Skills Development **Scotland** 

# **Sectoral Skills Assessment Financial and Professional Services**

October 2024

#### **Sectoral Skills Assessments**

First launched in 2017, Sectoral Skills Assessments (SSAs) provide a robust and consistent evidence base to support partners in strategic skills investment planning. Skills Development Scotland (SDS) has worked with key partners and stakeholders in the production of SSAs to ensure an inclusive approach to their development, dissemination and utilisation.

SSAs include published data sets. Inevitably, when using published data there is a time lag, but the data contained is the most up-to-date available at the time of writing. SSAs also include forecast data that has been commissioned through Oxford Economics. The Technical Note<sup>1</sup> provides full detail on the caveats that must be applied when using forecast data, but broadly, it should be noted that:

- Forecasts are based on what we know now and include past and present trends projected into the future.
- The more disaggregated they become, especially at smaller geographical units, the less reliable they are likely to be.
- Their value is in identifying likely directions of travel rather than predicting exact figures.
- The forecasts do not account for national or sectoral activities, initiatives or investments that are planned.

Industries and occupations used in the SSAs are defined by standard industrial classifications (SIC)<sup>2</sup> and standard occupational classifications (SOC).<sup>3</sup>

This SSA report is for the Financial and Professional Services sector. The sector ranges from banking to insurance; asset management to accountancy; management consultancy to credit bureaus; and legal services. Please see Appendix 1 for the SIC definition used in this report.

Key Sectors are central to our Skills Investment Planning approach. Each Key Sector has a tailored Skills Investment Plan (SIP) which outlines trends in skills and qualification supply and employers' perspectives on the skills issues affecting the sector. Regional SIPs have also been developed and are available alongside SIPs on the SDS website.<sup>4</sup>

The SSAs are part of a suite of Labour Market Insight publications by SDS. Other products in the suite include:



Economy, People and Skills report which provides succinct and up-to-date evidence on Scotland's economy, businesses and people. It is updated monthly.



Regional Skills Assessments provide a coherent, consistent evidence base to inform future investment in skills, built up from existing datasets and forecasts for Regional Outcome Agreement areas, Rural Scotland and all City and Growth Deals regions. They are updated annually.



The <u>Data Matrix</u> is an interactive tool, offering more detailed data from a variety of sources in a visually engaging format. It is updated frequently.

Alongside the suite of Labour Market Insight publications, SDS also produces a wide range of reports such as statistics on Modern Apprenticeships and the Annual Participation measure for 16-19 year olds. This includes a wide range of data related to equalities. Further information can be found on the <u>Publications and Statistics</u> section of the SDS website.

We value user feedback on the Sectoral Skills Assessments. If you would like to provide feedback, please do so <a href="here">here</a>. For any further information or queries on the SSAs or any of our other products, please contact: <a href="mailto:RSA@sds.co.uk">RSA@sds.co.uk</a>

We held a series of webinars to complement the publication of the Sectoral Skills Assessments.



The recording of the Financial and Professional Services webinar can be found on the SDS YouTube Channel <a href="https://example.com/here/">here</a>.

You can also watch the webinars for other key sectors and regions in Scotland <u>here</u>.

<sup>1.</sup> SSA Technical Note (2024).

Office for National Statistics UK Standard Industrial Classification (SIC) Hierarchy.

**<sup>3.</sup>** Office for National Statistics UK Standard Occupational Classification (SOC) Hierarchy.

<sup>4.</sup> Skills Development Scotland Skills Investment Plans.

#### The Context for Scotland's Labour Market

Within the last 10 years, the economy has faced significant disruption due to events such as the pandemic, Brexit, the war in Ukraine, and the cost-of-living crisis. In addition, megatrends around demography, technology, and the environment have continued shaping Scotland's economy and labour market, many of which are interdependent. Below is an overview of the drivers expected to have the greatest influence on Scotland's labour market outlook in the near term, based on a comprehensive analysis of structural and cyclical factors.



