

# **BPFI Banking Sector Skills Report**

## **2023**

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# Banking sector skill needs are growing and changing

The skills composition within banks is evolving rapidly, with both retail and international banks needing a range of skills including IT and digital skills to meet evolving customer and regulatory demands.

The ever-increasing demand for talent is a challenge for all businesses, with the retail banks, the large international financial services sector, multinational technology companies, the fast-growing FinTech sector, and other corporates nationally and internationally all competing for the best graduates and experienced workers. The BPFI Skills Survey 2023 indicates, that some 72% of senior bank executives surveyed said that they were experiencing or expected to experience difficulties accessing talent with key skills in Ireland.

Member banks have identified regulatory and compliance, risk management and digital skills as key areas where they face challenges accessing talent. Data analysts, AI specialists, digital engineers and technologists will become critical roles within a changing and more digitalised banking sector. In the Irish Banking Culture Board 2023 bank staff survey, one in ten (11%) respondents said they worked in IT.


Talent will be central to the banks' future growth and stability. Some 58% of respondents to the BPFI

Skills Survey 2023 said they would usually address skills gaps by hiring new employees with those skills while 22% would recruit graduates or apprentices and train them. Financial services firms have been successful in recruiting graduates with almost one in five 2022 Honours Degree ICT graduates working in the sector a year later - only the information and communication sector employed more 2022 graduates.

Banks must be able to attract the necessary people and skills, already in high demand by other sectors and competitors not only in Ireland, but globally, if they are to deliver the change in banking services being demanded by customers and the demand regarding regulatory and supervisory compliance and data requests.

Banks are also committed to retaining and leveraging their existing employees. They have responded positively to demands for hybrid models of work in order to meet the changing desires of a workforce who want increasing autonomy and flexibility over how and when they work and have been very strong in their commitment to employees in this regard. Some are also addressing skills gaps by using contingent labour such as contractors or agency workers.





"The way people and businesses bank is changing, and with it, what it means to work in a bank will continue to change too."

A quarter of respondents to the BPFI Skills Survey 2023 cited upskilling or reskilling existing staff as their staff management priority. Banks have invested substantially in training their staff, with training costs accounting for about 4% of labour costs, on average, in financial services, according to the latest CSO data. Staff training is also used to react to skills gaps, with about 44% of respondents saying they would usually respond to skill shortages by upskilling or retaining current employees.

## **Ireland's talent pool is an advantage but competition will intensify**

Although there are skill shortages for many roles in the industry, it is important to note that the overall talent pool in Ireland is seen as an advantage internationally with the main skills gaps tending to be in specialist positions, such as corporate banking and treasury and ESG/sustainable finance.

International banks in Ireland have indicated that some skills that were once hard to find are now becoming easier to source. As the industry grows, the talent pool is expanding organically, and many companies now have a depth of experience that was not previously available to them. This means that when employees move on, there is now potential to replace them through internal promotion without having to resort to recruiting staff from other firms either in Ireland or overseas.

The quality of talent available is also having a positive impact on growth in the sector with many senior international executives noting how it has helped them expand their business and develop beyond initial plans. The ability to source skilled staff is seen as a key factor in the decision-making process for approving additional investment and new business projects for Irish operations of international banks.

The continued growth and stability of both retail and international banks in Ireland will depend on the banks' ability to attract, source and retain the right skills and talent as well as their ability to generate the investment capacity to transform workplace structures in a way that is seamless and sustainable. In this European Year of Skills, banks in Ireland will need to work collaboratively with stakeholder groups to critically assess the talent constraints and their root causes in order to develop the sustainable long-term solutions required to support a truly progressive and competitive banking sector.

Competition for key talent is likely to intensify especially for non-traditional banking roles such as IT, with rising demand for technical skills such as data scientists, analysts, programmers and software, as well as specialised areas such as ESG. However, these skills take time to develop and hone. To complement this, banks will seek to recruit more technology workers from other sectors and build on their popularity with ICT, maths and science graduates. The way people and businesses bank is changing, and with it, what it means to work in a bank will continue to change too.

