2.324	67	33	188	0.270	69	31	97	0.135	75	25	58	0.113
Care	63	37	1,359	1.899	61	39	183	0.267	60	40	87	0.119	69	31	45	0.091
All economy	73	27	23,270	31.442	72	28	2,432	3.448	73	27	1,250	1.677	77	23	761	1.462

Source: Labour Force Survey 2010, ONS

\* Sample size too small for reliable estimate.

### 3.3.2 Self employment

Table 3.17 shows the percentage shares of employees and self-employed people in the UK workforce as at 2010. The proportion in self employment varies from two per cent in government services to almost half in agriculture. Some 15 per cent of the Financial, insurance and other professional services sector workforce is self-employed, a marginally higher proportion than in the entire economy.

There has been a steady increase in self employment across the UK economy of around 18 per cent between 2002 and 2010, (Table 3.15). The contributions made by self-employed labour force on the UK economy are significant. Overall, 14 per cent of people in UK employment are self-employed which represents around 4 million people. Across the UK, Wales (19 per cent) and England (15 per cent) account for the highest proportion of self-employed in the Financial, insurance and other professional services sector, compared to Scotland (ten per cent) and Northern Ireland (eight per cent).

**Table 3.17: Employment status by sector, 2010 ('000s)**

Sector	Employee	Self-employed	Employee	Self-employed	Weighted base	Unweighted base
	000s	000s	%	%	000s	000s
Agriculture, forestry and fishing	186	186	49	49	383	0.579
Energy production and utilities	411	22	95	5	433	0.612
Manufacturing	2,699	179	94	6	2,886	4.026
Construction, building services, engineering and planning	1,732	896	66	34	2,639	3.584
Wholesale and retail trade	3,519	379	90	10	3,915	5.309
Transportation and storage	1,135	268	81	19	1,405	1.929
Hospitality, tourism and sport	1,707	222	88	11	1,936	2.543
Information and communication technologies	625	109	85	15	735	0.959
Creative media and entertainment	625	295	68	32	921	1.178
Financial, insurance & other professional services	1,692	293	85	15	1,988	2.601
Real estate and facilities management	700	220	76	24	926	1.260
Government services	2,106	52	97	2	2,160	3.010
Education	2,740	172	94	6	2,915	4.146
Health	1,834	151	92	8	1,986	2.842
Care	1,537	126	92	8	1,669	2.376
All economy	23,819	3,785	86	14	27,689	1671.106

Source: Labour Force Survey 2010, ONS

\* Sample size too small for reliable estimate

The proportion self-employed in the Financial, insurance and other professional services sector rose by more than 110 per cent between 2002 and 2010 which is the greatest increase across all sectors, with an average rise of 18 per cent). Oxford Economics estimate that self-employed people make a yearly contribution of £21 billion in added value to the GDP of the UK (FSB and Hemming, 2011).

### 3.3.3 Permanent and Temporary employment

As shown in Table 3.18, the shares of employees in permanent employment across all sectors are generally high with the lowest being 89 per cent in the education sector. When compared with other sectors, the Financial, insurance and other professional services sector has one of the highest rates of permanent employees, (97 per cent) and one of the lowest shares of employees in the sector on temporary contracts (three per cent).

**Table 3.18: Permanent and temporary employees by sector, 2010 (UK)**

Sector	Permanent	Temporary	Permanent	Temporary	Weighted base
	000s	000s	%	%	
Agriculture, forestry and fishing	182	*	98	*	186
Energy production and utilities	399	11	97	3	410
Manufacturing	2,600	99	96	4	2,699
Construction, building services, engineering and planning	1,658	71	96	4	1,729
Wholesale and retail trade	3,395	124	96	4	3,519
Transportation and storage	1,075	59	95	5	1,135
Hospitality, tourism and sport	1,538	166	90	10	1,704
Information and communication technologies	602	23	96	4	625
Creative media and entertainment	582	43	93	7	624
Financial, insurance & other professional services	1,636	56	97	3	1,692
Real estate and facilities management	660	39	94	6	699
Government services	1,985	121	94	6	2,106
Education	2,443	296	89	11	2,739
Health	1,737	94	95	5	1,832
Care	1,446	90	94	6	1,536
All economy	22,432	1,375	94	6	23,807

Source: Labour Force Survey 2010, ONS

\* Sample size too small for reliable estimate

Permanent employment increased by 14 per cent within the Financial, insurance and other professional services sector, which contrasts to the economy-wide average decline of two per cent over the period. The number of temporary employees in the Financial, insurance and other professional services sector fell by 35 per cent over the same period compared to an average decline of five per cent among the UK workforce.

## 4 Demand for, and value of, skills

### Chapter Summary

- The sector workforce is relatively well-qualified. More than half of the Financial, insurance and other professional services sector workforce (52 per cent) has higher level (Level 4+) qualifications.
- Qualification levels in the sector have been increasing over the past decade, faster than in the economy as a whole. The proportion of sector workers qualified to Level 1 and below has also fallen from 20 per cent in 2002 to 13 per cent in 2010.
- A relatively low share (35 per cent) of managers and professionals in the workforce are not qualified to Level 4 equivalent and the proportion without a Level 4 qualification has fallen rapidly in recent years, faster than in the economy as a whole.
- Specialist technical skills are increasingly in demand across the sector in addition to more generic skills such as customer service.
- Employers in the Financial, insurance and professional services sector are more likely than those in other sectors to report operating High Performing Work practices, such as access to flexible working, formal processes for identifying talented individuals and incorporating variety and discretion over work undertaken.
- More employees report receiving training in the Financial, insurance and other professional services sector. Job-specific training, training in new technologies and management training are typically funded or arranged for sector staff. Of those who do not arrange provision, 62 per cent of employers reported that their staff were fully proficient and that training was not required.



This chapter explores the demand for skills in terms of the nature of skills utilised in the sector. This is followed by an analysis of workforce qualification levels and a discussion of the value of skills.

## **4.1 Nature of skills used**

This section looks at the nature and demand for skills used in the Financial, insurance and other professional services sector, including:

- The level of skills required by different occupations
- The type of skills required by different occupations
- The minimum level of qualifications required by different occupations

### **4.1.1 Qualification level**

Table 4.1 summarises the nature of skills utilised by different occupational groups across the sector and highlights the level at which skills are required, the type of skills required and the generally acceptable minimum level of qualification expected for the skill level. The three largest occupational groups, managers, professionals and associate professionals, all generally require a Level 4 qualification.

**Table 4.1: Nature of skills used in the Financial, insurance and other professional services sector**

Broad occupational group	Sector occupations	Predominate level of skill required	Predominate type of skill required	Minimum qualification level (QCF) typically required
<b>Managers and senior officials</b>	Functional managers, quality and customer care managers, Financial institution and office managers	Higher	Technical, managerial, communication, customer service skills	4 / 7
<b>Professional occupations</b>	Information & communication technology, research professionals, legal professionals, business & statistical professionals	Higher	Technical	7
<b>Associate Professional and Technical</b>	IT service delivery occupations, Legal associate professionals, Business & finance associate professionals	Intermediate, higher	Technical	4 / 6
<b>Administrative and secretarial</b>	Administrative occupations (finance), administrative occupations (records), administrative occupations (communications), administrative occupations (general), secretarial and related occupations	Basic, intermediate	Customer service communication, technical	1 / 2
<b>Skilled Trades Occupations</b>	N/A			
<b>Personal service occupations</b>	N/A			
<b>Sales and customer service occupations</b>	Sales assistants and retail cashiers, sales related occupations, customer service occupations	Basic, intermediate	Customer service, communication	1
<b>Process, Plant and Machine Operatives</b>	N/A			
<b>Elementary Occupations</b>	Elementary Administration Occupations	Basic	Communication	Entry

Source: *Skills for Justice, 2012*

The latest qualification profile of workforces within different sectors of the economy is shown in Table 4.2. The Financial, insurance and other professional services sector is better qualified than the workforce average, with more than half holding higher level (Level 4+) qualifications (52 per cent) compared to 37 per cent UK-wide. Together with the government services sector, the Financial, insurance and other professional services also has the lowest share of workers without any qualifications, at just two per cent of the sector workforce, whereas seven per cent of workers have no qualifications across the UK.

**Table 4.2: Qualification profile of workforces with sectors, 2010 (UK)**

Sector	No qualifications	Level 1	Level 2	Level 3	Level 4 +	Total	Unweighted base
	%	%	%	%	%	'000s	'000s
Agriculture, forestry and fishing	18	21	22	15	24	406	2.978
Energy production and utilities	6	16	22	22	33	473	3.244
Manufacturing	9	19	21	22	29	2,969	20.404
Construction, building services, engineering and planning	7	16	23	28	27	2,697	17.927
Wholesale and retail trade	11	22	26	22	19	4,140	27.582
Transportation and storage	11	26	29	19	16	1,447	9.732
Hospitality, tourism and sport	10	20	27	22	20	2,046	13.183
Information and communication technologies	2	10	15	18	55	761	4.874
Creative media and entertainment	3	10	14	14	59	987	6.193
Financial, insurance & other professional services	2	12	18	17	52	2,001	12.805
Real estate and facilities management	14	23	22	17	23	978	6.565
Government services	2	12	19	20	46	2,209	15.100
Education	3	9	12	13	63	3,088	21.544
Health	3	10	14	12	61	2,087	14.749
Care	5	12	23	24	36	1,729	12.006
<b>All economy</b>	<b>7</b>	<b>16</b>	<b>21</b>	<b>20</b>	<b>37</b>	<b>28,854</b>	<b>194.437</b>

Source: Labour Force Survey 2010, ONS

Table 4.3 shows the qualifications profile of the economy across the UK. A significant minority of the UK workforce (37 per cent) is qualified to Level 4 or above. This figure is consistent across England (37 per cent), Wales (37 per cent) and Northern Ireland (35 per cent) and slightly higher in Scotland (40 per cent). Scotland also has a greater proportion of the workforce qualified to Levels 3 (22 per cent) compared to the nation average (20 per cent).

**Table 4.3: Qualification levels within all sectors by nation (2010)**

Level	UK	England	Scotland	Wales	Northern Ireland
	%	%	%	%	%
Level 4 +	37	37	40	37	35
Level 3	20	20	22	19	19
Level 2	21	21	18	22	20
Level 1 and below	23	23	20	22	25
Total	100	100	100	100	100
<i>Weighted base</i>	1,729	1,409	183	97	40
<i>Unweighted base</i>	194.437	161.490	17.022	8.693	7.232

Source: Labour Force Survey 2010, ONS

Qualification levels overall have been rising steadily as better qualified people enter the labour force and less well qualified employees retire. Table 4.4 shows the qualification profile for the UK for the period 2002 to 2010. Those with Level 4 + qualifications increased from 28 per cent in 2002 to 37 per cent in 2010, or 10.6 million workers. On the other hand, the proportion of the UK workforce with Level 1 or lower qualifications reduced from 30 per cent or 8.3 million workers in 2002 to 23 per cent or 6.6 million workers in 2010.

**Table 4.4: Qualification levels within all sectors, 2002-2010 (UK)**

Level	2002	2003	2004	2005	2006	2007	2008	2009	2010
	%	%	%	%	%	%	%	%	%
Level 4 +	28	29	30	31	32	33	33	35	37
Level 3	20	20	20	20	19	19	20	19	20
Level 2	22	22	21	20	22	22	21	21	21
Level 1 and below	30	29	29	29	27	27	26	24	23
Total	100	100	100	100	100	100	100	100	100
<i>Weighted base</i>	27,905	28,165	28,455	28,741	28,986	29,163	29,380	28,810	28,854
<i>Unweighted base</i>	247.232	237.919	172.402	210.643	222.190	221.039	216.986	203.217	194.437

Source: Labour Force Survey 2010, ONS

Table 4.5 shows the qualification profile of the Financial, insurance and other professional services sector across the UK nations. The pattern reflects the national distribution with Scotland having the highest qualified workforce, with 54 per cent holding a Level 4 or higher qualification compared to England (52 per cent), Wales (49 per cent) and Northern Ireland (48 per cent). Scotland also has the largest proportion of the sector workforce qualified to Level 3 (20 per cent) compared to the UK average (17 per cent), as well as the lowest shares of workers with qualifications at Level 1 and below (10 per cent) across the four nations.

**Table 4.5: Qualification levels within the Financial, insurance and other professional services sector by nation (2010)**

Level	UK	England	Scotland	Wales	Northern Ireland
	%	%	%	%	%
Level 4 +	52	52	54	49	48
Level 3	17	17	20	19	16
Level 2	18	18	17	20	24
Level 1 and below	13	14	10	12	*
Total	100	100	100	100	100
Weighted base (000s)	2,001	1,768	138	53	41
Unweighted base (000s)	12.805	11.123	0.948	0.359	0.375

Source: Labour Force Survey 2010, ONS

As with the UK as a whole, the Financial, insurance and other professional services sector workforce has become better qualified over the past decade with the proportion holding a Level 4 or higher qualification rising from 34 per cent in 2002 (566,000 people) to 52 per cent (or one million workers) in 2010 (Table 4.6). The proportion of sector workers qualified to Level 1 and below has fallen from 20 per cent or 334,200 workers in 2002 to 13 per cent or 260,130 workers in 2010.

**Table 4.6: Qualification levels within the Financial, insurance and other professional services sector, 2002-2010 (UK)**

Level	2002	2003	2004	2005	2006	2007	2008	2009	2010
	%	%	%	%	%	%	%	%	%
Level 4 +	34	35	36	36	38	41	42	49	52
Level 3	22	21	21	21	20	19	19	18	17
Level 2	24	24	22	21	23	22	21	19	18
Level 1 and below	20	20	21	22	18	18	18	15	13
Total	100	100	100	100	100	100	100	100	100
Weighted base (000s)	1,671	1,662	1,621	1,676	1,696	1,744	1,736	2,038	2,001
Unweighted base (000s)	14.341	13.526	9.407	11.763	12.457	12.646	12.207	13.692	12.805

Source: Labour Force Survey 2010, ONS

#### 4.1.2 Management and Leadership

Continuous improvement in management skills and leadership qualities is crucial to the competitiveness of the Financial, insurance and other professional services sector. One way in which to measure the skill set of managers and professionals is to examine the proportion of this cohort qualified to at least Level 4.

Across the UK, 35 per cent of managers and professionals are not qualified to Level 4 and above. This figure is broadly consistent across the four nations, with a significantly lower share of manager and professional employees in Northern Ireland without higher level qualifications (28 per cent). A lower proportion of managers and professionals in the Financial, insurance and other professional services sector (35 per cent) *do not* have a Level 4 qualification than the economy average (39 per cent).

**Table 4.7: Managers and professionals without Level 4+ qualifications (% of all managers and professionals)**

	UK	England	Scotland	Wales	Northern Ireland
	%	%	%	%	%
Agriculture, forestry and fishing	46	45	*	*	*
Energy production and utilities	50	50	47	74	*
Manufacturing	52	52	49	58	42
Construction	51	52	45	46	*
Wholesale and retail trade	65	65	61	65	59
Transportation and storage	62	63	63	*	*
Hospitality, tourism and sport	64	65	58	58	*
Information and communication technologies	39	40	33	*	*
Creative media and entertainment	35	35	43	*	*
Financial, insurance & other professional services	35	35	34	31	*
Real estate and facilities management	57	56	74	*	*
Government services	34	35	30	30	*
Education	11	12	9	*	*
Health	14	14	*	*	*
Care	30	29	33	*	*
All economy	39	39	37	35	28

Source: Labour Force Survey 2010, ONS

\* Sample size too small for reliable estimate.

Across the UK, qualification levels have also been rising among managerial and professional groups. Table 4.8 shows the proportion of UK managers and professionals who do *not* possess a Level 4 or higher qualifications between 2002 and 2010 and shows a decline from 45 per cent in 2002 to 39 per cent in 2010.

**Table 4.8: Managers and professionals without Level 4+ qualifications, all sectors, 2002-2010 (UK)**

		2002	2003	2004	2005	2006	2007	2008	2009	2010
Managers or professionals without L4 or higher qualifications	000s	3,194	3,290	2,517	3,027	3,335	3,401	3,381	3,248	3,177
	%	45	44	33	39	42	42	41	39	39
<i>Weighted base (number of managers and professionals)</i>	000s	7,091	7,400	7,686	7,859	7,912	8,053	8,168	8,283	8,208

Source: Labour Force Survey 2010, ONS

In the Financial, insurance and other professional services sector the proportion of managers and professionals without higher level qualifications within the sector dropped at a faster rate than the UK as a whole, from 48 per cent in 2002 to 35 per cent in 2010 (Table 4.9).