# The Economy

The economic outlook for Scotland has improved, but growth is still expected to be modest in 2024, after annual GDP figures estimated the Scottish economy (like that of the UK) remained broadly flat throughout 2023. While inflation rates have eased from their peak in October 2022, the effects of rising prices and high interest rates continue to impact Scottish households and businesses. Scotland has experienced a tight labour market in recent years, but there have been signs of this loosening in 2024.



# **Demographic Change**

Scotland has an ageing population. In 2022, around 20 per cent of Scotland's population was aged 65 years or over, and around 15 per cent were aged under 15 years old. Population growth is also expected to slow in the next decade, and it is anticipated that the country is likely to rely on in-migration for population growth. These demographic changes in Scotland have important implications for the labour market and economy.



# **Inclusive Growth and Equality**

Scotland continues to experience inequality, which can impact individuals' access to labour market opportunities. Cost-of-living pressures have affected different groups disproportionately, particularly in lower-income households. Geographical inequalities also exist across Scottish regions that can affect individuals' access to opportunities. There have been some advances in improving diversity within the workforce and reducing inequality, but challenges remain.



# **Technology and Automation**

Scotland has a strong technology sector, with specific strengths in digital technology, life sciences and financial technology (fintech). The current makeup of the technology sector suggests Al will likely be the most important technological advance for the foreseeable future. It is estimated that 60 per cent of jobs in developed countries will be affected by AI. This could be disruptive within the labour market, creating challenges and opportunities for job roles and businesses.



# **Climate Change**

The Scottish and UK governments have committed to meeting targets for Net Zero carbon emissions. The transition to Net Zero will directly impact jobs, with potential for job growth in Scotland. Upskilling and reskilling will be vital to equip Scotland's workforce with the skills needed to meet the transition. Scotland is well placed to take a lead in the development of new green technologies building on its significant natural resources and strengths in key sectors.



A fuller report on Scotland's Labour Market Drivers can be found here.

# Sectoral Insight<sup>1</sup>

The previous page provided an overview of the key drivers expected to have the greatest influence on Scotland's labour market. Below, we explore how some of these drivers, and others, may influence the sector.

The Financial and Professional Services sector was quick to embrace technology. Now the FinTech sector in Scotland is thriving, with more than 220 FinTech firms working across areas including RegTech, Data Analytics, Cyber Security, Open Banking and Web 3.0.

Digital skills in Scotland can attract investment. There are large financial institutions in Scotland who recognise Scotland's strengths and availability of digital skills. For example, JP MorganChase's new Global Technology Centre in Glasgow, with just under 3000 employees, has a 100% focus on technology, providing vital software development facilities to the firm and its clients worldwide. The presence of these large institutions in Scotland has been a significant investment in our country.

Creating a just transition to a sustainable world is another key driver in the sector. The just transition will require sustainability-linked loans, green bonds, and carbon accounting. Roles across accountancy, insurance and law are pivotal to a just transition, as they ensure employers comply with changes in legislation via auditing, risk assessing and reporting.

We need a vibrant Financial and Professional Services sector because it both underpins and can turbo-charge other sectors of the economy through investment, whilst ensuring compliance with regulation and legislation through the work of high-calibre Accountants, Solicitors, Actuaries and associated insurance staff. The sector is thriving in Scotland, and there are opportunities and pathways into the sector – starting at school-level and beyond.

In 2023, Scottish Financial Enterprise launched its Growth Strategy together with the Scottish Government. The strategy highlights three key areas for global growth:

- FinTech:
- · Green and Sustainable Finance; and
- Asset Management.

In the FinTech space, the <u>Financial Regulation & Innovation Labs</u> (FRIL) is a partnership funded by Innovate UK consisting of FinTech Scotland, the University of Strathclyde and the University of Glasgow.

