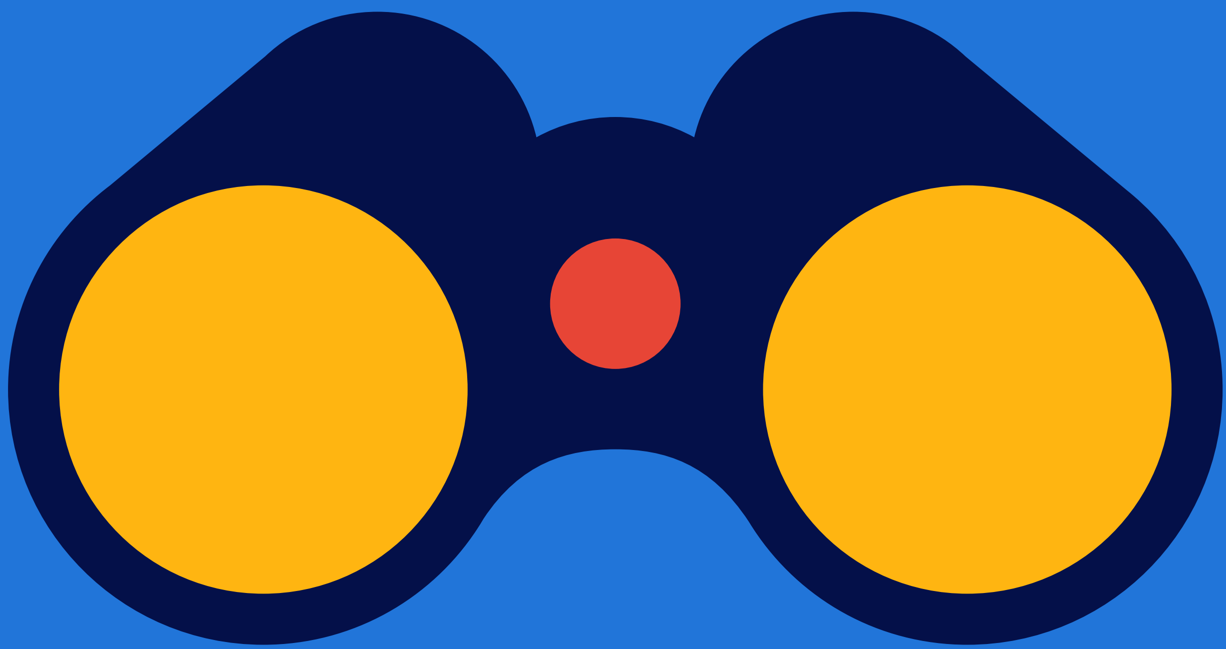
2020

market outlook commentary.

banking & financial services



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Having recruited risk, compliance, regulatory and accounting roles in Sydney since 2005, in my mind 2019 was certainly a year to remember with 2020 one to perhaps forget.

In 2019, there were several sporting upsets, including South Africa's win in the Rugby World Cup and England winning their first ever Cricket World Cup, but this trend wasn't repeated in either the NRL and AFL, with the Roosters and Richmond winning back-to-back premierships.

The surprises continued across the political sphere with Scott Morrison almost single handedly being re-elected as Prime Minister – and with an increased majority – despite just about every published poll across the country predicting his demise. After a year of much uncertainty in UK politics, Boris Johnson was re-elected with a huge majority, allowing the Brexit process to really get going. The big political question of 2020 is if Donald Trump will win a second term.

On the business front, the overall local economy mirrored the global economy in being relatively subdued, but here in Australia we saw a huge upswing in the property market which resulted in strong growth.

From an Australian regulatory perspective, at the start of the year the Banking Royal Commission left many believing it was back to business for our leading financial companies. As 2019 progressed, however, it became clear that this was the start of a journey involving considerable uncertainty; this has been reflected in the share price for many of our largest financial services brands.

On several occasions over the past two to three years we have seen what happens to companies when they do not have sufficient resources or an effective regulatory approach. The negative impacts of being unprepared were felt all the way up to c-suite executives in 2019 and we would not be surprised to see this repeated in 2020 and beyond. The changes we expect as a result will cause a total overhaul and transformation of some of the largest and best known financial services brands.

