Service IQ
Whakangungu Ahumahi Ratonga
HELPING OUR CUSTOMERS SUCCEED
BY GROWING THEIR TALENT

Financial Services Sector
Skills Summary


Contents

Hinonga Kōkiri/Head Start Project

The Hinonga Kōkiri/Head Start Project is an initiative from ServiceIQ that brings together service sector stakeholders from industry, employers, schools, tertiary education providers, and iwi throughout Aotearoa New Zealand to reflect on the impacts of COVID-19.

The purpose of the project is to hear stakeholder perspectives on:

- how COVID-19 has reshaped vocational pathways and business, and
- what people and skills, training, and learning pathways are needed to get a head start to COVID-19 recovery.

The stakeholder consultation began in August 2021 and concluded in October 2021 via industry focus groups. Their perspectives shaped the creation of this sector skills summary, and what support is needed for recovery.

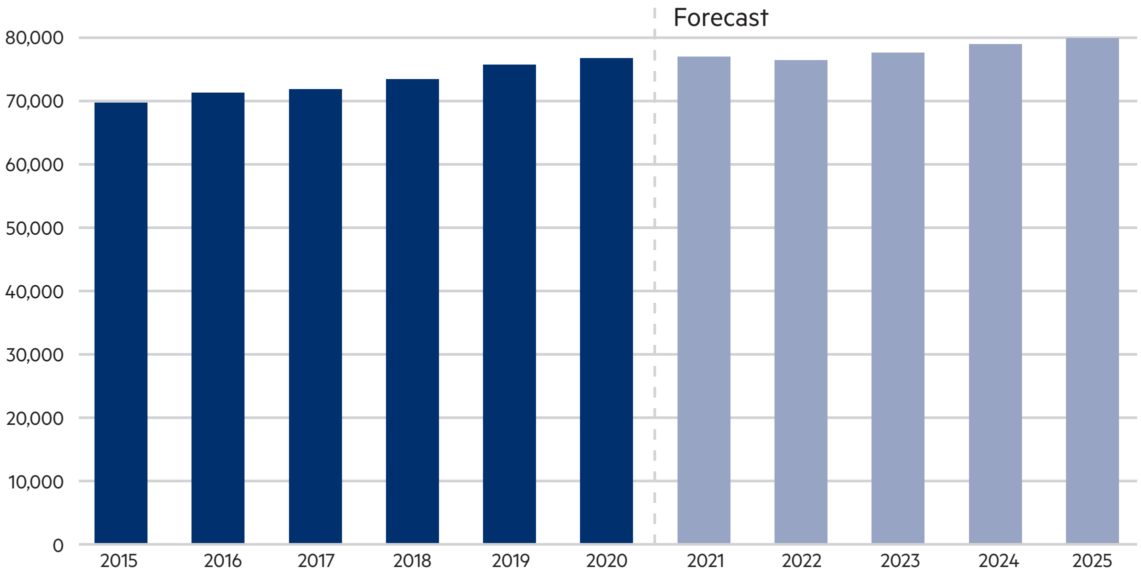
The consultation results have been combined with industry insights, data and forecasting to produce sixteen sector skills summaries, one for each sector represented by Ringa Hora Services Workforce Development Council. This skills summary is for the Financial Services sector. There are 15 other summaries for the accommodation, aviation; cafés, bars and restaurants; catering; cleaning services; clubs; contact centres; local government; public services; quick service restaurants; real estate; retail and retail supply chain; security services; travel; and tourism sectors.

From this research ServiceIQ will produce a workforce strategy for Ringa Hora Services Workforce Development Council. The strategy will include industry, employer, schools, provider, and iwi voices. In this way the project gives service sector stakeholders an opportunity to shape vocational education in Aotearoa New Zealand.

The report is structured into five main areas to show what impacts COVID-19 has had on the sector; the sector response to COVID-19; key drivers of future success; skills needed to support sector recovery; and skills initiatives and strategies.

