

Backgrounder on *Talent Matters*

Snapshot of the workforce

- Financial services account for approximately 17% of Toronto's gross municipal product, making the industry the largest contributor to the local economy.
- As the second largest employer in Toronto, the industry employs more than 220,000 people directly and drives more than 300,000 jobs in the business services sector that are linked to financial services. Almost 8% of the 2.8 million jobs in Toronto are in financial services, which is more than twice the national average. Employment growth has averaged 5.5% since 2000 and 3.3% in the previous decade, and significantly outpaces the average growth of all Toronto-based industries.
- Women continue to represent the majority of workers in financial services, accounting for close to 55% of the total workforce. The concentration of women in the financial industry is significantly higher than the national average for all industries, where women now comprise 46.6% of the national labour force, a result largely unchanged for the past 15 years.
- According to the Institute for Competitiveness & Prosperity's recent assessment, the industry boasts high incidences of employees with recognized financial service designations. For example, over 2.5% of the workforce holds a CFA designation, in comparison to New York's 1.5% and Chicago's 1.25%. Similarly, 1.4% of the insurance segment's workforce has the Society of Actuaries designation, in comparison to New York's 0.4% and Chicago's 0.2%.

"Greying" of workforce

- Over 25,000 Toronto financial services workers are now 55 years of age or older and the average age of retirement in the sector is in the early sixties. This demographic slice of the workforce has more than doubled in the past ten years – an increase of 233%. The second fastest growing segment has been those between the ages of 45-54 years, up 65%, and the slowest growth – just 3.2% – has been those workers between the ages of 25-34 years of age.
- Current levels of growth in Toronto's financial industry will create a demand for approximately 1,980 new workforce entrants each year. The anticipated retirement of the Baby Boomers alone will create an exodus of 2,500-4,500 employees per year.
- The insurance sector is most affected by the greying of the workforce. The *Talent Matters* survey finds that insurance organizations report having the greatest percentage of workers at 55 years of age or older compared to banking and investment organizations which reported having the fewest.
- Many major banks and securities organizations, in particular, could face critical deficiencies with approximately two-thirds of all front-line employees being either less than 30 years old or within five years of retirement. Moreover, with a majority of experienced managers expected to leave the workforce through retirement, many retail banks must work to curtail the loss of vital institutional knowledge.

- The survey results also confirm that talent shortages are most pronounced in specific areas, many of which require significant quantitative and sales capabilities – e.g., account management, accounting and actuarial, credit risk and compliance, financial analysts/planners/advisors, and technical specialists.
- Although all three industry segments – banking, insurance and investment – indicate shortages in account management and technology specialist positions, the investment and insurance segments indicate greater shortages in the accounting and credit risk positions than is experienced by the banking segment.
- The *Talent Matters* survey findings reveal that organizations are facing significant shortages in middle and senior management positions. The gaps in leadership are more prevalent in the insurance industry, with over 53% of insurance organizations experiencing shortages at this level. This leadership talent gap is further magnified by the fact that many of the critical skills that the industry requires – people leadership, client relationship focus, and international reach – are skills that are found in this leadership group.
- Looking forward to the next five years, the *Talent Matters* survey finds 68% of insurance organizations forecasting an increase in shortages for director level positions. Among bank executives, the greatest shortages – 67% – are anticipated for senior managers.

Looking beyond Toronto's borders

- Four in 10 respondents in Deloitte's global survey cited moves into new markets as a top driver of profits over the next three to five years. Organizations are choosing to enter new markets using a variety of approaches, including joint ventures, mergers and acquisitions or pure build options.
- Close to 63% of *Talent Matters* respondents indicate that the contracting of services and functions outside the organization is one mechanism used to access additional talent.
- In the *Talent Matters* survey, 30% of the organizations surveyed indicate that visible minorities account for between 30%-50% of their workforce. Leading the way, 70% of banking organizations surveyed indicate that 30%-50% of their workforce represents visible minorities. Seventy-five per cent of companies surveyed indicate that between 1%-5% of their new hires have been new immigrants. Sixty-four per cent of the organizations surveyed suggest that the number of new immigrant hires will increase over the next five years.
- Toronto recruiters and local industry leaders in the *Talent Matters* study suggest that attracting global talent to Toronto is not easy. While Toronto ranks as one of the top five liveable cities in the world, according to a 2005 Economist Intelligence Unit report, some negative perceptions exist. The appeal of the city is quite different from the standpoint of U.S. and international recruits versus Canadian recruits. Concerns about living costs, traffic and lifestyle are prevalent among Canadians, while compensation differentials, access to health care, and the limits to career growth minimize the attractiveness of Toronto for U.S. recruits.
- From an international perspective, Toronto is recognized as a destination of choice for immigrants from China, India, Pakistan, Korea, Philippines and Taiwan. However, cumbersome immigration regulations, lack of recognition of education and credentials, and other systemic barriers to workforce entry limit the ability of the city and the industry to realize the full economic potential of the global talent pool.

Summary of issues facing the industry

- *Local and global competition for talent:* Many local financial organizations, given the maturity of Toronto's financial services market, simply cannot achieve their business objectives by relying on organic growth. As Toronto-based companies expand into new global markets, competition for qualified talent in those markets increases. The demand/supply gap will make it more difficult for financial services organizations to execute their business strategies successfully. Moreover, as the imbalance grows, the cost of talent will climb.
- *Gaps in leadership talent:* The retirement of the Baby Boomers and organizational restructuring that has taken place over the past decade leaving many organizations without a pool of employees ready to move into senior leadership roles is creating critical gaps. Combined with global competition for talent, the leadership gap will widen.
- *Significant loss in critical knowledge and skill with retirees:* Over 25,000 financial services workers (more than 10% of the total industry workforce) are now 55 years of age or older. Replacing those experienced workers who head into retirement and transferring the knowledge that they hold will present an enormous challenge for the industry.
- *Attracting younger workers and managing multi-generational workforces:* Four different generations make up Toronto's financial services workforce and each generation requires a different talent management and workforce planning approach.
- *Integrating immigrant workers and managing increasingly diverse workforces:* New immigrants are a critical source of talent to help mitigate potential talent shortages. Barriers do exist, however, to integrate immigrants effectively, including cultural, language, context of experience and credential recognition issues.
- *Retaining critical retiree skills and knowledge:* Retaining and recruiting retired or retiring workers in the financial services industry will require changes to current human resources practices including those related to benefits, pension and work/life balance. Enhanced flexibility – from a total compensation perspective – as well as flexibility in when and where work is performed can meet the needs of older workers, while allowing for trade-offs in cash compensation and access to benefits.

For a full copy of the *Talent Matters* report, visit TFSA's Website at www.tfsa.ca.

Contact: Brian Smith (TFSA)
416.822.3130
bsmith@ircounsel.ca