Whilst there is considerable uncertainty, our future direction is not entirely unknown. Over the past five to ten years, some of the largest financial services businesses across Europe, the UK and North America have been embarking on a similar journey. These businesses have become more cautious and risk averse in their approach and strategic direction.

We have not even mentioned the 'elephant in the room', that is, COVID-19. Its real impact has only been felt more recently, and I am in no doubt it will be felt by all for many years to come.

In my mind, the following questions help to frame the year ahead. Before we look at 2020, it is worth looking at some of the trends in 2019.

Andrew Woutersz

2019 landscape and trends

has there been growth in recruitment due to the Royal Commission?

There certainly have been a number of developments following the Royal Commission. I would argue that a large part of Royal Commission resourcing has been covered by consulting firms.

We have seen continuous growth in key areas including AML technology, AML analytics, risk and project governance, privacy and risk, compliance, and data protection. There has also been growth in roles that are in the transformation space across analytics, digital, robotics and AI, from either regulatory, risk or project perspectives. Additionally, hiring trends across traditional areas such as compliance and operational risk have been strong.

if the employment market is so buoyant, why is it so hard to find another job?

Like everything, some skillsets and profiles are in more demand than others. On the whole, hiring activity was, and continues to be, particularly healthy for roles below the $170k mark. In 2019 we consistently saw strong recruitment activity across our traditional job families such as Operational Risk and Compliance.

will this buoyant employment market continue?

It is very hard to predict the future, especially three to five years out, but my view has certainly evolved over the past 12 months.

There have been a lot of headlines lately around key companies not effectively resourcing their regulatory strategy, or more specifically, not providing effective coverage and/or having an effective strategy across the entire organisation. This has caused significant problems for corporate boards and the C-suite of many of the largest companies in this country.

I think we are starting to see structural changes not unlike those that happened ten years ago across the regulatory space in the UK, Europe and North America. Our colleagues in risk and compliance practices in Randstad have a high concentration of British, European and American Banks in key centres such as London and also other offices in New York, Europe (Frankfurt, Paris and Amsterdam), Singapore and Hong Kong. I have noted no real reduction in the overall footprint for risk, compliance, audit, analytics and also regulatory.

if the market is so buoyant, why have I seen minimal growth in bonuses and/or salary?

Generally, there is a divide between those who have recently acquired a job and those doing the same job for two to three years. Ironically, we often see people at a more senior level who have been in the same role for 10 plus years being made redundant due to organisations either restructuring or looking to reduce overheads, having to take a big cut in salary when moving onto other opportunities.

will the focus on COVID-19 reduce hiring in the regulatory space?

Although it is too early to say, there is currently a very strong mandate for regulatory change and uplift across financial services businesses. We are still seeing hiring and most companies have been getting their staff to work in isolation. At the time of writing this commentary, we are seeing strong recruitment activity in line two risk, compliance, and financial crime in both Sydney and Melbourne. We are also seeing this same hiring trend reflected across audit and assurance. In the longer term, there is the potential for reduction in regulatory uplift due to delays caused by COVID-19. Time will tell how significant the impact will be, but in the short-to-medium term demand will continue.

2019 permanent and contract placements managed by Randstad

In the table below we have provided a breakdown of permanent and day rate placements managed by Randstad in 2019. Interestingly, the majority of placements were across risk management from contract, permanent and day rate perspectives. We have also seen consistent activity across compliance from both permanent and contract perspectives. Not surprisingly we saw a strong number of permanent placements across financial crime. From a contract/day rate viewpoint, we saw significant volumes across quant credit risk, risk analytics, FPA and also non FS-risk roles.

category	permanent (%)	average perm salary	contract (%)	average day rate
risk specialist	27	$149,520	17	$818
audit	4	$119,875	0	N/A
IT audit	1	$150,000	0	N/A
technology risk & project governance	8	$157,575	6	$800
compliance	13	$170,031	11	$780
AML financial crime	19	$190,020	3	$767
regulatory change & governance	2	$188,075	3	$730
quantitative & credit risk	5	$155,476	9	$1,150
AML analytics	2	$102,500	0	N/A
risk analytics	4	$100,858	11	$912
financial regulatory reporting	9	$145,097	9	$475
FPA	5	$150,018	22	$498
non-FS risk	1	$95,000	9	$526
	100	$156,482	100	$631.27

permanent salaries – table 1

year	2014	2015	2016	2017	2018	2019
average salary of all placements	$114,000	$121,200	$130,854	$125,976	$136,696	$156,482

As shown above in Table 1, we have seen an overall increase in salaries since 2017, with 8.5% growth in 2018 and 14.5% in 2019. In addition, we have seen close to an 80% increase in permanent placement volumes in 2018, with this upward momentum continuing in 2019 with a further 30% more.

