News release

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**Financial services talent models are unsustainable
in new business climate**

*Limited availability of skills are biggest threat to growth*

**London, 15 April 2013**‑‑Research from PwC has found that FS CEOs view talent shortages as the biggest threat to growth. The report, *Seizing back the people agenda*, also suggests that current models for people management are unsustainable in the face of new market realities and that rebuilding trust and re-engagement with employees, customers and society as a whole is needed.

Findings include:

* A combination of technology, new capital demands and the economic situation are transforming customer expectations and making once-profitable areas of business unviable.
* More than 80% of financial services leaders see over-regulation as a threat to growth while more than half are concerned about the shift in customer spending and behaviour.
* Half of financial services CEOs believe that a lack of trust in the industry is holding back growth.
* Rebuilding trust with disenchanted customers is going to be vital in order to strengthen customer loyalty, retention and growth – the number one strategic priority for industry leaders.
* Re-engaging with customers is going to be extremely difficult without re-engaging with employees and the challenge is heightened by the extent to which trust between employers and employees in the industry has been shaken by retrenchment and organisational upheaval.
* Significant changes required in organisation culture, including demonstrating and reinforcing the right behaviours across all front and back office functions and geographies

Jon Terry, global financial services people leader, said**:**

“Rather than actively shaping the people strategies that financial institutions need to move the business forward, many are reacting to immediate pressures. But the upheaval in the marketplace and challenge of re-engaging with customers and staff are making the need to regain control of the people agenda ever more pressing. To get their people strategy onto the front foot, executives need to know what the new objectives for the business are and what people strategy components are needed to support and deliver them.

“Addressing these questions will make sure businesses are more likely to have the right people, with the right skills and motivation to contend with the new market realities and take the business forward. Underpinning this will be a clear statement of why people would want to work for the business, which is capable of attracting and retaining talent without simply relying on pay.”

**Rebuilding reputation…**

Disillusionment with the financial services industry has been exacerbated by the often hostile attitudes of the media, politicians and society at large. For many people in the industry, this antagonism has created a ‘them and us’ mentality that is suspicious of change and reluctant to re-engage with those from outside.

The reputation of the industry is also making it difficult to attract talent. A global PwC survey of college leavers coming into the workforce found that more than 20% would no longer even consider a career in financial services because of its image. Jobs with meaning and interest are a key attraction for this millennial generation.

**A new employee value proposition…**

A considerable amount of the employee value proposition within financial services has been built around financial reward. But the sharp falls in returns since the financial crisis mean that there simply aren’t the funds to sustain the old levels of compensation. Nonetheless, more than 70% of financial services CEOs say that they have to match the pay of peers to retain top talent. These pay pressures need to be balanced with the returns to satisfy shareholders and fund investment for growth.

Further strains are coming from stakeholder pressures being put on how organisations set rewards – nearly 40% of financial services CEOs are changing the way they set executive reward in response to shareholder and public reaction. These demands are leading to a huge and complex overhaul of reward policies, with significant implications for the balance of fixed, variable and deferred pay and the governance, communication and employee engagement procedures that surround this. Supporting the organisational reputation by requiring employees to live up to expectations on behaviour and accountability should be a key aspect of the reward package.

Jon Terry, global financial services people leader, said**:**

“A culture of integrity, customer focus and risk-awareness is critical in re-engaging with customers and rebuilding confidence in the industry. There are clear competitive advantages for getting this right including better targeting of products, stronger reputation and more effective retention of key people.

“Pay is still important, but not at the expense of everything else. There needs to be a more viable balance between risk and capital demands, employee reward and the returns needed to attract investment and fund future growth.”

**Note to Editor:**

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