The FRIL aims to address challenges and facilitate innovation in the landscape of financial regulation. It does this through innovation calls, actionable research, knowledge exchange and skills development. Key topics are AI and compliance, Environmental, Social and Governance factors (ESG)

(via responsible and sustainable financial practices), consumer duty and addressing financial crime. The rise of Generative and Discriminative AI is impacting Financial and Professional Services as other technological advances have done in the past. To capitalise on its benefits and to service businesses and customers more effectively, there is a need for upskilling and reskilling across the sector.

In response to their actionable research, FRIL developed a suite of short micro-credentialed courses such as AI literacy, to help Financial and Professional Services staff understand how they can best utilise AI for their business. Similarly, colleges, universities and training providers have adapted financial services courses to address the need for digital knowledge and skills among businesses.

Additionally, the potential to unlock economic transformation for Scotland via Distributed Ledger Technologies is being explored via a new Blockchain and Digital Trust Taskforce.

Green and Sustainable Finance is another key growth area for the sector. The sustainability transition can only be successful if adequate money is found to finance it. Financial institutions with the appropriate data knowledge and skills can encourage and fund profitable green investments which can then be scaled up, strengthening Scotland's position as a centre of green and sustainable finance.

# Sectoral Insight<sup>1</sup>

According to PwC's <u>Green Jobs Barometer</u>, Scotland has the UK's highest proportion of green financial job openings, with 5.6% of job openings classed as 'green'. It is a growing area across Financial and Professional Services, providing opportunities to make a lasting and positive impact in Scotland and globally.

The UK Asset Management industry has also set an ambitious goal of doubling assets under management by 2030. Leveraging data, AI and emerging technologies will contribute to achieving this ambition.

Current and future workforce challenges in the sector are in the areas of software development and data analytics. The Skills Action Plan for Financial & Professional Services, published in 2022, expanded on both the skills and occupations in demand at that time. According to the Skills Action Plan, the key skills in demand included skills related to cyber security, project management, customer service, problem-solving and meta-skills like communication. The roles in demand at that time included digital technology, consultants and analysts, programmers and software developers, solicitors and chartered/certified accountants.

There are many different pathways into the sector, and there are a variety of roles within it. Data and digital skills are expected to be in demand within the sector for the foreseeable future. Employers have taken a proactive approach to clarifying the pathways into the sector. This includes the creation of a website, launching in 2024 called 'Getinto.Finance', which aims to make it easier for people to understand the routes into the sector, and job roles that are available to them. This tool is expected to be an invaluable tool for students, graduates, people looking to up-skill and re-train, career advisers, parents and employers.

The Financial & Professional Services sector is keen to encourage a diverse range of people to join the sector and help shape the future. At the school level, there are a variety of initiatives that aim to educate young people about the opportunities in the sector. These include:

- A <u>Future in Finance</u> programme, developed by industry, aims to change the perception of Financial Services for the future talent pipeline.
- An online <u>Classroom Clash game</u>, 'Investible', delivered by <u>My World of Work Live</u> gives young people the opportunity to learn about ethical and responsible investment.
- The <u>Future Asset</u> competition for female senior school students to explore asset management and at the same time win money for their school.
- The EY Foundation and The Chartered Bankers Institute <u>'Smart Futures'</u> programme is a 12-month programme which includes paid work experience, interactive employability skills training and mentoring for those in S5.

- The <u>Invesment20/20</u> Trainee programme offers both young people leaving school and graduates the opportunity to gain industry experience, develop work-based skills and participate in opportunities to learn the foundations to build a long-term career in the sector.
- Deloitte's <u>FinTech for Schools</u> programme uses an app which lets students gain access to information to manage their own personal finances and learn about financial inclusion, banking, mobile payments, and cryptocurrency.



It is important to note that the forecasts used in this Sectoral Skills Assessment are policy and investment neutral.

This means the figures present a baseline outlook that takes into account historical trends and external economic conditions, but the figures do not reflect investment or policy that is unconfirmed or at planning/development stage. Therefore, the forecasts should be used in conjunction with other sources, and readers are encouraged to overlay these with their own local and sectoral knowledge.

