

A stylized map of the United Kingdom is shown in light grey. The region of Yorkshire and the Humber is highlighted in a solid purple color. The map is positioned on the left side of the page, with decorative orange and purple shapes on the left and bottom edges.

Facing ^{the} Future

A skills roadmap for
Yorkshire and the Humber's
Financial and Professional
Services industry

The Yorkshire and the
Humber Financial and
Professional Services
Skills Commission

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About the Commission

This Commission was formed by Yorkshire Building Society to build a shared understanding of the skills needs of financial and related professional services (FPS) in Yorkshire and the Humber.

Under the leadership of John Heaps, Chair of Yorkshire Building Society, it brought together a wide range of senior leaders from employers, industry bodies, education providers and local government. A full list of Commissioners can be found at Annex A.

The Commission was launched in March 2023 with the aim of exploring:

- The current skills needs of the industry and how these will change over time;
- How effectively the industry currently recruits, retains and develops its workforce;
- How effectively employers work with education providers and other partners on skills issues; and
- What the region could learn from other places and industries facing skills challenges.

The Commission's full terms of reference can be found at Annex B. This focused on actions in the control of local employers, education providers and government officials, rather than wider policy change at a national level.



In association with:

TheCityUK



Financial Services Skills Commission

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Foreword

The economy of the Yorkshire and Humber region continues to make a huge contribution to the wealth and prosperity of the nation, not least of all through the development of an outstanding financial and professional services sector.

Having been born here and having spent my career in both legal and financial services firms, I have seen first hand both the growth of the sector and the speed of change that it is currently undergoing.

The historic law firms and mutuals that I grew up with have been joined by major multinationals, tech start-ups and, most recently, regulators and financial bodies, who together generate billions for the local economy and employ nearly 150,000 people.

In the coming decades, financial and professional services have the potential to play an even more central role in Yorkshire and the Humber's future – generating further growth and prosperity for our region.

That can only happen if we create the best possible conditions for existing businesses to grow in the region, for those outside it to be drawn here and for new ones to start here.

Political leadership, investor confidence and local infrastructure will all be important but the key element will always be our people.

The continued success of financial and professional services will depend on whether its workforce has the skills to succeed in an industry that is changing rapidly.

Businesses will need to develop people not just for today's jobs but also for the way that these jobs are set to evolve, especially through the impact of technology.

We set up the Yorkshire and the Humber Financial and Professional Services Skills Commission to address this challenge.

Over the last few months, thanks to the insight of our Commissioners and those we have engaged with, we have been able to build up a much clearer picture of the region's workforce, its skills and where its strengths and weaknesses lie. This report identifies the key issues where action is needed and helps point the way forward.

What emerges most clearly is that success will require employers, educators, politicians and other stakeholders to work together more closely and more effectively if we are to solve our collective challenges.

The work of the Commission so far has been a strong first step, and I am confident that its recommendations will help stimulate the change and the positive action that will be required so we can look cheerfully and enthusiastically at an exciting and successful future.



John Heaps

Chair of the Yorkshire and the Humber Financial and Professional Services Skills Commission and Chair of Yorkshire Building Society

Executive Summary

Financial and related professional services are a huge success story for Yorkshire and the Humber.

The industry now makes up 8.9% of the region's economy and generates £11.8 billion of economic value each year¹. It employs over 149,000 people in roles that are, on average, significantly more highly skilled, more productive and better paid than the average for the region's workforce overall².

This success is driven by a unique mix of local companies and other organisations. It includes building societies that have been based in the region for centuries, major multinationals and cutting edge fin-tech start-ups that are now estimated to contribute £700m per year to the region's economy.

Regulators and public bodies, such as the Bank of England, the Financial Conduct Authority, British Business Bank and the UK Infrastructure Bank, all now have or are planning to launch operations in the region, making it a second hub for financial bodies outside of London.

Above all, the region's success is grounded in the skills of its people. World class universities and colleges train hundreds of thousands of young people, deliver thousands of apprenticeships and support the development of the existing workforce.

Over the last decade, Yorkshire and the Humber has seen the third highest growth in financial and related professional services of any region in England³. This growth is predicted to continue, with financial and business services expected to drive over half of Leeds' economic expansion over the coming decade⁴.

But it comes at a time of profound change for the financial and professional services industry and its workforce. The impact of technology, changing workforce demographics and shifts in workplace culture all mean that the skills the industry requires will look very different in the coming decades.

Whilst these trends are set to disrupt the financial and professional services workforce across the UK, the nature of the industry in this region means they will have a particular impact on Yorkshire and the Humber.

In the coming years, the strength of the region's economy generally means there will be intense competition for highly skilled workers, whilst the large number of workers in the region with relatively low skills will be especially affected by technological disruption and will need to be supported to retrain.

A changing industry means there will be greater pressure on the region to attract and retain talent and to make the most of the full potential of everyone in the region - by ensuring that more people are able to build successful careers, whatever their background.

These are significant challenges but also opportunities. The potential change in output by reducing the skills gaps in the region's workforce, combined with the effects of automation, could add over £1bn in output by 2038⁵. Creating a more highly skilled workforce will make the region even more attractive for investors and employers looking to grow their operations.

If Yorkshire and the Humber can take action on skills trends affecting the whole of the UK's financial and professional industry, it can gain a competitive advantage over other regions.

This action should focus on expanding the pipeline of talent entering the industry by taking new approaches to recruitment, increasing investment in developing the skills of the existing workforce, raising awareness of career opportunities in the region and taking action to drive greater diversity and inclusion.

This report sets out a range of recommendations for how all those with a stake in the region's success can contribute to these goals. If followed, they would lead to a fundamental shift in the skills of the local workforce – with thousands more high quality apprenticeships, tens of thousands of existing employees having the chance to improve their skills, and many more young people engaging positively with the industry.

But there is also a need for employers, education providers and local government to take a new, more collaborative approach to improving the skills of the workforce. Whilst much good work is happening on skills across the region at an individual level, this will not be enough. The scale of the challenge demands collective action.

The Commission will therefore continue with a focus on supporting the implementation of the report's recommendations and delivering activities that can underpin cross-industry work on skills.

We propose this includes carrying out more detailed forecasts of demand and supply for skills, reviewing existing training programmes and expanding them where new provision is needed, and developing a consistent brand and narrative for the industry.

The positive engagement the Commission enjoyed makes us confident that there is support for more of this kind of joint working. If this can be turned into action, then the region can gain a competitive advantage over others facing the same issues, but where collaboration is less well developed.

Our work has shown the pride people feel in both Yorkshire and the Humber and the region's financial and professional services industry.

We hope this report acts as a call to action for all of those with a stake in its ongoing success.

1 TheCityUK (2023), Enabling growth across the UK 2023: UK-based financial and related professional services

2 ibid.

3 ibid

4 <https://www.leeds.gov.uk/leeds-economy> (Accessed December 2023)

5 Financial Services Skills Commission (2021), Skills for Future Success

Yorkshire and the Humber's financial and professional services industry faces significant skills challenges:



Competition for highly skilled workers will increase



Significant investment is required to help the existing workforce access future roles



The region needs to attract and retain more talented people



The full range of talent in the region remains untapped



Collaboration on skills is limited

To meet these challenges, employers, education providers, local government and others will need to:



Expand the pipeline of new talent entering the industry



Increase investment in the skills of the existing workforce



Raise awareness of and access to careers in the region



Drive greater diversity and inclusion in the workforce



Coordinate and collaborate on shared skills challenges

To support individual and collective action on these issues, the Yorkshire and the Humber Financial and Professional Services Skills Commission will continue its work with a focus on:



Advocating for the industry and its skills needs



Convening employers and their partners



Deepening understanding of skills challenges and potential solutions



Encouraging and supporting employer action on skills

Summary of Commission recommendations

RECOMMENDATION	RECOMMENDED ACTIONS	STAKEHOLDERS	IMPACT INDICATOR
1. Expand the pipeline of new talent entering the industry	A) Increase the use of higher level apprenticeships as a method of attracting new talent	Employers, education providers	Number of higher level apprenticeship starts and completions in financial and related professional services (FPS) subject areas
	B) Develop employer understanding of T Levels and the provision of T Level industry placements in relevant subjects	Employers, education providers and local government	Number of relevant T Levels offered and industry placements completed % of T Level students in relevant subjects moving into employment or further training
	C) Broaden industry engagement with students	Employers, colleges universities	Number of universities and students directly engaging with FPS firms
2. Increase investment in developing the skills of the existing workforce	A) Ensure workforce development is a strategic business priority for employers	Employers	Proportion of firms identifying workforce skills as a priority in annual reports
	B) Guarantee the opportunity for existing employees with skills at Level 2 or below to be retrained to at least Level 3	Employers, education providers, local government	Proportion of regional workforce with skills at Level 3 or above
	C) Use skills bootcamps to find new employees and retrain existing employees in high demand skills	Employers, education providers, local government	Number of people accessing roles in FPS or progressing in employment after completing a skills bootcamp course
	D) Increase Apprenticeship Levy transfers between levy paying and non-levy paying employers to boost spending on apprenticeships	Employers, colleges and training providers, local government	Total number of apprenticeship starts and completions in FPS subject areas
3. Raise awareness of and access to FPS careers in the region	A) Focus careers outreach in schools and colleges on the most effective interventions	Employers, schools and colleges, local government, Careers and Enterprise Company	Levels of interest in FPS careers amongst young people as recorded in Careers and Enterprise Company data
	B) Use outreach activity to engage regional 'coldspots' where young people have less access to the FPS industry	Employers, schools and colleges, local government	Levels of FPS outreach activity in social mobility coldspots
	C) Localise messaging on recruitment and career development to help promote the region	Employers, universities and colleges, local government	References to the region in job posting data
4. Drive greater diversity and inclusion in the workforce	A) Measure workforce diversity and take action to narrow gaps in representation	Employers	Number of firms assessing and publishing data on diversity of workforce, and gaps in representation Diversity of the workforce
	B) Assess and improve employee inclusion and workplace culture	Employers	Number of firms assessing inclusion and employee responses
	C) Develop and implement evidence based diversity and inclusion strategies	Employers	Number of firms publishing diversity and inclusion strategies and meeting their goals

5. Coordinate and collaborate on shared skills challenges

Greater collaboration on skills within the region is necessary to ensure that its financial and professional services industry continues to succeed.