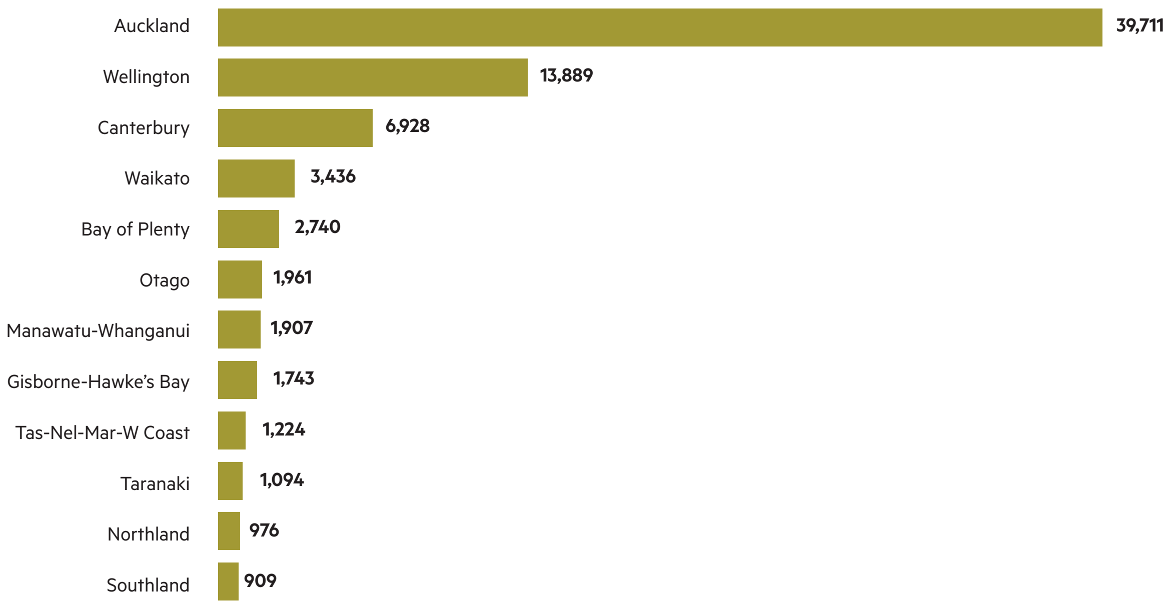
Financial Services Sector Snapshot

Financial Services sector jobs



- Prior to COVID-19 there were 76,519 jobs in the financial services sector and the sector was forecast to grow by 2.8% between 2020 and 2025. Infometrics now forecasts a small increase of 164 jobs or 0.2% of the sector workforce in the year to March 2021, followed by job losses of 0.7% (550 jobs) in the following year. The financial services sector is forecast to reach pre COVID-19 levels in 2023 with a 1.6% growth.

2020 Regional employment



- The main occupations are bank workers, financial investment advisers, sales representatives, insurance brokers, and financial institution branch managers.
- The financial sector self-employment rate in 2020 was 11.2%; lower than the overall economy which was 16.8%.

2020 Financial services sector data

76,519
JOBS

71,905
FTE JOBS

1.4%
GROWTH FROM 2019–2020

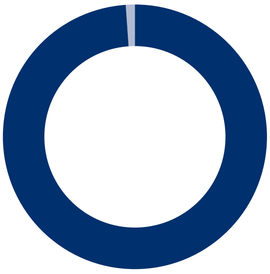
3.0%
OF ALL JOBS IN NZ

$19,909m
GDP

$276,875
GDP PER FTE

- GDP per FTE (full time equivalent) was $276,875 higher than the GDP per FTE for the overall economy which was $139,983.

SIZE OF BUSINESS

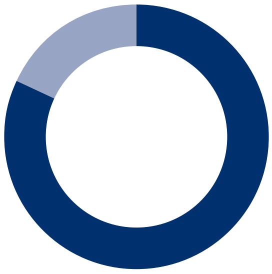


- Under 20 employees – 99%
- 20 employees or more – 1%

HOURS OF WORK

- 30 hours or more – 85%
- Less than 30 hours – 15%

SKILL LEVEL OF ROLES



- Medium to highly skilled – 82%
- Low skilled – 18 %

GENDER

- Female – 60.1%
- Male – 39.9%

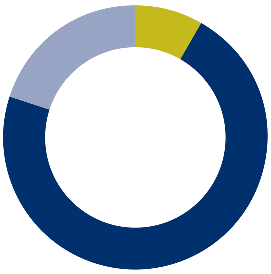
ETHNICITY*

- European – 72.3%
- Māori– 8.8%
- Asian – 18.8%
- Pacific peoples – 5.6%
- Other – 2.5%

