

Skills scenarios for the
Financial Services Sector
in the European Union

One Page Summary

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Comprehensive Analysis of Emerging Competences
and Economic Activities in the European Union

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Skills scenarios for EU financial services

The financial services make up a high-skill sector well above the standards of other industries. This, however, did unfortunately not prevent the business from triggering the current world financial crisis which seems to be heading towards the worst economic depression for decades.

The failure of capital market liberalisation is starting to become apparent in these days of great trouble. The financial sector was unable to establish a sustainable business model and assess the risks correctly. This is the responsibility of management and public regulation. However, it also depends on the skills and competences of the workforce which needs a sound understanding the financial markets and its risks. Finally, markets were unable to correct themselves without a severe crisis – and this is the point we are at now.

The scenarios for the European financial services sector take the strategic responses to the challenges of the financial crisis as their starting point. Three alternative have been developed:

- Scenario 1 – called “**sustainable finance**” – assumes that the sector will develop a completely new business model, based on long-term investment strategies, consumer trust and high-quality consulting services. This exerts a cultural shock to the business, as it means the reversal of profit targets, standardisation, and controlling instruments in favour of sustainability.
- Scenario 2 – called “**laissez-faire**” – draws less radical conclusions from the crisis, assuming the continuation of short-term profit orientation from the past. Public control will remain weak, also due to impediments at the international level. Standardisation of financial products will be fostered. Merger & acquisitions will revive.
- Scenario 3 – called “**state ownership**” – assumes that neither government nor the big players in the financial business will be able to keep control of the current crisis. Financial and economic turmoil will accumulate into a wave of destructive power. This will result in a significant reduction of economic activities for a long period, and force the financial services into an administrative role.

All scenarios are expected to cause strong employment losses in the financial sector of the European Union at least in the near future. Later recovery depends on the strategic choices made. Moreover, the scenarios have strongly different impacts on competences and the occupational profiles of the workforce. In common they expect the continuous upgrading of skills – however with different types of specialisation.

As the emergence of the financial crisis is strongly routed in competence profiles, the study recommends employment-related policies to address the need for adequate training and increased R&D investments in this sector. Among the comprehensive list of suggestions, two priorities emerge in this context:

- Training policies should be reoriented towards the principles of capital markets, decent client consultation, controlling and risk assessment. Governments should take initiatives to implement such new types of training in the financial business sector.
- As the tools of risk assessment failed to indicate long-term risks, R&D programmes should be launched to improve these instruments. Controlling principles should be reappraised in order to develop strategic controlling.

Human capital appears to be the key to restructuring in this sector, and public institutions can raise the pressure on the financial sector to develop a sustainable business model. Education and training is one approach to proceed along this route.