# BPFI Skills Survey 2023

BPFI members have highlighted skills and talent as key issues for their businesses. In 2023, BPFI surveyed members for the first time on their staff management priorities and skills needs and this report analyses the responses of 36 senior retail and international bank executives.

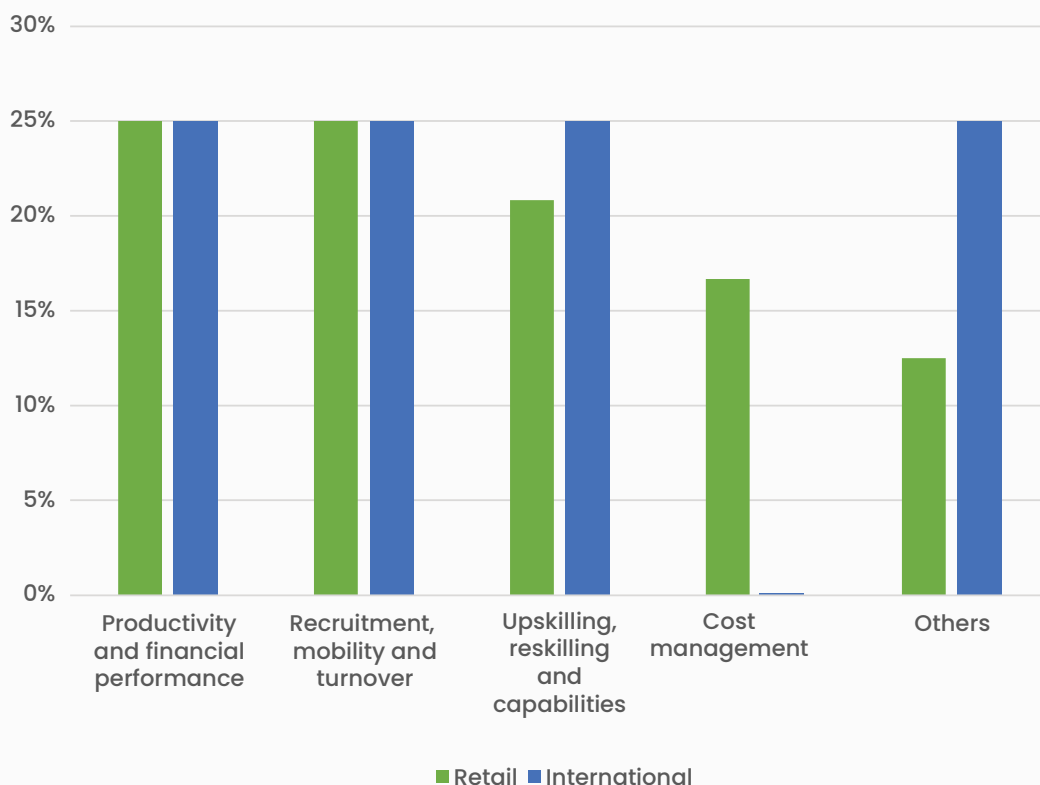
## Staff Management Priorities

The BPFI Skills Survey 2023 shows that banks in Ireland are prioritising recruiting and retaining staff, ensuring they have the skills to do their jobs and productivity. When asked about their top staff management priorities, about one in four respondents each selected one of measuring performance and productivity, recruitment and turnover and skills management as the top priority.

Changing work cultures and practices such as hybrid and flexible work arrangements as well as the use of contingent labour have made it more challenging to monitor performance. Skill mismatches and shortages have been identified as one of the main challenges that businesses in Ireland face so it's not surprising that recruitment and training to reskill or upskill staff are key priorities.

Cost management is a top priority for about one in five retail banking respondents. While employee earnings have increased significantly in all sectors in recent years, non-salary labour costs such as taxes, social contributions and training accounted about one fifth of hourly labour costs in the financial, insurance and real estate sector in Q2 2023, according to the CSO. At €8.96 per hour (excluding benefits-in-kind), these other labour costs increased by 7.7% year on year.

