

**Skills scenarios for the  
financial services sector  
in the European Union**

**Final interim report**

LOT 15  
of  
Comprehensive Analysis of Emerging Competences  
and Economic Activities in the European Union  
  
undertaken for the  
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Employment, Social Affairs and Equal Opportunities DG  
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## EXECUTIVE SUMMARY

### *Definition of the sector*

Financial services sector encompasses 3 subsectors:

- banking activities (Nace Rev 1.1 65)
- insurance activities (Nace rev 1.1 66)
- intermediaries for financial and insurance activities (Nace Rev 1.1 67)

Banks are working both in retail activities and business banking. A large part of banks are also delivering insurance products, while insurance companies develop financial business activities. Both insurance companies and banks work within a financial system in strong links with the financial world market and the stock exchange market.

Insurance and financial intermediaries (agents and brokers) represent a very specific sector with a major part of SME(s) and self employed people.

## 1 MAPPING OF THE SECTOR

- 1.1 In the world, the European market share in financial services sector has a strong position: 33% of banking income, 24% for the US and 24% for Asia; 38,7% of insurance premiums, 34% for the US. From 1990 to 2004, among the ten top banking groups, Europe had obtained 5 groups while the Japan had lost 8 groups. Poland is the sole new Member State that can be taken into account in the world picture.
- 1.2 The financial services sector represents 5 629 000 people (LFS, 2006). The data from CEDEFOP shows a very small increase between 1996 to 2006, by 0.5%. For the same period, the employment in the whole services sector was increased by 3%. The employees are generally full time workers (87.2% in 2005). The European countries with a high volume of employment in the sector are Luxembourg, UK, Ireland, France, Germany, Italy, Belgium, Malta and Cyprus.
- 1.3 The occupational structure of employment shows a high share of non elementary occupations and high-skilled or medium-skilled employees. The differences between the different countries are very important and the borderlines between the groups in the ISCO classification don't seem relevant : certainly similar jobs in different countries require various qualifications, or are named differently. The most important group of professionals (medium-skilled) is in Germany, while Poland has a great proportion of finance professionals (high-skilled). For all the jobs, the workforce is higher skilled in the NM10. This is in link with the presence of a great proportion of young graduate people, except for sales workers who have a lower level of formal education.
- 1.4 The proportion of IT specialists is important and very similar in EU15 and NM10: the catch up is effective and the skills needs for the future could be studied in the same terms. The requirement of a higher level of qualification is clear for this group.
- 1.5 The sector is younger in the NM10 than in EU15. For all professionals and clerks the age distribution is near the one in the total population, except for Germany and France where older people are numerous.

- 1.6 Female employment is important in the sector, more developed in the NM 10, even for finance professionals and managers. The only occupation with a high share of males is IT.

## 2 MAIN TRENDS OF CHANGE DURING THE 7 PAST YEARS

- 2.1 The markets : the European market of insurance industry has grown by 4.6% in 2006 . The margins for future growth are in the NMS where a large part of population are not fully insured in non-life insurance and new savings products could be developed. For all EU countries, they are also correlated with the changes in the different health care systems and the pension schemes for life insurance that become more private.
- 2.2 The growth of retail and business banking activities is depending on the general economic growth and on the financial market. During the 7 past years, the banking and insurance activities had increased their dependency from the world financial market: every company is doing operational margin with its own activities and profits by acting all around the clock on the global financial markets, sometimes winning and sometimes losing. At the moment the banking business is affected by the sub-primes crisis with a limiting of credits.
- 2.3 Crisis and weaknesses lead to a higher degree of consolidation within the sector in each country and beyond the borders. Mergers, acquisitions and their consequences on employment are expecting.
- 2.4 In front of that global trend, European single market and European rules play a double role: opening growth margins for the groups in Europe and looking for new regulations ( Basel II and Solvency II). A debate takes place about the different types of banks and insurance companies: some experts are in favour of capital based on the Stock exchange market and some are more in favour of a pluralistic system with presence of savings banks, cooperative banks and mutual insurers.
- 2.5 IT is an important driver of change: present at all the stages of the business which is based on information process and immaterial exchanges. Up to now , the customers habits had not fully changed to direct and internet bank and internet distribution for insurance products, except in the Baltic countries. But what about the future ? New tools for payment, such as Mobile phone, are now implemented in some countries.
- 2.6 The channels for distribution of financial products have great consequences on the sector: there is a competition between the distribution through agents and brokers well developed for non life insurance products (very important in some countries such as UK) and distribution by the companies themselves and the banks (banca-assurance), or direct distribution.