BIRTHPLACE

- New Zealand – 64.4%
- Overseas – 35.6%

AGE



- Over 55 – 20%
- 25–55 – 71.9%
- Under 25 – 8.1%

QUALIFICATIONS

- Post school – 58%
- No post school – 34%

**Ethnicity percentages may add up to more than 100% as people may identify with more than one ethnicity.*

- In the 2018 Census, 35.6% of the sector workforce was born overseas, with 14.1 % born in Asia.
- The average age of financial services workers was 42.9 years.

Financial Services Sector Skills Summary

Introduction

This Financial Services Sector Skills Summary is based on an environmental scan, focus group and several key informant interviews.

Context

In this section, we discuss the regulatory regime for financial services and introduce four industry bodies.

Financial Markets Authority (FMA)

The FMA regulates a wide range of businesses, professionals and markets through direct licensing or authorisation, and those who are licensed or registered by other agencies but may be subject to elements of laws they enforce. They also take an interest in other products and markets not directly in their remit but linked to financial markets. A full list is available here.

New financial advice regime

The new legislative regime for Financial Services came into effect on 15th March 2021.[1] All financial services practitioners in New Zealand must conform to the Code of Professional Conduct for Financial Advice Services. The code requires that those giving financial advice must meet the outcomes of the New Zealand Certificate in Financial Services (NZCFS), Level 5, version 2.

1 NB: This change had been postponed from 2020 because of the pandemic. (https://www.fsc.org.nz/site/fsc1/Unlocking%20the%20Potential%20of%20Professional%20Financial%20Advice%20-%20Issue%201%20February%202021%20-%20Financial%20Services%20Council.pdf)

The code allows for alternative qualifications to be used to demonstrate competence if they have been independently verified as meeting the outcomes of the NZCFS.

The new legislation also has a competency safe harbour until 16 March 2023 for those who are registered or authorised to provide advice under the Financial Advisers Act 2008 regime. This provision will help to ensure that qualification holders or current learners are not disadvantaged as a result of the new legislation.[2]