**Table 4.9: Managers and professionals without Level 4+ qualifications in the Financial, insurance and other professional services sector, 2002-2010 (UK)**

		2002	2003	2004	2005	2006	2007	2008	2009	2010
Managers or professionals without L4 or higher qualifications	000s	242	265	207	243	264	285	282	317	319
	%	48	49	37	42	45	45	44	37	35
<i>Weighted base (number of managers and professionals)</i>	000s	505	542	565	580	584	628	635	854	922

Source: Labour Force Survey 2010, ONS

### 4.1.3 Specific Skills Requirements

The specific, technical skills required by the Financial, insurance and other professional services sector are varied, relative to the specific sub-sector within which individual are employed.

Recent research carried out by the main SSCs representing the Financial, insurance and other professional services sector helped identify a number of cross-cutting skills needs across the sector (see Appendix A for further details). Many of these needs were consistent with previous findings from recent Sector Skills Agreements<sup>5</sup>. The remaining part of this section draws on some of the specifics.

<sup>5</sup> Sector Skills Agreements (SSAs) are facilitated by SSCs and map out what skills employers need their workforce to have and how these skills will be supplied.

The agreements identified a number of skills development priorities in **accountancy and finance** including:

- The need for improved team work skills particularly amongst graduates and school leavers
- The requirement to strengthen analytical and presentation skills
- The requirement to improve knowledge of decision-making processes
- The requirement for improved business understanding, take broader views and not work in silos

Some of the common themes to emerge across the **insurance** sub-sector were:

- Sector attraction / industry image
- Career pathways in areas that have traditionally been less prestigious such as Claims
- Specialist skills shortages such as project management and research and analysis skills
- Issues with education providers / employability skills of new entrants

Within **underwriting** occupations for instance, there is shallow pool for recruitment, especially technical and professional categories. Qualified and part-qualified actuaries are also hard to recruit. Often the situation leads to overpayment for right skills.

While **banking** roles are seen as more attractive to bright graduates, there remains a short supply of actuaries. This results in higher workloads on those with key skills. The main demands identified by practitioners within banking are customer service, data analytics and management skills.

**Life and pensions** occupations face extreme challenges in sourcing high quality candidates. The key skills needed include people skills, numeracy skills and ICT capabilities. Life and pensions occupations also have needs for better career development pathways.

The main needs identified for **broking** roles include project management skills, insurance product design, risk management, marketing and administration.



The **legal professions** are subject to a high level of mandatory regulation, the purpose of which is to protect the public, and which includes specifications regarding training and qualification to enter the profession, the conduct of practitioners and for their continuing professional development. Regulatory arrangements are in place for the nine classes of lawyers. These include:

- Solicitors
- Barristers'
- Advocates
- Legal Executive Lawyers
- Licensed Conveyancers
- Patent Attorneys
- Trade Mark Attorneys
- Law Costs Draftsmen
- Notaries.

While the Chartered Institute of Legal Executives currently regulates over 13,000 Paralegals and a voluntary registration scheme established by the Law Society in 2010 exists in Scotland, there is still significant room for the regulation of a growing number of Paralegals. Legal professions face a number of identified skills needs and issues. Many of these are associated with the changing economic climate and with changing business practices. They include:

- The need for better entrepreneurship skills and commercial awareness in order to understand clients better and be more responsive to their needs, and also to be able to build up an maintain a client base with less reliance on informal contacts
- The requirement for better Financial management skills, particularly in relation to tendering for publicly funded work
- The need for lawyers to develop the ability to be more mobile and flexible between areas of work (for example to be able to switch to insolvency work)
- The need for formal training and qualification for barristers' clerks to make the role more accessible to those from different backgrounds, and the training to include business skills

- The requirement for a more stratified and multi-skilled workforce: a wider-ranging skills base for people working as a first point of contact (but possibly with lower, not necessarily degree level, legal training), and more specific skill sets at further levels of specialisation
- The need for better skills in working with other professionals, as well as more generic skills at the point of entry to a legal profession (such as finding and using written sources and workload planning)
- The need to focus more on developing skills based on competency-frameworks, and to ensure that competencies are also available and mapped out at firm-level (regulators increasingly focus on this).

In addition to technical skills requirements, employers within the Financial, insurance and other professional services sector indicate a desire for looking beyond an individual's qualifications for broader non-technical skills. For instance, all roles now place an emphasis on customer service, for both internal and external customers. Emphasis also remains on numeracy and literacy for entry level jobs.

## **4.2 Value of skills**

Human capital is “the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being” (OECD, 2007b p. 29) and developing human capital is central to improving productivity. Recently, the UKCES reviewed the evidence on the significance of human capital development and, in particular, investment in skill development can raise productivity and business performance (UKCES, 2010c).

The Government recognises that skills are vital to the nation's future and that higher skill levels can help to stimulate the private-sector growth that will bring new jobs (DBIS, 2010b).

Employers in the Financial, insurance and other professional services place a high value on skilled workers. They are particularly appreciative when new entrants show an understanding of the sector and general commercial awareness (FSP, 2011f).

Employers also believe that if their potential employees can demonstrate that they understand the basics, then in-house training within the organisation can ensure their knowledge increases. Employers further welcome workers who have taken the time to understand the broad economic environment in which Financial, insurance and other professional services sector organisations operate as well as current commercial and non-commercial challenges of the sector (FSP, 2011f).

#### **4.2.1 High performance working**

The UKCES has built up a body of evidence on how organisations can be successfully run to achieve High Performance Working (HPW). The Commission has adapted the definition of (Belt and Giles, 2009). They describe HPW as:

“A general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance. The precise form HPW takes within an organisation will vary depending on context, but will include activities in the areas of: human resource management (e.g. pay and incentives, appraisal, workforce development), work organisation (e.g. team working and job design), employment relations, management and leadership (including strategic management and business development as well as line management), and organisational development. Importantly, the HPW approach is specifically designed to enhance the discretionary effort employees put into their work, and to fully utilise the skills that they possess. It needs to be underpinned by a philosophy of people management that emphasises autonomy, participation and learning” (UKCES, 2010d, p.10).

HPW requires the implementation of a number of practices in a holistic way to manage an organisation effectively. It provides a means to stimulate businesses to review their business strategies; move up the value chain (i.e. by delivering higher value goods and services); raise their demand for high skills; reorganise their work; and by so doing improve skills utilisation in the workplace and, hence, firm performance (ibid).

Employers in the Financial, insurance and professional services sector are more likely than those in other sectors to operate HPW practices. Tables 4.10-4.13 below show that:

- 51 per cent of establishments in the Financial, insurance and professional services sector have processes, either formally or informally, in place to spot high potential or talented individuals, six percentage points above the average (Table 4.10).
- 90 per cent of employers in the sector report that their employees have variety in their work to at least some extent. This is three percentage points above the average (Table 4.11).

- Sector employees tend to have autonomy within the workplace with sector employers reporting that 90 per cent of employees have discretion over the work that they do. This compares to 87 percent for all sectors (Table 4.12).
- Table 4.13 shows that flexible working has long been established in the Financial, insurance and professional services sector and 84 per cent of employees have access to it to some extent, six percentage points above the average (78 per cent).

**Table 4.10: Whether establishment has formal processes in place to identify 'high potential' or talented individuals**

	Yes, formally documented		Yes, informally		No		Don't know		Unweighted base	Weighted base
	No.	%	No.	%	No.	%	No.	%		
Agriculture, forestry and fishing	5,652	5	30,105	27	72,671	64	4,348	4	820	112,776
Energy production and utilities	2,191	17	4,077	31	6,385	49	486	4	866	13,138
Manufacturing	15,955	12	41,908	31	72,179	54	3,456	3	4,001	133,498
Construction	21,136	7	89,742	29	185,426	61	8,056	3	4,570	304,360
Wholesale and retail trade	79,322	17	144,464	31	229,455	49	18,075	4	8,093	471,317
Transportation and storage	12,217	10	30,841	26	73,328	61	4,419	4	2,400	120,805
Accommodation, food and tourism activities	32,190	15	69,719	32	109,728	50	7,234	3	5,819	218,871
Information and communication	5,976	8	23,608	32	42,403	58	1,136	2	1,261	73,123
Creative media and entertainment	11,873	8	48,322	33	83,861	57	3,495	2	1,959	147,551
Financial, insurance & other professional services	31,220	18	56,823	33	80,911	47	3,669	2	2,680	172,623
Real estate and facilities management	20,259	13	48,382	30	83,504	52	9,000	6	1,745	161,145
Government	11,426	21	16,967	31	25,307	46	1,600	3	1,379	55,300
Education	18,653	32	20,236	34	18,789	32	1,231	2	2,780	58,909
Health	10,508	20	15,684	30	24,879	47	1,427	3	1,739	52,498
Care	25,788	28	26,675	29	32,817	36	6,485	7	2,455	91,765
All economy	320,952	14	702,866	31	1,198,876	52	77,227	3	44,691	2,299,921

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All establishments in Module 1 and Scotland

**Table 4.11: Extent to which employees have variety in their work**

	To a large extent		To some extent		Not much		Not at all		Don't know		Unweighted base	Weighted base
	No.	%	No.	%	No.	%	No.	%	No.	%		
Agriculture, forestry and fishing	76,675	68	24,469	22	7,742	7	2,816	2	1,074	1	820	112,776
Energy production and utilities	5,929	45	4,909	37	1,795	14	406	3	100	1	866	13,138
Manufacturing	67,095	50	48,484	36	12,899	10	3,756	3	1,262	1	4,001	133,498
Construction	179,144	59	88,851	29	24,047	8	9,313	3	3,003	1	4,570	304,360
Wholesale and retail trade	238,562	51	168,884	36	48,318	10	11,692	2	3,861	1	8,093	471,317
Transportation and storage	53,146	44	35,613	29	17,947	15	13,259	11	840	1	2,400	120,805
Accommodation, food and tourism activities	86,140	39	83,543	38	37,117	17	9,289	4	2,782	1	5,819	218,871
Information and communication	46,346	63	21,687	30	3,293	5	417	1	1,381	2	1,261	73,123
Creative media and entertainment	99,587	67	37,290	25	7,267	5	2,237	2	1,170	1	1,959	147,551
Financial, insurance & other professional services	94,803	55	60,363	35	12,493	7	3,148	2	1,816	1	2,680	172,623
Real estate and facilities management	92,156	57	51,012	32	15,579	10	1,561	1	837	1	1,745	161,145
Government	33,925	61	17,273	31	2,855	5	391	1	856	2	1,379	55,300
Education	38,306	65	17,346	29	2,187	4	619	1	452	1	2,780	58,909
Health	26,622	51	19,718	38	5,203	10	694	1	260	**	1,739	52,498
Care	54,001	59	31,224	34	4,410	5	972	1	1,159	1	2,455	91,765
All economy	1,256,316	55	745,134	32	212,192	9	64,300	3	21,979	1	44,691	2,299,921

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All establishments in Module 1 and Scotland

**Table 4.12: Extent to which employees have discretion over how they do their work**

											<i>Unweighted base</i>	<i>Weighted base</i>
	<b>To a large extent</b>		<b>To some extent</b>		<b>Not much</b>		<b>Not at all</b>		<b>Don't know</b>			
	No.	%	No.	%	No.	%	No.	%	No.	%		
Agriculture, forestry and fishing	61,757	55	39,087	35	6,625	6	2,485	2	2,821	3	820	112,776
Energy production and utilities	5,809	44	4,957	38	1,467	11	557	4	348	3	866	13,138
Manufacturing	63,859	48	49,442	37	11,926	9	5,326	4	2,945	2	4,001	133,498
Construction	167,066	55	103,337	34	18,624	6	10,627	3	4,706	2	4,570	304,360
Wholesale and retail trade	222,298	47	182,574	39	44,174	9	13,608	3	8,663	2	8,093	471,317
Transportation and storage	60,073	50	38,390	32	12,736	11	8,160	7	1,446	1	2,400	120,805
Accommodation, food and tourism activities	88,190	40	87,712	40	28,331	13	9,926	5	4,712	2	5,819	218,871
Information and communication	48,851	67	20,130	28	3,082	4	614	1	446	1	1,261	73,123
Creative media and entertainment	94,306	64	39,623	27	5,912	4	3,212	2	4,498	3	1,959	147,551
Financial, insurance & other professional services	88,150	51	62,426	36	15,688	9	5,292	3	1,068	1	2,680	172,623
Real estate and facilities management	95,298	59	48,171	30	11,255	7	4,656	3	1,765	1	1,745	161,145
Government	32,235	58	17,718	32	3,674	7	810	1	863	2	1,379	55,300
Education	27,530	47	26,592	45	3,231	5	660	1	897	2	2,780	58,909
Health	22,195	42	21,678	41	6,472	12	1,544	3	608	1	1,739	52,498
Care	48,843	53	36,123	39	3,779	4	1,532	2	1,488	2	2,455	91,765
All economy	1,188,767	52	814,655	35	185,638	8	71,823	3	39,037	2	44,691	2,299,921

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All establishments in Module 1 and Scotland

**Table 4.13: Extent to which employees at establishment have access to flexible working**

	To a large extent		To some extent		Not much		Not at all		Don't know		Unweighted base	Weighted base
	No.	%	No.	%	No.	%	No.	%	No.	%		
Agriculture, forestry and fishing	48,869	43	41,468	37	12,485	11	8,004	7	1,950	2	820	112,776
Energy production and utilities	4,781	36	4,419	34	2,431	19	1,450	11	58	**	866	13,138
Manufacturing	52,687	39	44,362	33	17,955	13	16,667	12	1,827	1	4,001	133,498
Construction	139,674	46	101,224	33	33,585	11	26,266	9	3,610	1	4,570	304,360
Wholesale and retail trade	176,251	37	168,909	36	64,843	14	56,324	12	4,991	1	8,093	471,317
Transportation and storage	44,233	37	38,327	32	16,329	14	20,683	17	1,233	1	2,400	120,805
Accommodation, food and tourism activities	99,272	45	77,239	35	22,537	10	17,703	8	2,120	1	5,819	218,871
Information and communication	42,992	59	20,273	28	5,342	7	4,226	6	289	**	1,261	73,123
Creative media and entertainment	83,200	56	44,734	30	10,011	7	7,602	5	2,004	1	1,959	147,551
Financial, insurance & other professional services	89,019	52	55,484	32	15,828	9	11,747	7	546	**	2,680	172,623
Real estate and facilities management	77,691	48	52,389	33	16,393	10	13,861	9	811	1	1,745	161,145
Government	34,229	62	15,040	27	3,343	6	1,865	3	823	1	1,379	55,300
Education	14,445	25	21,754	37	12,772	22	9,545	16	393	1	2,780	58,909
Health	14,407	27	23,130	44	9,761	19	5,025	10	174	**	1,739	52,498
Care	38,920	42	35,210	38	9,701	11	6,858	7	1,075	1	2,455	91,765
All economy	1,012,366	44	783,411	34	264,071	11	216,701	9	23,372	1	44,691	2,299,921

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All establishments in Module 1 and Scotland



The sector is highly competitive in global terms and is often characterised by the need to sustain a high level performance through attractive Financial incentives. However, it is even more important to create a high performing workplace in which workers find hard work both fulfilling and worthy of committing their career to (Sung and Ashton, 2005).

Different HPW practices are likely to be used in different sectors to achieve different business outcomes. Companies in the Financial, insurance and other professional services sector make intensive use of Financial incentives (Sung and Ashton, 2005), whereas in manufacturing and business services more use is made of high involvement practices.

Sung and Ashton (2005) also note that HPW is also used in the Financial, insurance and other professional services sector to achieve innovation and generate fresh ideas. This is often accomplished through a combination of high involvement and reward and commitment practices. Sung and Ashton further argued that while pay is important in attracting the highly skilled into organisations, it is not always sufficient to ensure that highly skilled individuals will necessarily bring performance into the sector, especially where organisations rely much more on teamwork.

If an organisation seeks to perform effectively locally and/or globally, it must have a workforce with the apt skills to address business activities. In addition to this, visionary leadership and management are crucial to deliver the expectations of HPW. For Financial, insurance and other professional services sector organisations, ambitious and effective leadership will be required to make the best use of opportunities in the current political and economic climate. For instance, global economic frictions have led to numerous organisations within the Financial, insurance and other professional services sector embracing an attitude of change in their operations. The amount of change in the industry means that longer-term planning of learning and skills development is difficult. An important precondition for the successful delivery of organisational change would be the up-skilling of managers and other staff in leadership positions across the Financial, insurance and other professional services sector.