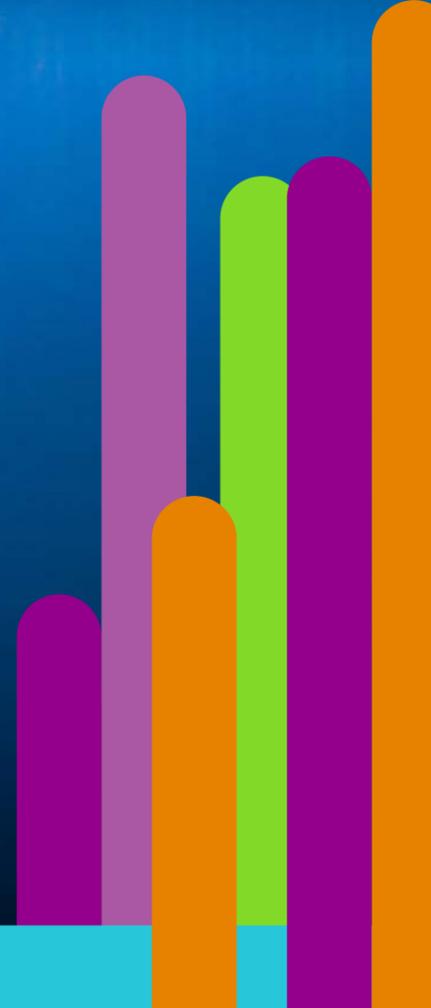
To support this, we propose The Yorkshire and the Humber Financial and Professional Services Skills Commission continue its work for at least another 12 months, with a focus on:

- Advocating for the industry and its skills needs - by acting as a collective voice for employers and maintaining an active dialogue with policymakers and other stakeholders
- Convening employers and their partners - by providing a forum for continued discussion about skills issues and the sharing of new insights.
- Deepening understanding of skills challenges and potential solutions - by conducting further research into the regional labour market and supply of skills for the FPS sector and other issues identified in this report.
- Encouraging and supporting employer action on skills - by providing guidance to employers and others and tracking progress on key indicators

Methodology

As well as drawing on the extensive experience of its members, the Commission completed a range of research activities to inform its work. These included:

- Five focus groups, held with:
 - HR and talent acquisition leads from financial and professional services employers (two sessions).
 - University careers leads from Higher Education Institutions across the region.
 - Relevant leaders from Further Education colleges in the region.
 - Students currently studying STEM courses at Higher Education Institutions within the region, who were undecided on their career path.
- Over 25 interviews with a range of relevant local business leaders, education providers, government officials and policy experts.
- Analysis of publicly available data sets, including the Labour Force Survey and 2021 Census. (A detailed explanation of our approach to data analysis can be found at Annex C.)
- A literature review of over 70 relevant publications and reports.
- An oral evidence session with relevant experts:
 - Oli de Botton – CEO, Careers and Enterprise Company
 - Sophie Hulm – CEO, Progress Together
 - Sir Roger Marsh OBE – Former Chair of NPI I



Contributors to the Commission

With thanks to the organisations the Commission spoke to:

EDUCATION PROVIDERS

POLICY MAKERS



Est. 1841



EMPLOYERS

SECTOR BODIES

The Industry

Key points

- Financial and related professional services (FPS) make up **8.9%** of Yorkshire and the Humber's economy and generate **£11.8 billion** for the region.⁶
- The region is home to **three of the UK's largest building societies**, including Yorkshire Building Society. It is an important base for numerous multinationals, including HSBC, Lloyds Banking Group and the 'Big Four' accounting firms. It also hosts the Border to Coast Pensions Partnership - the largest manager of pension assets outside of London and Edinburgh.
- Regulators and public bodies such as the Bank of England, the Financial Conduct Authority, British Business Bank and the UK Infrastructure Bank all now have or are planning to launch operations in the region, making it a **second hub for financial bodies** outside of London.
- FinTech is a particular strength, with Leeds identified as one of the top 20 fastest-growing global fintech hubs to watch. **17 out of the 100 fastest-growing tech companies** in the North of England are based in the city. The estimated GVA generated by the FinTech sector in the region has doubled over the past three years and now surpasses £700 million.⁷
- Financial and business services already constitute **38% of the Leeds' total output**, and are expected to drive over half of Leeds' economic expansion over the coming decade.⁸
- Over the last decade, Yorkshire and the Humber's FPS industry saw the **third highest growth in GVA** of any region in England.⁹ It is now predicted to see the biggest growth of any region, in terms of the number of investors planning to establish or extend financial services operations over the next year.¹⁰

Financial & Professional Services in Yorkshire & the Humber

£11.8bn

Gross Value Added (GVA)

6%

of the region's total employment

8.9%

of the region's total Gross Value Added

⁶ TheCityUK (2023)

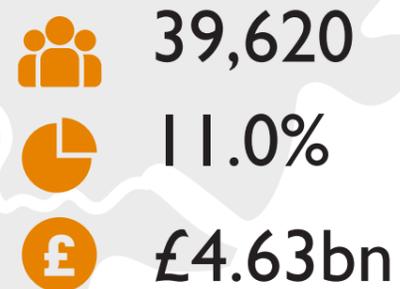
⁷ Whitecap Consulting (2023) Leeds City Region FinTech Report 2023
<https://www.leeds.gov.uk/leeds-economy> (Accessed December 2023)

⁹ TheCityUK (2023)

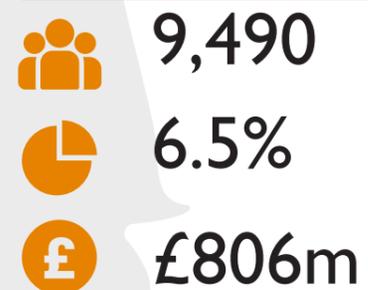
¹⁰ EY(2023) Attractiveness Survey for Financial Services

Financial & Professional Services: Impact in the Region

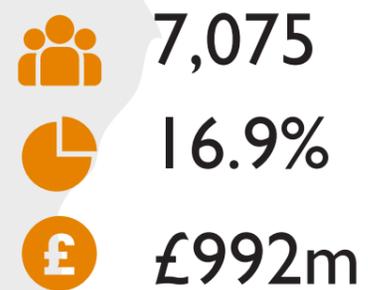
Leeds



Bradford



Halifax



Financial and professional services jobs



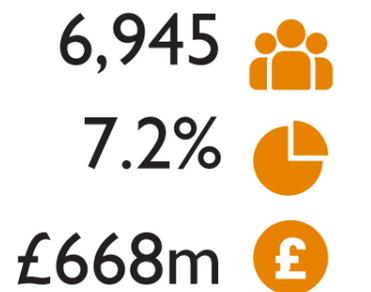
Financial and professional services jobs as % of total employment



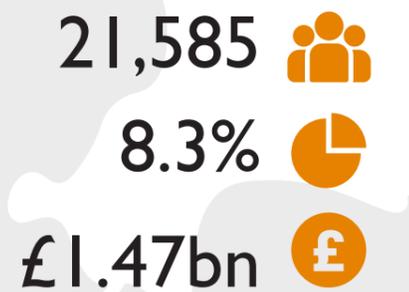
Financial and professional services Gross Value Added



York



Sheffield



The Workforce

Key points

- Financial and related professional services (FPS) employ **149,000 people across the region**. This equates to 5.9% of total regional employment. Legal services are the leading sub-sector for employment, with 32,000 workers, followed by banking (28,000) and management consultancy (27,000).¹¹
- Output per job in the industry is £77,755 - more than **1.5 times higher** than the output per job across the regional economy as a whole.¹²
- The average salary for a worker in financial and insurance activities in the region is **£38,931**, compared to the average across all industries which is £27,590.¹³
- Yorkshire and the Humber boasts the **youngest FPS workforce** among all regions in England, with an average age of 39.¹⁴
- Women make up a majority** (52%) of the workforce – a higher proportion than other regions, such as London (37%), and a higher proportion than for the region as a whole across other sectors (48%).¹⁵
- Leeds is the region's single biggest hub for employment with **39,000 FPS workers** based there. However, Halifax has the highest proportion of FPS workers of any town or city in the region, with 16.9% of workers in the town employed in the industry.¹⁶

149k

workers across the region

£41.5k

average salary for a worker in financial services

39

average age of workforce



The Skills Pipeline

Key points

- Yorkshire and the Humber is home to **12 universities**, with around 220,000 higher education students studying every year. This included over 64,000 studying STEM subjects.¹⁷
- The region's universities deliver over **167,000 learner days** of CPD and Continuing Education for businesses and the community, across all sectors.¹⁸
- Financial and related professional services employers work closely with universities through innovative partnerships focused on training the future workforce. This includes the Nexus Centre at Leeds University, a **£40 million investment** to accelerate the growth of tech-led businesses.
- The region's **15 Further Education Colleges** also play a crucial role in providing training, especially in parts of the region without a university.
- In 2020/21, there were **2,380 apprenticeship starts** in the region with employers within the financial and related professional services industry. The most popular sub-sector for apprenticeships was legal and accounting, which saw 840 starts alone.¹⁹

12

universities

320k

Higher Education students per year

15

FE colleges

2.4k

apprenticeship starts per year with FPS employers

11 TheCityUK (2023)
 12 TheCityUK (2022) Enabling growth across the UK 2022 UK-based financial and related professional services
 13 TheCityUK (2023)
 14 Public First analysis of Office for National Statistics (ONS), Labour Force Survey, Oct -Dec 2022 (Accessed September 2023)
 15 ibid.
 16 TheCityUK (2023)

17 Public First analysis of Higher Education Statistics Authority (HESA) Higher Education Student Statistics: 2021/22 (Accessed August 2023). STEM subjects not including medicine and subjects related to medicine
 18 Public First analysis of HESA data for 2021/22
 19 Public First analysis of Department for Education (DfE), Apprenticeships in England by industry characteristics 2020-2021 (Accessed October 2023)



Skills challenges facing the region

The skills of the local workforce in Yorkshire and the Humber are a critical part of the success of financial and professional services in the region.

