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Global Insights

Financials & Real Estate World of Work 2023 Outlook

76% OF CONSUMERS WOULD DISCONTINUE RELATIONSHIPS WITH ORGANIZATIONS THAT TREATED EMPLOYEES, COMMUNITIES, OR THE ENVIRONMENT POORLY

DIGITAL MATURITY COULD UNLOCK A DECADE OF **$100 BILLION** ANNUAL GROWTH IN FINANCIAL SERVICES

73% OF EMPLOYERS IN THE FINANCIALS & REAL ESTATE INDUSTRY SAY THEY ARE STRUGGLING TO FIND THE SKILLED TALENT THEY NEED

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The last two years have tested the resilience and flexibility of the financial services industry like few periods in our lifetime. Organizations from investment management and insurance to banking and capital markets have proven their adaptability in the face of uncertainty: a pandemic, rapidly changing market conditions, accelerated digital transformation, and new ways of working.

The industry will continue to be tested as global economic instability continues, aggressive central bank actions to fight inflation begin to impact their business, investor ESG expectations grow, new ways of working begin to impact commercial real estate, disruptive technology accelerates the pace of digital transformation, and the reality of a rapidly aging workforce impacts their ability to find the talent necessary to sustain competitive differentiation. **This ManpowerGroup Global Insights report examines the key trends impacting this industry and the impact it will have on its workforce**.

- Which trends will continue and even accelerate in the coming years?
- Where are opportunities for differentiation?
- How can senior leaders optimize their workforce strategy for resilience amid continuous and accelerated change?

Make Consumers an Asset

Today's consumer wants an excellent omnichannel experience, whether they are using a mobile app or visiting a local office. This is easier said than done. Many in the industry excel at different stages of the customer experience, but those that can fully leverage the best technology with a human touch will create differentiation, and earn the greatest asset: customer loyalty.

- **Long Live the Branch:** 67% of consumers across all age groups say they like seeing branches in their neighborhoods, as it conveys the stability and availability of their bank. In the past 12 months, consumers used branches more than any other channel to open accounts, get advice and acquire new products. – Accenture

- **Global Opportunity of Digital Payments:** Between 2018 and 2021, the number of noncash retail payment transactions have increased globally at a compound annual growth rate of 13 percent. (In emerging markets, that figure is 25 percent.) With banks competing with third-party wallets (e.g., ApplePay) for share, it will be increasingly important to create differentiated value through ease of use, additional financial services, and rewards for customer loyalty. – McKinsey

- **Humans Are Still the X Factor:** Despite the accelerated pace of digital transformation, humans will remain the ultimate X factor in the complex/high-value world of financial services & real estate. Financials & Real Estate employers say Critical Thinking & Analysis (29%), Reliability & Self-Discipline (28%), and Reasoning & Problem-Solving (26%) skills are the most important and difficult to find. – ManpowerGroup Employer Outlook Survey

Workforce Implications:

- **Building and sustaining an excellent digital customer experience requires highly skilled talent.**
- **Consumers still expect experienced talent to help solve customer service issues.**
- **Skilled sales & marketing talent with an understanding of increasingly complex industry landscape will still be needed in the future.**

HUMAN SKILLS NEEDED:

1 CRITICAL THINKING & ANALYSIS

2 RELIABILITY & SELF-DISCIPLINE

3 REASONING & PROBLEM SOLVING

Stay Bullish on Tech

Since this is one of the most complex, competitive, and lucrative sectors in the global economy, it is no surprise technology has disrupted it for decades. The industry's digital transformation will continue to accelerate, and delivering a secure and easy-to-use experience across websites and mobile applications will be table stakes to remain competitive. In the next phase of digital transformation, organizations must capitalize on the full potential of automation, generative AI, and even robotics to continuously improve efficiency and customer value.