#### **4.2.2 Skills utilisation**

Previous sections of this report have emphasised the importance of skills development as an important ingredient for economic growth. However, skills are generally insufficient on their own to maximise productivity. There needs to be a balance between the demand for skills, their supply and most importantly, their effective use in the workplace (UKCES, 2010c). Efficient and effective skills utilisation not only increases productivity but also creates an environment with more satisfying jobs. An improvement on the way skills are used within the Financial, insurance and other professional services sector will ultimately ensure organisations are able to weather the storm of the economic downturn. Many of the issues ensuing from the discussions at the 2009 National Economic Forum held in Scotland (Scottish Government, 2009) are common across the Financial, insurance and other professional services sector. Some of these issues include:

- The need to continuously encourage the sharing of good practice in skills development and utilisation across the sector
- The need for Government to take a leading role in fostering closer working between industry and learning providers
- The requirement for agile management and leadership skills at all levels
- The need for improved commitment to investment in training particularly to the bottom line
- The requirement for improved responsiveness by education providers to employer needs
- The work readiness of recruits from schools, colleges and universities need to be re-visited
- The need to align skill development with investment in technological infrastructure

In line with the significance of better utilisation of skills across all sectors, the UK Government has set an enduring aspiration that aims to raise productivity at a faster rate than most of its major competitors (HM Treasury, 2000, 2002, 2007). In light of the ongoing recession, training provision remains an important conduit for fitting these aspirations together. Training is traditionally required to cover essential work-related skills, techniques and knowledge.

### 4.3 Provision of training

This section looks at the level and extent of training provision to examine the proportion of workplaces in the Financial, insurance and other professional services sector providing training for their staff.

Table 4.14 shows the percentage of employees receiving training in the last four weeks by sector and nation. Sector employees who reported receiving training (17 per cent) is consistent with the all-sector average (16 per cent). The proportion of employees in receipt of training in the last four weeks varies substantially across the UK nations. More sector employees in Wales (26 per cent) and Scotland (23 per cent) reported receiving training than in England (16 per cent). The economy figures across the four nations remain fairly consistent by contrast.

**Table 4.14: Percentage of employees receiving training in last 4 weeks, 2010 (all nations)**

Sector	UK	England	Scotland	Wales	Northern Ireland
	%	%	%	%	%
Agriculture, forestry and fishing	11	12	*	*	*
Energy production and utilities	11	11	15	*	*
Manufacturing	10	9	11	9	13
Construction, building services, engineering and planning	14	13	16	16	*
Wholesale and retail trade	10	10	11	11	8
Transportation and storage	9	9	8	*	*
Hospitality, tourism and sport	14	14	14	23	*
Information and communication technologies	11	11	*	*	*
Creative media and entertainment	12	12	*	33	*
Financial, insurance & other professional services	17	16	23	26	*
Real estate and facilities management	10	10	10	*	*
Government services	18	19	17	13	7
Education	22	22	23	20	11
Health	27	29	21	19	14
Care	25	25	23	31	*
All economy	16	16	16	16	10
Weighted base (000s)	3,705	3,124	344	176	61
Unweighted base (000s)	4.959	4.149	0.472	0.230	0.108

Source: Labour Force Survey 2010, ONS

\*Sample size too small for reliable estimate

Table 4.15 shows the proportion of employees in receipt of training in the last 13 weeks by sector and UK nation for 2010. Slightly more employees in the Financial, insurance and other professional services sector (33 per cent) reported receiving training in the last 13 weeks than the economy average (30 per cent). As with responses over four weeks (table 4.15), employees in Wales (40 per cent) and Scotland (37 per cent) in the Financial, insurance and other professional services sector are more likely to have been trained than in the other parts of the UK.

**Table 4.15: Percentage of employees receiving training in last 13 weeks, 2010 (all nations)**

Sector	UK	England	Scotland	Wales	Northern Ireland
	%	%	%	%	%
Agriculture, forestry and fishing	24	26	*	*	*
Energy production and utilities	25	23	30	*	*
Manufacturing	20	20	21	18	19
Construction, building services, engineering and planning	28	28	29	26	17
Wholesale and retail trade	19	19	19	16	14
Transportation and storage	22	23	22	*	*
Hospitality, tourism and sport	23	23	22	30	*
Information and communication technologies	24	24	29	*	*
Creative media and entertainment	22	22	*	43	*
Financial, insurance & other professional services	33	32	37	40	23
Real estate and facilities management	18	18	23	*	*
Government services	37	38	36	33	25
Education	42	42	43	37	28
Health	50	52	46	43	38
Care	48	49	44	48	24
All economy	30	30	31	29	22
Weighted base (000s)	7,181	6,065	668	312	137
Unweighted base (000s)	9.729	8.132	0.934	0.414	0.249

Source: Labour Force Survey 2010, ONS

\*Sample size too small for reliable estimate

The UK Commission's Employer Skills Survey (UKCES, 2012) also asks employers about the provision of training (table 4.17). A greater number of sector employers report providing training for their staff (67 per cent) than throughout the economy as a whole (59 per cent). A larger share of employers in Wales (80 per cent) and Northern Ireland (73 per cent) report providing training in the sector than in England (66 per cent) and Scotland (64 per cent).

**Table 4.16: Employers providing training by sector**

	UK		England		Scotland		Wales		Northern Ireland	
	Number	%	Number	%	Number	%	Number	%	Number	%
Agriculture, forestry and fishing	58,869	53	42,577	54	†7,737	†58	3,536	34	5,019	71
Energy production and utilities	8,743	69	6,858	69	1,040	81	554	67	291	54
Manufacturing	73,972	57	61,935	55	6,629	71	3,464	64	1,944	51
Construction	163,641	53	137,473	53	13,506	63	7,193	55	5,469	51
Wholesale and retail trade	261,948	56	218,681	55	23,692	67	11,347	54	8,228	58
Transportation and storage	55,004	45	46,106	43	5,633	70	2,103	50	1,161	52
Accommodation, food and tourism activities	134,314	61	108,618	60	15,665	71	6,570	58	3,461	59
Information and communication	39,090	54	34,418	52	†2,974	†83	1,215	62	483	44
Creative media and entertainment	74,069	52	63,945	51	†5,976	†54	2,690	57	1,457	71
<b>Financial, insurance &amp; other professional services</b>	<b>114,074</b>	<b>67</b>	<b>101,640</b>	<b>66</b>	<b>5,354</b>	<b>64</b>	<b>4,605</b>	<b>80</b>	<b>2,474</b>	<b>73</b>
Real estate and facilities management	95,068	57	85,826	57	†6,652	†55	1,340	44	1,249	67
Government	41,608	76	32,980	74	4,715	85	2,343	87	1,571	77
Education	55,629	86	45,309	85	4,348	97	2,941	92	3,031	92
Health	44,797	86	38,133	85	3,208	99	2,216	79	1,239	84
Care	73,669	84	60,516	84	6,798	81	3,562	81	2,793	86
Whole economy	1,361,250	59	1,141,560	50	119,847	68	58,171	59	41,668	64
<i>Weighted base</i>	2,299,921		1,960,298		175,115		98,952		65,558	
<i>Unweighted base</i>	87,572		75,053		2,503		6,012		4,004	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All employers

† Treat figures with caution due to small unweighted base size of 50-99 establishments in Scotland

The majority of employers in the sector (63 per cent) reported that they are providing training for managers, directors and senior officials occupations, which is slightly higher than for the economy as a whole (61 per cent). More training in the Financial, insurance and other professional services sector is reported among the administrative and secretarial occupations (38 per cent) than across sectors (27 per cent).

**Table 4.17 Employers providing training to employees by occupational group**

	Financial, Insurance and other professional services		All economy	
	Number	%	Number	%
Managers, Directors and senior officials occupations	72,359	63	825,928	61
Professional occupations	25,074	22	152,106	11
Associate professional and technical occupations	14,099	12	124,610	9
Administrative and secretarial occupations	43,128	38	372,218	27
Skilled trades occupations	1,763	2	192,480	14
Personal service occupations	182	**	129,265	9
Sales and customer service occupations	24,881	22	261,082	19
Process, plant and machine operatives	654	1	96,592	7
Elementary occupations	1,621	1	217,981	16
Other	1,506	1	35,410	3
Don't know	1,497	1	20,638	2
Arrange training for all categories of staff employed	63,301	55	714,095	52
Arrange training for some (but not all) categories of staff employed	50,772	45	647,154	48
<i>Weighted base</i>	114,074		1,361,249	
<i>Unweighted base</i>	4,364		66,916	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All establishments providing training

The types of training typically funded or arranged for employees in the Financial, insurance and other professional services sector are job-specific training (89 per cent) and training in new technology (54 per cent). Larger shares of the UK workforce are reported by employers to receive health and safety (71 per cent) and induction training (52 per cent) than in the sector.

**Table 4.18: Type of training funded or arranged for employees**

	Financial, Insurance and other professional services		All economy	
	Number	%	Number	%
Job specific training	101,752	89	1,149,860	84
Health and safety/first aid training	53,970	47	970,183	71
Induction training	48,248	42	702,846	52
Training in new technology	61,924	54	641,023	47
Management training	37,840	33	457,763	34
Supervisory training	30,109	26	437,577	32
Personal Development Training*	5,437	5	45,451	3
Other	239	**	4,101	**
None of these	395	**	8,809	1
Don't know	231	**	2,412	**
<i>Weighted base</i>	114,074		1,361,249	
<i>Unweighted base</i>	4,364		66,916	

Source: UK Commission's Employer Skills Survey (Davies et al, 2012)

Base: All establishments providing training

**Table 4.19: Barriers to training**

	Financial, insurance and other professional services		Whole economy	
	Number	%	Number	%
All our staff are fully proficient / no need for training	33,379	62	591,690	64
No money available for training	4,823	9	96,037	10
Training is not considered to be a priority for the establishment	6,498	12	81,427	9
No training available in relevant subject area	3,498	7	58,741	6
Managers have lacked the time to organise training	1,337	2	26,023	3
Learn by experience/Learn as you go	2,879	5	21,758	2
External courses are too expensive	1,041	2	20,193	2
Small firm/training not needed due to size of establishment	362	1	14,808	2
Employees are too busy to undertake training and development	457	1	14,293	2
Employees are too busy to give training	1,245	2	11,745	1
Business not operating long enough/New business (inc. takeover transition)	498	1	11,372	1
Trained staff will be poached by other employers	524	1	5,983	1
I Don't know what provision is available locally	280	1	5,353	1
The start dates or times of the courses are inconvenient	34	**	5,220	1
The courses interested in are not available locally	88	**	4,518	**
No new staff (only train new staff)	74	**	3,637	**
The quality of the courses or providers locally is not satisfactory	290	1	2,728	**
Difficult to get information about the courses available locally	7	**	1,788	**
Other	2,924	5	37,499	4
No particular reason	1,870	3	43,226	5
Don't know	574	1	10,195	1
<i>Weighted base</i>	53,578		919,212	
<i>Unweighted base</i>	924		19,924	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All establishments that do not provide training

\*Data suppressed as unweighted base < 25

\*\* Denotes a figures of greater than 0% but less than 0.5%

Table 4.19 shows the reasons why employers have not funded or arranged training for any employees over the last 12 months.



The majority of employers who do not provide training across the Financial, insurance and other professional services sector (62 per cent) stated that all their employees are fully proficient and that there is no need for training. Just over a tenth of employers (12 per cent) in the sector stated that training was not seen as a priority for their organisation. A further nine per cent of employers cited no money available for training as a barrier to arranging training over the last 12 months. These proportions are consistent with figures for the entire economy.

## 5 Extent of skills mis-match

### Chapter Summary

- The proportion of employment in the sector accounted for by vacancies (three per cent) is higher than across the whole economy (two per cent). However, the proportion of these vacancies that are classed as hard-to-fill (20 per cent) is lower than across the whole economy (23 per cent).
- Skill shortage vacancies account for 18 per cent of all vacancies in the sector, compared to 16 per cent across the whole economy.
- Associate professional roles are the most likely to be hard to fill, due mainly to a shortage of applicants with the right skills. The main skills in short supply are job-specific and technical capabilities such as actuaries in insurance sub-sector.
- 12 per cent of sector employers report skill gaps, again in line with employers across all sectors. Skill gaps are particularly concentrated on sales and customer service jobs.
- Relatively low levels of under-employment in the sector and high wages could be seen as evidence of skills mismatch but are also likely to reflect the high

This chapter will explore the extent of skills mis-match in the Financial, insurance and other professional services sector, including:

- The profile of vacancies in the sector;
- The extent of staff retention difficulties, impacts on sector employers and steps taken to overcome these issues;
- The extent of skills gaps among the existing Financial, insurance and other professional services workforce, as reported by employers. The impact of skills gaps and steps taken by employers to overcome these issues will also be covered;
- The extent to which skills mismatches are reflected in wage differentials and the reliance of the sector on an international supply of labour.

## **5.1 Extent of vacancies**

This section discusses the current level of vacancies and hard-to-fill vacancies as reported by employers as well as the proportion of these vacancies that are due to a lack of required skills.

Table 5.1 indicates that Financial, insurance and other professional services sector establishments across the UK currently had 58,847 vacancies (three per cent of employment) in 2011 which is slightly higher than the UK average of two per cent. Of these sector vacancies, 11,732 (20 per cent) are classed as hard-to-fill and of these hard-to-fill vacancies, 10,623 (18 per cent of all vacancies) are classed as skills shortage vacancies.

The wholesale and retail trade sector has the most number of vacancies, partly reflecting the size of the sector in terms of jobs. Employers in Agriculture and Construction are more likely than those in other sector to find difficulty filling their vacancies, with 40 per cent hard-to-fill (Table 5.1). Employers in the Financial, insurance and other professional services sector have a below average proportion of hard-to-fill vacancies (20 per cent) compared to 23 per cent across all sectors.

Construction (26 per cent) and Agriculture (29 per cent) are the two sectors where vacancies due to a lack of required skills are most prevalent. Just under a fifth (18 per cent) of employers in the Financial, insurance and other professional services sector describe any roles as hard-to-fill due to skills shortages. This is slightly above average for the economy as a whole (16 per cent).

**Table 5.1: Profile of vacancies by sector**

	Volume			%			Weighted base	Unweighted base
	Vacancies <sup>6</sup> 7	HTF <sup>8</sup> vacancies	SSV <sup>9</sup> (prompted and unprompted)	Vacancies as a % of employment	HTF vacancies as a % vacancies	SSV as a % vacancies		
Agriculture, Forestry and Fishing	14,641	5,785	4,238	3	40	29	466,870	19,506
Energy Production and Utilities	9,343	1,590	1,236	3	17	13	333,050	47,228
Manufacturing	40,252	11,834	9,711	2	29	24	2,541,188	291,593
Construction, Building Services Engineering and Planning	47,241	19,103	12,394	2	40	26	2,235,270	150,111
Wholesale and Retail Trade	95,390	17,441	12,619	2	18	13	4,674,684	514,820
Transportation and Storage	25,734	4,739	3,182	2	18	12	1,320,126	114,658
Hospitality, Tourism and Sport	73,886	18,245	11,179	3	25	15	2,313,487	258,524
Information and Communication Technologies	29,361	5,449	4,937	5	19	17	614,641	53,681
Creative Media & Entertainment	37,885	6,824	5,502	3	18	15	1,086,978	87,953
<b>Financial, Insurance and other Professional Services</b>	<b>58,847</b>	<b>11,732</b>	<b>10,623</b>	<b>3</b>	<b>20</b>	<b>18</b>	<b>2,052,039</b>	<b>112,945</b>
Real Estate and Facilities Management	31,155	5,773	4,252	3	19	14	1,183,601	91,204
Government Services	35,917	9,330	5,938	2	26	17	1,780,058	223,796
Education	34,684	4,984	3,729	1	14	11	2,538,545	387,221
Health	27,811	5,281	3,330	1	19	12	2,004,436	219,765
Care	37,494	5,924	3,335	2	16	9	1,504,729	157,681
Not Within Scope	36,266	9,533	7,248	4	26	20	897,422	86,007
<b>Total</b>	<b>635,907</b>	<b>143,564</b>	<b>103,453</b>	<b>2</b>	<b>23</b>	<b>16</b>	<b>27,547,123</b>	<b>2,816,693</b>

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Bases: vary - vacancies as a percentage of employment based on all employment, hard-to-fill vacancies as a % of vacancies based on all vacancies and SSVs as a % of vacancies based on all vacancies.

<sup>6</sup> How many vacancies, if any, do you currently have at this establishment?