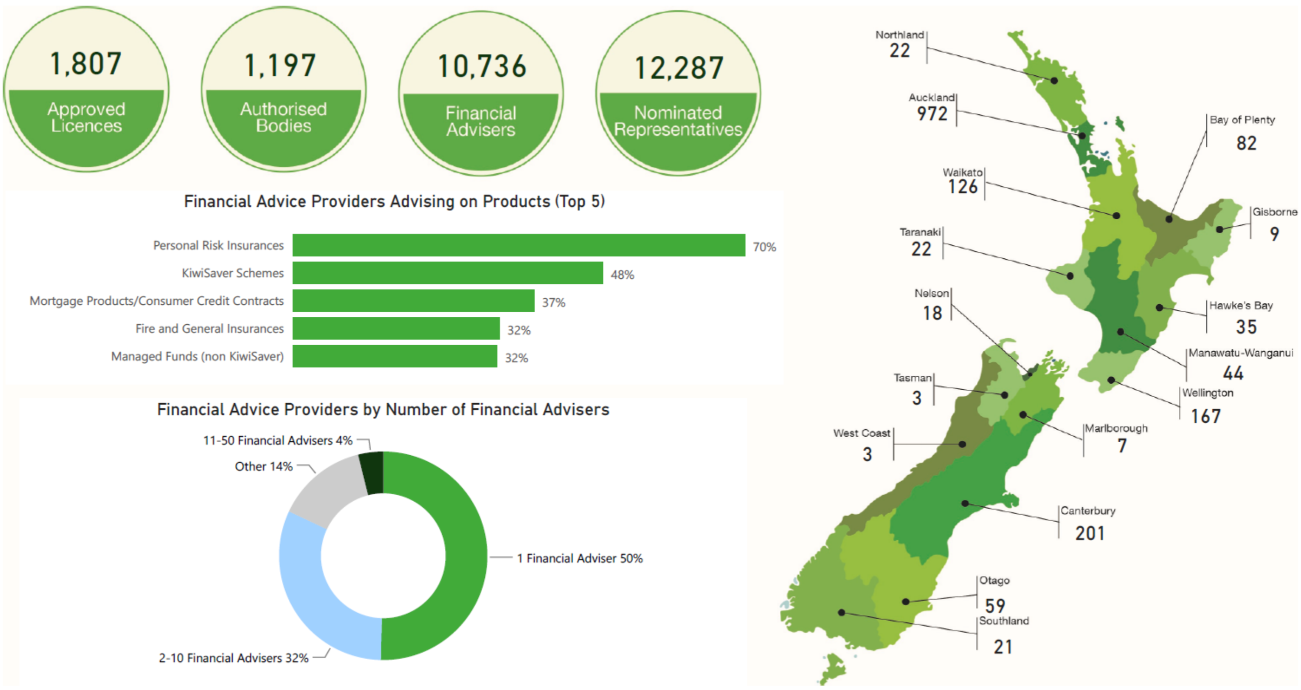
Snapshot of the financial advice sector

FMA provided a snapshot of the financial advice sector as of April 2021.[3] The FMA infographic shows there are just over 3,000 financial advice businesses (comprising 1,807 Financial Advice Providers and 1,200 Authorised Bodies), which engaged 10,743 financial advisers and 12,287 nominated representatives.

The statistics highlight the continuing presence of small advice businesses, with 82 percent of financial advice providers being businesses with fewer than 10 financial advisers.

Of the financial products that advisers have indicated they provide advice on, personal risk insurance (such as life insurance) was the most prevalent at 70 percent, followed by KiwiSaver (48 percent) and mortgage products and consumer credit contracts (37 percent).

Figure 1: Snapshot of Financial Advice Sector, April 2021



2 https://skills.org.nz/careers-and-courses/financial-services/
3 https://www.fma.govt.nz/news-and-resources/media-releases/breakdown-fa-providers/

The Financial Services Council (FSC) is a non-profit member organisation with a vision to grow the financial confidence and wellbeing of New Zealanders.

Industry bodies

Financial Advice New Zealand

Financial Advice New Zealand is a membership body created in 2018 by the merger of three founding bodies – the Professional Advisers Association (PAA), IFA[4] and New Zealand Financial Advisers Association (NZFAA.) It represents the interests of the public and its members, and strives to help New Zealanders, and New Zealand as a whole, be financially better-off.[5] It has around 1,600 members, representing mortgage advisers, investment advisers, financial planners and insurance advisers.

Financial Services Council

The Financial Services Council (FSC) is a non-profit member organisation with a vision to grow the financial confidence and wellbeing of New Zealanders. FSC members commit to delivering strong consumer outcomes from a professional and sustainable financial services sector. They have 96 members who manage funds of more than $95bn and pay out claims of $2.8bn per year (life and health insurance). Members include the major insurers in life, health, disability and income insurance, fund managers, KiwiSaver and workplace savings schemes (including restricted schemes), professional service providers, and technology providers to the financial services sector.[6]

The New Zealand Credit & Finance Institute (NZCFI)

NZCFI is the industry body for matters relating to credit management in New Zealand. They advise on law reforms that impact the credit and finance industry, such as changes affecting company law, privacy, insolvency, and finance. They provide training and professional development opportunities for people employed in credit and finance positions.[7]

Credit management is a specialised area of financial services. While it is not regulated, there is a cross over with the financial advice sector, insolvency practitioners, lawyers, and accountants. Credit qualifications are currently provided via a partnership established between Rapid Results and The Skills Organisation. The NZCFI provides 12 months free membership to all graduates, on the completion of their qualification. These qualifications are:

- New Zealand Certificate in Credit Administration – Level 3
- New Zealand Certificate in Credit Management – Level 4.[8]

Insurance Brokers New Zealand (IBANZ)

IBANZ has over 150 member firms operating in the general (non-life) insurance market, employing over 2,200 staff. Members write 85% of corporate risks and 15% of personal lines in New Zealand. Annual premiums in the non-life, private market is estimated to be $5.7 billion.