- **Expand Where Cash is Still King:** There are still significant growth opportunities across the developing world for digital financial services. For example, in Africa 95% of all transactions are still conducted using cash. Cash is still the top in-person point-of-sale (POS) payment method in Southeast Asian markets, including Thailand (63%), Vietnam (54%), Indonesia (51%), and the Philippines (48%). – McKinsey

- **Saved by Zero:** The industry is moving towards zero operations, which means using the power of people and technology to make customer experiences seamless while at the same time eliminating unnecessary operational processes and costs from the back end. The business case for moving towards zero operations is compelling. In the U.S., mid-sized banks can expect to achieve a 2-3% cost-income ratio reduction, equivalent to $250 million to $750 million in incremental annual value by moving towards zero operations. – Accenture

- **Not There Yet:** If global financial institutions achieved the highest levels of digital maturity, they could grow revenues by $100 billion per year for the next decade. – BCG

- **Create Unique Value or Prepare for Disruption:** Global big tech players are continuing to explore opportunities in financial services. Apple recently partnered with Goldman Sachs to offer a new high-yield savings account fully integrated into its powerful iCloud tech ecosystem. The new savings accounts drew nearly $1 billion in deposits in just four days. – Forbes

Workforce Implications:

- **Continue to invest in recruiting and retaining the best IT talent.**
- **Build the skilled tech talent you need by upskilling/reskilling your existing employees or candidates with skills gaps.**
- **Leverage external expertise when appropriate to expedite strategic digital transformation priorities.**

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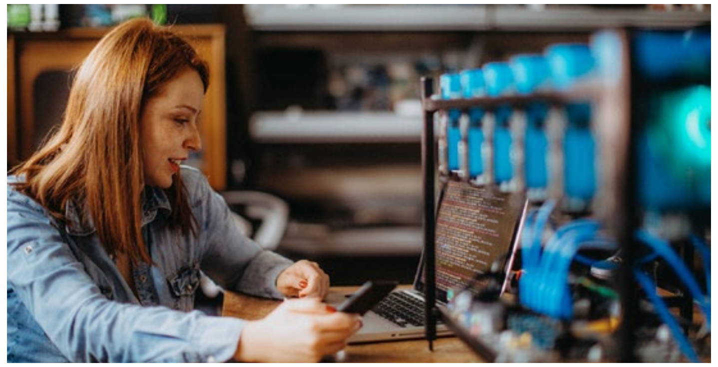
Diversify Your Revenue Portfolio

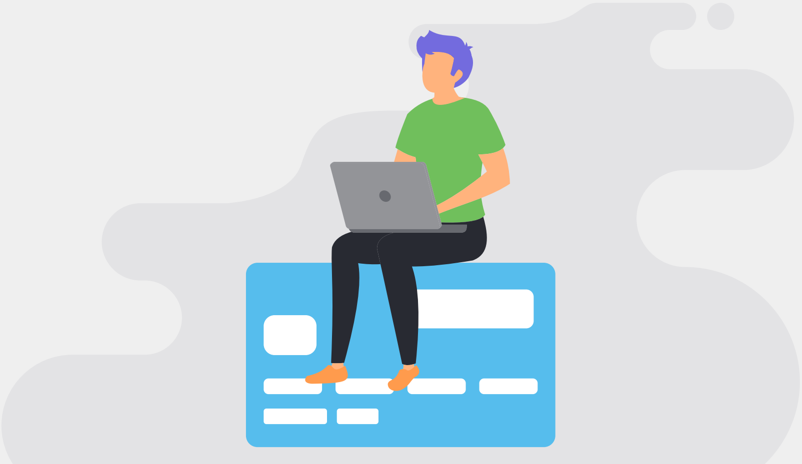


The future of banking is rapidly evolving, with significant changes on the horizon that will impact both financial institutions and their customers. Key trends include the predicted merger of banking and retail banking, the increased importance of collaboration between financial institutions and other industries, and the expected rise of Buy Now, Pay Later (BNPL) and installment payment methods in online transactions.

