eFinancialCareers Hiring Trends Report

Review of Q2 2022

Introduction

Welcome to *eFinancialCareers Hiring Trends*, our new series of quarterly reports that use exclusive eFC data to uncover and explore some of the major issues in financial services recruitment. For the most recently completed quarter – Q2 2022 – we home in on talent shortages, a key challenge for financial institutions and recruitment agencies in a job market that remains largely candidate led.

Identifying emerging talent shortages will help your recruitment planning for Q3 and beyond, enabling you to focus more resources in areas where candidates are becoming increasingly difficult to attract.

This report uses new data on changes to average application rates (see the chart on the next page) to pinpoint the job sectors in financial services in which skill shortages have worsened (and improved) over the past year.

We then take a deeper dive into the roles at the extreme ends of the chart, and explain why they have experienced the most significant year-on-year shifts in average applications.

***Simon Mortlock**, Content Manager, eFinancialCareers*

The overall trend in Q2: candidates are still in control of the job market

Which job sectors in financial services have experienced the largest increases in talent shortages? To find out, we first looked at average Q2 applications* from candidates in 2022 and 2021, across a selection of our main job functions globally. We then worked out year-on-year percentage changes (which are displayed on the chart below) in these average applications for each function.

Talent shortages are becoming more problematic in the jobs towards the top of the chart, which are suffering from the largest decreases in average applications compared with Q2 last year. Conversely, in the three sectors at the bottom, more candidates are applying for each role that's posted.

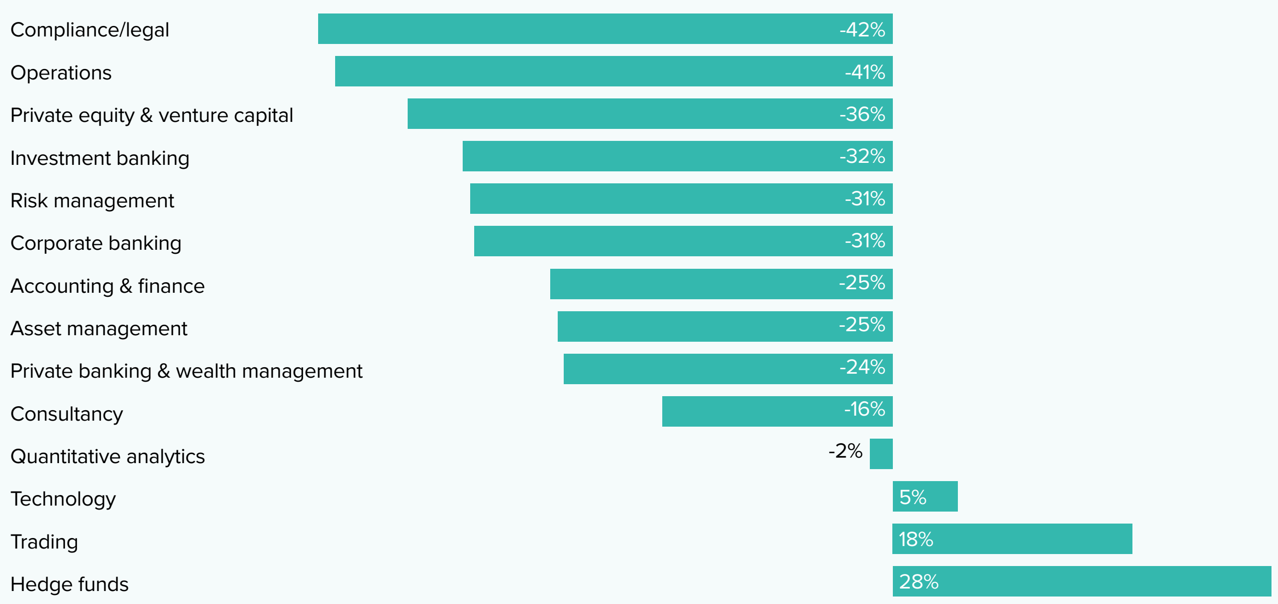
We will examine some of these jobs individually on the following pages, but the overriding trend is clear: fewer people are applying for roles in financial services than in the second quarter of 2021. These are the main reasons why candidate supply is falling in most job functions:

- 2021 was a particularly active period for applications as candidates who stayed put during the initial Covid outbreak took advantage of a sudden rebound in hiring.
- Many of those who were hired last year don't want to move yet again in 2022, so the pool of active candidates has shrunk.
- Global economic uncertainties and falling investment banking revenues are causing some candidates to reconsider whether joining a new firm is the best option.