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4 The IFA was established in 1999 when the Insurance and Investment Advisers Association (IIAA) and Investment Advisers and Financial Planners (IAFP) were merged to create the Financial Planners and Insurance Advisers Association (FPIA). In 2006, FPIA renamed itself IFA (https://www.goodreturns.co.nz/article/976506683/associations-last-days.html)
5 https://financialadvice.nz/about-us/
6 https://www.fsc.org.nz/About.html
7 https://www.nzcfi.org/about-us/
8 https://www.nzcfi.org/qualifications/

IBANZ owns Professional IQ College, a Private Training Establishment (PTE) registered with NZQA and accredited by The Skills Organisation to deliver training and assessment for insurance and financial services qualifications within New Zealand.[9]

Māori employment in the Financial Services Sector

Figure 1: Employment by ethnicity in the Financial Services Sector in New Zealand

Ethnicity	**Financial Services**				**Growth**
	Employment		**Share of total**		
	2013	**2018**	**2013**	**2018**	
European	53,200	52,896	84.3%	80.3%	-0.6%
Asian	9,782	13,765	9.1%	13.5%	40.7%
Māori	4,959	6,429	6.8%	8.5%	29.6%
Pasifika	3,204	4,128	2.3%	2.8%	28.8%
MELAA	553	827	0.6%	0.9%	49.5%
Not elsewhere included	181	0	0.4%	0.0%	
Other	1220	1048	2.1%	1.2%	-14.1%

Ethnicity percentages may add up to more than 100% as people may identify with more than one ethnicity.

According to census data, while overall employment in the financial services sector increased by 6.9 percent between 2013 and 2018, the increase in those identifying as Māori employed in the financial services sector was 29.6 percent. Māori in 2018 accounted for 8.5 percent of the financial services sector workforce, compared with 6.8 percent in 2013 (Māori accounted for 13.5 percent of the total workforce in 2018). Please see the Financial Services Sector Snapshot (p.2) for post-COVID-19 workforce forecasts.

The increase of the number of Māori in the financial services sector reflects the overall growth of nearly 50 percent in the number of working Māori between 2013 and 2018, which accounted for more than a quarter of the growth across the total labour market. The total Māori population also grew substantially, with 180,000 additional Māori living in Aotearoa New Zealand. BERL suggests some possible explanations for the level of growth: Māori returning from overseas; actions taken by Statistics New Zealand to remedy the low response rates of Māori in the 2018 census; and the possibility that more people chose to identify as Māori in 2018 (BERL, 2020).

9 http://ibanz.co.nz/About-Us/10009/

Sector consultation insights

1. The impacts of COVID-19 on the Financial Services Sector

This section discusses the immediate impacts of COVID-19 on the financial services sector. The COVID-19 pandemic resulted in unprecedented disruption and volatility in financial markets and the global economy. New Zealand's public health response included lockdown restrictions that required the majority of professional services-type businesses to work remotely, and limited face-to-face interaction between businesses and customers. The Financial Markets Authority (FMA) released a paper dated September 2020 that succinctly summarises the impacts of COVID-19 on the financial services sector.[10]

Operational impacts

Remote working

Many entities shifted to remote working, with minor problems being overcome by swift system upgrades, and support for staff to focus on wellbeing and improve their remote working arrangements.

Physical locations

Several banks and insurers reduced the number of physical branches. This had potential impacts both on staff and customers, particularly those who had difficulty accessing services digitally.

Business continuity plans

Most entities started tracking the impact of COVID-19 from the outset, and some enacted their business continuity plan (BCP) as early as January 2020. Some entities found their BCP was not fit for purpose as it did not consider the full range of impacts, such as the lockdown environment. One insurer expedited the shift of their call centre back to New Zealand prior to lockdown. Another had their India and Philippines call centres completely shut down for a short period before taking steps to provide an alternative.

10 https://www.fma.govt.nz/assets/Reports/COVID-19-response-insights.pdf

Cybersecurity

Multiple entities reported an increase in phishing, malware, and ransomware cyber-attacks. Some entities increased investment in their cybersecurity systems as a result, including staff training and additional review and testing.