- **There's an App for That:** Banks around the world are seeking to replicate hyper-personalized value propositions centered around an ecosystem that can offer customers a mesh of interconnected services delivered through a single "super app." Examples include Curve and Venmo in the US and Revolut and Tinkoff in Europe, and many other companies are seeking to emulate the growth of super apps such as WeChat in China. – PwC
- **Leverage the Data:** By 2025, 30% of the world's top banks will be sharing data, applications, and operations in multi-industry ecosystem environments to increase global resiliency and scale, emphasizing the importance of collaboration between financial institutions and other industriess. – IDC
- **The Power of Buy Now, Pay Later:** BNPL and similar installment payment methods are expected to capture a significant portion of global online purchase transactions. For example Apple recently announced a new BNPL service, Klarna—a BNPL platform established in 2005—already has 90 million active users and BNPL transactions will grow to $680 billion by 2025. – Accenture

Workforce Implications:

- Access to talent or external expertise for the development of mobile apps or digital BNPL systems will remain a key business priority.
- Sustained need for a combination of skilled data analysis talent and automation to better leverage big data from increasingly complex digital payment ecosystems.
- Skilled sales and marketing talent needed for customer journey mapping, product innovation and strategic commercial partnerships.



GLOBAL DIGITAL BUY NOW, PAY LATER MARKET WILL GROW TO **$680** BILLION BY **2025**

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Double Down on ESG

Environmental, Social, Governance (ESG) performance is both a significant risk and an opportunity for the Financial Services & Real Estate industry. Bank of America projects the total annual global investment needed to reach net zero emissions by 2050 will need to grow to $4 trillion per year by 2030, and financial institutions will finance that. At the same time, investors and other stakeholders increasingly see ESG action as a business imperative.

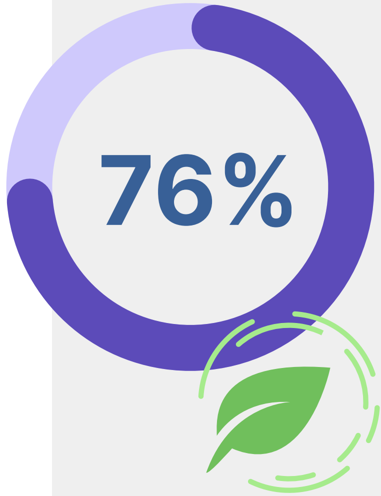
- **The Growing Green Finance Opportunity (Environmental):** The volume of sustainable bonds, including green bonds, sustainability bonds, social bonds, and sustainability-linked bonds, reached $965 billion, up by 80 percent from 2020. The volume of sustainable syndicated loans, including green loans and sustainability-linked loans, totaled $683 billion in 2021, up by more than 200 percent from 2020. – McKinsey

- **Doing Well by Doing Good (Social):** 76% of consumers reported they would discontinue relationships with organizations that treated employees, communities, or the environment poorly. – PwC

- **Don't Forget about G (Governance):** The U.S. Securities and Exchange Commission (SEC) and EU Corporate Sustainability Reporting Directive recently introduced new proposed rules to standardize ESG reporting requirements for public companies. In addition, the International Sustainability Standards Board was formed in 2021 to define reporting standards for investors. As ESG performance increasingly becomes the expected status quo, it is imperative for industry leaders to continue to drive action and accurately measure performance. – Reuters

Workforce Implications:

- **Recruit, retain or upskill talent to gain necessary expertise in ESG reporting and compliance**
- **Upskill/reskill talent for new roles which will emerge as the green economy gains momentum (e.g., ESG reporting & compliance, related HR specialists, skilled technical for green construction or green building maintenance)**
- **Scale up capabilities to meet and exceed related Diversity, Equity, Inclusion & Belonging (DEIB) targets**



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Regulators, Mount Up

Rapidly changing global economic conditions and the recent instability created by Silicon Valley Bank and Credit Suisse are putting a renewed spotlight on regulation. Meanwhile, interest rates are expected to continue increasing while the new ways of working that gained momentum during the COVID-19 pandemic are just now beginning to impact securities related to the global commercial real estate market. This has the potential to create instability similar to the 2008-2009 recession which led to the introduction of many new regulations.