These supply problems wouldn't be so concerning if demand (i.e. job openings) had correspondingly declined. However, vacancy levels in financial services remained strong in the second quarter, despite the war in Ukraine, recessionary fears, redundancies in the crypto space, and speculation that investment banks may cut jobs later this year. As a London-based headhunter told an eFinancialCareers round table in Q2: "There's been no softening; the job market is crazy."

*Average candidate applications for a job sector = total candidate applications received in that sector during Q2, divided by total Q2 vacancies in that sector.

YoY change in average applications per job sector in financial services



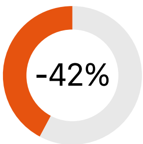
Source: eFinancialCareers

efinancialcareers global insight

Job sector analysis: identifying talent shortages

Let's take a closer look at some of the main outliers in the chart (see previous page) to explain why talent shortages have intensified or reduced year-on-year in the second quarter, and to consider the trends likely to impact the job market for the rest of 2022.

Compliance: average applications



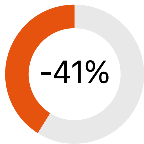
While the compliance function has gone through several talent crunches – most notably following the 2008 financial crisis – recruiting compliance professionals has recently become significantly more difficult.

Job vacancies have remained strong, partly driven by the need for banks to comply with new sanctions on Russia. Credit Suisse, for example, announced in June that it has hired 22 senior compliance professionals this year and boosted overall headcount in the division. But fewer compliance professionals are applying for these roles, so average application numbers have fallen 42% year-on-year for Q2.

> “We're seeing very healthy vacancy levels in compliance across a range of disciplines, including global markets and financial crime. But there was a lot of movement last year, with very significant pay rises and title changes, so many people moved back then, or accepted a counter offer.”

Ben Cooper, managing partner, Ashford Benjamin

Operations: average applications



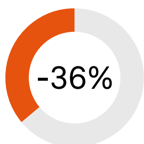
It's a similar story in the back office. There's been an increase in vacancies, but not in candidates applying for these roles, leading to a 41% decline in average applications compared with Q2 2021.

The focus of back-office hiring is shifting as manual tasks are automated and financial institutions build centres of excellence and seek niche skills to support areas such as digital transformation and trade finance. As the operations function becomes more specialised, talent shortages are likely to further increase.

> “In operations, there are emerging skills gaps where trends are moving too quickly for the market to keep pace.”

Liz Hocter, CEO, Hertalis

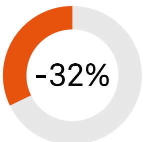
Private equity and venture capital: average applications



Hiring has inched up in private equity, but candidates aren't as willing to apply for jobs as they were in Q2 last year, so talent shortages are a concern in the industry. Firms have been hiring so aggressively that the talent pool has been "depleted", says Sean Bourke, director of Pearse Partners in London. Moreover, most candidates are receiving so many calls from headhunters that they don't always need to apply for jobs directly.

Going into Q3, the macro environment may make some PE professionals feel more cautious about moving roles. The onset of new risks — including inflation, rising interest rates, and geopolitical turmoil — contributed to a 26% year-on-year decline in private equity deal volume as of May, according to PwC's mid-year outlook report.

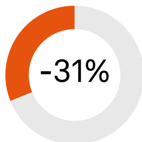
Investment banking: average applications



It's little wonder that professionals in this sector – which primarily comprises ECM, DCM and M&A – are not as keen to apply for jobs as they were 12 months ago. 2021 was a boom year for deal making and consequently for hiring. However, as the table below from Dealogic shows, global revenue in investment banking (year to June 28) is down 38%, driven partly by a 70% fall in ECM revenue as initial public offerings dried up.

IB revenue is also below the longer-term norm of the pre-Covid years, especially in ECM. As a result, headhunters say ECM bankers are focused on holding onto their jobs rather than looking for new roles, and that some banks have imposed unofficial hiring freezes in capital markets. While we have not yet seen widespread redundancies in investment banking, the longer this downward revenue trend continues, the more likely it is that layoffs will take place. In the meantime, it's the fear of being 'last in first out' in the future – rather than any current job cuts – that is making bankers more reluctant to move firms. Investment banks have also gone to greater lengths over the past year to ensure that their front-office staff don't move to rivals, in particular by boosting salaries for analysts and associates.

Risk management: average applications



The talent crunch in risk is similar, although not as extreme, as that in compliance. The need for risk management professionals has been strengthened by the deterioration in geo-political and economic conditions in 2022. We therefore saw strong levels of risk vacancies in Q2, driven by both new headcount and replacement hiring (global banks can ill afford to lose critical middle-office talent).

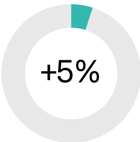
On the supply side, however, banks face challenges in risk. The average risk job received 31% fewer applications in Q2 than it did during the same quarter a year ago. Unlike in the front-office, this fall is not driven by candidates becoming more cautious; it's more a result of risk management professionals moving in large numbers last year and not wanting to repeat the process in 2022. Moreover, for financial risk jobs, banks are increasingly seeking specialist skills – including quantitative, programming, and data analytics skills – which further reduces the candidate pool.