Supporting and engaging with customers

Method of communications

Entities communicated with customers via website updates, email, phone calls, text messages, apps, physical mail, and social media. Communications primarily focused on providing relevant, topical updates, and directing customers to additional information.

Volume of inquiries

With most entities experiencing call volumes two to three times higher than usual, communications also provided details of alternative contact methods. Within the insurance sector, a significant number of calls during the initial spike were customers trying to work out what cover they had and if it would be upheld despite the pandemic.

Proactive and enhanced engagement

Financial volatility and hardship required greater levels of proactive communication, with support being offered (for example) with:

- KiwiSaver fund switching and hardship withdrawals
- Vulnerable customers, for example, one bank proactively contacted 75 percent of its business customers prior to lockdown to gauge their need for assistance in advance
- Insurance hardship applications.

Multiple entities reported an increase in phishing, malware, and ransomware cyber-attacks.

The inability to have physical meetings was particularly difficult for older clients, who tend to prefer face-to-face meetings.

Industry views on the impact of COVID-19

Focus group participants and key informants reinforced the impacts described above. The inability to have physical meetings was particularly difficult for older clients, who tend to prefer face-to-face meetings. Remote working also required extra attention to cross-team coordination, onboarding practices and team morale. The economic impact of the initial lockdown period varied depending on the type of business. The risk (insurance) side of the financial services sector was significantly affected, both in terms of cancellations and policy lapses, and in difficulty in generating new business:

> *'New business has effectively been cut out because of the precarious nature of many businesses'.*
>
> **– FOCUS GROUP PARTICIPANT**

On the other hand, participants involved in the fire and general insurance aspect of the industry reported increased demand.

> *'We had a lot of people wanting extra resource in terms of people changing their cover, business cover etc, people managing their finances, being counsellors for them, putting them on premium holds, applying for COVID relief funds...'*
>
> **– FOCUS GROUP PARTICIPANT**

Training

One training provider, who operates a distance training model, reported a clear division in the immediate impact of COVID-19. On one hand there was a flurry of enrolments and people 'wanting to get on with the qualification'. On the other hand, many insurance brokers were 'flat out' and requested extensions to the study period. Working from home impacted on their staff:

> *'As staff we were doing all kinds of hours as well, it's so easy to get into long hours working from home.'*
>
> **– KEY INFORMANT INTERVIEW**

2. The response to date as a result of COVID-19

In this section we consider the ways in which the financial services sector has responded to the impacts of COVID-19.

Remote working

Some entities have adopted remote practices permanently, with up to 50% of staff working from home at all times.

Industry cooperation

In multiple sectors, entities engaged frequently via industry groups and associations to discuss emerging issues and share their experiences and ideas of how to deal with the challenges, exhibiting cooperative behaviour despite being competitors.

Well-being

The FMA issued guidance on customer vulnerability, outlining how to understand vulnerability, ensure staff are capable of identifying, assessing, and addressing vulnerability, review vulnerability practices, and communicate with customers.

FMA's COVID-19 response

The FMA's overall objective since the onset of COVID-19 has been to ensure continuity of markets and services in a way that is fair, efficient and maintains confidence in the financial sector. Their COVID-19 related engagement began in February 2020 with large KiwiSaver providers and by late March had extended to weekly calls with key market participants. These included life and non-life insurers, KiwiSaver and MIS (managed investment scheme) providers, Licensed Supervisors, DIMS (discretionary investment management service) providers, financial advisers, smaller banks, and dispute resolution schemes.

They also worked closely with the NZX to assist them when market volatility and large trading volumes impacted their clearing and settlement systems. They formed an internal COVID-19 Response Committee to review the information received from this engagement, and consider options for regulatory relief, guidance, and warnings where necessary.[11]

11 https://www.fma.govt.nz/assets/Reports/COVID-19-response-insights.pdf

The pandemic has prompted or accelerated the move to most business being conducted online, with businesses working hard to support both staff and clients in these new ways of working.

Credit management

Many small businesses felt the immediate impact of COVID-19, but the longer-term impacts are now starting to flow through. A key informant reports rises in bankruptcies as the repercussions of failures in the payment chain work through. The most recent lockdown could signal the end for many businesses whose survival was marginal.