<sup>7</sup> How many vacancies do you have to [each occupation]?

<sup>8</sup> Are any of these vacancies proving hard-to-fill?

<sup>9</sup> You said that you have had problems with the quality of the candidates for [occupation]. Would you say that they have been lacking... the skills you look for?

The share of vacancies, hard-to-fill vacancies and skill shortage vacancies in the Financial, insurance and other professional services sector, relative to employment is significantly higher in Northern Ireland compared with the other nations (Table 5.2). There are roughly 11 vacancies for every hundred jobs in the sector in Northern Ireland, compared with three in a hundred in England and two in a hundred in Scotland and Wales. Hard-to-fill and skill shortage vacancies in the sector are also more common in Northern Ireland than elsewhere. Finance and professional service employers have difficulty filling 44 per cent of vacancies in the province, compared with between seven and 19 per cent of vacancies across the rest of the UK. However a relatively high proportion of all vacancies are difficult to fill in Northern Ireland and proportion of vacancies that are hard to fill in the sector is the same as the all sector average.

Table 5.2 indicates that four per cent of employers based in the Financial, insurance and other professional services sector have experienced difficulties retaining staff in particular job roles, compared to five per cent across the whole UK economy.

**Table 5.2: Profile of vacancies by sector and nation**

	Vacancies as a % employment				HTF vacancies as a % vacancies				SSV as a % vacancies			
	England	Scotland	Wales	NI	England	Scotland	Wales	NI	England	Scotland	Wales	NI
Agriculture, Forestry & Fishing	3	†4	2	0	36	†45	87	0	28	†22	85	0
Energy Production & Utilities	2	7	4	1	11	22	32	49	9	17	22	25
Manufacturing	2	1	2	2	28	39	30	33	23	36	27	29
Construction, Building Services Engineering and Planning	2	2	2	1	42	29	41	27	26	24	34	16
Wholesale & Retail Trade	2	2	2	2	18	17	23	32	13	10	12	18
Transportation and Storage	2	2	3	1	17	6	48	60	12	3	29	11
Hospitality, Tourism and Sport	3	3	4	2	23	25	56	29	13	17	41	23
Information and Communication Technologies	5	†5	3	3	18	†35	19	13	16	†28	17	13
Creative Media & Entertainment	3	†2	5	11	20	†1	18	7	16	†0	16	4
Financial, Insurance & other Professional Services	3	2	2	11	19	7	12	44	17	6	12	44
Real Estate & Facilities Management	3	†1	2	1	18	†29	17	0	14	†22	12	*
Government Services	2	1	2	2	25	10	46	43	17	5	4	36
Education	1	2	1	1	16	6	6	16	12	2	5	11
Health	2	1	1	1	19	19	17	27	12	9	13	27
Care	3	1	3	3	16	19	20	13	9	16	13	3
Total	2	2	2	2	22	20	36	44	16	14	22	22
<i>Weighted base</i>	23,198,476	2,381,601	1,182,314	784,732	545,064	45,749	25,542	19,552	545,064	45,749	25,542	19,552
<i>Unweighted base</i>	2,345,213	201,868	178,922	90,690	43,960	3,186	2,999	1,759	43,960	3,186	2,999	1,759

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Vacancies as a % of employment based on all employment.

Hard-to-fill vacancies as a % of vacancies based on all vacancies

SSVs as a % of vacancies based on all vacancies

† Treat figures with caution due to small unweighted establishment base size of 50-99 in Scotland

**Table 5.3: Employers with retention problems by sector and nation<sup>10</sup>**

	UK (excluding Scotland)		England		Wales		Northern Ireland	
	Number	%	Number	%	Number	%	Number	%
Agriculture, Forestry and Fishing	4,954	5	4,236	5	360	3	358	5
Energy Production and Utilities	555	5	484	5	62	8	9	2
Manufacturing	6,493	5	5,883	5	433	8	177	5
Construction, Building Services Engineering and Planning	10,569	4	9,710	4	722	5	138	1
Wholesale and Retail Trade	18,192	4	16,682	4	891	4	619	4
Transportation and Storage	5,676	5	5,240	5	321	8	115	5
Hospitality, Tourism and Sport	18,345	9	16,670	9	1,126	10	548	9
Information and Communication Technologies	3,084	4	2,948	4	57	3	79	7
Creative Media and Entertainment	5,303	4	4,891	4	306	7	106	5
<b>Financial, Insurance and other Professional Services</b>	<b>6,271</b>	<b>4</b>	<b>5,876</b>	<b>4</b>	<b>339</b>	<b>6</b>	<b>55</b>	<b>2</b>
Real Estate and Facilities Management	5,826	4	5,649	4	139	5	38	2
Government Services	2,496	5	2,200	5	208	8	88	4
Education	2,925	5	2,493	5	267	8	165	5
Health	3,297	7	2,961	7	249	9	87	6
Care	5,134	6	4,615	6	327	7	191	6
Not within scope	6,810	6	6,476	6	247	6	87	3
Whole Economy	105,929	5	97,014	5	6,054	6	2,860	4
<i>Weighted base</i>	2,124,807		1,960,298		98,952		65,558	
<i>Unweighted base</i>	85,069		75,053		6,012		4,004	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All establishments in England, NI, Wales (question not asked in Scotland)

## 5.2 Nature of vacancies

Vacancies in the sector are most likely for Associate Professional roles (18,159) and Administrative and clerical staff (14,507 positions) as shown in Table 5.4. Associate Professional jobs are also most likely to be deemed hard to fill, as reported by 21 per cent of employers. Around a fifth of Associate Professional (19 per cent), Administrative and clerical (18 per cent) and slightly fewer Professional roles (16 per cent) are classed as hard-to-fill for skills shortage reasons. This compares to eight per cent of employers reporting hard-to-fill vacancies in Managerial roles as a result of skills shortages.

<sup>10</sup> Are there particular jobs in which you have difficulties retaining staff?

**Table 5.4: Profile of vacancies by occupation within the Financial, insurance and other professional services sector**

Occupational groups	Volume								
	Vacancies	HTF vacancies	SSV	HTF vacancies as a % vacancies	SSV as a % vacancies	Weighted base (number of vacancies)	Unweighted base (number of vacancies)	Weighted base (establishments reporting vacancies)	Unweighted base (establishments reporting vacancies)
Managers	2,602	242	216	9	8	2,602	94	1661	65
Professionals	10,635	2,040	1,654	19	16	10,635	713	3717	243
Associate professionals	18,159	3,805	3,424	21	19	18,159	978	6946	399
Administrative/clerical staff	14,507	2,836	2,639	20	18	14,507	674	9500	420
Skilled trades occupations	*	*	*	*	*	*	*	*	*
Caring, leisure and other services staff	*	*	*	*	*	*	*	*	*
Sales and customer services staff	3,830	314	272	8	7	3,830	222	1538	76
Machine operatives	393	15	15	4	4	393	41	143	10
Elementary staff	1,881	177	155	9	8	1,881	102	894	26
Unclassified staff	3,560	1,435	1,414	40	40	3,560	276	401	25
<i>Total</i>	58,480	11,732	10,622	20	18	58,480	3,287	25099	1280

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Bases: All vacancies.

Establishment bases provided for suppression reasons.

\* Data suppressed as unweighted establishment base < 25

Table 5.5 presents the main causes of hard-to-fill vacancies. A low number of applicants with the required skills was cited by 46 per cent of sector employers. A significantly larger proportion of Financial, insurance and other professional services employers reported a lack of work experience as a cause of hard-to-fill vacancies (38 per cent) compared to the rest of the economy (21 per cent). A low number of applicants with the required attitude, motivation or personality (22 per cent) and lack of required qualifications were also stated as reasons for hard-to-fill vacancies. This is consistent with UK figures.



**Table 5.5: Causes of hard-to-fill vacancies**

Causes	Financial, insurance and other professional services		Whole economy	
	Number	%	Number	%
Low number of applicants with the required skills	2,427	46	36,475	40
Lack of work experience the company demands	2,005	38	18,614	21
Low number of applicants with the required attitude, motivation or personality	1,149	22	16,685	18
Lack of qualifications the company demands	1,008	19	16,475	18
Low number of applicants generally	825	16	11,474	13
Not enough people interested in doing this type of job	524	10	10,704	12
Poor terms and conditions (e.g. pay) offered for post	556	10	10,257	11
Too much competition from other employers	388	7	8,417	9
Job entails shift work/unsociable hours	268	5	5,532	6
Remote location/poor public transport	179	3	5,406	6
Poor career progression / lack of prospects	102	2	2,025	2
Low number of suitable applicants inc. Age of applicants	106	2	1,950	2
Poor recruitment channels/mechanisms (inc. lack/cost of advertising)	68	1	1,886	2
Benefits trap	49	1	1,493	2
Not full-time/permanent work	6	**	1,248	1
Seasonal work	21	**	853	1
Lack of funding for the position	20	**	512	1
Difficulty with work permits/immigration issues for non-EU staff	9	**	223	**
Other	115	2	3,530	4
No particular reason	0	0	594	1
Don't know	59	1	1,506	2
<i>Weighted base</i>	5,310		90,770	
<i>Unweighted base</i>	294		5,160	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All establishments with hard-to-fill vacancies

\*\* Denotes a figures of greater than 0 per cent but less than 0.5 per cent

By far the most significant impact of having hard-to-fill vacancies within the Financial, insurance and other professional services sector is increased workload on staff, cited by 83 per cent of employers (Table 5.6). Similar proportions of employers report increased workloads for other staff across the economy. Slightly more sector employers report finding it difficult to meet their customer service standards (50 per cent) compared to all sectors (45 per cent). Loss of business or orders to competitors is cited by 42 per cent of Financial, insurance and other professional services employers, in line with the economy average (42 per cent).

**Table 5.6: Impact of having hard-to-fill vacancies**

Impact	Financial, insurance and other professional services sector		Whole economy	
	Number	%	Number	%
Increase workload for other staff	4,397	83	75,165	83
Have difficulties meeting customer services objectives	2,678	50	40,550	45
Lose business or orders to competitors	2,220	42	37,879	42
Delay developing new products or services	1,701	32	37,635	41
Experience increased operating costs	1,562	29	35,766	39
Have difficulties meeting quality standards	1,587	30	30,498	34
Have difficulties introducing new working practices	1,845	35	29,065	32
Outsource work	1,115	21	23,666	26
Withdraw from offering certain products or services altogether	785	15	23,180	26
Have difficulties introducing technological change	896	17	19,905	22
None	405	8	5,476	6
Don't know	13	**	361	**
<i>Weighted base</i>	5,310		90,770	
<i>Unweighted base</i>	294		5,160	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Bases: All employers with hard to fill vacancies

Employers adopt different approaches to overcome the impacts of having vacancies that are hard-to-fill. Table 5.7 shows the measures taken by employers within the Financial, insurance and other professional services sector and across the economy overall. Most employers in the sector tend to focus on improving their advertising and recruitment strategies by either trying new recruitment methods (42 per cent) or spending more money on job advertisements (33 per cent). This is broadly consistent with the whole economy average.

**Table 5.7: Measures taken by employers to overcome hard-to-fill vacancies**

Measures	Financial, insurance and other professional services sector		Whole economy	
	Number	%	Number	%
Using new recruitment methods or channels	2,208	42	34,959	39
Increasing advertising / recruitment spend	1,771	33	26,927	30
Redefining existing jobs	382	7	12,397	14
Increasing the training given to your existing workforce	364	7	6,458	7
Increasing / expanding trainee programmes	201	4	5,781	6
Being prepared to offer training to less well qualified recruits	195	4	4,679	5
Bringing in contractors to do the work, or contracting it out	235	4	4,634	5
Increasing salaries	231	4	3,985	4
Recruiting workers who are non-UK nationals	29	1	3,231	4
Making the job more attractive e.g. recruitment incentives, enhanced T&Cs, working hours	35	1	1,325	1
Other	188	4	3,682	4
Nothing	896	17	12,792	14
Don't know	155	3	2,894	3
<i>Weighted base</i>	5,310		90,770	
<i>Unweighted base</i>	294		5,160	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All employers with hard to fill vacancies

Table 5.8 shows that three out of five (59 per cent) skill shortage vacancies in the sector are difficult to fill because candidates lack job specific skills (compared with 66 per cent in all sectors) and 42 per cent are difficult because of shortages of technical and practical skills. Other areas of difficulty in Financial, insurance and other professional services include: customer handling skills, planning and organisational skills and oral communication skills. These difficulties are reported by significantly fewer sector employers than the economy average.

**Table 5.8: Skills lacking in Skills Shortage Vacancies**

	Financial, insurance and other professional services sector		Whole economy	
	Number	%	Number	%
Job specific skills	6,277	59	68,385	66
Technical or practical skills	4,496	42	47,992	46
Planning and Organisation skills	3,491	33	42,431	41
Customer handling skills	3,263	31	41,349	40
Oral communication skills	3,136	30	39,113	38
Problem solving skills	2,930	28	37,882	37
Written communication skills	2,833	27	33,859	33
Team working skills	2,738	26	33,728	33
Strategic Management skills	2,762	26	29,853	29
Literacy skills	2,526	24	30,151	29
Numeracy skills	2,526	24	26,775	26
Advanced IT or software skills	1,937	18	21,988	21
Office admin skills	1,772	17	17,559	17
Basic computer literacy / using IT	1,648	16	16,832	16
Foreign language skills	1,281	12	16,773	16
Personal attributes (e.g. motivation, work ethos, common sense, initiative, reliability, commitment, punctuality, flexibility)	93	1	2,743	3
Written Welsh language skills	145	1	1,574	2
Oral Welsh language skills	0	0	1,680	2
Experience/lack of product	5	**	1,668	2
Other	39	**	911	1
No particular skills difficulties	1,400	13	7,129	7
Don't know	720	7	3,777	4
Weighted base	10,623		103,453	
Unweighted base	556		7,197	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All skills shortage vacancies

### **5.3 Skills gaps among the existing workforce**

In addition to finding it hard to find the right skills in the external labour market, employers can also experience problems with their existing workforce if, for example, their skill base does not keep up to date with changing work demands. The UK Commission's Employer Skills Survey (UKCES, 2012) measures the existence of such skill gaps by asking employers whether they think their staff are fully proficient in their job.

Table 5.9 presents data on skills gaps reported by employers across sectors. Within the Financial, insurance and other professional services sector, 12 per cent of employers reported skill gaps, slightly below the 13 per cent of employers in all sectors who said they had skill gaps. Another way of assessing the extent of skill deficits in the employed workforce is to look at the proportion of employees with skill gaps. According to UK Commission's Employer Skills Survey (UKCES, 2012), five per cent of employees are not fully proficient in the sector, the same rate as reported for the rest of the economy.

In Scotland, 19 per cent of employers in the Financial, insurance and other professional services sector have identified skills gaps, which is higher than in the other nations of the UK (Table 5.10). The proportion of the UK workforce identified as having skills gaps (five per cent) remains fairly consistent across the nations.

Within the Financial, insurance and other professional services sector, skills gaps are particularly concentrated within sales and customer services occupations. An estimated eight per cent of employees in this occupational group were not fully proficient in the job, totalling around 26,680 employees. Skill gaps were least likely to be reported among managers, with only three per cent or 14,604 lacking full proficiency. (Table 5.11)

**Table 5.9: Employers and employees with skills gaps by sector**

	Employers with skills gaps				Employees with skills gaps			
	Number	%	Weighted base	Unweighted base	Number	%	Weighted base	Unweighted base
Agriculture, Forestry & Fishing	10,665	10	110,220	1,547	20,149	4	466,870	19,506
Energy Production & Utilities	2,000	16	12,610	1,614	17,250	5	333,050	47,228
Manufacturing	21,520	16	130,709	7,776	148,007	6	2,541,188	291,593
Construction, Building Services Engineering and Planning	31,925	10	306,403	8,961	99,184	4	2,235,270	150,111
Wholesale & Retail Trade	72,233	15	470,200	16,150	300,344	6	4,674,684	514,820
Transportation and Storage	11,540	9	122,058	4,735	55,391	4	1,320,126	114,658
Hospitality, Tourism and Sport	43,000	20	220,055	11,318	193,549	8	2,313,487	258,524
Information and Communication Technologies	6,647	9	72,281	2,510	34,775	6	614,641	53,681
Creative Media & Entertainment	9,155	6	143,772	3,762	41,091	4	1,086,978	87,953
Financial, Insurance & other Professional Services	20,954	12	170,887	5,343	92,599	5	2,052,039	112,945
Real Estate & Facilities Management	13,185	8	166,486	3,424	64,302	5	1,183,601	91,204
Government Services	7,980	15	54,687	2,605	94,735	5	1,780,058	223,796
Education	12,304	19	64,540	5,439	94,884	4	2,538,545	387,221
Health	9,776	19	52,370	3,398	101,986	5	2,004,436	219,765
Care	14,886	17	87,899	4,763	78,458	5	1,504,729	157,681
Whole economy	300,941	13	2,299,921	87,572	1,489,540	5	27,547,123	2,816,693

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All establishment, all employees

**Table 5.10: Employers and employees with skills gaps by nation within the Financial, insurance and other professional services sector**

	UK		England		Scotland		Wales		Northern Ireland	
	Number	%	Number	%	Number	%	Number	%	Number	%
Employers with skills gaps	20,954	12	18,371	12	1,582	19	655	11	346	10
Employees with skills gaps	92,599	5	83,261	5	5,130	4	1,993	4	2,214	6
Employer weighted base	170,887		153,471		8,320		5,726		3,370	
Employer unweighted base	5,343		4,525		146		391		281	
Employment weighted base	2,052,039		1,821,184		138,311		54,573		37,971	
Employment unweighted base	112,945		97,600		4,900		6,972		3,473	

Source: UK Commission's Employer Skills Survey (2012).