### Top Staff Management Priorities



Source: BPFI Skills Survey 2023



## Identifying Skills Gaps

Some 72% of senior bank executives surveyed said that they were experiencing or expected to experience difficulties accessing talent with key skills in Ireland.

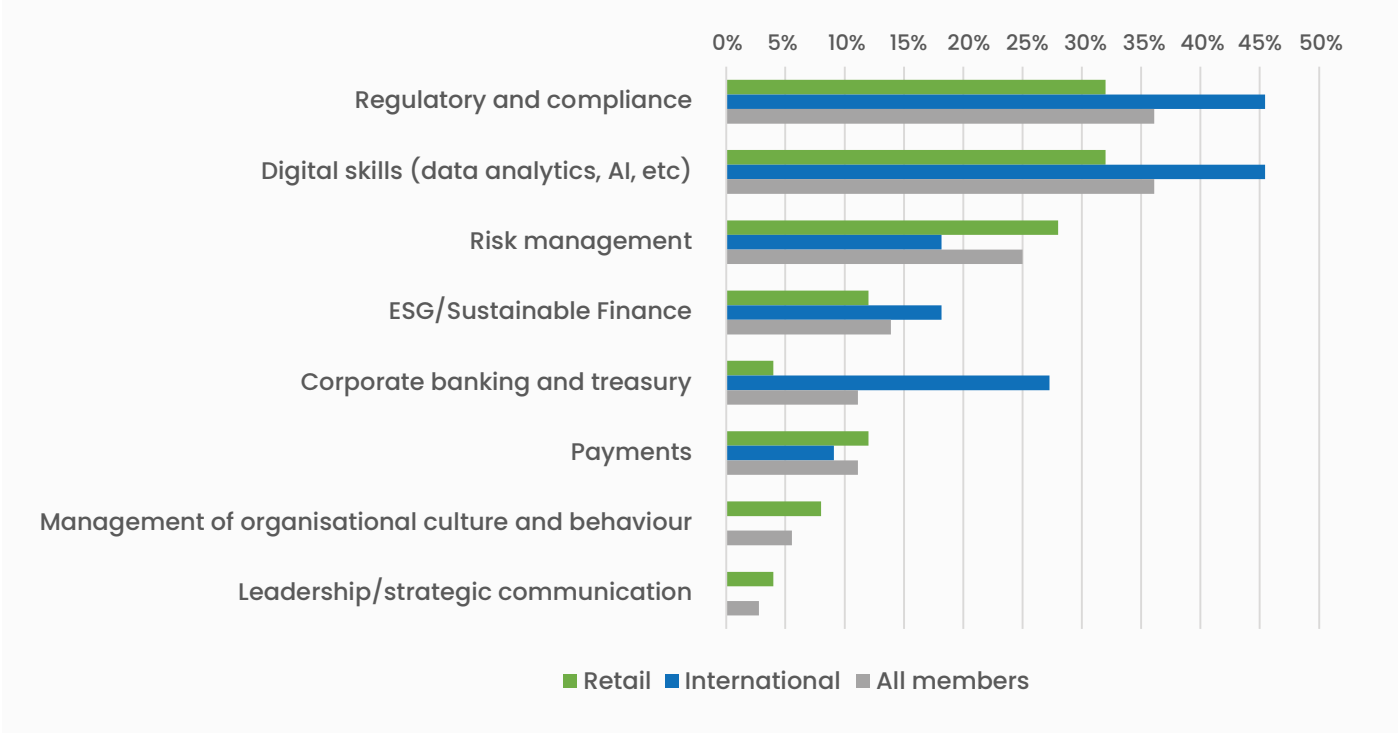
The key skills gaps identified by respondents were regulatory and compliance and digital skills including data analytics and artificial intelligence with 36% of respondents cited each skill as a problem area.

These gaps were most evident among international banks, with 45% of respondents noted difficulties accessing talent in those areas.

One in four respondents highlighted difficulties accessing risk management skills, mainly in retail banking, where 28% noted skills shortages. Some 27% of international banking respondents noted challenges accessing corporate banking and treasury skills, a key aspect of international banking.