# The Economy<sup>1</sup>

## **Gross Value Added (GVA, £m) (2014-2034)**<sup>2</sup>



In 2024, GVA in the Financial and Professional Services sector was estimated to be £13,464m, generating 9.2% of Scotland's total economic output. Between 2014 and 2024, GVA in the sector was estimated to have declined by 0.1% on average each year, compared to growth of 0.5% across Scotland over the same period.

Due to economic uncertainties and high inflation, consumption and investment decreased in 2023 causing a decline in Financial and Professional Services output. Although economic activities were anticipated to improve, the economy was expected to remain weak, and the sector's output was projected to contract by 0.3% in 2024.

Looking ahead, GVA in the Financial and Professional Services sector is forecast to grow on average 1.3% each year between 2024 and 2034, the same as Scotland's average. In 2034, the Financial and Professional Services sector is forecast to still account for 9.2% of Scotland's total economic output.



Financial and Professional Services forecast GVA in 2027: £13.937m

up 3.5% from 2024

Scotland forecast GVA in 2027: £151,968m

**1** up 4.2% from 2024

Financial and Professional Services forecast GVA in 2034: £15,306m

**1** up 9.8% from 2027

Scotland forecast GVA in 2034: £166,273m

**1**up 9.4% from 2027

# Productivity (GVA per job)<sup>3</sup>

In this report, we have used Oxford Economics' measure of productivity, which is calculated by dividing total sectoral GVA by total sectoral employment (measured by jobs). Please note, there are different ways of calculating productivity, and caution is needed when interpreting productivity data presented in this report. It must be considered in the context of other data and insight.

In 2024, productivity in the **Financial and Professional Services** sector was estimated to be **£83,900**. In comparison, the Scottish average was £52,000.



Financial and Professional Services forecast productivity in 2027: £84.900

1.1% from 2024

Scotland forecast productivity in 2027: £53,000

1.9% from 2024



Financial and Professional Services forecast productivity in 2034: £91,000

**1** up 7.2% from 2027

Scotland forecast productivity in 2034: £57,100

**1**up 7.9% from 2027

1. SDS (2024). Oxford Economics Forecasts.

**2.** GVA is the measure of the value of goods and services produced within the economy and is an indicator of the sector's health. GVA in constant

2019 prices.

**3.** Productivity is the measure of goods and services produced per unit of labour input. The Oxford Economics forecasts of productivity shown here

have been calculated by dividing total sector GVA by total sector employment (measured by jobs).

#### Current Demand<sup>1</sup>



Workforce size 2024: **128,800** people

The sector's workforce was estimated to have **increased** by **2.3%** or **2,900** people between 2014 and 2024.

This compares to a Scotland wide increase of **3.8%** or **97,300** people between 2014 and 2024.

# **Employment by Region (people), 2024**

The greatest number of people employed in **Financial and Professional Services** were estimated to be in:

Edinburgh, East and Glasgow College Midlothian Region\*

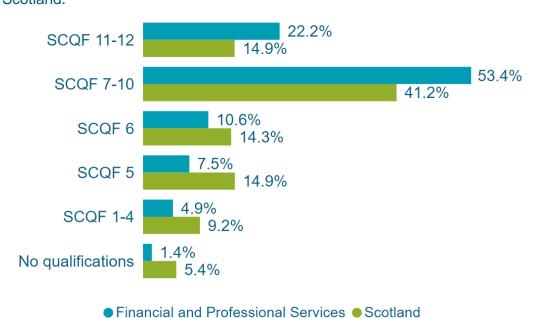
43,500 37,800

West Region Lanarkshire

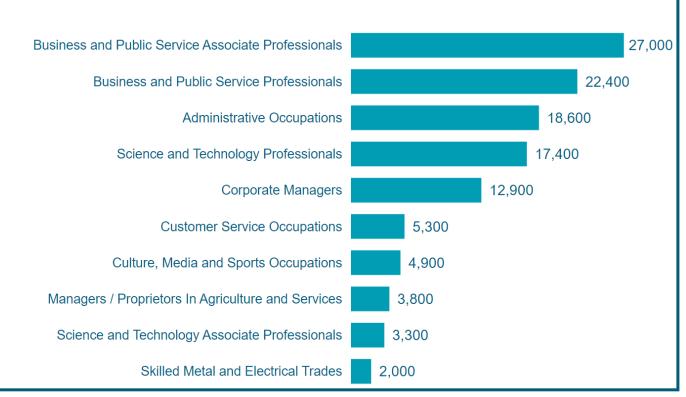
8,600 7,300

# **Workforce Qualifications, 2024**

The **Financial and Professional Services** sector was estimated to have a higher proportion of the workforce educated to SCQF Level 7 and above and a lower proportion educated to SCQF 6 and below compared to Scotland.<sup>2</sup>



# Top 10 Employing Occupations (people), 2024



<sup>1.</sup> SDS (2024). Oxford Economics Forecasts.

**<sup>2.</sup>** See <u>SCQF Framework</u> for further information on SCQF qualification levels.

#### Current Demand<sup>1</sup>

# The proportion of Local Authorities' workforce employed in Financial and Professional Services, 2024<sup>2</sup>

In 2024, the Financial and Professional Services sector was estimated to account for 4.9% of Scottish employment.

Scottish local authorities have sectoral strengths that make them unique. This means that the Financial and Professional Services sector may be more important to some local economies, as a higher proportion of the local workforce is employed in the sector.

The sector was most prominent in these local authorities:

#### **City of Edinburgh**

11.9%

#### **West Dunbartonshire**

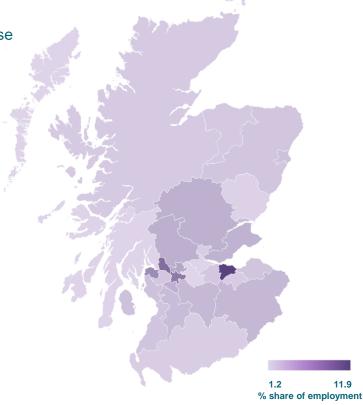
8.7%

#### **Glasgow City**

7.8%

#### Inverclyde

6.5%



# Real Living Wage and Gender Pay Gap<sup>3</sup>

#### **Individuals earning Real Living Wage or more:**

In April 2023, the real living wage rate for employees who did not work in London was £10.90.



**Administrative and Support Service Activities** 

2022: **78.2%** 2023: 73.1% Professional, Scientific and **Technical Activities** 

2022: 94.6% 2023: **94.4%** 

Financial and Insurance Activities All sectors

No data available

2023: 89.9% 2022: 90.6%

#### Gender Pay Gap for median full-time hourly earnings:



**Administrative and Support Service Activities** 

2022: 14.7% 2023: 9.8% Professional, Scientific and **Technical Activities** 

2022: **24.5**% 2023: **25.2%** 

**Financial and Insurance Activities** 

2022: 29.4% 2023: **25.1%**  Scotland 2022: 3.0%

2023: 1.7%

Due to data availability, a 'best fit SIC code approach' has been used, so sectors definitions here may not fully match key sector definitions.

# **Modern Apprenticeships<sup>4</sup>**



MAs starts for Financial Services\*:

Q4 2022/23: 340 Q4 2023/24: **350** Q1 2024/25: 44



MAs in training for Financial Services\*:

Q4 2022/23: **423** Q4 2023/24: **461** Q1 2024/25: 394

\* Based on SDS Occupational Groupings

For data on FAs and GAs please see the Publications section of our website. For data on colleges and universities please see Scottish Funding Council and Higher Education Statistics Agency.