A strong local skills base and a consistent pipeline of new talent has helped existing businesses based in the region to grow and adapt, as well as attracting new ones to the area.

The continued strength of the industry depends on ensuring that the supply of skills keeps pace with its needs, which are set to change in the coming years.

“The local mix of skills has been a part of our decision to base ourselves in Leeds, but how many of our people we end up employing locally will depend on whether we can continue to access them.”

- Local FinTech employer

A Changing Industry

A Changing Mix of Skills

The Financial Services Skills Commission (FSSC) has identified a number of trends for how skills in financial and professional services are changing nationally.²⁰

These include:



An increasing reliance on higher skilled talent - with demand for some skills exceeding supply



A significant growth in technical and digital roles - with new staff needing specialist skills and existing ones needing to retrain to use new systems or adapt their roles



The impact of technology and automation - with new roles being created but others now being disrupted or being lost



Changing demographics - with younger employees holding different expectations about the industry and work, and existing employees now working much later into their lives

Our research found that employers in this region are already experiencing these trends, though with some differences. For example, financial services employers with large customer services operations in the region were very aware that technology was changing their workforce, whilst those working in legal services felt this less acutely.

However, all those we spoke to agreed that this was a time of significant change for the industry and the region.

²⁰ Financial Services Skills Commission (2020), Financial Services Skills Taskforce: Final Report

In response to these trends, the FSSC have identified a set of 13 'future skills' for those working in financial and professional services nationally (see picture)²¹. These are divided into two broad categories:

Firstly, technical skills that are linked to the use of technology. These include skills many employees increasingly need to perform their roles - such as data analysis and digital literacy - and highly specialised skills which require specialist training - such as roles in cyber security or software development.

Secondly, personal behaviours which relate to how people work. These are increasingly relevant at every level - whether in the need for managers to coach others, or for customer service workers to have the empathy needed to handle increasingly complex enquiries as automation now triages simpler ones.

The employers we spoke to strongly agreed that this framework reflected the skills they were now looking to develop within their own workforces. They were also aware that demand for these skills was now intense. This meant they were having to work much harder to recruit and retain people who had them, as well as increase focus on upskilling existing staff.

Financial Services Skills Commission's Future Skills Framework:

Technical

-  Digital Literacy
-  Data Analytics & Insight
-  Software Development
-  User Experience
-  Machine Learning / AI
-  Agile
-  Cyber Security

Behaviours

-  Creative Thinking
-  Coaching
-  Empathy
-  Adaptability
-  Relationship Management
-  Teamwork

²¹ Financial Services Skills Commission (2022), Future Skills Framework

Local challenges

Employers in the region face long-standing issues in finding the skills they need.

Many of these are similar to those identified for other regions, for example the way a perceived lack of opportunities for career development can lead to a “brain drain” to London.²²

However, our research has found several ways in which these broad trends have a particular impact on Yorkshire and the Humber, as well as how the makeup of the financial and professional services workforce in this region means its experience differs from other parts of the UK.

Overall, we have identified five skills challenges the region needs to overcome:

- 1 Competition for highly skilled workers will increase
- 2 Significant investment is required to help the existing workforce access future roles
- 3 The region needs to attract and retain more talented people
- 4 The full range of talent in the region remains untapped
- 5 Collaboration on skills challenges is limited

1. Competition for highly skilled workers will increase

Across the FPS industry as a whole, the roles employees perform are set to become more complex and require higher levels of skill.

The growing importance of technology in the industry means there will be a particular demand for employees with specialist technical skills – such as software development – and for employees in other roles to be able to use technology – for example by interacting with increasingly complex systems or by conducting data analysis.

Our research found that there is already intense competition for these highly skilled workers in Yorkshire and the Humber, which is only set to grow.

FPS employers in Yorkshire and the Humber will need to find and train significantly more highly skilled workers over the coming decades

Official labour market projections show that by 2035, the proportion of the region’s FPS workers in higher skilled occupations is set to grow significantly.²³ This will be a particular challenge for FPS firms in Yorkshire and the Humber, given the region as a whole currently has relatively low numbers of highly skilled workers compared to others. Currently, only around 45% hold a qualification at Level 4 (equivalent to a foundation degree or the first year’s study of an honours degree) or above – one of the lowest proportions of highly skilled employees of any region.²⁴ Collectively, employers in the region will need to find or train more than 12,000 extra highly skilled workers.

“Skills have been one of the major headwinds for businesses in Leeds ... there’s going to be an awful lot of people fishing in the same pool”

Economic analyst based in the region

²³ Public First analysis of DfE Labour market and skills projections: 2020 to 2035. Higher skilled occupations are defined as those in the following categories ‘Managers, directors and senior officials; Professional occupations; and Associate professional occupations’.

Competition for these highly skilled people is already fierce and will intensify further

Employers told us that recruiting and retaining highly skilled people is already one of their biggest challenges. Analysis of jobs posting data has found that roles in Yorkshire and the Humber had the longest average posting duration (35 days) of any English region²⁵. Finding and keeping hold of people with the skills for roles linked to technology and data was a particular challenge; one employer took 12 months to fill a data manager role. However, the movement of major organisations to Leeds and other cities, such as Channel 4, Sky and NHS Digital, has also meant there is a demand for skills such as change management and project management. This competition for highly skilled people is reflected in advertised salaries for new jobs in Leeds, which at an average of £37,800 are now the highest outside of London.²⁶ As these employers expand their operations in the coming years, and with labour market projections forecasting a growth in highly skilled occupations across the region generally, competition for skills will only grow.²⁷

The region's strength in tech is both an asset and a challenge for FPS firms

Recent years have seen the number of digital sector jobs grow faster in Yorkshire and the Humber than any region of the UK.²⁸ Much of this growth is in Leeds, which is now rated as one of the most attractive cities in the country for tech employees.²⁹ This clustering of opportunities is a major asset for the region's FPS firms, with the growth of Leeds' fintech sector – which has more than doubled since 2020³⁰ – clear evidence of how they can benefit from a deeper pool of digital talent.³¹ However, the strength of the tech sector also poses a challenge to FPS firms. With more and more firms reliant on tech skills expanding in the region, there is a risk that the labour market for these skills overheats.

To win this 'war for talent', FPS employers will need to improve the appeal they make to current and prospective workers

Whereas FPS roles had previously been among the most attractive in the region, those we spoke to told us they now had to compete with start up and scale up companies in the tech sector and other industries who could offer an attractive working culture, similar rates of pay and rapid progression. To compete, employers will need to improve how they communicate the opportunities FPS offers, the environment which they create for employees and the value of working in the industry – which is increasingly important in attracting younger workers.

“Students can get insights into a company's work culture more than ever before now using social media ... if you search for 'Big 4' on TikTok for example, it is not an attractive representation of this sector.”

University careers lead

25 *ibid.*
26 *Guardian, Leeds tops league of places in the UK with the best-paying jobs outside London (Accessed December 2023)*
27 *Public First analysis of DfE, Labour market and skills projections: 2020 to 2035.*
28 *Department for Culture, Media and Sport (2021), Assessing the UK's Regional Digital Ecosystems*
29 *Tech Nation (2022) People and Skills*
30 *White Cap Consulting (2023)*
31 *White Cap Consulting (2022) LegalTech in Leeds initiative aims to foster innovation in legal and digital sectors*

The region's existing pipeline of talent will need to grow to keep pace with demand

The region's production of highly skilled graduates has been a major asset. For example, the Bank of England cited local universities' strength in data science as a key part of its decision to open operations in Leeds.³² However, the number of graduates in relevant subjects is not especially high – for example, the ratio of computing students per head of population is among the lowest of all regions in the UK³³. Whilst graduates with digital and tech skills can be found across different subject areas, there is a risk that demand for these skills will start to outstrip supply - especially skills that are highly specialised - unless the pipeline of people with them can be increased.

Employers will also need to find other sources of talent

FPS employers in the region have created partnerships with local universities to tap into the graduate market, but these tend to focus on 'redbrick' institutions. In a crowded market, there is a need to expand the focus of recruitment to other universities, as well as using other routes to find new sources of talent. Large employers such as PwC and Accenture are using degree apprenticeships in subjects like computer science to bring in new talent³⁴. There is particular potential to make greater use of higher level apprenticeships to attract more young people into the industry, given that the majority of higher level apprenticeships (Level 4+) with FPS employers in the region are currently undertaken by over 25s, many of whom are likely to be existing employees³⁵.

32 *The Guardian (2022), From deep tech to high finance, why Leeds is luring companies north*
33 *DCMS (2021)*
34 *University of Leeds, PwC Apprenticeships (Accessed December 2023)*
35 *Public First analysis of DfE, Apprenticeships in England by industry characteristics 2020-2021*

PwC: Expanding the pipeline of talent

PwC's decision to open an Assurance Centre in Bradford has enabled it to reach into a community that has traditionally lacked access to higher skilled roles.

Over 80 staff have already been hired - the vast majority of them from the local area - with an aim to 225 people employed at the centre only two years after opening. They include a mixture of people at the start of their working life, as well as those making a career change and looking to develop new skills.

The Assurance Centre is one part of PwC's wider activity in Bradford and reflects its strong ties with local schools and colleges. The firm has also played a key role in supporting the delivery of a local plan to improve social mobility in the city through the 'Opportunity Area' programme, working closely with the Department for Education and Bradford City Council.

This work also builds on PwC's use of technology degree apprenticeships to find new sources of talent for fast growing areas of their business. Delivered in partnership with Leeds University, these have enabled dozens of new employees to undertake fully funded courses in computer science.



2. Significant investment is required to help the existing workforce access future roles

Alongside growing demand for highly skilled roles in financial and professional services in Yorkshire and the Humber, there is also a challenge around making sure existing employees have the right skills.

Training and upskilling the existing workforce will be vital for the region's future success. Around 80% of the people who will work in the industry in 2030 are already employed in it today³⁶, meaning it will not be possible for employers to just recruit their way out of these challenges.

Our research found that the changing nature of financial and professional services will pose a particular challenge for Yorkshire and the Humber, given the current mix of skills in its workforce.

Skills gaps in the existing workforce already affect financial and professional services in Yorkshire and the Humber more than other regions.

