

FUTURE SKILLS ISSUES AFFECTING INDUSTRY SECTORS IN WALES



Financial and Business Services Sector

Executive Summary

Introduction

This document is one of a series commissioned by the Future Skills Wales Research Forum. The overall project aims to extend and complement the work begun by the original Future Skills Wales project, which forecast future generic skills needs across Wales using forecasting and survey data. The current project adds studies of future vocational skills needs within key sectors in Wales. Each sector study is based on desk research and qualitative interviews with practitioners and employers, and aims to provide an overview of the sector, the skills issues, and current and potential actions to further strengthen the sector.

Businesses and employees in each of the sectors studied have achieved great successes; that is why these sectors have become important for Wales. Our focus on current skills issues should not obscure these achievements or the determination of all concerned to meet current and future challenges.

Sector Profile

The financial and business services sector is diverse, including the provision of services to businesses and individuals in banking, finance, insurance, professional and computing services.

The introduction of call centres in financial services is leading to the replacement of some of the services traditionally carried out in local branches and has been accompanied by a rationalisation of branch networks.

Business services companies have widely varying characteristics, which have significant implications in considering vocational skills developments and needs.

There were around 6,300 financial and business services establishments in Wales in 1998, around one third of these being accountancy or legal practices and 10% banks and building societies. Other sub-sectors are significantly under-represented in Wales compared to the Great Britain average, giving an overall location quotient of 0.6.

Using the broadest definition of the sector, there are around 95,000 financial and business services employees in Wales. Excluding recruitment agencies and facilities management companies, the sector employs around 57,000, two thirds of these being in South East Wales. The sector is weakly represented in Wales in employment terms, with an employment quotient of 0.6.

The sector is forecast to grow over the next ten years. However, this growth is slower than is forecast for the UK as a whole, leading to further under-representation.

In numerical terms, clerical occupations dominate sectoral employment, accounting for over a quarter of sector employment.

The broad sector had a GDP of £4,450 million in 1997, 16% of the Wales total. Across the UK as a whole, almost a quarter of GDP is derived from financial and business services.

The Future Skills Wales survey showed that the majority of sector businesses (excluding call centres) have geographically close clients and customers. This is significant given the concentration of the sector in the South East. In addition, Wales also suffers from the number of branch plants sourcing professional services elsewhere and the rationalisation of financial and business services firms.

There are in excess of 75 call centres in Wales, heavily concentrated in the South. Just over half of these call centres are in financial and business services, the majority handling basic customer transactions.

Basic transaction handling jobs are potentially threatened by technological changes leading to automated handling of simple transactions with operators handling more complex queries.

Sector and Skills Focus

The under-representation of the financial and business services sector in Wales is significant as:

- it plays a key role in creating an environment where other businesses can develop;
- business services increase the potential to attract or develop new employers.

Unlike many other sectors, there is no organisation in a position to provide a strategic overview of the financial and business services sector in Wales, or to influence sectoral developments.

There is evidence of a need to strengthen small professional firms to enable them to develop their role in supporting growth businesses and ensuring that these businesses do not look elsewhere for professional advice.

The sector has a relatively highly qualified workforce. It is not clear whether the current qualification breakdown will remain wholly appropriate as new ways of operating are introduced in the sector.

Significant education and training provision is currently available in Wales covering finance and business related subjects. However, it is not clear whether participants on these courses are either from the financial and business services sector or will seek employment in it on completion of their studies.

IT skills will be of increasing importance to employees in the sector in the future. It is also critically important for employees to be able to develop "softer" skills such as communication, business development and team leadership.

Recommended Action

There is a need to explore the feasibility of developing a strategic framework to support the development of strategies for sector development and growth.

Potential outflows of larger businesses are a possible threat to the Welsh financial and business services sector. Appropriate responses need to be developed.

There is a need to respond to the potential threat to the replacement of call centre staff with automated systems.

It is important that business services organisations are equipped to have maximum impact on client businesses. Possible approaches to achieving this need to be explored.

There needs to be a response to the increasing concentration of financial and business services in South Wales, to ensure that the sector across Wales remains sustainable.

Themes and Recommendations

Theme No:	Rec. No:	Action	Timescale	Key Partners
1	1a	Explore the potential to establish a strategic forum for the sector in Wales.	Start 2000	Assembly/WDA, NTOs/CETW/ sector groups
	1b	NTOs to be encouraged review current labour market intelligence to identify specific Welsh characteristics and issues and identify strategic response to Welsh skills and training needs.	Late 2000 start, ongoing	Cyngor NTO Council Wales/ Sector NTOs/ Future Skills Wales Research Unit
	1c	Develop links between key Welsh bodies and NTOs to explore future co-ordinated activity	Early 2001	Assembly/WDA/ Cyngor NTO Council Wales/ NTOs/CETW
2	2a	Explore the most appropriate ways to strengthen the sector in Wales through attracting inward investors and supporting existing employers.	Ongoing	WDA/CETW/ NTOs
	2b	Research approaches adopted in other parts of the UK where sector representation is strong or growing to identify potential opportunities for Wales.	Start 2000	WDA/Future Skills Wales Research Unit
3	3a	Research the reasons for sector businesses moving out of Wales, or managing Welsh activities from England. Identify further possible responses to restrict further outflows.	2001	WDA/Future Skills Wales Partnership
4	4a	Research the availability of potential employees for higher value added call centres, especially language and technical capabilities.	Late 2000	WDA/Future Skills Wales Research Unit
	4b	Review existing call centre training facilities and provision and their applicability to support wider skill needs of higher value added call centres.	Early 2001	WDA, training centres/CETW
	4c	If appropriate, develop a targeted approach to attract higher value added call centres	Late 2001 onwards	WDA/local partners
5	5a	Review the findings of the work with local accountants in Mid Wales. Explore opportunities to roll out similar initiatives in other regions and sub-sectors.	Late 2000 start	CETW/sector businesses
	5b	Work with professional bodies to explore opportunities for co-ordinated action to develop sector capacity	2001 onwards	CETW/ Employers
6	6a	Review current education and training provision and take-up in finance and business related skills. Focus on take-up and potential opportunities for sector employees and employers.	Ongoing	NTOs/colleges, universities/ providers/CETW