- 1. SDS (2024). Oxford Economics Forecasts.
- 2. The proportion of the workforce in the Local Authority employed in the sector is calculated by dividing the sectoral employment in the area by total employment in the area.
- 3. Scottish Government (2023). Annual Survey of Hours and Earnings: 2023. Due to data availability, a 'best fit SIC code approach' has been used, so the sectoral definitions and totals in this section may vary from those we have used elsewhere.
- 4. SDS (2024). Modern Apprenticeship Statistics, Quarter 1, 2024/25.

# Job Postings<sup>1,2</sup>



# **Spotlight on... Finance and Investment Analysts and Advisers**<sup>3</sup>

Between July 2023 and June 2024, there were **4,400 job postings**. Job postings were high in 2022, and as a result the number of job postings has decreased by 33.2% compared to the period between July 2022 and June 2023 (21% decline across all occupations comparatively). Despite the decline, the number of job postings remained above the pre-pandemic level for Finance and Investment Advisers.

#### Top Locations between July 2023 and June 2024 were:



Glasgow City

1,590 job postings



Edinburgh City

1,520 job postings



Aberdeen City
250 job postings

The largest growth in job postings between July 2022 - June 2023 and July 2023 - June 2024 was in Highland (+23), South Ayrshire (+16), and Clackmannanshire (+16).

Specialised skills and knowledge requested (July 2023 - June 2024) included:



Risk Analysis and Management



**Accounting** 



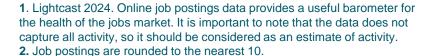
**Financial Services** 



**Auditing** 



Median real-time advertised salary July 2023 – July 2024: £42,700



- **3**. Data is based on SOC 2422 for the whole of Scotland. Median salary based on 36% of job postings.
- **4.** Data is based on SOC 2134 and SIC K and M for the whole of Scotland. Median salary based on 26% of job postings.



# Spotlight on... Programmers and Software Developers<sup>4</sup>

Between July 2023 and June 2024, there were **1,880 job postings**. Job postings were high in 2022, and as a result the number of job postings has decreased by 21.6% compared to the period between July 2022 and June 2023 (21% decline across all occupations comparatively). Despite the decline, the number of job postings remained above the pre-pandemic level for Programmers and Software Developers.

#### Top Locations between July 2023 and June 2024 were:



Glasgow City 830 job postings



Edinburgh City
650 job postings



Aberdeen City
80 job postings

The largest growth in job postings between July 2022 - June 2023 and July 2023 - June 2024 was in Renfrewshire (+46).

Specialised skills and knowledge requested (July 2023 - June 2024) included:



**Software Engineering** 



**Agile Methodology** 



**Software Development Lifecycle** 



Programming Languages (Java, Python, SQL)



Median real-time advertised salary July 2023 - July 2024: **£57,500** 

# Future Demand: Mid-term (2024-2027)<sup>1</sup>

In the mid-term (2024-2027), the number of people in employment is forecast to grow by 2.7% (3,500 people) in the Financial and Professional Services sector. This is a larger percentage growth than is forecast overall across Scotland where employment is predicted to rise by 1.9% (49,800 people).

In 2027, the top employing regions in the sector are forecast to be Edinburgh, East and Midlothian and Glasgow College Region, the same as in 2024. Similar to 2024, the largest proportion of the workforce is forecast to be educated to SCQF 7-10. The top employing occupation is forecast to be Business and Public Service Associate Professionals.

Forecasts for the mid-term (2024-2027) suggest there could be demand for **4,700 people in the sector**, as a result of the need to replace workers leaving the labour market and opportunities created through expansion demand. Whilst positive, caution is needed as a wide range of factors may impact the future labour market.