Business impacts

The Financial Services Council commissioned research with the New Zealand professional advice community to understand business conditions in 2020 and the short- and longer-term issues facing them. The resulting report, *Unlocking the Potential of Professional Financial Advice*, found the following:

Digital services

The COVID-19 pandemic accelerated practices' adoption of digital communication channels, with two in three (65 percent) practices conducting more client meetings online as a result. This makes it clear that digital intimacy is becoming increasingly important in professional financial adviser client relationship (p.15).

Resilience

Financial advisers felt that clients had become more resilient to financial stress through receiving professional financial advice.

Clients have become more aware of the possibility of negative movements in the markets. More clients are reviewing their retirement funds. COVID highlighted some pretty large gaps in the average New Zealander's knowledge of KiwiSaver (p.14).

Industry responses to the impact of COVID-19

Many of the responses described above were also reported by the focus group participants and key informants. Working remotely is now common practice, to the point where one company who has maintained a physical office in order to create a close team environment struggles to recruit people who are willing to travel to work. The pandemic has prompted or accelerated the move to most business being conducted online, with businesses working hard to support both staff and clients in these new ways of working. There are benefits and efficiencies, e.g. not having to travel to meet clients, but these must be accompanied by strong support systems and good communication flow: 'touching-in' with clients regularly via phone and helping clients to use digital signatures, for example.

> *'It's a long-distance relationship, rather than face-to-face dating...'*
>
> **– FOCUS GROUP PARTICIPANT**

Respondents spoke of the opportunity that lockdowns have provided for establishing and refining processes and systems, educating staff and clients, and ensuring that business continuity planning is up-to-date and able to cover future disruptions. If you don't adapt, you die! (Focus group participant).

3. Key drivers of future success for the Financial Services Sector

Regulatory regime

The new regulatory regime, discussed in the context section, is a 'fundamental shift' for the financial services sector. Meeting the full licensing requirements has consumed a lot of energy, with businesses trying to get the systems and processes in order. Against the backdrop of the pandemic, there is now a settling-down period as the 'moving parts' of the system: suppliers, practices (distributors), regulators, and clients, come to terms with the new regime.

> *'Everyone has their training wheels on at the moment...it has moved the perception of industry away from being insurance salespeople. And if we do this right, as time rolls on, it can be seen as a profession. [It was] way overdue in terms of client protection and the good things we're trying to achieve.'*
>
> **– KEY INFORMANT INTERVEW**

While the changes are welcomed, they have increased the complexity of the system and the costs involved. One respondent felt the real impact of the changes will be felt further down the line, as businesses come to term with new ways of doing things:

> *'The ability to adapt is crucial and accelerating. Your adaptive mechanism is what it's going to boil down to.'*
>
> **– FOCUS GROUP PARTICIPANT**

Technology

Artificial intelligence (AI) technology is being developed that has the potential to provide customers with timely responses and better outcomes. It is likely that future AI developments will comply with regulations and required outcomes and provide a technological solution for some clients. This could be particularly relevant for lower-value or entry level financial products, where the cost to the business of providing personalised service is not met by the return from the policy transaction.

4. Skills needed to support the Financial Services Sector recovery

In this section, we discuss the skills that have come to the forefront since the onset of COVID-19. These are generally skill sets that were already identified and valued but the pandemic has shone a spotlight on their importance and intensified the need for greater development.

Digital skills

Clearly, there has been strong growth in the need for digital skills as businesses move to online delivery. More than just technical knowledge, however, is the requirement for financial advisers to maintain the necessary engagement and empathy in a virtual setting. The six-step process[12] underpins the financial advice process and one focus group participant spoke of the support required for his team to be able to facilitate this process in the online environment.

Communication skills

Supporting the above is the need for higher-level communication skills to be developed. As identified in other sectors, the pandemic has resulted in higher levels of stress and anxiety for both staff and clients, compounded by the financial difficulties that some clients may be facing. While in-house support is provided for staff to help them deal with anxious or difficult clients, respondents felt that having access to learning packages in these areas would be useful. The changing emphasis of the sector on providing advice, rather than selling a product, also requires a different set of communication skills, with the emphasis on active listening.