Whilst we put this increase down to the largely buoyant market in 2019, the Randstad banking team also expanded its remit during this period to include a wider focus on roles exceeding $250k.

Interestingly, over a longer period (five or six years) salary growth has not been as substantial. Salaries have increased by 37% between 2014 and 2019 or 20% between 2014 and 2018. This is still above the national average of 2.3% growth wages for the Australian working population in 2019.

permanent salary breakdown – table 2

year	2014	2015	2016	2017	2018	2019
salary below $100,000	60%	27%	13%	20%	16%	7%
$100,000 to $150,000	20%	45%	70%	61%	54%	43%
above $150,000	20%	28%	17%	18%	30%	50%

The theme of salary growth is reflected in a significant increase of roles placed above $150,000, which is at 50% in 2019. This is not surprising given that the average salary is $156,482.

The converse trend is a significant decline in permanent placements below $100k and in the $100-150k salary bracket.

contract day rate salaries – table 3

year	2014	2015	2016	2017	2018	2019
average day rate of all placements	$526	$558	$480	$591.53	$532.64	$631.27

While in 2018 we saw a reduction in the average day rate of almost 10%, this trend was reversed in 2019 with an 18% increase. This upward trend was also witnessed in the higher permanent salaries and placements we made the same year.

contract day rates breakdown – table 4

year	2014	2015	2016	2017	2018	2019
salary below $500/day	42%	36%	55%	35%	54%	11%
$500/day to $750/day	21%	44%	26%	26%	34%	40%
above $750/day	37%	20%	19%	38%	13%	49%

Just as we saw in Table 2 (breakdown of permanent salary placements in 2019), we have also seen a similar trend in day rates: a significant increase in roles above $750/day and a large drop in day rates below $500/day.

sector overview

risk management – line one and line two risk

Despite new numbers in compliance and financial crime, we have seen a significant skills shortage within the risk space – especially across wealth and insurance, and risk professionals operating in the $100,000 to $180,000 range.

Some of this demand has been driven by M&A activities, divestment through to the growth of local risk teams resulting in the redeployment staff. It can also be put down to the current regulatory climate which has seen many good risk managers seconded on to regulatory projects and team associated with the Royal Commission.

Over the past 12 months, Sydney and Melbourne have experienced some of the most obvious skills gaps, particularly in technology and project risk.

commercial risk (non-financial services businesses)

Outside of banking and financial services, it has been an interesting year across the Federal and State Government, Not-for-Profit and Commercial sectors. There is still a real mix in maturity towards risk and compliance but we have been able to clearly identify specific industries and their focus areas.

In State and Federal Government across Victoria and New South Wales, we have assisted with high volume contingent labour (contract) requests where the focus has been on developing and implementing risk and compliance frameworks as well as, business continuity plans.

Banking and finance has not been the only sector ensuring that they are well equipped against the risk of financial crime; the gaming sector too is increasing the number of roles aimed at ensuring security in the face of this risk.

In 2019, telecommunications, utilities and retail giants with well established risk and compliance groups also increased opened up a number of new opportunities for risk analysts and IT auditors for risk analysts and IT auditors, demonstrating the importance of IT system protection and data in influencing strategic direction.

Within Not-for-Profit, we have seen a national trend in schools creating risk and compliance roles to implement specific GRC programs and raise risk awareness. Higher Education is continuing to grow its risk focus through business continuity and resilience opportunities.

With the potential for further Royal Commissions in the future (based on real-life inquiries in banking and aged care), it will be interesting to see both the impact of the most recent Royal Commission on organisations outside of banking and financial services and, in turn, what trends develop in 2020.

audit

The internal audit landscape of Australia has changed drastically within the last 12 months due to a number of economic, technological and political factors.