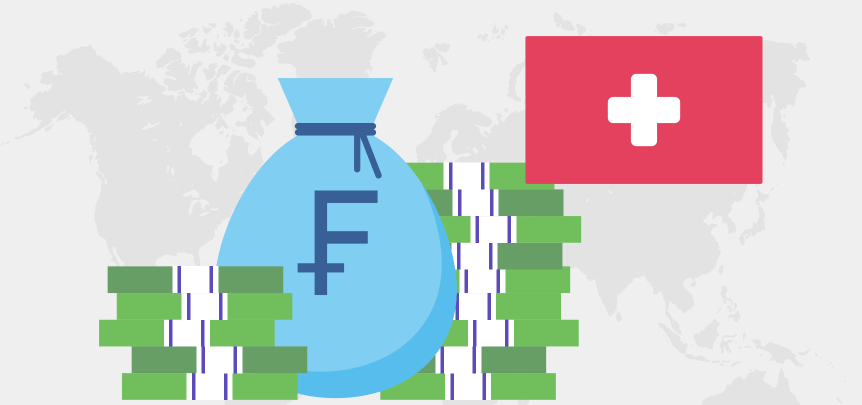
- **Rise of Reg-Tech:** One of the weaknesses of current regulatory structures is an overreliance on the judgement of regulators to analyze reporting provided by banks. In contrast, Reg-Tech would enable regulators to transition from a push to a pull model where information is pulled at source, analyzed and modelled in real time with future trends projected continuously. – World Economic Forum

- **New Regulations for Digital Currency:** The plunge in the price of most cryptocurrency assets in 2022 shows the scope of downside risks from crypto and the likely need to take some steps to protect investors. In an effort to enhance that clarity, the EU has already provisionally agreed on a Markets in Crypto-Assets (MiCA) proposal that will standardize rules for crypto-assets, crypto-asset issuers and crypto-asset service providers across the EU. – EY

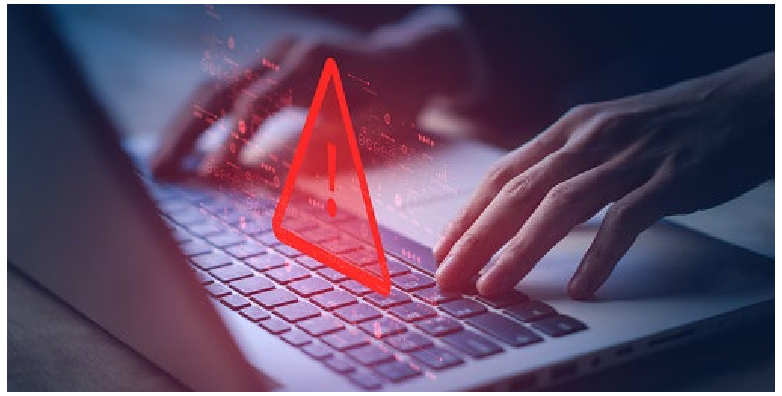
- **The Growing Price of Stability:** In the wake of the Silicon Valley bank failure and $25 billion FDIC rescue fund for depositors, U.S. regulators are expected to introduce a new assessment on 85% of U.S. banks to shore up its deposit insurance fund. As a result, banks with at least $100 billion in assets are likely to face liquidity requirements equal to banks with $250 billion to $700 billion in assets, if not stricter thresholds, according to Morgan Stanley banking analysts. – Morgan Stanley

Workforce Implications:

- **Manage labor costs by optimizing contingent workforce spending**
- **Leverage cross-border talent to reduce costs**
- **Utilize market intelligence to manage total workforce costs**



COST OF CREDIT SUISSE GOVERNMENT RESCUE FUND
$280 BILLION, 1/3 OF SWISS GDP



Take the Time to Fight Cybercrime

As the frequency and sophistication of cybercrime continues to grow, it is increasingly important to continue improving cybersecurity defenses. The Financials & Real Estate market has faced this challenge head on for years and constantly evolving AI tools have the potential to both increase the scope of the challenge while offering new advances to mitigate it.