> *'One of the most important things, which I really encourage with all our advisers, is to get down on the discovery, do lots and lots of discovery, because a lot of people are out there with a solution looking for a problem; we've really got to find what the problem is before we can be helpful...'*
>
> **– KEY INFORMANT INTERVEW**

Skills acquisition

The changing nature of the financial services sector also raised some interesting points about how and when skills are acquired. The previous commission-based nature of the industry meant that people learnt key skills quickly, as there was a very direct incentive to succeed. Many advisers are now on salaries and are seen as 'professional visitors' rather than salespeople. Businesses have to pay for salaried new entrants to learn the required skills, so the ability to access training to help speed up that process would be welcomed, as would some higher-level learning opportunities.

There is a strong sense that the Level 5 qualification is just 'base' knowledge; a minimum requirement and only a small piece in the range of skills required. Some respondents viewed the costs (both in terms of money and time) of supporting a new entrant to obtain the Level 5 qualification, or taking on someone with the Level 5 qualification but little experience, as prohibitive. There were also comments about variability and gaps in the delivery of the Level 5 qualification.

12 https://financialadvice.nz/wp-content/uploads/2018/06/Practice-Standards-By-Laws-1st-July-2018.pdf

5. Skills initiatives and solutions to support the sector over the next two years

Retention

Prior to the new legislative regime, there was a significant churn of people through the sector, as entry barriers were low (other than for investment products). The commission-based nature of the work, however, meant that many people were unable to 'make a living' and so exited the sector. On the other hand, there are people who have been in the sector for 30 or 40 years: *'they can stay in for a very long time because it's a nice career for them'.*

It will be interesting to observe the impact of the new regulatory regime on recruitment and retention. The 2020 FSC research found that 73 percent of the 200 financial advisers who responded thought that the regulatory changes could restrict the entry of new professional financial advisers. This is particularly important as the sector faces a 'potential demographic time bomb', with the research suggesting that three in ten may be looking to leave the industry in the next five years, with older professional financial advisers driving the likely exits (p.33).

Recruitment

One of the main 'pipelines' into the sector is through banking or insurance companies. This 'next generation' tend to be in their mid-twenties and are often tertiary educated, as the 'feeder' organisations tend to recruit graduates. There is a feeling of unease that they then have 'to go back' and do the Level 5 qualification, with a suggestion that the sector work with universities to include some financial advice papers in the relevant curiccula, which could then be cross-credited back to the mandated Level 5 qualification.

Industry views on recruitment and retention

Recruiting for the new environment

The changes from 'selling' to 'providing advice', and from commission-based remuneration to salary, means that a different range of attributes are desired:

> *'How can I be helpful rather than how can I make a sale'.*
>
> **– KEY INFORMANT INTERVEW**

People who have been in the industry for a while may find the new environment challenging.

> *'People who have been in the industry for too long have some ideas that are hard wired and don't fit our values and expectations, or they're resistant to the processes and structures that we've set up.'*
>
> **– KEY INFORMANT INTERVEW**

There are also calls for better pathways into the sector, and a more graduated entry route, perhaps supported by internship programmes or some sort of 'workforce development camp':

> *'What about someone wearing a L-plate? There's no in-between – you either are or you aren't [a financial adviser]'*
>
> **– FOCUS GROUP PARTICIPANT**

Skills shortages and salary escalation

The sector has long been short of qualified, experienced people, and the increased complexity and the need for care and diligence capacity and digital skills has only compounded this. Shortages have led to escalating salaries, and to 'poaching' of existing staff.

> *'We need to get more people through because salaries are just increasing, and it creates this unhealthy circular environment, people moving around and shoulder tapping, just escalating the salaries, which is not useful. We try and keep out of that but then we become the hunting ground...'*
>
> **– FOCUS GROUP PARTICIPANT**

Promoting the financial services sector

Respondents were excited about the potential for the sector to change people's lives and to support better financial literacy for New Zealanders. In order for this to happen, however, there is a need to promote the sector and the career opportunities it offers:

> *'We really need to do some industry promotion; that's one of our biggest problems; everyone falls into this role; it's not sexy; it's not cool, people don't go into their [tertiary] qualification thinking that's what they'd like to be...'*
>
> **– FOCUS GROUP PARTICIPANT**

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