# Workforce (people), 2027



Workforce size 2027: 132,300 people



The sector's workforce is expected to **grow** by **2.7**% or **3,500** people between 2024 and 2027



Compared to a Scotland wide increase of **1.9%** or **49,800** people

#### **Total Requirement\***





+



Total requirement: 4,700 people

Replacement demand: 1,200 people

**Expansion demand:** 3,500 people

**Financial and Professional Services** is forecast to account for **1.3%** of Scotland's total requirement for people in the mid-term (2024-2027)

#### 1. SDS (2024). Oxford Economics Forecasts.



The replacement demand is the number of people required to replace workers leaving the labour market (i.e. those who retire, move away or change jobs). Please note, figures are rounded to the nearest 100 and as a result totals may not equal the sum of the constituent parts.

<sup>\*</sup> Total requirement for people is made up of expansion and replacement demand.

The expansion demand is the number of people required as a result of economic growth or contraction.

# Future Demand: Long-term (2027-2034)<sup>1</sup>

Employment growth in the Financial and Professional Services sector is forecast to continue, with an increase of 2.7% (3,600 people) in the long-term (2027-2034). This is a larger percentage growth than is forecast overall across Scotland where employment is predicted to rise by 1.2% (32,000 people).

In 2034, Edinburgh, East and Midlothian and Glasgow College Region are forecast to remain the top-employing regions in the sector. The largest proportion of the workforce employed in the sector is forecast to be educated to SCQF 7-10 and Business and Public Service Associate Professionals is forecast to remain the most in-demand occupation.

Forecasts for the long-term (2027-2034) estimate that **6,800 people** could be required in the sector. This will be driven by **the need to replace workers** leaving the labour market **and the creation of opportunities** through expansion demand.

# Workforce (people), 2034



Workforce size 2034: **135,900** people



The sector's workforce is expected to **grow** by **2.7**% or **3,600** people between 2027 and 2034



Compared to a Scotland wide increase of **1.2**% or **32,000** people

#### **Total Requirement\***











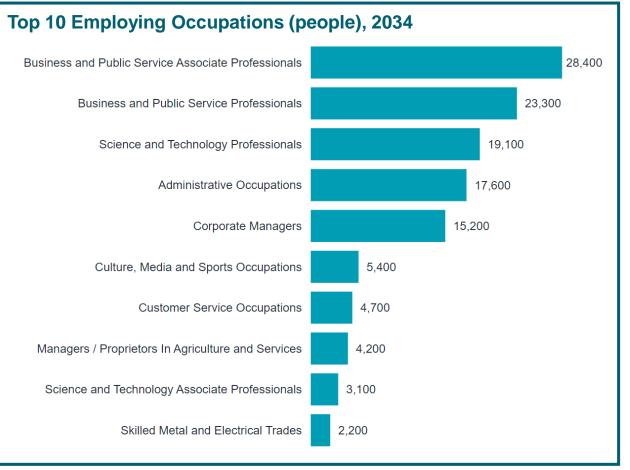
Total requirement: 6,800 people

Replacement demand: 3,200 people

Expansion demand: 3,600 people

**Financial and Professional Services** is forecast to account for **0.9%** of Scotland's total requirement for people in the long-term (2027-2034)

#### 1. SDS (2024). Oxford Economics Forecasts.



The replacement demand is the number of people required to replace workers leaving the labour market (i.e. those who retire, move away or change jobs). Please note, figures are rounded to the nearest 100 and as a result totals may not equal the sum of the constituent parts.

<sup>\*</sup> Total requirement for people is made up of expansion and replacement demand.

The expansion demand is the number of people required as a result of economic growth or contraction.

# Appendix 1: Financial and Professional Services Sector Definition (SIC 2007)

SIC	Name
64.1	Monetary intermediation
64.3	Trusts, funds and similar financial entities
64.9	Other financial service activities, except insurance and pension funding
65	Insurance, reinsurance and pension funding, except compulsory social security
66	Activities auxiliary to financial services and insurance activities
69	Legal activities and accounting activities
70.2	Management consultancy activities
82.91	Activities of collection agencies and credit bureaus



For further information or queries on the SSAs or any of our other products, please contact: RSA@sds.co.uk