Base: All establishment, all employees

**Table 5.11: Skills gaps by occupation within the Financial, insurance and other professional services sector**

	Total employment	Number with skills gaps	% with skills gaps
Managers	520,491	14,604	3
Professionals	363,560	14,451	4
Associate professionals	217,288	8,443	4
Administrative/clerical staff	499,464	23,667	5
Skilled trades occupations	*	*	*
Caring, leisure and other services staff	*	*	*
Sales and customer services staff	337,707	26,680	8
Machine operatives	*	*	*
Elementary staff	72,206	3,412	5
Weighted base	2,052,039	91,257	4
Unweighted base	112,945	5,929	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All employees

\* suppressed due to unweighted establishment base <25

A wide range of factors can lead to skills gaps (Table 5.12). The prime causes of skills gaps within the Financial, insurance and other professional services sector include situations where employees are new to a role (in 56 per cent), where training is currently only partially completed (50 per cent). Similarly, just under a third (31 per cent) of sector employers report that staff have been on training but their performance has not improved sufficiently employees lack motivation (26 per cent) as a cause of skills gaps.

**Table 5.12: Causes of skills gaps within the Financial, insurance and other professional services sector**

	UK	
	Number	per cent
They are new to the role	52,237	56
Their training is currently only partially completed	46,057	50
Staff lack motivation	25,697	28
They have been on training but their performance has not improved sufficiently	28,732	31
The introduction of new working practices	18,394	20
They have not received the appropriate training	12,161	13
Unable to recruit staff with the required skills	14,855	16
The introduction of new technology	13,765	15
The development of new products and service	16,594	18
Problems retaining staff	5,463	6
Lack of other skills e.g. communication, interpersonal	2,261	2
Lack of aptitude to do job/reached maximum potential	499	1
Non-work related problems e.g. health or personal problems	385	*
Language barrier - English not first language	0	0
Staff are too old to carry out the work required	9	*
Other	746	1
No particular cause	1,334	1
Don't know	12,972	14
<i>Weighted base</i>	92,599	
<i>Unweighted base</i>	5,929	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All skills gaps followed up

\*Data suppressed as unweighted establishment base < 25

The specific skills that require improvement across the Financial, insurance and other professional services sector are similar to those required across the economy (Table 5.13), namely job-specific skills (57 per cent of skill gaps), planning and Organisation skills (42 per cent), customer handling skills (41 per cent) and team working skills (35 per cent).



**Table 5.13: Skills lacking within the workforce**

	Financial, insurance and other professional services		Whole economy	
	Number	%	Number	%
Basic computer literacy / using IT	12,310	13	248,641	17
Advanced IT or software skills	18,038	19	222,242	15
Oral communication skills	30,402	33	506,673	34
Written communication skills	30,884	33	422,198	28
Customer handling skills	38,126	41	572,924	38
Team working skills	32,139	35	569,206	38
Written Welsh language skills	73	*	5,699	**
Oral Welsh language skills	81	*	6,345	**
Foreign language skills	3,497	4	129,401	9
Problem solving skills	29,174	32	517,321	35
Planning and Organisation	38,655	42	575,195	39
Strategic Management skills	19,933	22	278,387	19
Numeracy skills	10,561	11	228,542	15
Literacy skills	15,175	16	276,366	19
Office admin skills	21,849	24	243,868	16
Technical or practical skills	19,046	21	402,797	27
Job specific skills	53,165	57	716,192	48
Personal attributes (e.g. motivation, work ethos, common sense, initiative, reliability,	605	1	9,411	1
Experience/lack of product knowledge	278	*	15,342	1
Other	128	*	5,866	**
No particular skills difficulties	1,948	2	39,373	3
Don't know	14,081	15	285,218	19
<i>Weighted base</i>	92,599		1,489,540	
<i>Unweighted base</i>	5,929		166,795	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All skills gaps followed up

\*Data suppressed as unweighted establishment base < 25

#### 5.4 Other evidence on skill deficits

Research on the finance sector for the 2010 National Strategic Skills Audit noted that while employees within the sector are generally educated to a higher level than the national mean, there are significant areas of skills deficit (UKCES, 2010e). Specific sub-sectoral or occupational deficits included:

- Skills gaps and shortages were generally more prevalent in retail Financial services generally suffer greater than wholesale Financial services. Retail Financial services, which generally requires lower level qualifications and where a significant share of employees are school-leavers, is less attractive compared to competing sectors such as high-street retail. Financial services companies providing wholesale services have historically offered very generous remuneration packages, enabling them to attract the brightest people. Furthermore, insurance, in both the retail and wholesale markets, is less attractive to high-quality candidates than banking. In the wholesale market, there is a remuneration disparity with other Financial services companies, in particular investment banks. Entry-level candidates for retail Financial services jobs are often reported to lack the basic numeracy, problem-solving and people skills required, as well as basic industry and product knowledge.
- Skills relating to risk management and risk assessment are weak. Due to a lack of investment in this area, there is a current shortage of experienced and qualified risk managers and the shortage has been exacerbated by the need to respond to the Financial crisis.
- There is a shortage of management and leadership skills across the sector. UK candidates for wholesale Financial services positions have weaker language and cultural awareness skills than their non-UK counterparts. There are also sector-specific shortages, even for highly-skilled, well-paid jobs. For instance, there is an acute shortage of actuaries in the insurance industry. Investment banks have also noted a difficulty in recruiting UK graduates with sufficiently advanced mathematics skills, although they are generally able to source appropriate people from abroad.

## 5.6 Consequences of skill gaps

The major consequences of skills gaps within the Financial, insurance and other professional services sector are shown in Table 5.14. Increased workload is by far the major problem created by skills gaps, 81 per cent of employers said workload had increased as a result of skill gaps. Another problem noted by sector employers is that of rising operating costs (42 per cent). Skills gaps also cause employers to underperform in the areas meeting quality standards (40 per cent). These issues are consistent with those reported across all industry. Fewer sector employers, however, report difficulties in introducing new working practices (30 per cent) compared to the economy overall (30 per cent).

**Table 5.14: Consequences of skills gaps within the Financial, insurance and other professional services sector**

	Financial, insurance and other professional services sector		Whole economy	
	Number	%	Number	%
Increase workload for other staff	10,282	81	144,234	78
Increase operating costs	5,404	42	82,833	45
Have difficulties meeting quality standards	5,048	40	74,405	40
Have difficulties introducing new working practices	3,884	30	70,317	38
Lose business or orders to competitors	4,079	32	59,139	32
Delay developing new products or services	3,123	24	46,767	25
Outsource work	1,615	13	28,173	15
No particular problems / None of the above	1,164	9	14,285	8
Don't know	0	0	344	**
<i>Weighted base</i>	713		184,733	
<i>Unweighted base</i>	12,759		12,943	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All employers with skills gaps that have impact on establishment performance

\*Data suppressed as unweighted base < 25 (<50 Scotland)

Table 5.15 show the specific steps that have been taken by employers to mitigate the impacts of skills gaps. In general, employers in the sector react to skill shortages in the same way as employers in the rest of the economy. Most sector employers (84 per cent) focus on increasing their training spend and activities. In addition, more Financial, insurance and other professional services employers are proactive in increasing the level of supervision (66 per cent), introducing a new performance appraisal system (59 per cent) setting up mentoring or buddying schemes (and 55 per cent) than their counterparts economy-wide

**Table 5.15: Steps employers have taken to overcome skills gaps**

	Financial, insurance and other professional services		Whole economy	
	Number	%	Number	%
Increase training activity / spend or increase/expand trainee programmes	14,137	84	185,527	82
More supervision of staff	11,078	66	139,442	62
More staff appraisals / performance reviews	9,851	59	123,245	55
Implementation of mentoring / buddying scheme	9,276	55	113,645	50
Reallocating work	5,985	36	76,053	34
Changing working practices	4,579	27	69,850	31
Increase recruitment activity / spend	2,052	12	33,319	15
Recruiting workers who are non-UK nationals	846	5	21,589	10
Other	175	1	3,156	1
Nothing	466	3	3,541	2
Don't know	46	**	348	**
Weighted base	16,818		225,379	
Unweighted base	944		16,506	

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Base: All employers with skills gaps who have taken steps to improve the proficiency or skills of these staff, or have plans to do so. \*\* Denotes a figures of greater than 0% but less than 0.5%.

## **5.7 Extent of under-employment**

Another measure of skills mis-match in the workplace is where employees' skills and/or qualifications are not being fully utilised and so the workplace is not operating as efficiently as it could be. Table 5.16 presents the proportion of employers who said that they had some under-employment and the proportion of employees affected by sector based on the result of the UK Commission's Employer Skills Survey (UKCES, 2012). Under-employment is most prevalent in the hospitality and tourism sectors, with 60 per cent of employers reporting that they have employees who are over-skilled or over-qualified, affecting 24 per cent of employees.

The incidence of under-employment in the Financial, insurance and other professional services sector is below average, affecting 45 per cent of employers and 15 per cent of employees, slightly lower than the respective proportions across the economy as a whole. Tam (2010) found that greater levels of underemployment tend to be attributable to those with lower levels of qualifications, and typically those mainly employed in sectors like the distribution, hotels and restaurants' industry.

**Table 5.16: Extent to which workforce is 'over qualified' and 'over skilled' by sector**

Sector	Employers with employees who are over qualified and over skilled				Employees who are over qualified and over skilled			
	Number	%	Weighted base	Unweighted base	Number	%	Weighted base	Unweighted base
Agriculture, Forestry & Fishing	42,111	38	110,220	1,547	88,613	19	466,870	19,506
Energy Production & Utilities	5,458	43	12,610	1,614	43,319	13	333,050	47,228
Manufacturing	56,009	43	130,709	7,776	252,633	10	2,541,188	291,593
Construction, Building Services Engineering and Planning	129,922	42	306,403	8,961	369,923	17	2,235,270	150,111
Wholesale & Retail Trade	241,146	51	470,200	16,150	846,216	18	4,674,684	514,820
Transportation and Storage	61,038	50	122,058	4,735	202,809	15	1,320,126	114,658
Hospitality, Tourism and Sport	131,526	60	220,055	11,318	566,562	24	2,313,487	258,524
Information and Communication Technologies	33,764	47	72,281	2,510	93,637	15	614,641	53,681
Creative Media & Entertainment	66,845	46	143,772	3,762	205,573	19	1,086,978	87,953
Financial, Insurance & other Professional Services	76,826	45	170,887	5,343	312,906	15	2,052,039	112,945
Real Estate & Facilities Management	81,744	49	166,486	3,424	217,791	18	1,183,601	91,204
Government Services	29,384	54	54,687	2,605	256,006	14	1,780,058	223,796
Education	34,623	54	64,540	5,439	341,455	13	2,538,545	387,221
Health	23,566	45	52,370	3,398	225,183	11	2,004,436	219,765
Care	47,114	54	87,899	4,763	258,385	17	1,504,729	157,681
Whole economy	1,118,691	49	2,299,921	87,572	4,456,192	16	27,547,123	2,816,693
<i>Weighted base</i>	2,299,921				27,547,123			
<i>Unweighted base</i>	87,572				2,816,693			

Source: UK Commission's Employer Skills Survey 2011 (Davies et al, 2012)

Bases: vary.

"Employers" columns based on all establishments.

"Employees" columns based on all employment.

## 5.8 Other measures of mis-match: wages

Table 5.17 shows that the average hourly wages earned by employees within the Financial, insurance and other professional services sector (£21.99) is higher than the average seen across the whole economy (£14.60).

**Table 5.17: Average hourly wage by sector (£) (UK)**

	2008	2009	2010
Agriculture, forestry and fishing	10.42	11.18	10.38
Energy production and utilities	15.93	16.41	16.62
Manufacturing	13.86	14.28	14.37
Construction, building services, engineering and planning	14.66	15.29	15.39
Wholesale and retail trade	11.00	11.27	11.36
Transportation and storage	12.44	13.16	13.21
Hospitality, tourism and sport	9.14	9.35	9.52
Information and communication technologies	20.05	20.26	20.40
Creative media and entertainment	17.14	17.29	17.50
<b>Financial, insurance and other professional services</b>	<b>21.06</b>	<b>21.45</b>	<b>21.99</b>
Real estate and facilities management	11.36	11.64	11.71
Government services	14.40	14.87	15.62
Education	14.67	15.39	15.71
Health	14.97	15.79	16.45
Care	10.21	10.30	10.49
All economy	13.94	14.39	14.60

Source: Annual Survey of Hours and Earnings, 2010, ONS

Although wage levels have increased faster in the sector relative to the economy as a whole, there are large variations within sub-sectors (see table 5.18). Median and mean gross annual pay reported for fund managers (under SIC code 66) for example is at least double the sub-sector average. Financial service activities, except insurance and pension funding saw a 13 per cent increase in gross annual pay between 2009 and 2010. By contrast, average gross pay for legal and accounting activities reduced by five per cent over the period. It should be noted that this snapshot covers what, in terms of the historical trend, has been an atypical period for the sector, given the impact of the financial crisis and recession (UKCES, 2012).

**Table 5.18 Annual pay - Gross (£) - For full-time employee jobs, selected sub-sectors in the UK, 2010**

	SIC Code	Median (£)	Annual percentage change (%)	Mean (£)	Annual percentage change (£)
Financial service activities, except insurance and pension funding	64	33,399	4.8	54,156	13.3
Insurance, reinsurance and pension funding, except compulsory social security	65	31,568	-1.8	43,436	-3.0
Activities auxiliary to Financial services and insurance activities	66	35,000	0.0	64,892	2.2
Legal and accounting activities	69	30,090	-2.6	38,361	-4.8
Head offices and management consultancies	70	36,000	6.3	52,628	4

Source: Annual Survey of Hours and Earnings 2010 (Revised Tables, Table 4.7a) Note: Based on SIC 2007; Annual Gross Pay - employees on adult rates who have been in the same job for more than a year.

While above average earnings levels in finance could suggest evidence of skill shortage, education is an important determinant of wage and tertiary education brings substantial economic benefits for individuals. An individual with a higher education qualification can expect to earn over 50 per cent more than an individual with an upper secondary or post-secondary non-tertiary education (OECD, 2011). As outlined in previous chapters, the sector has a higher proportion of highly qualified workers than the economy as a whole.

## **5.9 Extent to which skills deficiencies are hampering growth**

The consequences of skill mismatch are not limited to the individual level. Employing organisations suffer from skill mismatch in diverse ways. Over-education and the resulting low job satisfaction may trigger low morale and commitment. This can subsequently harm productivity. Skills shortages, which imply that the supply of workers with some skills is insufficient to satisfy the need, will compromise firms' productivity and competitiveness. Skill obsolescence has a direct negative impact on productivity depending on to what extent skills that became obsolete are important in the production process.

Skills mismatch reflects itself in imbalances on the labour market. An oversupply of people with specific sets of skills leads to unemployment or over-education in the economy. Excess demand for some types of human capital can lead to under-skilling. This impedes the ability of economies to innovate, grow and compete. Different types of skills mismatch can occur simultaneously. While unemployment may be a problem in some segments of the labour market, over- and under-education occurs in others.