Although audit is not a capital generating business function, it is certainly a huge cost saving necessity which ultimately contributes to the health of a business bottom line. With certain organisations in Australia receiving particularly significant penalties, many are turning to internal audits to ensure that profits are better protected in the future.

First to act have been the local banks, increasing team sizes and reassessing how internal audit and controls assurance have been traditionally conducted.

Emerging technologies such as artificial intelligence, robotics and the wider adoption of cloud platforms has meant that internal audit job specifications are becoming much more technical and often requiring an subject matter expert.

Internal audit teams are using their current spotlight to operate more effectively; they want the same power to obtain information as external auditors. A submission to the Banking Royal Commission by the Institute of Internal Auditors says internal audit should be run independently of management and recommends boosting the statutory powers and standing of their members within companies.

The internal promotion of internal auditors to more senior roles has left vacancies in many hierarchical structures at senior auditor and manager level, causing somewhat of a skills shortage in the on-shore market.

As a specialist in this space, I'm seeing huge value in the global talent pool in terms of sourcing audit experts that are open to relocation and keen to utilise their skill sets in the maturing audit market of Australia.

risk analytics

As with previous years, data analytics has been an area of key growth, with many organisations investing in the newest technologies and hiring additional resources to understand business behaviour and identify key risks. Across risk, analytics has been used traditionally, however with the explosion of customer data we have seen an evolution in technologies. This has, in turn, allowed companies to deliver new reporting and insights to their staff and key decision makers. New regulations and reporting standards have also led to further demand. With new innovation, however, companies have struggled in a number of aspects to deliver their data programs.

1. recruitment

The analytics or data science skill set required by many is in short demand, which is compounded by the speed at which new technologies are coming through. This is leading to two key issues in recruitment alone.

a. Finding candidates with experience using these technologies and/or the ability to do so in a commercial setting.

b. Finding candidates who can complete technical analysis, while still being able to communicate the methodology and outcomes to non-technical staff.

2. organisation

As with any new function, there has been an element of trial and error in developing data strategy. The million dollar question: should data teams sit with the business where they can bring tailored insights directly, or in a centralised function working on more generalised reporting? Both have their pros and cons, with the latter providing more consistency in approach, but losing the personal touch.

One key issue and emerging trend is the latency of the larger organisations in being able to adapt to change, and in some cases not having the investment to allow them to attract the new candidates who are looking for exposure to the technologies on offer.

3. data governance and regulation

With a number of high profile data breaches bringing attention back to how customer data is used, and enhanced regulation is being put in place to monitor how decisions are made through complex models/algorithms.

regulatory compliance

In our previous edition, we looked at the balancing of local and global regulatory obligations by Australian financial institutions. Many of the challenges facing financial markets and corporate and institutional banking remain the same; a deep skills shortage exists for compliance advisory teams, as well as surrounding areas like the control room and surveillance. Organisational charts have continued to evolve over the years in various restructures, with Australian organisations further specialising the scope of their roles and reporting lines to factor in global coverage.

These exist in tandem with group/enterprise level recruitment challenges, ranging from technical areas such as breach reporting compliance and regulatory change compliance to more general compliance advisory coverage of business units - extending even further to group/corporate functions including operations, technology, HR, finance and risk.

Flexible working arrangements, salary and culture remain significantly high on the agenda for candidates when searching for opportunities in compliance. If organisations aren't willing to be flexible on the first two points, they run the risk of losing the best candidates in the market, in addition to their already employed staff. The most competitive level for acquiring experienced candidates is currently the $100,000 to $200,000 range.

With an increased volume of roles to fill, hiring managers are having to be flexible in considering experience levels, industry-specific experience and candidate backgrounds, looking, for example, in the front office, legal, risk, audit and regulator spaces to fill positions. This will be the new normal for the foreseeable future, as new pieces of post Royal Commission legislation, guidance and consultation papers keep professionals on their toes for 2020.

financial crime and anti-money laundering

Going into 2020, financial crime, risk and anti-money laundering professionals to remain in high demand, AUSTRAC is continuing to set the pace for other Australian regulators with another Australian bank destined for a significant fine which will keep the momentum up within the market. This also has an increased recruitment ripple effect on the three lines of defence, first-line/operational teams which are crying out for international corporate banking AML experience, second line advisory professionals, audit/assurance professionals with specific knowledge of financial crime and anti-money laundering.