Only 14% of respondents noted challenges accessing environment/social/governance or sustainable finance skills, which demonstrates the substantial progress made by banks is gearing up to address these issues in recent years. It's also notable that this is one of the main areas in which respondents have seen improvements in access to talent in the past three years, with 43% of respondents saying that access to such talent had increased in the past three years.

### Difficulties Accessing Talent – Key Skill Gaps



Source: BPFi Skills Survey 2023



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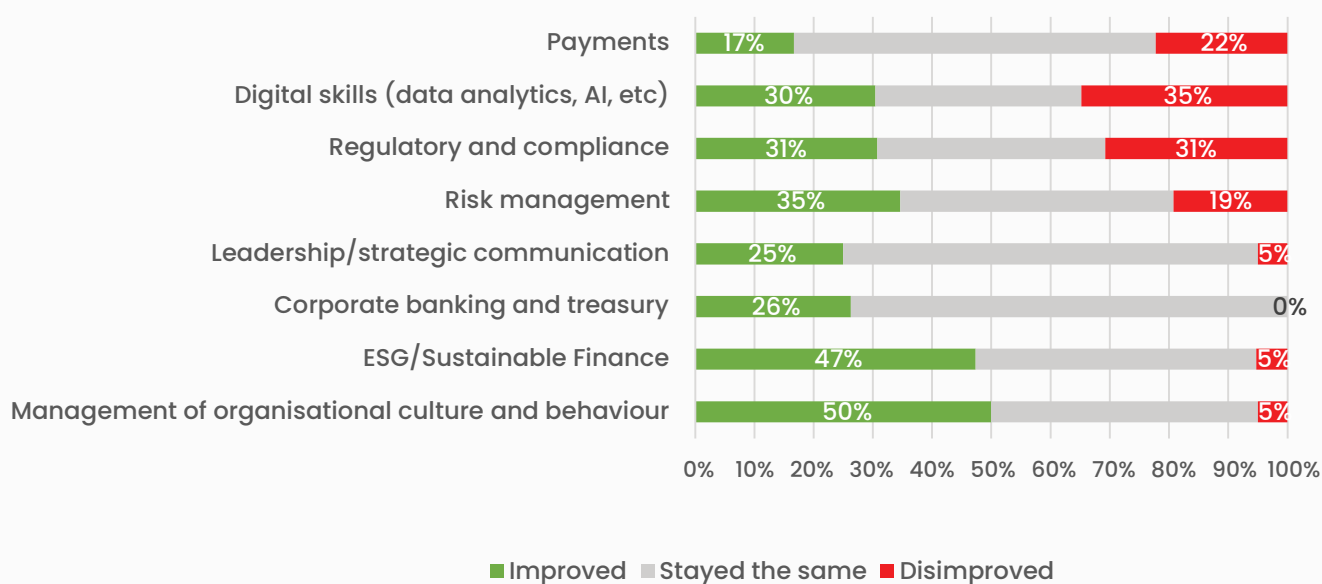
Respondents also reported improvements in access to corporate banking and treasury skills as well as the leadership and organisational management skills. Progress was more mixed in other areas. Some 35% of respondents indicated improvements in risk management, but 19% reported disimprovement.

While about one in five saw disimprovement in payments-related skills, about one third reported a

deterioration in access to digital or regulatory and compliance skills.

International banking members indicated that, on balance, payments and digital skills are easier to access in Ireland than in alternative European locations but ESG/sustainable finance, risk management and corporate banking and treasury skills are more difficult to access.

### Changes in Skills Access – Past 3 Years



Source: BPFI Skills Survey 2023

## Addressing Skills Gaps

Most banks face skills gaps so it's important to understand how they usually respond.

More than half (58%) of respondents said they would hire new employees with those skills, while 22% said they would recruit apprentices or graduates. Banks are actively involved in recruitment with a vacancy rate of 2.5% in financial, insurance and real estate activities in Q2 2023, according to the CSO, the second highest rate of all sectors, after public administration and defence, and almost double the rate of 1.1% for all private sectors.