Further evidence of the extent of skill deficiencies across the sector is drawn from a series of skills demand statements published by Financial Skills Partnership (FSP, 2011a, 2011b, 2011c, 2011d, 2011e). The statements were developed from a range of qualitative consultation exercises with employers spread across five sub-sectors. The sub-sectors include: insurance, accountancy and finance, banks and building societies, financial planning, and wealth, investments and pensions. Further information on the methodology of this qualitative study is provided in the appendix. The key findings from the studies are provided below.

### **Insurance**

Occupational shortages have been identified among technical and professional occupations, actuaries, underwriters, risk management, investment accounting and experts in Solvency II.



For many employers, the main problems triggered by these shortages are salary inflation and a number of departments operating with less than their budgeted headcount. While these do not immediately equate to hampering growth, this is a possible longer-term effect of the identified shortages.

### **Accountancy and Finance**

Employers in this sub-sector voiced concerns about certain areas such as new entrants' employability skills. However, in the research study for the Financial, insurance and other professional services sector's skills demand statement they do not identify any skills deficiencies as hampering growth.

This finding is backed up by the UKCES-led skills research project "Building Future Skills in Accountancy" (UKCES, 2011b).

"Whilst the profession has been able to come up with its own solutions to meet skills needs hitherto, the frameworks for collaborative, cross-professional, development of skills need to be strengthened further if alternative routes into the profession are to provide the quality and quantity of skilled resources necessary in this changing landscape.

The primary recommendation of the project group is therefore to ask the Joint Apprenticeship Unit to adapt some of the criteria for Higher Apprenticeships so that this route can become more main stream for entry into, and full progression within, accountancy" (UKCES, 2011b p. 5).

### **Banks and Building Societies**

The banking sub-sector presents a mixed picture with regard to skills issues. There have been well publicised redundancies at some of the major banks, while employers who contributed to the Financial, insurance and other professional services sector's skills demand statement spoke of certain specialist areas where recruitment is difficult. Roles that are perceived to be growing in staff numbers are mostly specialist, such as risk and customer analytics, and recruitment to these posts is often external – with recruitment of the right people often being difficult. However, there is no evidence from employers that these recruitment difficulties are specifically hampering growth.

## 6 Drivers of change and their skills implications

### Chapter Summary

- A range of factors will affect the demand and supply of skills in the sector in the future.
- Increased regulation and financial supervision is likely to have a significant impact on skill demand in the finance sector including increasing the demand for qualified financial advisers, compliance training for sales and other staff and collaboration and partnership skills at management level.
- An aging population is likely to place increasing interest on Financial planning for later life resulting in an increased demand for new products and the skills to develop and deliver them
- An aging population is also likely to mean an increased in supply of skills as people work longer, although their skills may need regular updating
- Globalisation and the development of new markets will generate demand for innovative new products and the cultural awareness to exploit new opportunities
- New technology systems will impact on the demand for technical skills as well as the skills of technology users. Data security and compliance skills are also likely to increase in the coming years
- The need to maintain high levels of customer service will mean an ongoing demand for customer service skills among customer-facing staff and managerial skills to maintain high levels of service.

In this section we look at the factors that are influencing the demand for skills in the sector.

## 6.1 Drivers of change

The framework used to discuss the major drivers of change within the sector is shown in Figure 6.1. The illustration is adapted from the work of Davies et al (2001) which was further reported in the National Strategic Skills Audit for England (UKCES, 2010f).

**Figure 6.1: The major drivers of change**



Source: *The National Strategic Skills Audit for England 2010, UKCES*

We consider the influence of each of the seven drivers on the sector below, although it should be recognised that many of the drivers are inter-dependent

## 6.2 Regulation and governance

A changing regulatory environment is likely to play an increasingly important influence on the development of the sector generally and the demand for skills in particular.

The demand for transparency among stakeholders continues to drive regulation. The requirement for adequate risk management remains important for banks and to a lesser extent amongst insurance companies. Banks are experiencing the greatest change in regulation, consequently, they need to keep abreast with the changing pace of legislations and maintain a high level of compliance skills. Increased regulatory requirements, also appears to be one of the factors driving greater need for accountants, actuaries and other professionals capable of assessing and monitoring financial risk. A new attitude towards compliance and greater awareness of risk will also need to permeate financial services companies (UKCES, 2010g).

The industry regulator, the Financial Services Authority (FSA), has brought in the Retail Distribution Review (RDR)<sup>11</sup> under which the minimum qualification required for a financial adviser to practise will be at level 4. This requirement comes in on 31st December 2012, so it is not yet clear what the effects will be on the industry.

The possible effects of the RDR include increased demand for qualified individuals which may or may not be filled easily, older advisors leaving the profession as a result of being either unwilling or unable to undertake the new qualifications.

It is perceived that the demand for financial advice will grow, as more people need to make provision for pensions and other financial products, and in 2010 400,000 people and businesses contacted unbiased.co.uk to find an Independent Financial Adviser (unbiased.co.uk, 2011). It remains to be seen whether, once the RDR comes into effect at the end of 2012, there will be enough qualified advisers to meet this growing demand.

The Independent Commission on Banking may lead to the split of banks' retail operations from their investment banking arms. Although the picture is still uncertain, it is likely to have an effect on strategic and risk management skills in the banking sector.

The FSP's skills demand statement for the sub-sector also identifies skills shortages in the back office areas of operations, risk management and compliance (FSP 2011e). The requirement to bring in relevant industry experience from a reducing pool remains a challenge. However, at present the sub-sector does not identify skills deficiencies as hampering growth.

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<sup>11</sup> The Retail Distribution Review (RDR) is a key part of the FSA consumer protection strategy. It is establishing a resilient, effective and attractive retail investment market that consumers can have confidence in and trust at a time when they need more help and advice than ever with their retirement and investment planning.

A recent report based on focus groups and telephone interviews research with 200 senior executives from London's financial services community during November and December 2011 found significant level of concern across the sector about the management of regulation (Eversheds, 2011). Two thirds (61 per cent) of businesses state that uncertainty around legislation compliance has led to their organisation delaying business activity, one third (34 per cent) believe the sheer volume of legislation often means that complying with one leads to breaching another. The need for high level compliance skills across the sector are therefore likely to increase

Another key finding from the study relates to the lack of cohesion between UK, European Union (EU) and United States (US) regulatory requirements. Nearly two thirds of businesses (63 per cent) feel that UK interpretation of EU law is more concerned with legal certainty than with upholding the original spirit of the law. Around 50 per cent of survey participants are also concerned that businesses will move to other financial centres in an attempt to avoid regulatory pressures, with 44 per cent thinking that businesses will relocate to Hong Kong and 37 per cent to New York (Eversheds, 2011). The emigration of businesses could lead to a reduction in the number of jobs in the sector.

The nature and direction of any new regulation within the Financial, insurance and other professional services sector could impact upon the potential and freedom of banks to innovate.

### **6.3 Demographic change**

Population growth in the UK also brings increasing diversity of demographic make-up. Employers within the UK Financial, insurance and other professional services sector need to be fully conscious of the diversity of the population they serve. To adequately meet public expectations, an awareness of variations on these issues and others like culture, levels of education, and life styles is critical. An ageing population means increased requirements for specific types of service and advice, for example in relation to retirement planning (UKCES 2012a).

An older labour force also implies a greater focus on retirement. Those organisations with higher concentration of older staff may face substantial replacement costs. Additionally, the ageing trend within the Financial, insurance and other professional services sector means that a greater share of turnover will involve older workers who tend to be less mobile than younger workers (Masahiro, 2002). The ageing of the workforce more generally has implications for the supply of skills in the sector. Key skills can be lost through retirement and there is a need to replenish by bringing younger recruits to the industry in order to replace lost skills. There is also the challenge to increasingly develop older workers.

#### **6.4 Environmental change**

Economic activity, social behaviours and preferences for technological development, politics and governance all play their part in environmental depletion. Collectively the effects of multiple, interacting drivers lead to the changes that are observed in ecosystems and the broader environment. In Financial services, London has a wide range of carbon market services including advisory and audit functions. It was early in establishing carbon credit markets and is growing into the largest marketplace for trading in environmental financial instruments creating vital knowledge and skills around what is likely to be an area of important future growth.

#### **6.5 Economics and globalisation**

Overall future demand for skills in the finance sector is largely dependent on the position of London as a global financial centre, the gradual shift in trade capital to emerging economies threaten to erode the strength of London as an employment node. However, confidence in socio-political stability is important if developing economies expect to be able to fully compete (UKCES, 2010g).

The UK finance and other professional services sector is ranked highly in international terms and some firms have substantial experience of operating successfully internationally. The sector is facing increasing global competition and in order to compete, firms will need to innovate and adapt. Some firms serving international markets need access to the global talent pool to remain competitive, given that the skills required for international competition are somewhat more varied than those required for operation only in domestic markets. To penetrate some new markets internationally the sector needs to draw on expertise and cultural awareness of those markets, and so draw on local talent. More generally, greater onus is placed on management and technical capabilities in order to respond to the fast-moving demands of globalised service markets. A combination of hard (technical) and soft (generic) skills is needed to remain agile (UKCES, 2012a).

The implications of the economic downturn are important in legal services for several reasons. For corporate and commercial law firms it can trigger both reductions in the volume of work and changes in the balance, for example with reduced merger, acquisition and company formation activity. Several firms have reduced their numbers, and a significant number of the major firms, which recruit the greatest number of trainees, have deferred the commencement of new training contracts (Begum and McPartland, 2009). For High Street firms, the slow-down in the housing market has reduced the number of conveyancing transactions, whilst crime (especially acquisitive crime) tends to rise when recession produces a rise in unemployment.

Emerging economies are beginning to play significant roles in the global financial landscape. This emergence has triggered a new wave of approaches to front-office functions. While London-based financial services clients still need to be serviced from, client-facing front-office functions in wholesale markets across the sector will need to be established closer to international clients. Significant proportions of the back-office have been exported to developing economies such as India and this trend is expected to continue and extend towards some middle-office monitoring and control functions (UKCES, 2010g).

## **6.6 Technological change**

With rapidly advancing technological innovations, the significance of technology for the sector has become more important. Many organisations across the Financial, insurance and other professional services sector generally agree that leveraging on appropriate technologies can help improve operations by enhancing access to high quality information, speeding up services and saving energy.

Technology has long been an essential behind-the-scenes partner in the financial services industry, providing the innovative incremental advances necessary for the industry to upgrade and expand its services. Improvements in storage capacity and processing speed, for example, have had a profound impact on data management and transactional capabilities, with accompanying reductions in cost. Yet despite these and other advances, the industry has struggled to fully leverage the power and promise of technology, with market participants eager for solutions that are not only faster and cheaper, but that also offer greater security and efficiency (UKCES, 2010g).

The use of Information and Communication Technologies (ICT) in daily working practices is commonplace across the Financial, insurance and other professional services sector. This has had particular implications in financial services. ICT innovations tend to trigger strong investment in high-level skills by leveraging the workforce's generic competences and complementing high-level quantitative skills, but often with a lag time as staff adapt to new technologies (Osho, 2008). On the other hand technological change can reduce the need for lower-skilled labour.

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## **6.7 Values and identities**

The most important social issue of concern is the requirement for organisations to accommodate better flexible working patterns. Out of all respondents to the sector skills survey (Skills for Justice, 2012), 16 per cent feel the need to better integrate flexibility into working patterns will have the greatest social implications for skills and workforce development across the sector.



## **6.8 Consumer demand**

Consumer uncertainty in the face of recession and restricted credit conditions has increased overall uncertainty in the market and dampened consumer demand for professional and business services and overall. In this environment, consumers have placed greater onus on better performance, efficient delivery and value for money. The increasing importance of generic skills such as in customer service delivery is expected to impact on ways of working and demand for skills in the domain. Specifically, this means focusing on understanding and meeting customer demands, multi-skilling and more effective use of technology. Operating in the same direction as drivers for greater regulation, consumer demand pressures are placing greater onus on financial planning and budgeting skills, client focus and management and leadership capability. There is an increased requirement for managerial skills around partnership working, business planning and change management (UKCES, 2012a)

## **6.9 Scale of drivers**

The main drivers identified above and the scale and nature of their impact on the future supply or demand for skills in sector are summarised in Table 6.1.

**Table 6.1: Drivers of future demand and supply of skills in the Financial, insurance and other professional services sector**

Nature of driver and impact on skills	Current, ongoing driver or new driver	Increase or decrease in a) impact, b) scale of effects	Impact on supply of or demand for labour	Impact on demand for skills
<b>Regulation and governance</b>				
Increased regulation and Financial supervision	Current, ongoing Growing	Increase in impact, particularly on Financial services. Scale of effect could be significant	Demand	Increase in demand for qualified (Level 4) Financial advisers Compliance training for sales staff Increase in demand for risk management skills Collaboration and partnership skills at management level
Skills and educational policies in the nations	Current, ongoing	Increase in impact, scale of effect will be variable	Supply	Will raise skill levels
<b>Demographic change</b>				
Ageing population, Increased attention to Financial planning for later life	Ongoing, Growing	Increasing impact, particularly on Financial services	Demand	Need to have the skills to develop new products to meet the needs of an aging population
Older workers working longer	Ongoing, Growing	Increasing impact across the sector	Supply	People working longer will increase skills supply, but they may need further training to keep skill levels up to date
<b>Environmental change</b>				
Growing market in carbon trading	Current	Niche impact on parts of the Financial sector	Demand	Product development skills

Nature of driver and impact on skills	Current, ongoing driver or new driver	Increase or decrease in a) impact, b) scale of effects	Impact on supply of or demand for labour	Impact on demand for skills
<b>Economics and globalisation</b>				
Globalisation and the development of new markets	Ongoing Long-term	Widespread impact across international Financial sector	Demand	Innovation skills to develop and sustain products to compete in new markets Cultural awareness of trading in overseas markets
<b>Technological change</b>				
Development of new technology systems and increased systems reliability	Ongoing	Significant impact on technical support staff across the sector Widespread impact on users of technology across the sector	Demand	Skills to develop, and maintain new technology systems Skills to use new technology-based systems Data security and compliance skills
<b>Consumer Demand</b>				
Increasing importance of high quality customer service, with emphasis on value for money and reliability of service	Ongoing	Significant impact across the sector	Demand	Ongoing demand for higher level customer service skills Compliance and data security skills Managerial skills including business planning, partnership working and change management

## **6.10 Differences in drivers across the four nations**

In terms of economic drivers, fluctuations in growth and decline of the economy make it challenging for organisations in the four nations to plan adequately for skills development needs.

A number of specific technological drivers are common across most of the four home nations of the UK within Financial, insurance and other professional services. These include demands for new modes of data collection, storage and analytical techniques and advances in mobile technology.

Smaller banks may be unable to keep up with the pace of technological change of technology. One outcome of this is likely to be increased market-wide reliance on a limited number of large firms in the provision of technology-intensive services, such as trade-execution and post-trade infrastructure provision. For instance, as execution services in foreign exchange become more automated, the banks with the financial capacity to make the largest up-front information technology investment will continue to gain market share.

In addition to these technological factors, improving levels of basic skills in IT, numeracy and literacy skills remains a priority across the UK nations.

Climate change, environmental regulations and European Union legislative factors are general environmental factors that are common across all four home nations. Climate change may have a sizeable impact on the Financial, insurance and other professional services sector. The potential risks include increasing insurance and regulatory risks for businesses impacting on the profitability of companies in the Financial, insurance and other professional services sector; the impact of climate change on regional and worldwide markets for Financial services; the potential increase in air travel costs, and increased regulation impacting on the ability of businesses to serve international clients; and health and safety implications for the workforce.

Regulatory issues have been discussed previously and there appears to be little difference in the level of challenges it poses for most of the home nations. Requirements to keep up with regulatory requirements and legislations concerned with protecting vulnerable groups as well as criminal legislation are common legislative drivers across nations. Changes to regulation are arguably the single biggest factor influencing the Financial, insurance and other professional services sector at present. The extent of any future regulation in the sector could impact upon the subsequent qualification and wage levels of the workforce.

## 7 Future skills needs

### Chapter Summary

- Employment projections for the Financial, insurance and other professional services sector suggest that overall employment levels are set to rise across the UK by about ten per cent to 2.5 million by 2020.
- The largest rate of growth is expected to be among professional staff and among those in associate professional occupations, with the number employed expected to rise by 17 per cent and 18 per cent respectively.
- Most of the employment growth is expected to take place in England. Employment levels in the sector in Scotland are predicted to fall.
- In addition to filling new jobs the sector will have to replace people leaving their jobs because of retirement or other factors. For example, while the overall number of administrative and secretarial staff in the Financial services is expected to fall by 18,000 between 2010 and 2020, over the same period the sector is projected to require 138,000 administrative and secretarial staff to replace retirees, making a net requirement of 120,000.
- Overall the finance sector is expected to require a replacement demand of 437,000. A further 67,000 individuals are projected to be required to fill new jobs – totalling over 500,000 in all between 2010 and 2020.
- Among the professional groups there is expected to be strong demand for certain specialist areas such as actuaries, underwriters, and solvency experts.