Financial and business services firms in the region are more likely to report a skills gap – where one or more employees are not fully proficient in their role – than any other region in England.³⁷ These gaps affect around 15% of employers, compared to less than 10% in London. The *density* of these skills gaps – the proportion of employees that they affect – is also slightly higher than the national average, with employers reporting that around 5% of their workers are not fully proficient to carry out their roles. The FSSC estimated that reducing the region's skills gap, coupled with the effects of automation, could add over £1bn to GVA by 2038³⁸.

36 FSSC (2020)

37 Public First analysis of DfE, *Employer Skills Survey: 2022* (accessed September 2023)

38 FSSC (2021)

This reflects the fact the region has a relatively high proportion of lower skilled people in the FPS workforce.

Financial and professional services firms in Yorkshire and the Humber have one of the highest proportions of relatively low skilled workers of any UK region. Just under one third of workers hold a qualification at Level 2 (equivalent to a Grade C/Level 4 at GCSE) or below as their highest qualification³⁹. As a result, the region's workforce is more likely to be employed in relatively low skilled roles, such as those in administration or customer service. Around 38% of all workers in the region are in these low skilled roles – a higher proportion than that seen in other parts of the UK⁴⁰.

Low skill levels makes the region particularly vulnerable to the changing nature of work.

The FPS workforce in Yorkshire and the Humber is set to be affected more by technological change than other regions and industries. Official labour market projections show a significant decline in the number of administrative or customer service related roles by 2035, as the industry transitions towards requiring more highly skilled roles.⁴¹ This impact will be felt quickly: over the next five years, financial and insurance activities are predicted to see a -6% loss of jobs, a greater net loss as a proportion of the workforce than any other industry in the region.⁴² This will have a disproportionate impact on certain places within the region, with towns and cities where FPS employment is concentrated in administrative, clerical and customer service-focused roles affected most. It will also have a disproportionate impact on women, who are more likely to hold these roles and who are forecast to see sharper reductions in low skilled employment by 2035.⁴³

Levels of workplace training need to increase to meet this challenge

Self-reported data shows that the amount of time and money spent on training for employees in financial and business services in Yorkshire and the Humber is just above the national average for the industry as a whole.⁴⁴ However, this is compared to a relatively low baseline for training generally; the FSSC has highlighted that financial services spend among the least of any industry on training and developing existing employees.⁴⁵ The number of apprenticeships – which are often used to develop the skills of existing employees – in FPS remains significantly below the levels seen prior to the introduction of the Apprenticeship Levy in 2016.⁴⁶ Given the volume of employees with low skills and the size of existing skills gaps, there is a clear need for the amount of mid-career training taking place in the region to increase significantly.

Upskilling the workforce will also require greater focus from industry leaders

The businesses we spoke to were generally aware of how the changing nature of the industry was currently impacting them and how it would affect their employees. For example, some talked about how interactions with customers would in future require both a better understanding of technology and the ability to handle increasingly complex problems, as automation solved simpler ones.

Some larger employers with a presence in the region were well aware of the imperative around training and upskilling. Organisations such as Yorkshire Building Society have begun to incorporate the skills frameworks and other tools developed by the FSSC in their approach, whilst others have set up their own academies and started other similar initiatives. However, many recognised that they needed to do more detailed skills forecasting to analyse potential skills gaps in their workforces and that they would need to put more emphasis on staff development in future. This was a particular challenge for the region's large proportion of SMEs, who often lacked the internal capacity required.

39 FSSC (2021)

40 Public First analysis of DfE *Labour market and skills projections: 2020 to 2035*

41 Public First analysis of DfE *Labour market and skills projections: 2020 to 2035*

42 Pearson (2023) *Skills Map of England*

43 Public First analysis of DfE *Labour market and skills projections: 2020 to 2035*

44 Public First analysis of DfE, *Employer Skills Survey: 2022*

45 FSSC (2020)

46 Public First analysis of DfE, *Apprenticeships in England by industry characteristics 2020-2021*



Lloyds Banking Group: Training the workforce for Digital Transformation

Lloyds - which has over 4,200 employees based in Leeds alone - is on a journey to becoming a 'skills based organisation', in which its workforce is equipped with the skills needed for future changes within the sector.

This is a key part of the wider digital transformation of its business, which also includes a commitment to increase training and development for staff by 50%.

The company has now launched a Career Mobility Policy to encourage reskilling, movement and growth amongst its employees. One example has been helping Branch Managers to reskill as Quality Engineers - who help test and improve new digital products being rolled out to customers.

This process began by giving staff in branches targeted information about future career options, including tech roles they may have not considered before.

After having their suitability for the course assessed, applicants underwent an intensive 10-week reskilling programme, culminating in an industry-recognised qualification. The pass rate for the course was 85% - well above the industry average of 70%

The success of the programme has created a new pipeline of skills for Lloyds and allowed staff to move away from roles in the business that are changing and into ones that are a growing focus.

As a result of the success of this, Lloyds have now run similar reskilling programmes for roles including Trainee Data Analysts and Junior Software Engineers.



Yorkshire Building Society: Planning for future skills needs

Over the past year Yorkshire Building Society (YBS) has been utilising the Skills Gap Analysis Toolkit developed by the Financial and Professional Services Skills Commission tool kit to inform its planning for skills for the future.

YBS' People Plan identifies two priorities - Talent and Capability. Engaging with the toolkit has enabled the building society to work towards these priorities by understanding the pace of change within the industry, benchmarking where they currently are and planning effectively for the future of operations.

YBS has not only used the toolkit to plan for developments in technology, but also to understand the role of softer skills, such as empathy. This activity has enabled the business to have targeted conversations about working practices, recruitment and progression pathways. The success of this toolkit is seen throughout the business with engagement from the executive level to operational teams.

Whilst the toolkit has enabled conversations across the company about skills to take place within a consistent framework, there has also been plenty of flexibility to ensure that individual practices within the organisation can choose the priorities which are the most important to them.





3. The region needs to attract and retain more talented people

Given the size and importance of financial and professional services to the region, awareness of the opportunities it offers is relatively low.

Our research found this issue at each potential stage of people's career paths - from young people considering their future options to those already working in the industry.

Local people see careers in the industry as attractive but difficult to enter

Recent polling has found that 78% of people in the region say they would be happy or very happy for a friend or family member to work in finance and legal services respectively, with 69% saying the same for consultancy.⁴⁷ However, the industry is also seen as particularly challenging to access. Over a third of people said it would be difficult or very difficult to find information about how to enter banking or consultancy, with almost 40% feeling this way for legal services. This is around double the rate for the tech industry.

The industry needs to do more to inspire young people in the region

A range of reports have identified that young people's changing values and career aspirations mean that the financial and professional services industry faces challenges in attracting the next generation of workers⁴⁸. Employers are involved in a range of initiatives that engage young people, including Growing Talent Digital Leeds and the Start Up Sherpas competition⁴⁹. However, recent data from the Careers and Enterprise Company suggest that in Yorkshire and the Humber there is a need for employers to change their perceptions, with a survey of 11- to 18-year-olds in the region finding that they were less likely to be considering careers in finance and business, or law, than the national average⁵⁰. Industry efforts also need to reflect the increasing diversity of young people in the region, especially given a relative lack of those in leadership roles from ethnic minority and other diverse backgrounds.

The region does not retain or attract graduate talent as effectively as others.

Yorkshire and the Humber's graduate retention (52%) is higher overall than the national average when excluding London – reflecting that many students enjoy living locally and want to stay after graduating⁵¹. However, the proportion of graduates who stay in the region to work in FPS specifically is below the national average and weaker than competitor regions, such as the North West. The region also performs below the national average for graduate attraction in FPS – the proportion of students who move to work in it after studying elsewhere – and again below comparators such as the West Midlands.⁵² Experts we spoke to felt there was a lack of understanding among students about the opportunities “on their doorstep”, with stronger links needed between employers and universities to develop this.

“We have great opportunities here but find many young people leave for university and don't come back, because they don't know what's on offer here, and assume they need to go to London.”

Local Government officer

48 For example, KPMG (2019) *UK financial services facing 'talent crisis'*
49 Growing Talent Digital Leeds programme
50 Careers and Enterprise Company data - unpublished
51 Kostas & Green (2022), *Graduate pathways: Identifying patterns of regional retention and attraction*
52 *ibid.*



Start Up Sherpas: Engaging young people on the future of financial services

Startup Sherpas focuses on giving young people the skills they need to 'innovate, create and engage', so that they can create the startups of the future.

In Spring 2023, the organisation worked with 100 teenagers from the Leeds City Region, who were tasked with 'inventing the future of financial services'.

The initiative saw over 700 ideas created by Generation Alpha teenagers from a dataset of over 5,000 data-points and 100+ customer interviews with other young people.

These insights were brought together in a report entitled 'Time Machine Report for the Financial Services Industry' - which set out how financial services can engage with Generation Z and Generation Alpha, what opportunities there are for new financial products and how to bring diverse talent into the industry.

Startup Sherpas are proud of the social impact that putting together the report generated. It was the first work experience many of the teenagers taking part had engaged in - helping them to develop skills, such as critical thinking, creativity, collaboration and communication. In addition, over £110,000 was paid into the communities the young people were from.

The initiative's success illustrates how engaging with the younger generation can widen horizons and generate interesting ideas for the future economy, all while teaching valuable skills.



Yorkshire Building Society: Supporting young people into employment

As one of the oldest organisations based in Bradford, Yorkshire Building Society (YBS) is using its deep-seated ties to the area to help inspire the future workforce.

The building society has made significant commitments to help deliver employability and digital skills training as Bradford recovers from the impact of Covid. This is part of a longer term plan to provide at least 2,000 people in the city with employability support, including at least 1,000 young people.

YBS is also providing £120,000 for local SMEs to offer apprenticeships in STEM and digital jobs, as well as jobs related to professional services. The support given to young people will include access to these apprenticeships, as well as specific help with the costs of further education, in some cases.

In 2021, YBS also started pilot schemes to provide training for working-age people at risk of unemployment - helping to support reskilling in the local economy.

Delivering these programmes involves close work with local colleges, schools, businesses and local government, with YBS able to use its convening power as a major local employer.



