December 2019

Financial Services: Looking Forward to 2020

Putting 2019 into perspective and anticipating what's to come with insights from some of this year's top performing articles.

As 2019 comes to a close, we asked the authors of our top performing content to discuss current and future trends as they relate to the financial services industry. From new compensation strategies and the war for digital talent to the heightened focus on pay equity, regulation, and more, we have all the highlights covered.

Will Your Job Exist in 10 Years?

Technology and artificial intelligence are transforming the workplace as we know it. New skills and competencies are emerging, as jobs continue to evolve, forcing employees to ask themselves—will my job exist 10 years down the road? In this June 2019 article, we look at the future of work and how firms are preparing their talent for this new, tech-driven world.

> **"As we look back on 2019, many financial services firms saw a decline in profits. On the asset management side of the business, revenues slowed with the industry's huge move towards passive investments. For banks, lower interest rates mean lower revenue. Rising expenses in control functions and technology put additional stress on the industry. Looking ahead at 2020, we expect that more firms will move their non-client facing roles to mid and low-cost centers, such as Tampa and Manila, in the quest to improve margins.**
>
> **In terms of technology, financial services firms are likely to, at the very least, digitize many of their work functions and products. In some countries, FinTech firms and challenger banks are becoming serious threats. Expect this disruption to continue for at least the next five years—perhaps even longer."**

– Ray Everett, Global President of McLagan

Employee Rewards Q&A: What Firms Should Know Going Into Year-End

McLagan's Employee Rewards Team hosted a webinar this year to highlight key topics that are trending in compensation within the financial services sector and provide actionable steps for firms to take for year-end planning. [This September 2019 article] offers helpful advice for analyzing, designing, and administering pay programs that are aligned with your business goals.

> **"With continued trends of economic volatility, industry convergence, and evolving customer and employee needs, financial services firms are required to be quicker to change. The legacy mentality regarding pay and performance is antiquated. Leading banks and financial services organizations must think outside the box regarding their people strategies. With the increasing focus on fixed pay, continued review and consolidation of incentive programs, and the reevaluation of performance metrics and how they should be balanced to drive customer satisfaction, motivate compliant behavior, and retain investor value, there are many variables to consider. We are in a challenging time to say the least. But at the same time, born from this challenge is opportunity. As we head into the new year, firms should assess the core principles of their people strategies and focus on rewards philosophies that ethically deliver returns for all stakeholders. 2020 is going to be an exciting year and I look forward to seeing what innovative concepts this industry will develop."**
>
> *– Rob Northway, Global Head of Consumer Banking and Rewards*

Evolving Pay Strategies: Bank Teller Compensation

Brick and mortar bank branches must embrace change. The disruption of the historical approach to branch banking comes with an opportunity for firms to evolve their human capital strategy in in a way that complements the value proposition to both employees and customers. This February 2019 article discusses how advancements in retail banking are forcing firms to reevaluate their staffing, role profiles, and longstanding compensation practices for traditional branch roles, specifically the bank teller.

> **"In the year ahead, branches will continue to struggle with teller pay and the downstream impacts of large salary increases, such as pay compression and changes to salary structure design."**
>
> *– Kate Noble, Director, Regional and Community Banking*

To Proactively Manage Pay Equity, Companies Must Take These Three Steps

Pay equity is arguably one of the most important compensation conversations of our time, spanning firms of all sizes, industries, maturity levels, and geographies. While some organizations face systemic pay equity challenges, others see more pronounced risks in specific pockets of the business, such as job families, functions, or regions. And with the increasingly competitive talent market, financial services firms have never faced more competition in attracting and retaining key employees. Adapting longstanding practices, navigating a complex regulatory environment, and addressing gender parity in pay will be a massive challenge; however, regardless of the complexity or pervasiveness, financial services must take a proactive, ongoing approach to tackling pay equity through systemic and sustainable strategies. This October 2019 article provides three steps to help you get started.