2019 also saw the much anticipated FATF review (last conducted in April 2015) pushed out again, leaving Australia to wait close to five years for a follow-up assessment which will see further changes arise.

Randstad was also pleased to recently host an event for ACAMS, the Association of Certified Anti-Money Laundering Specialists, and deepen its relationships within the AML community.

technology risk

Technology risk has experienced continued growth over the past 12 months in Sydney and over the past six months in Melbourne. We are seeing huge demand across both permanent and contract for strong technology risk professionals in banking, insurance, wealth and consulting firms.

Much of this demand has been driven by strong candidates moving internally or from competitors within the market, and a significant amount of the same demand has been met by candidates relocating from overseas countries such as the UK, South Africa, New Zealand and Canada. While it is getting harder to sponsor candidates (except in consulting), more of these roles have been filled with candidates that have Australian permanent residency.

accounting and finance

Within the Australian financial services sector, accounting and finance roles have lately been geared towards forward planning and analysis rather than the traditional statutory and regulatory roles which report on retrospective numbers. Within this changing environment of questions around integrity, regulatory reports and changes to IFRS reporting standards, there has additionally been a huge mobilisation of technically based accounting skill sets.

The industry seems to have been flipped on its head recently, with a demand for the regulatory and policy skill set over the commercial accountant. In addition, the changing environment around standards and systems has seen an increase in finance transformation roles like business analyst, change manager and project manager. The most sought after value-add skill set is not only having the technical SME skill set but the combination of this and transformation experience.

The availability of technical and regulatory focused candidates is in short supply and the interest level from the market is low. Commercial roles are more attractive to employers but equally, managers don't have the time or budget to train and onboard so they are seeking talent that can hit the ground running. Candidates in this space do not necessarily want to move into similar roles as they are often looking to diversify their experience.

The wealth management sector has been the most buoyant, not surprisingly given the turbulent industry. The corroboration between change and opportunity certainly exists.

The remainder of the financial services industry, including insurance, has been slow in 2019. The spotlight put on the industry by the Royal Commission has reprioritised headcounts to other pockets, hence increasing "freezes" affecting roles in finance teams.

As businesses look to re-strategise and new priorities emerge around regulatory reform, purse strings will be tightened and new roles or needs will be in demand from accounting and finance professionals. As discussed, regulatory, technical and policy skills have been in demand. So too have cost-based accounting, expense focused skills around cost/benefit analysis, project-based finance skills and benefits realisation – all coupled with advanced financial modelling and system skills.

2020 outlook

Whilst this banking and financial services market outlook commentary was written prior to the outbreak of COVID-19. COVID-19 has had a significant impact across the entire economy, and it will certainly have an impact on hiring. However, we are continuing to see strong hiring patterns and expect this to be the case for the remainder of 2020, even in the midst of the current lockdown period.

For the past five years, we have said this year will be busier than the previous and, as expected, 2020 will not disappoint. On the recruitment front in 2020 we expect huge demand for good people. I think the key difference for 2020, in comparison to previous years, is that we are seeing several large recruitment drives across different parts of the organisation taking place simultaneously.

This growth in recruitment won't just be confined to Sydney, but will also occur in Melbourne and potentially other Australian cities like Adelaide. It is also possible we will see companies looking at regional cities and other mainland capital cities to overcome the skill shortage across the regulatory space.

To highlight an earlier point, in 2020 we only expect recruitment to accelerate. We covered our predictions in individual categories as listed under different job families.

Recently, KPMG identified the top 10 issues facing business leaders in 2020, these are as follows:

1. digital transformation
2. global political and economic environment
3. regulation and regulatory environment
4. innovation and disruption
5. sustainability and climate change
6. public trust
7. leadership capability
8. customer and citizen centricity
9. political paralysis and effective government planning
10. workforce upskilling and transformation

Ironically, the regulation and regulatory environment is sitting at number three, and I am surprised it is sitting below digital transformation and global political and economic environment as the top concerns. However, it is higher up the list than innovation and disruption and sustainability and climate, which are two very hot topics in the current news cycle.

connect with us today.

Our team welcomes the opportunity to discuss any of the points contained in this market outlook commentary.

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