The region also needs a stronger narrative about what it has to offer

Whilst creating more senior level roles in the region is key, so that ambitious individuals see how they can develop their career within it, there is also relatively low awareness of what exists now. Employers, particularly those outside Leeds and in specialised fields, told us that a lack of understanding of what Yorkshire and the Humber has to offer is a barrier to recruiting workers from outside it, as people want to know they will be moving into an area with a range of options for future work, rather than for a single job.

Low wages and a lack of senior roles can be a barrier to attracting and retaining mid-career workers

The challenge of finding and retaining talent in mid-career was a consistent theme of our interviews. This is supported by the data, which shows a combination of relatively low average wages for FPS employees compared to other regions and fewer senior level or leadership positions⁵³ - leading to a perception that the best career opportunities lie elsewhere. The high share of FPS firms in Yorkshire and the Humber that are headquartered in London, relative to other regions, may exacerbate a “brain drain” effect, where people feel they need to move to the capital to progress⁵⁴.



4. The full range of talent in the region remains untapped

“Taking on my role (as CEO), I was really struck by how much of a sales job has needed to be done for the sector and the region ... its not necessarily something people in Yorkshire will be aware of or that others associate with it”

Employer

Given the skills challenges they face, employers in Yorkshire and the Humber need to make the most of the full range of talent in the region and beyond.

This means ensuring the industry is as open to as wide a range of people as possible and that employees feel able to progress within it, whatever their background.

However, our research found that there were a range of barriers that may be preventing employers from accessing and maximising all the skills the region has to offer.

“We should talk more about the fact that working here means you get a much broader offer than in London. In London, there are so many roles that people end up specialising very early ... whereas being based in Yorkshire gives you exposure to many more parts of the business”

Employer

“How do you get someone working in customer service in Skipton to think they could retrain for a digital role in Leeds? Poor transport makes that challenge even harder”

Local government official

53 Public First analysis of ONS, Labour Force Survey, Oct -Dec 2022; FSSC (2021)

54 Centre for Cities (2018) London Links The geography of financial services in the capital and beyond

Poor connectivity in the region is a barrier to spreading opportunity

Employers and others we spoke to consistently mentioned how poor transport distorted the depth and breadth of the labour market, since workers could not easily commute between different parts of the region. Recent research has shown how a combination of poor transport connections and low skill levels prevents the “trickle out effect” of opportunities from regional hubs like Leeds. This poses a particular challenge in an industry where low skilled roles are being replaced by new, higher skilled ones, since they may not be in the same location. For example, Halifax has over 7,500 people employed in FPS, but only 4% of its total workforce commutes to Leeds - showing the challenge of this group accessing new opportunities in the city.⁵⁵ While hybrid working can mitigate some of these challenges, our research highlights the importance of better transport *within* the region – and the work Mayoral Combined Authorities and others are doing to improve it.

Low skills in the general population limit how many people can access opportunities

Yorkshire and the Humber has one of the lowest proportions of adults who are highly skilled – defined as those with qualifications at Level 3 or above (equivalent to A Levels) - of any region. Despite recent improvements in school performance, less than half its young people achieve a Grade 5 at GCSEs in English and Maths at 16 – well below the national average.⁵⁶ This means too few of the region’s people are in a position to take on the kind of highly skilled roles that FPS firms are increasingly offering – putting more pressure on the existing workforce and requiring them to attract people from outside the region.

The industry could do more to attract those from lower socioeconomic backgrounds

At a national level, the FPS workforce lacks socio-economic diversity, particularly among senior leaders.⁵⁷ Data on the socio-economic diversity of the FPS workforce in Yorkshire and the Humber is limited, but our research suggests that socio-economic background could be a barrier to who enters the sector and is able to progress within it. The region scores poorly for social mobility overall, with over a third of areas within it previously identified as social mobility ‘coldspots’.⁵⁸ Our polling also found that people living in the region think jobs in FPS require a degree to progress to a senior role, and they felt having a working class background was more likely to make it difficult to have a successful career than other factors, such as being from an ethnic minority.⁵⁹ Staff we spoke to in universities and colleges also felt the industry was still too reliant on recruiting from traditional sources – such as ‘redbrick’ universities – and that recruitment practices, such as overly formal candidate assessment, could deter students from backgrounds without exposure to the professions.

55 Centre for Cities (2023) *Does Trickle Out Work? How Cities Help Their Surrounding Towns*
56 Department for Levelling Up, Housing and Communities (2021) *Levelling Up White paper*
57 City of London Socio-Economic Diversity Taskforce (2022) *Building the Baseline: Breaking the Class Barrier Measuring socio-economic diversity at senior levels in UK financial and professional services*
58 Social Mobility Commission (2016), *Social Mobility Index*
59 Public First (2022) *Polling for UK Finance*

Women in the region are underrepresented in more highly skilled roles and are projected to remain overrepresented in low skilled roles

Women working in the region’s FPS industry are significantly more likely to be employed in low skilled occupations, such as those linked to administrative and secretarial work. In 2020, 47% of all women working in FPS in Yorkshire and the Humber were in roles considered low skilled compared to 28% of men.⁶⁰ At the most senior levels of firms – managers and directors – women are underrepresented, as well as in professional occupations.⁶¹ Across the region, only 19% of roles in digital are held by women, meaning there is a particular gap in parts of the industry that are due to grow the fastest.⁶²

This situation is set to change at the top. Labour market projections show that by 2035, women are due to hold 54% of manager and director roles across all FPS sub-sectors.⁶³ However, women will still remain significantly overrepresented in lower skilled occupations compared to men.⁶⁴ This means that lower skilled women are particularly likely to be impacted by technological changes affecting the industry, and that there is a particular need to support them to retrain.

Data on the ethnic diversity of the workforce is limited but people from ethnic minorities are likely to be underrepresented in parts of the industry, especially at senior levels

The FPS sector as a whole faces well documented challenges around the ethnic diversity of the workforce, particularly at senior levels.⁶⁵ Data on the situation in Yorkshire and the Humber specifically is limited but what we have suggests a mixed picture. For example, while the region is one of only three in the UK where people from an ethnic minority background are underrepresented in the FinTech workforce, there is no gap in representation amongst solicitors.⁶⁶ Research on the makeup of occupations across the region has found that those from ethnic minorities are much less likely to be employed in high skilled roles generally.⁶⁷ Given that ethnic minorities make up a large and increasing proportion of Yorkshire and the Humber’s population as a whole, it is very likely that they are underrepresented at senior levels of the FPS industry.⁶⁸

60 Public First analysis of DfE *Labour market and skills projections: 2020 to 2035*. Low skilled occupations refers to all occupations that are not managers, directors and senior officials; professional occupations; and associate professional occupations.
61 Public First analysis of DfE *Labour market and skills projections: 2020 to 2035*
62 Tech Nation (2022) *People and Skills*
63 Public First analysis of DfE *Labour market and skills projections: 2020 to 2035*
64 *ibid.* In 2035, women will comprise 63% of all low skilled occupations in Y+H FPS, down from 69% in 2020.
65 Financial Conduct Authority et al (2021) *Diversity and inclusion in the financial sector – working together to drive change*
66 ;Tech Nation (2021) *Ethnic Diversity in UK Fintech report* ;The Law Society (2022) *Annual Statistics report 2021*
67 Glover, P. *Demand Side: Diversity in Yorkshire’s Labour Market and Key Growth Areas*, Presentation at Yorkshire Universities: One Year On Conference, June 2023
68 ONS (2022) *Ethnic group, national identity, language, and religion: Census 2021 in England and Wales*



Santander: Growing leaders from lower socio-economic backgrounds

Santander first began work on its Social Mobility Strategy in 2018, using questions recommended by the Social Mobility Commission to create a benchmark for the socio-economic make up of its workforce.

Following initial surveys, the bank set a public ambition to have 35% of its senior leaders come from lower socio-economic backgrounds by 2030 – with clear actions that would enable it to move to this from a 29% starting point.

The strategy has led to the launch of a number of new initiatives. These include the Mobilise Programme, which will see staff mentor students from lower socio-economic backgrounds, and research to track their career outcomes. This complements the Acceler8 development programme for all staff, as well as specific programmes for Women in STEM and a Black Talent Programme.

All of the bank's development programmes are now intersectional – meaning at least 35% of participants come from a lower socio-economic background, in line with its social mobility target.

Data suggests these programmes and their sponsorship by senior leaders is having a tangible impact on career growth, with participants on programmes three times more likely to be promoted than their peers, and half as likely to leave the business.

The approach is helping Santander to become a leader for social mobility in financial services as well as an employer of choice where anyone can reach their potential.



Stronger Together: Raising the profile of racial diversity, inclusion and equality

Stronger Together aims to encourage more people from black and other ethnic minority communities to join and succeed in the professional services sector in the Leeds City Region.

The network provides the opportunity for peer-to-peer and role model relationships to be formed across firms within the region. It is supported by the Big Four accounting firms - EY, Deloitte, KPMG and PwC - as well as the six largest law firms in the region.

The cross-firm collaboration has enabled Stronger Together to establish a mentor programme with over 100 people - enabling people to share their collective experiences of equality and diversity challenges and provide greater access and visibility of role models locally.

The success of the scheme was recognised at The Northern Powerhouse Legal 500 awards 2023, where the network won the Diversity and Inclusion Initiative of the year award.





5. Collaboration on skills challenges is limited

The makeup of the region's FPS industry means collaboration on skills is particularly important.

62% of jobs in the Yorkshire and the Humber's FPS industry are found in SMEs – a higher proportion than the national average and the second highest in England. This creates a particular challenge for employers in recruiting, retaining and developing staff, since they are less likely to have the internal capacity to do so effectively. Relatively low numbers of apprenticeship starts at SME firms in the region is one illustration of this: Despite employing a majority of the region's workforce, SMEs only employ around 40% of apprentices.⁶⁹ Given the complexities and costs SMEs face in navigating the skills system, apprenticeships are one area where they would benefit significantly from a more joined up approach – for example in working with other firms to demonstrate to a local training provider that there is sufficient demand for them to deliver a particular apprenticeship standard.

Industry structures for collaboration exist but do not have a strong focus on skills.