This section looks at the future, how the numbers of employees may change and what impact this may have on the occupational and skills profile of the sector

## **7.1 Future employment trends**

The latest Working Futures forecast covering the entire working population of the UK was produced for the period 2010-2020 by the Institute for Employment Research (IER) at the University of Warwick. The report was published by UKCES in December 2011 (UKCES 2011a). At the time of publication, the full-scale implications of the worldwide financial crisis and the subsequent economic recession in the UK had become apparent.

The employment forecasts for the Financial, insurance and other professional services sector across the UK suggest that overall levels are projected to increase slowly to 2015 and then at a faster rate to 2020 (Table 7.1), resulting in an overall 10 per cent rise over the period as a whole.

Table 7.1 shows that the managers, directors and senior officials occupational group is forecast to experience the greatest growth of around eight per cent (26,000 new jobs) in 2015. By 2020, an additional 36,000 jobs are expected within the occupational group resulting in a 20 per cent employment growth over the 2010 level. Some of the factors influencing this trend are increased specialisation, combined with the outsourcing or off-shoring of more junior positions and the UK's position as a major global centre in an increasingly specialised market. Jobs in professional and associate professional occupations are also expected to rise, by 17 per cent and 18 per cent respectively between 2010 and 2020, while the numbers employed in all other roles, except sales, are predicted to remain the same or fall.

**Table 7.1: Workplace job growth by occupation within Financial, insurance and other professional services sector (UK)**

Employment growth	2010	2015	2020	2010	2015	2020	2010-2020
	Numbers (000s)			% shares			Net change (000s)
Managers, directors and senior officials	317	344	380	13.9	14.5	15.1	62
Professional occupations	621	667	724	27.1	28.1	28.9	104
Associate professional and technical	539	579	635	23.6	24.4	25.3	96
Administrative and secretarial	578	548	523	25.3	23.1	20.8	-55
Skilled trades occupations	52	51	51	2.3	2.1	2.0	-1
Caring, leisure and other service	9	10	11	0.4	0.4	0.4	2
Sales and customer service	128	132	138	5.6	5.6	5.5	11
Process, plant and machine operatives	18	18	19	0.8	0.8	0.8	1
Elementary occupations	25	26	28	1.1	1.1	1.1	3
All occupations	2,288	2,374	2,509	100.0	100.0	100.0	222

Source: *Working Futures 2010-2020, UKCES 2011a*

Employment levels are projected to drop by five per cent in administrative and secretarial occupations. Skilled trade occupations are also projected to experience a three per cent drop by 2015. A further 25,000 jobs are projected to be lost in administrative and secretarial roles by 2020 resulting in a net change loss of 55,000 jobs in the occupation group by the end of the current decade. These trends are likely to be driven by increased specialisation, automation and use of ICT, plus the off-shoring of some administrative functions to markets such as India.

Most of the employment growth is expected to take place in England, while the sector is expected to employ fewer people in Scotland by 2020.

Employment growth and forecasts for the Financial, insurance and other professional services sector in England are shown in Table 7.2. In 2015, overall employment levels are expected to rise by four per cent across the sector over 2010 numbers. An additional 135,000 jobs are predicted to be created by 2020 resulting in a rise of six per cent over 2015 and 11 per cent over the decade.

**Table 7.2: Workplace job growth by occupation within Financial, insurance and other professional services sector (England)**

Employment growth	2010	2015	2020	2010	2015	2020	2010-2020
	Numbers (000s)			% shares			Net change (000s)
Managers, directors and senior officials	292	318	353	14.1	14.8	15.4	61
Professional occupations	576	625	682	27.9	29.0	29.8	106
Associate professional and technical	493	532	586	23.9	24.7	25.6	94
Administrative and secretarial	502	473	453	24.3	21.9	19.7	-49
Skilled trades occupations	46	45	47	2.2	2.1	2.0	1
Caring, leisure and other service	8	8	9	0.4	0.4	0.4	2
Sales and customer service	111	115	120	5.4	5.3	5.2	9
Process, plant and machine operatives	16	17	17	0.8	0.8	0.8	1
Elementary occupations	22	23	25	1.1	1.1	1.1	3
All occupations	2,065	2,157	2,292	100.0	100.0	100.0	227

Source: Working Futures 2010-2020, UKCES 2011a

The predicted pattern of growth is similar to the UK with Managers, directors and senior officials are projected to witness another 21 per cent rise in the numbers employed in 2020 over 2010 and 18 per cent and 19 per cent rises in the numbers employed in Professional and Associate Professional roles.

Similar to the pattern across the entire country, the numbers employed in Administrative and clerical roles in England's Financial, insurance and other professional services sector are expected to fall by five per cent in the period 2010 to 2015 and another five per cent in 2020.

Overall employment in the sector is expected to fall in Scotland over the decade to 2020, with no increases in Managerial, Professional or Associate Professional jobs (Table 7.3).

**Table 7.3: Workplace job growth by occupation within Financial, insurance and other professional services sector (Scotland)**

Employment growth	2010	2015	2020	2010	2015	2020	2010-2020
	Numbers (000s)			% shares			Net change (000s)
Managers, directors and senior officials	17	17	17	11.8	12.2	12.7	0
Professional occupations	30	27	27	20.7	19.7	19.5	-3
Associate professional and technical	31	31	32	21.7	22.0	23.4	0
Administrative and secretarial	47	45	42	32.5	32.5	30.8	-5
Skilled trades occupations	5	4	3	3.1	2.8	2.5	-1
Caring, leisure and other service	*	*	*	*	*	*	*
Sales and customer service	10	11	11	7.0	7.7	8.1	1
Process, plant and machine operatives	1	1	1	1.0	0.9	0.8	0
Elementary occupations	2	2	2	1.5	1.5	1.6	0
All occupations	144	139	136	100.0	100.0	100.0	-8

Source: Working Futures 2010-2020, UKCES 2011a

Employment levels in the sector are expected to be broadly stable over the period in Wales (Table 7.4) and rise slightly, from 32,000 to 34,000 in Northern Ireland (Table 7.5).



**Table 7.4: Workplace job growth by occupation within Financial, insurance and other professional services sector (Wales)**

Employment growth	2010	2015	2020	2010	2015	2020	2010-2020
	Numbers (000s)			% shares			Net change (000s)
Managers, directors and senior officials	5	5	5	10.5	10.4	11.2	0
Professional occupations	9	9	9	19.7	19.3	20.1	0
Associate professional and technical	10	10	10	20.7	20.5	21.4	0
Administrative and secretarial	16	17	16	35.3	35.9	33.4	-1
Skilled trades occupations	1	*	*	2.3	*	*	*
Caring, leisure and other service	*	*	*	*	*	*	*
Sales and customer service	4	4	4	8.6	9.0	9.3	0
Process, plant and machine operatives	*	*	*	*	*	*	*
Elementary occupations	*	*	*	*	*	*	*
All occupations	46	47	47	100.0	100.0	100.0	1

Source: Working Futures 2010-2020, UKCES 2011a

**Table 7.5: Workplace job growth by occupation within Financial, insurance and other professional services sector (Northern Ireland)**

Employment growth	2010	2015	2020	2010	2015	2020	2010-2020
	Numbers (000s)			% shares			Net change (000s)
Managers, directors and senior officials	3	4	4	10.8	11.1	11.9	1
Professional occupations	6	6	7	18.1	18.0	19.2	1
Associate professional and technical	6	6	7	18.7	19.3	20.3	1
Administrative and secretarial	13	13	13	40.9	40.4	37.4	0
Skilled trades occupations	*	*	*	*	*	*	*
Caring, leisure and other service	*	*	*	*	*	*	*
Sales and customer service	3	3	3	7.8	8.1	8.3	0
Process, plant and machine operatives	*	*	*	*	*	*	*
Elementary occupations	*	*	*	*	*	*	*
All occupations	32	32	34	100.0	100.0	100.0	2

Source: Working Futures 2010-2020, UKCES 2011a

## 7.2 Replacement demand

In addition to filling new jobs the sector will have to replace people leaving their jobs altogether because of retirement or other factors. Generally replacement demand is far higher than the volume of additional or expansion demand and the Financial, insurance and other professional services. For example, the overall number of administrative and secretarial staff in the Financial services is expected to fall by 18,000 between 2010 and 2020, however over the same period the sector is expected to recruit 138,000 administrative and secretarial staff to replace retirees, making a net requirement of 120,000 (UKCES 2012b). Overall the finance sector is expected to require a replacement demand of 437,000 on top of 67,00 people to fill new jobs – making a total of over 500,000 in all. Most of this demand is for associate professional and administrative and secretarial jobs.

The Working Futures data at sectoral level do not exactly map on to the other elements of the Financial, insurance and other professional services sector but also indicate substantial replacement demand for administrative and secretarial occupations, as well as associate professional and also professional occupations (UKCES, 2012a).

### **7.3 Future skill needs**

Evidence on the future skills needs in the finance sector is available from a series of qualitative studies conducted by the Financial Skills Partnership (FSP, 2011a, 2011b, 2011c, 2011d, 2011e) and other sources of future employment trends in sector. The evidence focuses on seven thematic sub-sectors: accountancy, banking, finance, financial planning, insurance, investments and pensions.

#### **Accounting**

Current trends in employment suggest an expectation of growth in graduate recruitment. For instance, in 2011 PricewaterhouseCoopers (PWC) reported an intake of 1,200 graduates (PWC, 2011). The recruits were drawn from around 33,000 applicants. This resulted in a 3.6 per cent chance of success for applicants. Additionally, up to 18 per cent of the recruits are former PWC interns. Approximately 95 per cent of the interns were offered full time training contracts. In 2012, at least 1,800 new recruits are expected.

Martin Heath, head of PWC's assurance practice in Manchester, explained how the organisation managed to remained resilient during the recession. The following quote is credited to Martin Heath:

“We held our nerve during the recession and continued to invest in graduate recruitment. That decision has paid off as we are seeing some exciting opportunities emerge despite the fragile state of the economic recovery. We've taken in graduate talent in assurance, tax and advisory to help us harness those opportunities”.

This is an example of how organisation can contribute to the economic recovery by reducing the risk for people of long-term unemployment or underemployment by updating skills and re-skilling them in a proactive way, in particular by anticipating changes and their implications for skills development.

## **Banking**

The picture is not as rosy in the banking sub-sector. It was reported that around 50,000 jobs were lost in the months leading to September 2011. This included major names such as Lloyds TSB (Manpower, 2011). However, there is still graduate recruitment and some areas such as retail banking are still recruiting with the growing emphasis on customer service. Currently, the general position on recruitment is negative, with Reed Job Index indicating employer demand for banking roles continues to decline (REED, 2012).

## **Finance**

Within this sub-sector, there is an expectation that emphasis will be placed on value-added roles. For instance, rather than just an auditor, employers may want someone who can also function as a business partner (FSP, 2011d).

There is also an expectation of growth of finance roles in Oil and Gas. The FSP's skills demand statement further emphasises growing career pathways in investment banking for administrative and non-client facing roles. These need to be considered as parallel, and equally valid career pathways.

Additionally, the importance of professionals with UK and international regulatory expertise is expected to be crucial going forward as companies need to maintain compliance (FSP, 2011d; Deloitte, 2011, 2012).

## **Financial Planning**

In a troubled economy, investors increasingly require solid professional advice on how to protect their assets. This means heightened demand for financial analysts and advisors in both commercial and business sectors. Opportunities for financial professionals and advisers can therefore be expected to grow over the coming years as most people look for the best way to save for their retirement, and financially protect themselves and their families (GSP, 2011d). As we are all living longer these decisions become even more imperative. In 2011, 400,000 people and businesses contacted unbiased.co.uk to find an independent financial advice (Unbiased, 2011).

## **Insurance**

In June 2011, the Reed Job Index showed insurance recruitment was at its highest for 18 months, though this fell back over the summer (REED, 2011a). There is strong demand in certain specialist areas. Examples of such areas include actuaries, underwriters, and solvency II experts. Shortage of qualified people is likely to create salary inflation into the future (FSP, 2011a).

The FSP skills demand statement also indicates good career opportunities can be expected in roles of lower profile areas such as claims officers (FSP, 2011a).

### **Investments**

Investment administration is also likely to serve as an alternative to more high profile roles. The FSP's skills demand statement emphasises the following areas:

- Job design for operations roles
- Lack of understanding of private client wealth management among recruits – Not investment banking or trading
- Risk Management and Compliance as growth areas

There has been some measure of unsettling in the investment arena following the sentiments expressed in the final report of the Independent Commission on Banking. The report recommended that banks ring-fence their retail arms from their investment banking units (ICB, 2011).

### **Pensions:**

Regulatory and market changes may have an influence on future skills and labour market issues. For instance, European law may force firms to consider pension schemes as a form of insurance so having to comply with Solvency II regulations. Conversely, opportunities may accrue from new regulations forcing auto-enrolment to company pension schemes. For instance, from October 2012 the largest organisations are expected to start offering workplace pensions, if they do not already do so. Organisations will also be required to enrol all staff in their scheme automatically. While employees are able to opt out, they cannot be encouraged to do so. This phenomenal shift in the pensions arena is likely to trigger a rise in the numbers of people starting or increasing their contributions to pensions schemes. It is predicted that the increase could rise to nine million people (Grinstead, 2011). This is likely to trigger a corresponding rise in demand for skills in the pensions sub-sector.

#### **7.4 Other future skill needs**

In the legal side of the sector, the skills priorities to ensure the Financial, insurance and other professional services sector is ready to meet the challenge of the coming decade include (Skills for Justice, 2011):

- Specialist knowledge and expertise in working with specific categories of people, for example, victims, survivors and witnesses
- Recruitment of staff with a whole range of skills from groups under-represented across the sector, particularly at senior and management grades
- Better management and leadership skills, particularly for managing professionals, Financial management and change management
- Increased skills to deal with performance targets, indicators and other accountability issues which will all be under increasing scrutiny in the current economic climate
- Skills across all staff levels to meet the demands of the more for less agenda
- Skills which promote greater cross-agency work.

## 8 Priority areas for action

### Chapter Summary

- Across the sector there is likely to be a continual need for more Professional and Associate Professional staff and for those staff to continually develop their specialist and technical skills.
- There is also a need for IT skills and training in the use of new technologies to ensure the sector's IT systems are sufficiently developed in line with latest developments in the industry.
- Management and leadership skills are likely to be in continual demand for the sector to be responsive to new market opportunities, changes in regulation and to compete in an increasingly globalised economy.
- There is ongoing demand for customer service skills among customer-facing staff to maintain high levels of service.
- Training and skills development in the areas of risk management and regulatory compliance is deemed a high priority among all occupational groups in Financial, insurance and other professional services.

In this concluding chapter we identify the skills which are strategic priorities for action, both currently and in the future. The future skills priorities for the sector are summarised in table 8.1 which distinguishes between areas where there is a high, medium or low potential impact is no remedial action is taken and where there is an immediate and/or continual need for action.

Across the sector there is likely to be a continual need for more Professional and Associate Professional staff and for those staff to continually develop their specialist and technical skills. The numbers employed in both occupational groups are predicted to grow substantially over the period to 2020 and their skills will have to adapt to changing regulatory and market conditions as well as technological change. At professional level there is a continual need for an adequate supply of graduates to join key professions such as actuaries, underwriters, investment accounting and insolvency. There is also a need for IT professionals and technicians to ensure the sector's IT systems are sufficiently developed and maintained to keep pace with market developments (such as remote banking), regulatory requirements (such as data protection and security) and customer demand (for simple secure systems).

The sector has a relatively low incidence of skills gaps, but where they occur they disproportionately affect professional staff indicating the continuing need for ongoing professional development to ensure that skills keep pace with regulatory and other demands

Management skills and leadership qualities are likely to be in continual demand as the sector and the economy recovers from recession. This is because organisations will need to operate in a more resourceful and well organised way to and to comply with changing regulatory regimes and exploit new market opportunities both domestically and overseas. Key management skills will include: new product development; risk management, people management; business planning; partnership working and change management. Overseas markets will also require a degree of cultural awareness in order to fully exploit any product development opportunities

The overall numbers of Administrative and clerical staff are expected fall over the coming years, as technology continues to develop. However they will still form a significant proportion of the sector's employees and workforce modelling suggest that there will be a significant level of replacement demand in future years as existing staff retire

Sales and customer service staff are another key occupational group, particularly in the finance sector. New regulations governing the provision of financial advice have increased the minimum qualification level for retail investment advisers as part of a broader set of measures to professionalise and stimulate confidence in the sector. This will place an immediate requirement on parts of the sector but is also indicative of a greater emphasis on certificated competence in the future.