- **Cybercrime is Big Business:** The estimated damages incurred by all forms of cybercrime, including the cost of recovery and remediation, totaled $3 trillion in 2015, $6 trillion in 2021, and could reach $10.5 trillion annually by 2025. – World Economic Forum
- **A Growing Threat:** Interactive intrusion campaigns increased 50% YOY in 2022 and financials were the second-most targeted industry sector. – CrowdStrike
- **With Significant Bottom Line Impact:** The average cost of a data breach globally is $4.35 million. Costs are even higher in the U.S. with an average cost of $9.44 million. – IBM

Workforce Implications:

- Prioritize cybersecurity within your IT budgets and workforce planning
- Supplement internal cybersecurity capabilities with trusted external expertise
- Overcome cybersecurity talent scarcity by upskilling/reskilling high-potential talent

THE COST OF GLOBAL CYBERCRIME WILL GROW FROM **$6 TRILLION** IN 2021 TO **$10.5 TRILLION** BY 2025

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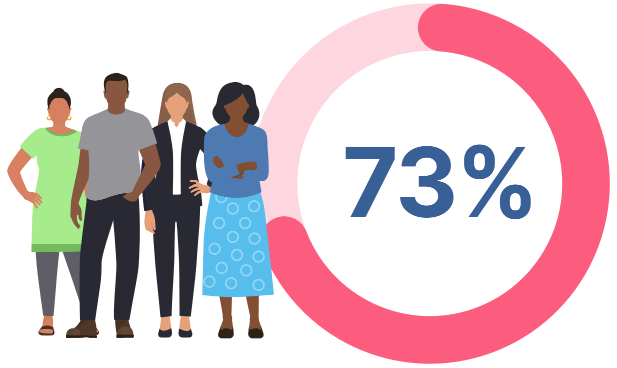
Unlock Vaults of Untapped Talent

Despite growing economic uncertainty, talent scarcity continues in the Financials & Real Estate industry. This means industry leaders must not only navigate an increasingly complex global business environment, but also balance increasing workforce expectations for pay, career growth, flexibility, and corporate social responsibility.

- **Persistent Talent Scarcity:** 73% of employers in the Financials & Real Estate industry say they are struggling to find the skilled talent they need. – ManpowerGroup
- **Hiring Demand Remains Stable:** Global hiring intent remained strong in a recent global survey of employers. The Net Employment Outlook for Q3 2023—calculated by comparing a survey of employers planning to hire vs. those planning staffing reductions—climbed at 31% from 29% in the previous quarter. – ManpowerGroup Employment Outlook Survey
- **Seeking In-Demand Skills:** Employers within the Financials & Real Estate industry say IT & Data skills (32%) are the most difficult to find, followed by Sales & Marketing (27%), Administrative/Office Support (21%), and Front Office/Customer-Facing skills (20%). – ManpowerGroup Employment Outlook Survey



OF EMPLOYERS IN THE FINANCIALS & REAL ESTATE INDUSTRY SAY THEY ARE STRUGGLING TO FIND THE SKILLED TALENT THEY NEED

Workforce Implications:

- **Prioritize strategic workforce planning to ensure your response to economic uncertainty today does not impact your long-term ambitions to recruit and retain differentiated talent.**
- **Upskill, reskill and continuously develop the workforce you want to retain, since global talent scarcity is expected to continue in the future due to an aging workforce and lower birth rates.**
- **Utilize global sourcing to find the talent you need with cost-effectiveness.**

In Conclusion

Tech disruption, an uncertain economy, growing consumer expectations, stakeholder demands for ESG action, and persistent talent scarcity will continue to have a significant impact on the industry for years to come. C-suite leaders must find a way to balance sustained innovation and differentiation with a very real need to manage costs.

Increasingly advanced automation tools offer a path to offset some of the increasing business complexity, but, human capital will still be the differentiator to overcome many of these challenges. Consumers still want human help, ESG action requires human creativity and meaningful innovation in tech will still require highly skilled talent. Those that can bring it all together and become employers of choice will be the best positioned to succeed well into the future.

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