The FPS industry in the region is already connected together in a number of ways. National bodies, such as TheCityUK, represent local concerns in national policy discussions. Local government, local enterprise partnerships and other business organisations – especially in Leeds – work to promote the industry. FinTech North has helped develop partnerships in this part of the industry, and there are other collaborations on issues such as encouraging racial diversity and inclusion underway. However, existing collaboration is often focused on attracting investment, rather than developing the skills of the workforce. Recent research on the local FinTech ecosystem and local skills improvement plans for the region have all highlighted this as an issue.⁷⁰ While the Financial Services Skills Commission is doing important work at a national level to improve the FPS industry's approach to skills, it does not have the capacity to engage in-depth in different regions. Employers we spoke to felt this left a gap when it came to structures that enabled them to tackle shared skills challenges.

A lack of collaboration makes the industry a less effective partner

Through our research we heard how a lack of collaboration within the industry could limit the effectiveness of its work on skills. In some areas, a lack of coordination meant that initiatives from individual firms could overlap and cause unnecessary duplication, for example in outreach to schools and colleges. In others, it led to a lack of engagement with certain parts of the region or partners within it, such as FE colleges. The absence of coordination on the demand side is highlighted by the way the supply side has become more organised in recent years, especially through the work of Yorkshire Universities and Combined Authorities. A lack of a similar collective voice or obvious "front door" can make the industry more difficult for these bodies to engage with, which risks its needs going unrecognised or deprioritised in local plans to improve skills.

The skills challenges facing the region cannot be solved by employers acting individually.

Many FPS firms are doing impressive work on the issues identified in this report through their own initiatives. For example, a number of larger employers have established their own training academies or built partnerships with others to help attract and develop employees. However, the complexity and scale of the skills challenges the region faces as a whole means this will not be enough. No single employer has sufficient resources or the critical mass to significantly shift the skills pipeline on which all firms depend. Collective action will be required to make progress on these issues.



Recommendations

This report has set out the challenges Yorkshire and the Humber will need to meet as a region in order to maintain its strength as a hub for financial and professional services.

Based on this analysis, the Commission has developed a plan for how to approach this, which is focused on action in five areas:

- 1 Expanding the pipeline of new talent entering the industry by taking new approaches to recruitment
- 2 Increasing investment in the skills of the existing workforce
- 3 Raising awareness of opportunities in financial and professional services in the region
- 4 Taking action to drive greater diversity and inclusion in the workforce
- 5 Coordinate and collaborate on shared skills challenges

Within the first four of these areas, we have identified a number of specific actions for employers, education providers and local government.

These are not designed to be definitive; meeting the skills challenge will require a very wide range of efforts that reflect individual circumstances and cannot all be captured here.

An effective response also depends on the national government providing the right policy framework for the industry in the region to thrive - including enhanced devolution of skills policy to Combined Authorities, a more flexible and better funded skills system and increased investment in transport infrastructure.

We believe the recommendations highlighted here are all critical to improving the pipeline of skills the region has access to. They are designed to be a call to action for leaders setting strategy on skills in the region's FPS firms and their partners.

However, the issues identified in the report are too complex for any one firm or organisation to solve alone. The scale and complexity of change that will affect financial and professional services means that collective action is also required.

An effective response will require a new approach and significant effort from the region's employers, working in partnership with education providers, local government and national government and others.

The Commission's final recommendation is therefore focused on how employers and their partners in the region can coordinate and collaborate on shared skills challenges.

To enable deeper levels of collaborative working in the region, we propose the work of this Commission is extended - with input from those who have engaged in its work so far and new partners.



1. Expanding the pipeline of new talent entering the industry

Recommended actions

Ia. Increase the use of higher level apprenticeships as a means of attracting new talent

Many employers have found higher level apprenticeships - those at Level 4 or above, including degree apprenticeships - to be an effective route for attracting and developing talent outside of traditional graduate routes. Restoring the number of apprenticeship starts to levels seen before the introduction of the Apprenticeship Levy would result in around 2000 new apprenticeships being created per year - significantly expanding opportunities for people to enter into the industry, as well as for existing workers to train⁷¹. This will require employers to increase the number of apprenticeships they offer - especially as an alternative to graduate recruitment - with a corresponding rise in provision at colleges and universities who help deliver them.

Ib. Develop employer understanding of T Levels and the provision of T Level industry placements in relevant subjects

New T Levels in subjects such as accounting, finance, and legal services, as well as digital, provide a new source of entry-level talent for FPS employers and a chance to engage with young people from a technical education background. As T Levels are rolled out, Combined Authorities and education providers should help make employers aware of the opportunities they provide and how they can support T Levels, in particular via the extended industry placement that is a core part of the qualification. Employers should register their interest in providing industry placements and speak to local schools and colleges about opportunities to do so, with an aim that every young person in the region that is interested in a relevant T Level has the opportunity to access one. Where possible, larger employers should also look to offer placements for students in areas away from industry hubs like Leeds or Sheffield, so that students across the region can access T Levels.

Ic. Broaden industry engagement with students

Employer engagement with students is more effective when it starts early and is sustained, so that employers can build relationships with prospective employees. Industry placements are one popular option, but sponsorship programmes, mentoring and other forms of interaction also support this. With much industry activity focused on a few of the region's universities, employers should review where they can expand their activity to other universities and colleges, especially those which traditionally supply them with fewer graduates, in order to broaden the pool of talent they draw from. This will require collaboration with universities, who should also aim to ensure that all courses relevant to FPS have some element of employer interaction. There is an important role for Yorkshire Universities and bodies like the Association of Colleges in helping to broker these relationships and map where there is scope for new initiatives.



2. Increasing investment in developing the skills of the existing workforce

Recommended actions

2a. Ensure workforce development is a strategic business priority for employers

The scale of the skills challenge means a focus on workforce development needs to be a key focus for CEOs and boards. Skills should become a part of every FPS firms' core strategy and included as part of their business planning cycle, with skills assessments and forecasting carried out annually and reported on internally. The Future Skills Framework and Skills Gap Analysis Toolkit are two examples of tools developed by the FSSC that can be used to support this. Local government sponsored programmes, such as Skills Support for Business in West Yorkshire, can also provide support. An emphasis on skills then needs to be reflected in the way employers manage and invest in their employees in order to encourage a culture of upskilling and reskilling, particularly through protecting time for training and increasing the resources devoted to this.

2b. Guarantee the opportunity for existing employees to be retrained to at least Level 3

There is a pressing need for low skilled workers in the region's existing FPS workforce to be upskilled and to retrain so they can avoid being left behind by technological disruption and are able to access higher skilled roles. Using internal training and subsidised programmes, such as apprenticeships and skills bootcamps, employers should commit to ensuring that all employees without a Level 3 qualification have the chance to access skills training at this level, as part of their internal training offer for staff. Guaranteeing a right to retrain to at least Level 3 would create development opportunities for around 25,000 employees across the region who are currently qualified at Level 2 or below⁷². The Free Courses for Jobs entitlement, which enables adults without a Level 3 qualification to gain one, is a potential source of support for this, alongside the various programmes for adult skills run by the region's Combined Authorities. With many future roles requiring skills at Level 4 or higher, this should form part of a wider commitment by all employers to creating a pathway to higher skilled employment. Where relevant, colleges, universities and other training providers may need to expand provision to meet increased demand, with Combined Authorities helping to broker this at scale.

2c. Use skills bootcamps to find new employees and retrain existing employees in high demand skills

Skills bootcamps – flexible programmes for adults to retrain in higher level skills, often linked to digital skills – have been shown to engage a diverse range of adults and help them move into new industries they could open up a new source of talent for the industry⁷³. Bootcamps can also be used by employers to retrain existing employees, with government subsidy provided to support this. With bootcamps now in place across the region in subjects such as data science, software development and project management, there is an opportunity for the financial and professional services industry to make much greater use of them. Employers should review where they could be used to support their own recruitment or employee training. Combined Authorities should also review whether there are opportunities to commission new bootcamp provision that could better support the industry and meet the needs identified in Local Skills Improvement Plans.

2d. Increase Apprenticeship Levy transfers to boost spending on apprenticeships

The relatively low number of apprenticeship starts in the region suggests that levy paying FPS employers in the region (those with a wage bill over £3 million) are significantly underspending their Apprenticeship Levy contributions. This is similar to the trend seen nationally. While wider reform of the Apprenticeship Levy is needed to make it more accessible, levy paying employers in the region should make greater use of existing flexibilities to pass on unspent levy contributions to other firms in the region, including via the levy transfer schemes operated by Combined Authorities.⁷⁴ Doing so would ensure more funding for training and development is retained within the industry and the region, and would be particularly helpful in supporting local SMEs, who face more significant barriers to engaging with apprenticeships.