> "**Creating equitable and transparent pay systems is a top priority for leading organizations and with the spread of pay equity laws globally, we expect this to continue to be a hot issue in 2020**."
>
> *– Ranjan Dutta, Partner, People Analytics & Rajiv Ramanathan, Associate Partner, People Analytics*

Benchmarking 101: How to Benchmark, and Why It Matters

To recruit top talent in today's competitive market, it's important to know what your peers are paying and compare your compensation strategy against this data. Regularly benchmarking your firm's positions to survey matches is the best place to start. This April 2019 article delves into the ins and outs of benchmarking and provides a quick guide for making the process as seamless and effective as possible.

> **"On an annual basis, companies should ensure that they understand market pay. They can do so by validating that their benchmarks are appropriate. Once this is established, firms can then review and maintain their salary structures, which serve as an internal reference to the external market."**
>
> *– Jen Bailey, Director, Regional and Community Banking*

The Impact of Brexit on Talent and Rewards in Germany

Banks, insurers, and other financial services institutions are in a race against the clock to clinch licenses and bolster their continental workforces before Britain leaves the EU. Without a comprehensive trade deal between the UK and EU that covers financial services, companies risk having no replacement for lost passporting rights, which currently allow firms to serve clients across the bloc. Read this February 2019 update for additional insights surrounding the potential impact of Brexit.

> **"The outcome of the general elections in the UK will determine the future course of action on Brexit. As a result, banks are currently adopting a wait and watch approach to make their people decisions. Based on our Aon data, we can see that Brexit has not had a material impact on pay levels in the continent, with the exception of pay premiums for some critical senior roles. Most banks have made preliminary hires, setting up their infrastructure to enable response to a hard Brexit if it happens. We expect to have greater clarity on the way forward by mid-2020."**
>
> *– Adithi Jagannathan Associate Partner, Corporate and Commercial Banking*

How Prepared is Your Strategy for Winning FinTech Talent in Mainland China?

In response to the disruptive impact of digital technology across the entire industry, a growing number of financial services firms are making investments to enable technology transformation to stay ahead in the market. Consequently, FinTech talent is in high demand, which has led to a severe talent shortage in Mainland China. Finding ways to attract and retain FinTech professionals in this fiercely competitive environment is top of mind. In this October 2019 article, we explore findings from our survey on FinTech talent management in China, to help firms better understand market trends and prepare for future change.

> **"Competition for talent will continue to unfold, especially as financial services firms enhance their technology capabilities and establish new subsidiaries of technology in their businesses. Additionally, we anticipate that regulators will largely focus on unifying their policies to create an inclusive financial sector using two methods. The first method is pausing or canceling the licenses of unqualified online credit product providers, which could result in the potential loss of mass-market**

investors. In the past 2-3 years, many P2P lending companies, which are only supervised by province level regulators, have been established. A number of them operate unproperly, causing mass-market investors to lose money due to a lack of clear rules for P2P regulations. Therefore, regulators in several provinces have announced closure of all P2P business to help curtail the situation, while other provinces are taking less extreme measures by making stronger rules and disqualifying high-risk firms. The second method is strengthening control of programs used to collect confidential personal information from online resources—the most important database for building up a risk control system. Therefore, many credit based inclusive financial firms are currently facing challenges, which, from a short-term perspective, may reduce demand for FinTech and big-data based risk-control professionals."

– Kelvin Yu, Consulting Manager, Shanghai

Want to learn more about any of the topics covered in these articles? To get in touch with a member of our team, please write to info@mclagan.com.

About McLagan

McLagan provides tailored human capital expertise to financial services firms across the globe. Since 1966, we have partnered with the largest and smallest financial services firms to help them make data-driven decisions to hire, retain, and engage the top talent for keeping the global economy running. Our compensation surveys are the most comprehensive, in-depth source of rewards data covering over 150 countries from more than 2,500 clients. Our consultants work with hundreds of firms annually to design total rewards programs and benchmark financial performance for boards of directors, executives, employees, and sales professionals. McLagan is a part of Aon plc (NYSE: AON). For more information, please visit mclagan.aon.com.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information on our capabilities and to learn how we empower results for clients, please visit http://aon.mediaroom.com.