Global investment banking revenue, year to end-June comparison

	Mergers & acquisitions	Debt capital markets	Equity capital markets	Syndicated lending	Total IB
2022 vs 2021 comparison	Net revenue USD (m)	Net revenue USD (m)	Net revenue USD (m)	Net revenue USD (m)	Net revenue USD (m)
2022 YTD	$17,232	$10,402	$5,685	$6,581	$39,900
2021 YTD	$18,413	$17,434	$19,144	$9,198	$64,190
% Decline: 2022 vs 2021	-6%	-40%	-70%	-28%	-38%
Historical revenue					
2020 YTD	$11,048	$16,225	$10,070	$5,025	$42,368
2019 YTD	$12,806	$12,060	$6,973	$6,695	$38,533

Source: Dealogic

Technology: average applications



Technology remains the largest single sector for jobs on eFinancialCareers, but a decline in vacancy numbers has led to a minor increase in the average number of applications received for each tech role. Tech was among the first job functions in financial services to experience the recruitment rebound last year, which created a febrile employment market as banks competed with fintechs and tech giants for candidates.

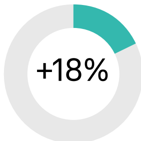
Now there has at least been a slight easing of talent shortages and recruiters say pay rises for new joiners aren't quite as dramatic as they were in 2021. Tech spending and hiring is under the spotlight as the profits of many global banks look set to fall this year. Credit Suisse announced its intention in June to trim CHF600m from its technology budget, while tech employees were among those cut from crypto firms such as Coinbase and Gemini that same month.

The rise in average applications may be just a blip. Sourcing candidates in technology remains notoriously difficult, and there are plenty of banks with ambitious expansion targets. In June, Citi announced plans to hire some 4,000 tech employees globally.

> "With the bear market in crypto and general economic slowdown, firms have not stopped hiring in tech, but have adjusted their hiring plans downwards. There are still plenty of tech roles in the market, but there isn't the same rush to make a hire."

Sid Sibal, regional director, Hong Kong, Hudson

Trading: average applications

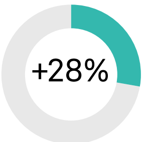


Trading jobs received 18% more applications year-on-year as hiring declined, but candidates still felt confident enough to go for the roles that were on offer. This is likely because trading revenue is expected to be comparatively strong when banks report their Q2 results. JP Morgan president and COO Dan Pinto expects his firm's trading revenue to be up 20%, while Deutsche Bank also says it experienced momentum in trading in Q2.

Much of this is down to volatile markets. As Andrew Morton, the global head of markets at Citi, said in June, "volatility is our friend". The good times in trading don't

seem to be confined to any particular market; Citi has done especially well in FX and commodities, but equities have also been "decent". Volatility is leading to strong revenues across the board in rates trading. While banks don't necessarily need to embark on hiring sprees to take advantage of this market, a continued increase in revenues may further motivate candidates to apply for trading jobs in the second half.

Hedge funds: average applications



It hasn't been a vintage year so far for many firms in the hedge fund sector. Equity hedge funds, which manage about $1.2tn in assets, lost 8% on average in the first five months of 2022, according to data provider HFR. But current market challenges, which have also led some funds to close, have failed to dent the allure of the industry: average applications are up 28%.

> We're seeing interest in hedge fund jobs because public markets are in the headlines at the moment. This year's losses are also milder than would be expected given market conditions. Macro and systematic roles are in demand as these funds are doing well. Moving to a hedge fund is seen by candidates as hugely attractive once they've done their training in equity research or M&A. Hedge fund jobs get more applications for us than any other roles.

Sean Bourke, director, Pearse Partners

Key takeaways

- Talent shortages are growing in financial services as many job sectors experienced a fall in average applications year-on-year in the second quarter.
- The expanding gap between supply and demand is largely the result of vacancy levels remaining strong, but candidates becoming more reluctant to apply for jobs.
- Financial institutions and recruiters should focus their resources on sectors were applications have decreased most dramatically (e.g. compliance and operations), for example by enhancing their employer-branding outreach via eFinancialCareers native advertising campaigns, connecting with potential candidates at our Virtual Career Events, and using our Sourcing Services team to source and vet quality candidates.
- Talent shortages may start to ease in the second half, if employers reduce hiring and even cut jobs in response to a worsening economic outlook and declining deal-making.
- But this shift is unlikely to be radical enough to swing the job market completely in favour of employers, so expect hiring to be challenging for some months to come.