72 Based on Public First analysis of ONS, *Annual Population Survey 2022*
73 DfE (2023) *Evaluation of Skills Bootcamps Wave 2 Implementation Report*
74 For example, the West Yorkshire Apprenticeship Levy Transfer service



3. Raising awareness of and access to career opportunities in the region

Recommended actions

3a. Focus careers outreach in schools and colleges on the most effective interventions

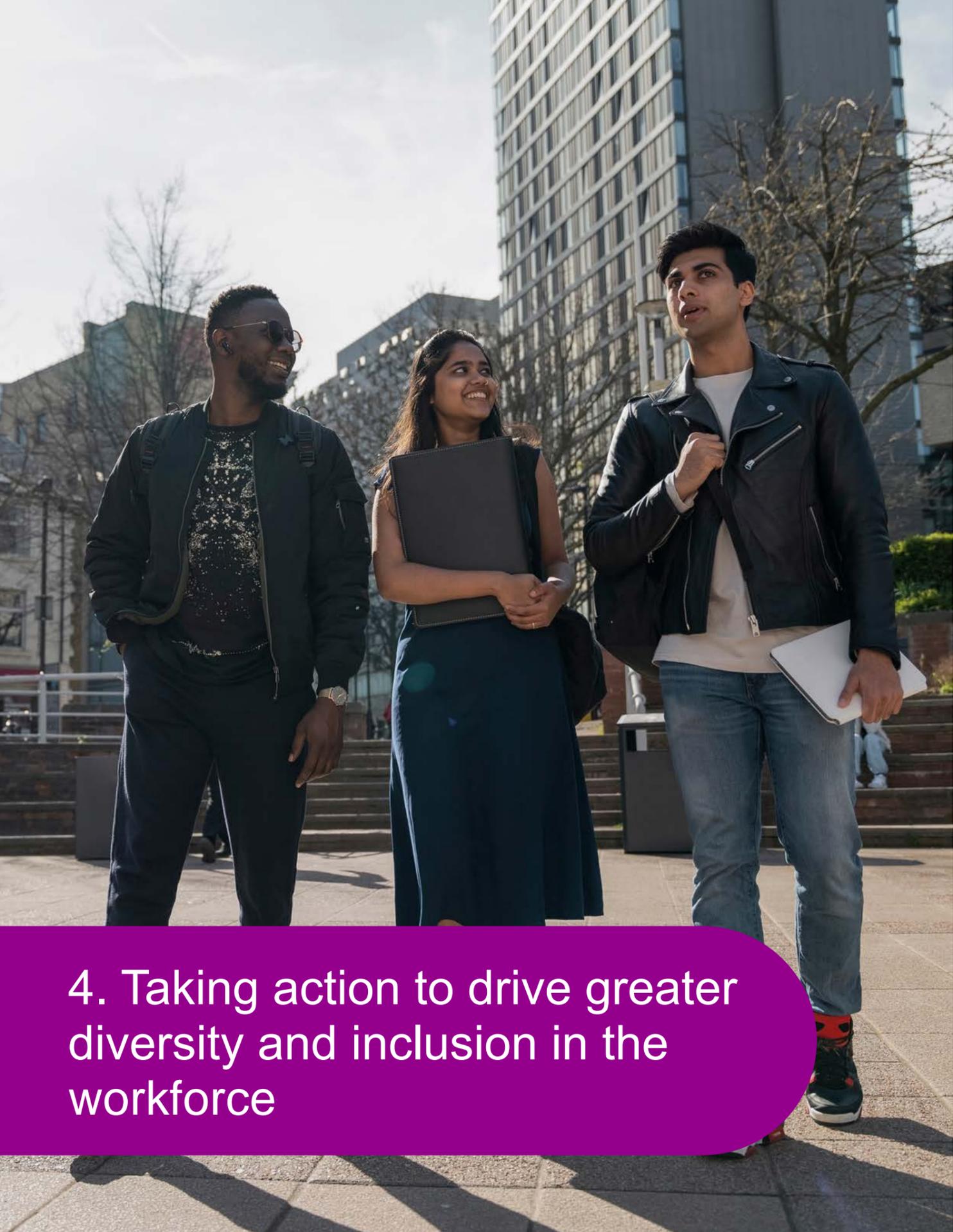
Careers Hubs bring together employers, education providers and others in a local area to coordinate careers education activities and share good practice. FPS employers should use their local Careers Hub to ensure their outreach to young people is effectively targeted – rather than duplicating activity – and follow good practice in engaging young people, as set out by the Careers and Enterprise Company⁷⁵. Firms headquartered outside the region should ensure their outreach work reflects the specific opportunities FPS offers in Yorkshire and the Humber, as well as the challenges facing its schools and colleges.

3b. Use outreach activity to engage regional ‘coldspots’ where young people have less access to the FPS industry

With opportunities in FPS varying across the region, regional ‘coldspots’ exist where young people are far less likely to have exposure to the industry. The Humber, the North Yorkshire coast and parts of South Yorkshire are all areas that both lack access to high skilled FPS employment and have low social mobility. Employers should aim to ensure they target their activities towards these places as far as possible, rather than concentrating them in areas where there is a lot of existing work. Their activity should work in partnership with existing efforts to widen opportunity, including programmes run by Combined Authorities and Careers Hubs, who will be aware of where there are gaps in careers provision across the places they are responsible for, and UniConnect, which is designed to widen access and participation to Higher Education by bringing together coalitions of universities, colleges and schools in a local area. Larger firms have a particular responsibility to use their resources to reach into communities that have the least access to opportunities in the FPS sector, as part of their role in supporting the development of the industry across the region.

3c. Localise messaging on recruitment and career development to help promote the region

To recruit competitively, FPS firms should market the opportunities available in Yorkshire and the Humber more widely, and the benefits of working and living in the region, as part of their offer to prospective employees. In national or international firms, it is particularly important that recruitment processes allow for a distinctive regional approach, with teams based in the region able to use locally tailored messaging, activity and partnerships, wherever possible. Universities and colleges offering relevant courses should also amplify messages around opportunities in the sector and help provide clear routes for employers to engage with students.



4. Taking action to drive greater diversity and inclusion in the workforce

Recommended actions

4a. Measure workforce diversity and take action to narrow gaps in representation

Better data collection is a fundamental part of enabling employers to understand how diverse their workforce is, where disparities exist and the effectiveness of efforts to reduce discrepancies. We support the proposals of the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA) to require larger firms to collect, publish and disclose data about certain demographic characteristics of their workforces, including ethnic background, sex or gender, age and disability⁷⁶. Wherever possible, we would encourage large employers to do this for those characteristics that will initially be considered voluntary (including parental and care responsibilities and socio-economic background), and for small employers to follow these guidelines as far as they are able. Tools such as the Social Mobility Commission Toolkit for measuring socio-economic diversity and the Women in Finance Charter (on gender) provide guidance for how to approach data reporting, with bodies such as Progress Together also able to provide support to employers. Locally, the Leeds Diversity Dashboard provides data that enables firms to benchmark against the population for the region.⁷⁷

4b. Assess and improve employee inclusion and workplace culture

Employers also need to ensure that employees from different backgrounds and in different parts of their business feel included in the workplace and able to make progress in their careers. In the context of this report, developing more inclusive workplaces would help FPS employers to better attract and retain skilled people from as wide a range of backgrounds as possible. Employers should actively assess inclusion and workplace culture, using the FSSC's Inclusion Measurement Guide to guide their approach. This suggests a phased approach, enabling employers to collect data which reflects their size and existing actions on diversity and inclusion.

4c. Develop and implement evidence based diversity and inclusion strategies

Measuring and, where appropriate, publishing data are important steps, but meaningful change to diversity and inclusion within the region's FPS industry will require concerted action to address existing gaps in employee representation and experience. A national review of diversity and inclusion in financial services found that most firms were at an early stage of addressing this issue and that few had yet made this a core focus of work culture. With the FCA and PRA now proposing that a wide range of firms must introduce D&I strategies, there is an important opportunity for employers in the region to review their current approach and ensure these set out an evidence and data driven approach, with clear responsibilities for boards and senior leadership teams to drive change.

4e. Supporting networks that connect employees from underrepresented backgrounds

Informal networks which enable individuals to find role models for their own career, receive mentoring and connect with peers are an important part of supporting those from underrepresented backgrounds to make progress in the industry⁷⁸.

Businesses should support employees engaging with existing networks, such as Stronger Together, which focuses on this, and help encourage the development of other similar initiatives - for example by enabling staff to use working time for these activities.

⁷⁶ FCA & PRA (2023) *The FCA and PRA propose measures to boost diversity and inclusion in financial services*

⁷⁷ Leeds Diversity Dashboard

⁷⁸ Reboot (2021), *Race to Equality: UK Financial Services Report*



5. Coordinate and collaborate on shared skills challenges

Whilst actions from individual employers on the skills challenges identified in this report are vital, many of these challenges cannot be tackled alone.

The Commission believes strongly that greater collaboration on skills within the region is necessary to ensure that the financial and professional services industry in Yorkshire and the Humber continues to be successful.

Specifically, greater collaboration and coordination would:



Enable ongoing **insight** into the industry's skills needs at a regional level



Allow the industry and its collective interests on skills to be **represented** to policymakers and other partners



Improve the **effectiveness** and reach of individual initiatives through better coordination and reduced duplication



Deliver **economies of scale** through joint commissioning and enable employers to show a critical mass of demand for training programmes and skills interventions



Help **promote** the industry and the region to as wide an audience as possible, using a consistent language and narrative

Greater collaboration would be particularly helpful for the region's large proportion of SMEs, who otherwise lack the resources and scale to meet skills challenges.

Cross-industry work would also give Yorkshire and the Humber's financial and professional services industry a strategic advantage over other regions of the UK, given that they do not yet have a joined up approach on skills.

The Yorkshire and the Humber Financial and Professional Services Skills Commission

A more collaborative approach has many potential benefits but it will not emerge organically.

To encourage greater cross-industry action on skills in the region, we recommend that the work of this Commission be extended beyond the publication of this report and into 2024.

Aims & operation

The Commission's remit would be to share the analysis of this report with a wider audience within Yorkshire and the Humber and help to bring about the implementation of its recommendations, especially where these rely on greater collaboration and coordination and across the industry.

The primary functions of an extended Commission would be to:



Advocate for the industry and its skills needs - by acting as a collective voice for employers and maintaining an active dialogue with policymakers and other stakeholders



Convene employers and their partners - by providing a forum for continued discussion about skills issues and the sharing of new insights.



Deepen understanding of skills challenges and potential solutions - by conducting further research into the issues identified in this report



Encourage and support employer action on skills - by providing guidance to employers and others and tracking progress on key indicators

Based on the experience of other similar initiatives on skills, the success of the extended Commission will depend on its work being underpinned by a set of key principles. These should ensure it is:

Independent - with its funding, governance and operations ensuring it can act independently of any individual organisation involved;

Employer led - through its membership being drawn primarily from financial and professional services employers in the region, of different sizes and focus;

Collaborative - by ensuring it engages with a broad a range of other partners across the region and works closely with other bodies for financial and professional services;

Regionally focused - through having a clear remit to focus on skills issues affecting financial and professional services in Yorkshire and the Humber specifically, which will differentiate it from other bodies; and

Evidence driven - focusing on the issues which have the most significant implications for the industry's skills base and proven solutions.

We suggest the Commission continues to be made up of a small group of senior leaders in business, local government and education. A wider group of organisations would also be included as affiliate members.

The Commission would be supported by a small executive team based in the region, which would act as a secretariat and deliver further research and advocacy work. This would be funded through contributions - either financial or in-kind through staff time - from organisations involved.