There are a number of specific technical skill needs which will also affect a range of occupations within the sector. Leaders in the sector have emphasised a number of areas of immediate need for skills development (HM Treasury, 2009). These include:

- skill shortages in risk and management skills, legal, analytical, statistical, IT,
- leadership and management, change management, and language skills
- regulatory and compliance knowledge and skills.

Increasing use of technology in the workplace is also impacting on learning and skills and the rapidly changing technological environment in which Financial, insurance and other professional services sector organisations operate mean that there needs to be better alignment of training provision with new and changing skills needs to support the competitiveness of the sector.



**Table 8.1 Priority Skill Needs**

Criticality	Immediate need for action	Need for continual action
High potential impact if no or slow action is taken	<ul style="list-style-type: none"> <li>• Financial advisers need appropriate qualifications to qualified to meet the requirements of the Retail Distribution Review</li> <li>• Ensure adequate supply of professional staff in key specialist areas e.g. actuaries, underwriters, investment accountants and insolvency practitioners</li> <li>• IT development and maintenance skills to develop new secure and compliant IT systems</li> </ul>	<ul style="list-style-type: none"> <li>• Management skills in managers relating to strategic leadership around change to respond to future economic circumstances, new regulations and exploit market opportunities</li> <li>• Risk management and regulatory compliance among all occupations</li> <li>• New product development skills</li> </ul>
Medium potential impact if no or slow action taken	<ul style="list-style-type: none"> <li>• Management skills in managers relating to ensuring that the workforce is appropriately trained and qualified.</li> <li>• IT capabilities of all staff to efficiently learn and deploy new technology systems</li> <li>• Ensure sufficient supply of administrative and secretarial staff to replace retirees</li> </ul>	<ul style="list-style-type: none"> <li>• Embedding of collaborative work and partnership arrangements</li> <li>• Updating of skills and retraining of the older workforce</li> </ul>
Low potential impact if no or slow action is taken		<ul style="list-style-type: none"> <li>• Cultural awareness skills to exploit new overseas markets</li> </ul>

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## Appendix A: Methodology

### The provision of core data

To ensure consistency and comparability across all 15 SSA reports, data from core labour market information sources was centrally collected, processed and formatted. It was then distributed by the UK Commission to Sector Skills Councils for inclusion within the reports.

Core data was centrally produced from the following sources:

- The Labour Force Survey
- The UK Employer Skills Survey 2011
- Working Futures 2010-2020
- Regional Accounts (information on Gross Value Added)
- Mid Year Population Estimates
- European Continuing Vocational Training Survey
- Business Demography Statistics

Data from the Labour Force Survey, regional accounts and mid-year population estimates was collated, processed and formatted by Cambridge Econometrics and the Institute for Employment Research (IER), Warwick.

Data from the UK Employer Skills Survey 2011 was collated and processed by IFF Research and formatted by the UK Commission.

Data from Working Futures was collated, processed and formatted by IER.

Data from the European Continuing Vocational Training Survey and Business Demography Statistics was collated, processed and formatted by the UK Commission.

All data was quality assured by contractors, the UK Commission and by Sector Skills Councils.

It has been necessary to suppress some data within the reports to adhere to official guidelines regarding data quality. The details of suppression strategies applied to data from specific sources are described in more detail below. Data for Scotland, Wales and Northern Ireland for the three smallest SSA sectors is most likely to be suppressed.

These are:

- Agriculture, forestry and fishing
- Energy production and utilities
- Information and communication technologies.

### **Methodological information for core labour market information sources**

#### **Method used to derive estimates of gross value added (GVA) per employee job by SSA sector and nation**

No official estimates are currently available for the level of productivity by sector and UK nation. The figures presented in this report have therefore been estimated by the UK Commission using the following process.

Levels of workplace gross value added at current basic prices by SIC 2007 Section were derived from the official estimates published by the Office for National Statistics as part of its Regional Accounts series. Levels of employee jobs were taken from the Business Register and Employment Survey for 2009.

The sectoral “footprint” definitions used as the basis for the SSA reports are not coterminous with SIC Sections, however, and in some cases draw on 2-digit SIC divisions. At present the official GVA estimates for nations and regions are only available at a SIC section level.

To overcome this an approach was adopted which has been developed by Welsh Government to derive gross value added estimates for its priority sectors. This approach was applied to the UK and all four nations. Approximate estimates of GVA at 2-digit level are available for much of the economy from the Annual Business Survey (ABS). These were used to allocate GVA at the 2-digit level with the results being constrained to the official GVA totals by SIC section taken from the Regional Accounts. For those areas of the economy not covered by the ABS, shares of employment at the 2-digit level were used instead, taken from the Annual Population Survey.

### **Labour Force Survey**

#### **About the survey**

One of the key data sources used within this report is the Office for National Statistics’ (ONS) Labour Force Survey (LFS). The LFS is a survey of households living at private addresses (plus in NHS accommodation and student halls of residence) in the UK.

The survey is carried on a quarterly basis. The sample is made up of around 41,000 responding (or imputed) households in Great Britain every quarter, and around 1,600 households in Northern Ireland. The LFS uses a rotational sampling design which means that, once selected, a household<sup>12</sup> is kept in the sample for a total of five consecutive quarters.

Interviewers can take answers to questions by proxy if a respondent is unavailable. This is usually from another related adult who is a member of the same household. About a third of LFS responses are collected by proxy. Information on individuals aged 16 – 19 most likely to be obtained by proxy.

Full user guidance can be accessed here: <http://www.ons.gov.uk/ons/guide-method/user-guidance/labour-market-statistics/index.html>

### **Preparation of LFS data for this report**

The UK Commission provided report authors with a core set of tables based on LFS data for mandatory inclusion within Sector Skills Assessment reports. The data within these tables was prepared by two contractors: Cambridge Econometrics (CE) and Warwick Institute for Employer Research (IER).

Data was prepared in three stages:

1. The original survey data was gathered and coded by IER to the categories and classifications required for the SSA tables. This was then sent to CE
2. CE used the data prepared by IER and derived the indicators and aggregated the data to the dimensions required for the tables
3. The UK Commission checked tables and distributed to report authors

Annual data presented within this report is based on an average of four consecutive quarters of data. Data prior to 2009 is based on SIC2003 and data for 2009 and 2010 is based on SIC2007 codes.

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<sup>12</sup> Note, it is the address that is selected and not necessarily the particular people who live there.

## Reporting of LFS data

In line with ONS convention, annual LFS data presented within this report has been suppressed if individual cell sizes fall below 6,000. This is because cell sizes of fewer than 6,000 are deemed to be low quality estimates.

Analysis of employment uses all four categories of employment status within the LFS: employee, self-employed, government scheme & unpaid family worker.

Please note, some tables present a total for All sectors while others present a total for Whole economy. The values for these totals are different because the Whole economy total includes the 'Not within scope' category (i.e. sectors that don't fall within an SSA sector), whereas All sectors is the total for just the 15 SSA sectors.

## ***UK Commission's Employer Skills Survey 2011***

The UK Commission's Employer Skills Survey 2011 (UK Commission's ESS 11) was the first large-scale economy-wide employer skills survey to be conducted across the whole of the UK. The survey was managed by the UK Commission for Employment and Skills and was conducted by three contractors: IFF Research, BMG Research and Ipsos Mori (Davies et al, 2012). The project steering group included representatives from all four nation governments, the Alliance of Sector Skills Councils, the Department for Work and Pensions and the Skills Funding Agency.

Fieldwork was carried out from March to July 2011. Two waves of interviews were conducted. The main survey involved telephone interviews with approximately 87,600 employers and a follow-up survey focusing on investment in training was undertaken with over 11,000 respondents. The data presented within this report draws only on information gathered from the main survey.

The table below provides information on the number of employers interviewed by sector and nation for the main survey.

SSA sector	England	Scotland	Wales	NI	UK
Agriculture, forestry and fishing	1,270	99	133	45	1,547
Energy production and utilities	1,306	106	133	69	1,614
Manufacturing	6,774	182	470	350	7,776
Construction	7,538	300	660	463	8,961
Wholesale and retail trade	13,919	333	1,129	769	16,150
Transportation and storage	4,078	152	300	205	4,735
Accommodation, food and tourism activities	9,630	324	909	455	11,318
Information and communication	2,262	56	111	81	2,510
Creative media and entertainment	3,301	99	227	135	3,762

SSA sector	England	Scotland	Wales	NI	UK
Financial, insurance & other professional services	4,525	146	391	281	5,343
Real estate and facilities management	3,113	85	133	93	3,424
Government	2,078	163	188	176	2,605
Education	4,597	164	391	287	5,439
Health	2,912	107	242	137	3,398
Care	4,028	101	338	296	4,763
Not within scope	3,722	86	257	162	4,227
Total	75,053	2,503	6,012	4,004	87,572

UK Commission's ESS 11 is a quota survey. Quotas were set on a size by sector within nation / English region basis. In Northern Ireland and Wales, where more interviews were carried out than the required minimum to get national representation, they were predominately distributed in proportion to the population.

In order to include the maximum number of questions without extending the overall length of the interview, the sample was randomly split in half for some sections, and one set of employers were asked one module of questions, and the other half of the sample different questions.

The survey is a local unit (establishment) survey. This means that for large multi-site organisations several branches/ locations may have been interviewed. The establishment level sampling reflects that the survey asks employers about issues that need to be answered by people with day-to-day contact with employees rather than head office.

Respondents are those who have the best overview of HR and training within the establishment. This will tend to be HR or training managers in large establishments and owner/managers or senior managers within small establishments.

The valid population of establishments being used in UK Commission's ESS 11 is all establishments with the exception of sole traders (this means that establishments with one employee and no working proprietors (for e.g. flower stall at a station, where there is one person working but they do not own it themselves) are included). In addition, establishments with multiple working proprietors but no employees are also included.

Sampling error for the survey results overall and for different sub-groups by which analysis is presented in the report is shown in the table below. Sectoral figures are presented for the 14 SIC 2007 sections which were used for the survey sampling approach.

Figures have been based on a survey result of 50 per cent (the 'worst' case in terms of statistical reliability), and have used a 95 per cent confidence level. Where the table indicates that a survey result based on all respondents has a sampling error of +/- 0.32 per cent, this should be interpreted as follows: 'for a question asked of all respondents where the survey result is 50 per cent, we are 95 per cent confident that the true figure lies within the range 49.68 per cent to 50.32 per cent'.

As a note, the calculation of sampling error has taken into account the finite population correction factor to account for cases where we are measuring a significant portion of the population universe (i.e. even if two sample sizes are the same, the sampling error will be lower if in one case a far higher proportion of the population was covered).

These confidence intervals are based on the assumption of a normal distribution of responses.

#### Sampling error (at the confidence 95 per cent level) associated with findings of 50 per cent

	Population	Number of interviews	(Maximum) Sampling Error
<b>Overall</b>	<b>2,299,921</b>	<b>87,572</b>	<b>+/-0.32</b>
<b>By country</b>			
England	1,960,298	75,053	+/-0.35
Northern Ireland	65,559	4,004	+/-1.5
Scotland	175,114	2,503	+/-1.94
Wales	98,950	6,012	+/-1.22
<b>By size of establishment</b>			
1-4	1,466,397	18,955	+/-0.99
5-24	648,446	47,770	+/-0.61
25-99	147,319	15,951	+/-1.03
100-249	25,945	3,270	+/-2.27
250+	11,814	1,626	+/-3.12
<b>By sector</b>			
Agriculture	98,458	939	+/-3.18
Mining & Quarrying	2,222	188	+/-6.84
Manufacturing	128,255	7,704	+/-1.08
Electricity, Gas and Water	10,583	1,426	+/-3.35
Construction	241,429	6,654	+/-1.18
Wholesale and Retail	441,365	15,340	+/-0.78
Hotels & Restaurants	167,215	8,471	+/-1.04
Transport and Communications	210,801	7,885	+/-1.08
Financial Services	52,381	1,881	+/-2.22
Business Services	551,612	14,488	+/-0.80
Public Administration	26,058	1,617	+/-2.36
Education	65,499	5,439	+/-1.27
Health and Social Work	140,269	8,161	+/-1.05
Community, Social and Personal Services	163,774	7,379	+/-1.11

Looking specifically at sampling error for SSA sectors at national level, Agriculture in Scotland provides an illustrative example. 99 interviews were completed for this sub-group. Applying the assumptions outlined above, this gives a maximum sampling error of around +/- 10 percentage points. This demonstrates the indicative nature of the detailed survey estimates for smaller sectors.

Within the report, data based on unweighted bases of less than 25 have therefore been suppressed for quality reasons. In addition, data based on unweighted bases of between 25 and 50 have been marked as indicative. More stringent thresholds have been applied in Scotland because of the lower total number of interviews that were conducted than in other nations. Estimates based on unweighted bases of fewer than 50 have been suppressed, whilst estimates based on bases of 50-99 are marked as indicative in the relevant tables.

Finally, occupations within the survey are defined by 2010 Standard Occupational Classification codes and sectors are defined by 2007 Standard Industrial Classification codes.

Please visit the UK Commission's Employer Surveys website for further information including the full survey report and questionnaire. <https://ness.ukces.org.uk/default.aspx>

### **Working Futures**

Working Futures 2010-2020 is the latest in a series of detailed projections of UK employment, productivity, labour supply and skills. The projections have been prepared by the Institute for Employment Research (IER) and Cambridge Econometrics (CE) on behalf of the UK Commission for Employment and Skills (UKCES).

The projections are calculated from a number of different data sources, including the Annual Business Inquiry, the Business Register and Employment Survey, and the Labour Force Survey. The results provide a picture of employment prospects up to 2020 by industry, occupation, qualification level, gender and employment status for the UK as a whole, the four nations, and English regions.

As with all projections and forecasts, the results presented in Working Futures should be regarded as indicative of likely trends and orders of magnitude given a continuation of past patterns of behaviour and performance, rather than precise forecasts of the future. At a time of great uncertainty about the short to medium term prospects for the economy, it is important to stress the value of Working Futures in aiding understanding of likely prospects for employment in the longer term (i.e. in 2020). Readers should therefore focus on the relative position of sectors, and occupations in 2020 and treat the projected values as broad indicators of scale rather than exact predictions.

Further methodological details can be found on the UK Commission's website - <http://www.ukces.org.uk/publications/working-futures-technical-report>.

### **Financial Skills Partnership Skills Demand Statements 2011**

The Financial Skills Partnership has five sector-specific employer panels, which meet twice a year to provide input and direction to the FSP's work as an employer-led Sector Skills Council. These panels cover the sub-sectors of:

- Accountancy and Finance
- Banks and Building Societies
- Insurance
- Financial Planning
- Wealth, Investments and Pensions

Between March and May 2011, a series of research meetings were held with employers represented on each of the panels to discuss their current skills needs. The outcomes from these meetings were collated into Skills Demand Statements for each sub-sector. The statements were signed off by the panels as representing their current skills issues at their meetings in May 2011. The statements were updated to reflect work undertaken by the FSP during the year and signed off again by the panels at their meetings in November 2011.

Rather than using a questionnaire format, it was decided to allow employers to express their skills needs in their own way, under the three broad headings of the FSP's work in:

- Attracting the Right Talent
- Liaising with Policy Makers
- Professionalism



Some of the meetings were in a one-to-one format between the FSP's Skills Research Manager and an appropriate business contact at the employer. Others were group meetings where the FSP's Skills Research Manager would attend, for example, a team meeting and canvass the views of up to ten staff members present. For Insurance, the methodology was different in that the FSP has a close working relationship with the Chartered Insurance Institute, who sent a brief questionnaire to their members across the Insurance sub-sectors of Underwriting; Claims; London Market; Life and Pensions; and Broking.

Meetings were held with between five and fifteen employers depending on the sub-sector, and the Insurance questionnaire attracted some 25 responses. A range of business sizes and types were included.

For the devolved nations, similar exercises were conducted to produce nation-specific skills demand statements for Scotland, Wales and Northern Ireland, in liaison with the devolved administrations and the Skills Gateways in Scotland and Wales and the Future Skills Action Group in Northern Ireland.

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our mission is to raise skill levels to help drive enterprise, create more and better jobs and economic growth.

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