Looking ahead to 2011: what will the coming year hold for financial services recruitment?
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As the UK heads back to work after its extended festive break, all hopes are for continued economic recovery in 2011, with increased activity in the financial markets and more job creation in the City. But what is the overall outlook for recruitment in the Square Mile over the next 12 months? Who is already in the market for new talent? And which specific areas of financial services are expected to see increased job activity over the coming year and why?

**Reasons for optimism in 2011?**

In October, the Centre for Economics and Business Research downgraded its estimate of the number of jobs created in the City during 2010, putting the figure at fewer than 10,000. Further still, it calculated that 2011 would see only 2,700 new positions created, as it anticipated that firms would put a freeze on new hires.

However, such pessimism is not universal. More than four out of ten City workers themselves believe that their employers will increase overall headcount in the coming year, according to new research into economic expectations by eFinancialcareers.com. The study also found that 39 per cent at least expected staff numbers to remain the same.

The Recruitment and Employment Confederation is also cautiously hopeful of an employment upturn in the second half of 2011. Its chief executive Kevin Green commented: ‘The outlook for the UK jobs market is mixed but there is scope for cautious optimism. Demand for staff is likely to continue expanding in areas such as financial services, export-focused industries and knowledge-intensive sectors such as technology and pharmaceuticals.’

Andrew Evans, managing director of the financial services division of recruiter Morgan McKinley, believes that a quieter than usual fourth quarter of 2010 could result in a busy start to the new year in financial services recruitment. He said: ‘Last year there was a lot of recruitment in Q2 and Q3, but by Q4 the amount had reduced significantly. Many of the investment banks had spent their budgets for 2010, which could lead one to expect more activity than usual at the beginning of 2011.’
Who is hiring?

Bank of America Merrill Lynch is believed to still be on the look-out for senior revenue generators despite having already made some top level appointments in 2010. Meanwhile, Citigroup is believed to be keen to build up its European investment banking business, having depleted numbers significantly between 2007 and 2009. Recruiters also remain confident that RBS will look to boost the ranks of its investment bankers this year.

Andy Baldwin, managing partner of Ernst & Young’s Europe, Middle East, India and Africa financial services business, agrees that for all businesses there is still a fundamental need for rainmakers who bring with them contacts and revenues. He said: ‘There is a demand for people who can win business and who are entrepreneurial in their approach.‘

Stuart Talbot, head of business development of the recruitment finance division of Lloyds TSB Commercial Finance said: ‘I’m still cautiously optimistic about next year. The economy will continue to grow modestly, and there will be a small return of M&A activity.’

SocGen began rebuilding its M&A team in late 2010, with some of this activity expected to continue there in 2011. The bank has also been active in hiring in fixed income and cash equities.

Late last year BNP Paribas announced plans to bring up to 200 people on board with cash equities expertise over three years as part of its joint venture with Exane. Citigroup is also still hiring in equities, while Morgan Stanley and HSBC are also expected to put some focus on this function during the coming year.

After aggressive hiring across many disciplines, Barclays Capital is expected to slow down its hunt for new talent in 2011, although rumours are that it is keen to upgrade staff rather than continuing hiring en masse.

Broad-based recovery across Europe for insurance and asset management looks set to continue into 2011. Baldwin added: ‘Asset management and private banking have also experienced a take up in interest which may well continue.’
Barclays Wealth is one such example. It is known to be on the hunt for experienced hires and has plans to double the number of its client facing staff from 650 to about 1,300 over the next five years. JP Morgan, too, intends to expand its wealth management staff in EMEA by 20 per cent a year over the next two years.

**Expected areas of activity**

A recent study by interim management provider Russam GMS found that six out of ten interim managers specialising in financial services expect the sector to improve in the coming year, with a quarter seeing the greatest opportunities in investment banking. Regulatory compliance was the area that 20 per cent believed would see significant activity and 15 per cent said that private equity would be busy. The same proportion – 15 per cent – opted for risk management and insurance, predicting that they would be buoyant in 2011.

Jason Atkinson, Russam’s private sector managing director, said: ‘We’ve seen increased demand for interim managers with specialist skills such as Solvency II or Basel II experience as well as change and risk management experts – and we anticipate this demand will continue.’

Ernst & Young’s Baldwin agrees that regulation could drive employment in several key functions. He said: ‘There’s no consensus across regulators and the fundamentals around risk are still of great concern. While things are frankly unclear, banks and insurance companies will always value data and data quality. They need systems and applications which leads to a clear demand for data specialists. Uncertainty and regulatory change will also lead to a changing portfolio for many institutions which requires good project managers to implement changes. The regulatory agenda, including Solvency II and IFRS 4, are also driving demand for accountants, actuaries and those with risk expertise.’

Morgan McKinley’s Evans maintains that current circumstances make it difficult to predict where the particular areas of activity may be in the recruitment market in 2011, but he agrees with Baldwin that project and change management – be it offshoring or improving efficiency - should continue to be busy.

‘A lot of people have been brought in to work on the project side of things in many institutions and there appears to be a desire to take many of those individuals from contract to
permanent status,’ Evans added. ‘Certainly we expect it to continue to be a recruiting area for 2011.’

While the latest annual report from the Confederation of British Industry on IT hiring spend amongst financial services firms predicted last summer that IT recruitment would be quite flat over the following 12 months, IT contractors with compliance skills remain very much in demand.

**The bonus bounce**

One factor that is often held to drive a churn in City jobs at the beginning of the year is the fall-out from the bonus pay-round in January and February. Those that receive lower bonuses than hoped for may start the year keen to investigate new horizons, therefore opening up opportunities and provoking a general move in personnel.

However, Neil Owen of Robert Half says that while some greater liquidity in the market is inevitable as workers ‘vote with their feet’ after receiving disappointing pay-outs, he maintains that, in reality, few move just because of money. Many institutions are also increasingly tackling retention head on, with a focus on providing employees with an overall attractive work package including opportunities for promotion, secondment, and career development, as well as a better work-life balance and enjoyable work environment.

James Bennet, eFinancialCareers.com’s managing director of EMEA and APAC, observed: ‘Looking to 2011, the spotlight will undoubtedly be on the impact that European reform regulation will have on the City. Whilst still too early to call, initial indications suggest few employees are actively looking to move overseas and instead would prefer to stay in the UK. Indeed, retention of key employees will now be a primary focus for UK financial institutions during 2011.’

Baldwin commented: ‘Salaries are out of line with expectations because of the recession, but candidates will still generally make a choice based on the culture of an organisation. The pay and promotions lever is important, but so is investment in learning and development, in mobility within the business, and in diversity.’