To make a meaningful impact, we suggest the Commission continue for at least one more year - with a review point after 12 months to establish its role beyond that.



Deliverables

Drawing on the analysis of this report, we suggest below five areas where further work from the Commission could support collective action on skills:

Creating a detailed regional forecast of supply and demand for skills relevant to the industry

This report has used publicly available data to highlight the needs of the industry in the future and likely imbalances with the current supply of skills. However, official data available at a regional *and* sectoral level is limited.

The Commission could undertake more detailed analysis on how far the supply of the most in demand skills matches the specific roles that financial and professional services firms predict they will need. This could, for example, involve commissioning Yorkshire Universities and local colleges to estimate the number of graduates and college leavers in relevant subjects, and surveying local employers.

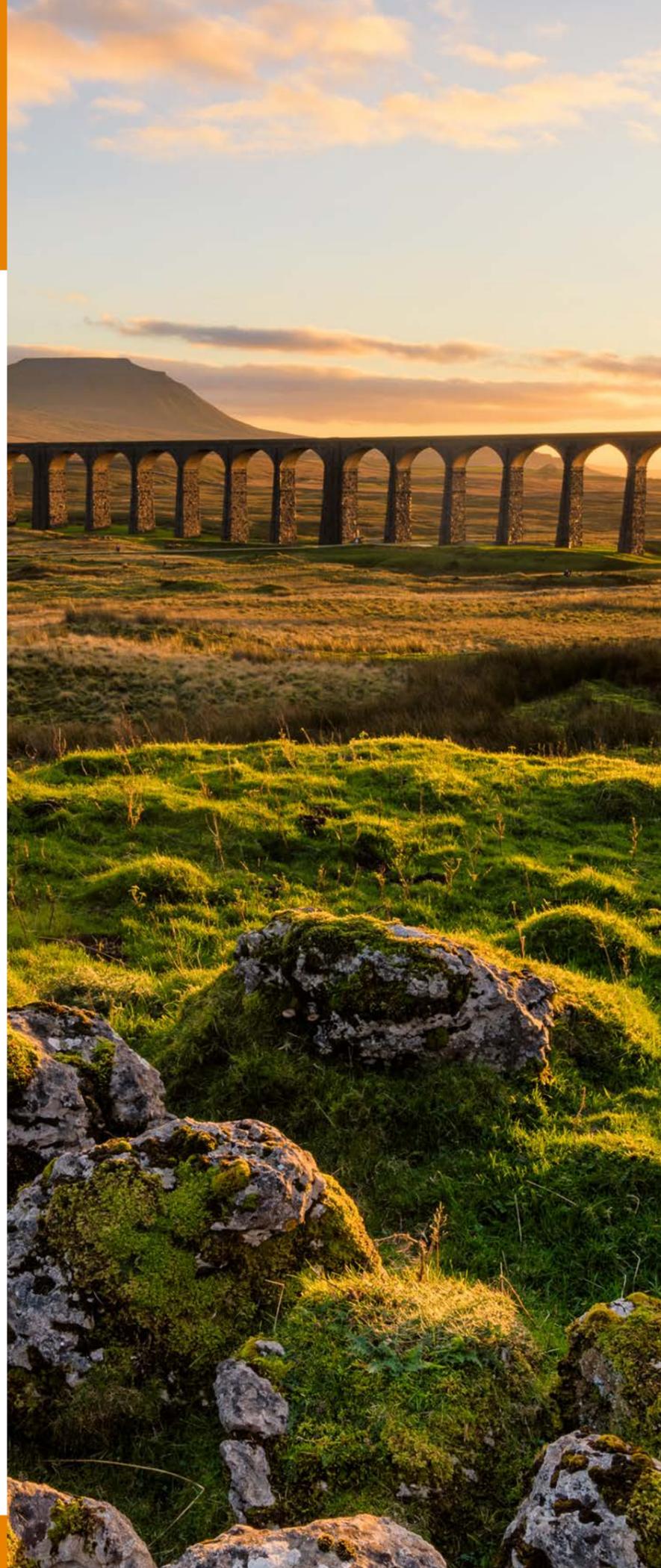
A more detailed analysis would then enable the Commission to make the case for new interventions, for example creating or expanding relevant courses at local universities.

Reviewing existing provision for retraining lower skilled employees and developing new programmes at scale

This report has highlighted a particular need for retraining existing employees in the region so that they can access roles which will be more in demand in the future.

The Commission could review the current extent and efficacy of existing training provision - including apprenticeships, skills boot camps, CPD and other forms of training - and assess where this could be improved.

This would then provide an evidence base for employers to work with education providers, Combined Authorities and others to develop or augment new training provision. This could include joint commissioning of programmes that have relevance across the industry, for example training that enables staff working in customer service roles to become quality engineers.



Developing a shared value proposition for financial and professional services in Yorkshire and the Humber

This report has shown that awareness of what the region's financial and professional services industry has to offer prospective and current employees is relatively low.

To improve this, the Commission could carry out opinion research to establish how the industry is seen amongst key groups - e.g. students - and which messages are most effective in marketing it. This could then be developed into a simple narrative and suite of materials which can be used externally.

If used consistently, a shared narrative would help support employers in the region improve their individual activity on recruitment and retention, as well as providing the basis for joint campaigns involving regional partners, such as Combined Authorities.

Mapping and coordinating outreach activity from employers in the region

At present, employers carry out a wide range of activities with young people and prospective employees to promote the industry and help people to access it.

Through mapping this activity, including by working in partnership with Careers Hubs and partnership teams at the regions Combined Authorities, the Commission could establish what outreach work is happening and which interventions are proving most effective.

Sharing these insights would then enable targeted new initiatives in parts of the region or with groups that are not being reached. It could also underpin a collective industry response - for example, joint careers fairs for financial and professional services, modelled on those used by other industries.

Next Steps

This report was produced to help create a shared understanding of the skills challenges facing Yorkshire and the Humber's financial and professional services industry and identify potential solutions.

Its analysis now needs to be turned into practical action from employers and their partners in the region - focused on implementing the recommendations in the report.

As set out above, the Yorkshire and the Humber Financial and Professional Services Skills Commission will be extended for at least another year to support this.

The Commission will now work through the first quarter of 2024 to:



Distribute this report and its findings to stakeholders across the region



Confirm its core membership and executive support



Secure the resources needed for it to function



Develop a detailed work plan for its initial 12 months of activity

We have been delighted by the positive engagement the Commission has had so far from employers, education providers, Combined Authorities and others.

All the organisations that have been represented on the Commission are committed to continuing its work and many others have indicated their willingness to get more directly involved.

We now want to hear from any organisation interested in supporting this work. Please contact corporateaffairs@ybs.co.uk to express your interest and find out more.

About this research

This Commission was made possible through the generous support and sponsorship of Yorkshire Building Society.

Public First provided research and analysis support for the Commission and drafted this report.

The Commission also benefited greatly from the input of the Financial Services Skills Commission, TheCityUK and the City of London Corporation.

Finally, the report's authors are deeply grateful to each of the members of the Commission for generously offering their time and insight, and to each individual and organisation who contributed to the research.



A: Commissioners

John Heaps (Chair) – Chairman, Yorkshire Building Society

Ben Still - Managing Director, West Yorkshire Combined Authority

Bill Jones – CEO and Principal, Leeds City College

Claire Tunley – CEO, Financial Services Skills Commission

Jennifer Hall – Employment Tax Director, Deloitte

John Walsh – TheCityUK Regional Chair in Yorkshire and Humber and Head of Office Leeds - UK Corporate, Marsh McLennan

Liz Dean – Chair in Yorkshire and Humber, Redmayne Bentley

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Tom Bousfield – Corporate Director of Growth, Business and Skills, South Yorkshire Mayoral Combined Authority

Tom Philpott - Regions and Nations Manager, TheCityUK

Annexes

The Yorkshire and the Humber Financial and Professional Services Skills was established in March 2023 with the following terms of reference:

The Commission aims to create a shared understanding of what skills financial and professional services employers in Yorkshire and the Humber require, a vision for how businesses, education providers, local government and others can work together to develop them and a plan for delivering this vision. Specifically, the Commission will focus on exploring the following research questions:

Current and future skills needs

- What is the current makeup of the financial and professional services workforce in the region, and where do skills gaps currently exist?
- How will the future skills trends identified by the Financial Services Skills Commission impact employers in Yorkshire and the Humber, and where could this create skills gaps in future?
- What other barriers are there to meeting the skills needs of the industry?

Current work to improve skills

- How effectively does the industry attract, recruit and retain a diverse pool of skilled people?
- How effectively does the industry use training and development to improve the skills of its workforce?

Collaboration on skills

- How effectively do employers, education providers and others in the region currently work together to broaden the skills within the industry?
- What other initiatives could the industry learn from in addressing skills challenges?

The Commission will focus on skills within the financial and related professional services industry itself, including banking, insurance, fund management, accounting, fintech, management consulting and legal services.

However, it will not cover the related skills needs of other industries that interact with financial and related professional services or the financial skills of the wider population.

It will explore each stage of an individual's career pathway – from leaving school, college or university, to the training and development they receive throughout their career. However, it will not make recommendations related to the school curriculum.

It will examine the movement of people in and out of the region. However, it will not make recommendations on immigration policy.

Various definitions of the financial and related professional services (FPS) industry are used by different organisations and methodologies. This is in part due to variances in data availability of industry categories across different data sources. Some sources will only provide industry codes at a broad industry section, whereas others will include more detailed 2- and 3-digit industry codes.

Where possible, Public First's own data analysis has employed TheCityUK's taxonomy⁷⁹ for FPS with the following three digit SIC codes. This broadly includes all of the 2 digit SIC codes 64-70, except 701 which relates to activities of head offices.

TheCityUK taxonomy approach was taken for Public First analysis of the Labour Force Survey, Business Register and Employment Survey (BRES) and UK Business Count. Where data availability meant this approach was not possible, we employed the following definitions.

- Unit for Future Skills. SIC codes 64-70, including activities of head offices.
- Annual Population Survey. Broad Industry Section K.

In our analysis of the Employer Skills Survey, we define the sector as Financial Services and Business Services using the provided industry groupings.