Banks are also a popular destination for college graduates, with 15.4% of 2022 honours degree graduates were working in financial, insurance and real estate activities a year later, according to the Higher Education Authority. Within that, 18.3% of graduates from information and telecommunication technologies (ICTs) courses were employed in the sector a year later.

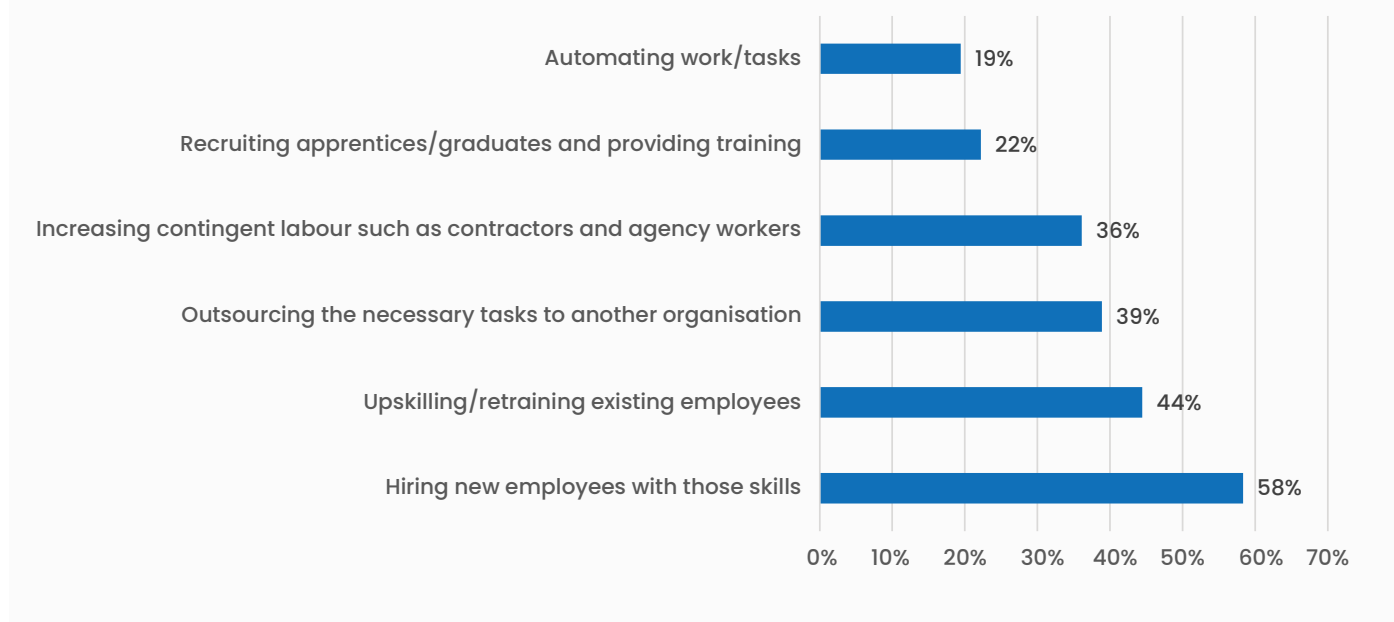
Only the information and communication sector accounted for a higher share of ICT graduates.

Some 44% of respondents said they would upskill or retain existing employees. CSO analysis indicates that, on average, training accounted for 4.2% of total labour costs in financial and insurance activities in 2020, compared with 1.9% for all sectors. Similarly, an average 19.4 hours were spent on training courses (excluding health and safety) in the sector in 2020, compared with 8.4 hours for all sectors.

While only one in five respondents indicated that they would usually automate work or tasks in response to skills gaps, about two in four indicated they would outsource tasks or increase contingent labour such as contractors and agency workers.

Greater reliance of third parties, including contractors was cited as an important impact of skill shortages alongside increased labour and other costs and delays to strategic plans for expansion or innovation.

### How Do Banks Usually Respond to Skills Gaps?



Source: BPFI Skills Survey 2023



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