## 3 WORK ORGANISATION AND EMERGING COMPETENCES

Behind the small quantitative increase of employment in the sector, there is a wide change in occupations, required skills and needs for new competences even for traditional functions.

Firstly it must be noticed that all the sector, and all the occupations in the sector, are now "customer oriented".

We distinguish 6 main functions with their own specific trends of change.

- 3.1 The traditional back office that employed in the past a big proportion of medium skilled employees is less important (in employment volume) and qualitatively different:

a lot of occupations encompasses contacts with the customers, requires a higher level of skills (knowing of the financial products and IT ) and new relational competences.

3.2 A new middle office function is appearing with high level qualified employees for control, risk management, market analysis, and assets management.

3.3 The front office function is also changing with more sales workers, requiring knowing of a wide range of financial products, IT, and relational competences.

3.4 R and D services with economists and market analysis specialists are sometimes created.

3.5 The IT function is in the very heart of the business , increasing in number of employees and requiring higher level than in the past.

3.6 Management function is present in head quarters, support services and branches networks. Managers in financial services sector are often finance specialists.

The sector of intermediaries (agents and brokers) requires financial specialists with IT skills and competences to create and to manage SME(s).

#### 4 MAIN DRIVERS AND SCENARIOS

The main drivers of change for the future of the sector are the following:

- the demographic change : the importance of financial services sector is correlated with the number of inhabitants and the growth of companies in a country
- the economic drivers: growth, needs of population and customers, international competition, and risks due to the global financial market
- the technological drivers: development of IT in link with the multi-channel distribution of financial products
- the institutional rules: European single market and prudential rules

Three possible scenarios must be discussed (the methodology for this study encompasses a scenario workshop with managers and experts of the sector , 24<sup>th</sup> and 25<sup>th</sup> June 2008):

- scenario ONE: specialised financial services and advisers with new markets, innovative products, more services and customers relations, development of local branches and proximity offices, innovative brokers and agents
- scenario TWO: mass distribution of financial products with standardization of the products, multi-channel distribution, call centers, industrial and low cost plat-forms for administrative work and IT operations, decrease of the volume of employment and risks for the intermediaries
- scenario THREE: the big crash with failure of numerous companies, mergers and acquisitions leading to a high degree of consolidation ,risks for savings banks, cooperatives, decrease of employment volume.

## 1. THE METHODOLOGICAL STEPS FOR THE SKILLS SCENARIOS PROGRAM

- Step 1: the general methodology and definition of sectors  
 Step 2: what are the economic activities to be considered?  
 Step 3: mapping of the sector (economy and employment)  
 Step 4: the main trends of change in the sector  
 Step 5: skills and emerging competences in the main functions of the sector  
 Step 6: three scenarios for the future  
 Step 7: what are the implications of these scenarios for occupations and competences?  
 Step 8: what are the main strategic choices to meet these skills needs?  
 Step 9: the main implications for education and training  
 Step 10: main recommendations

The present Interim Report will consist of steps 2 to 5, with a brief view on step 6, according to the Tender.

## 2. WHAT IS THE FINANCIAL SERVICES SECTOR?

The financial services sector encompasses all banking activities, all insurance and reinsurance activities, and the intermediaries for these two industries and all other financial operations.

**Table 1 Industry classification NACE**

Aggregation of NACE Rev 1.1 two and three digit industries to 41 industries.

41-industry [NACE]	NACE Rev.1.1 [NACE]
Banking and finance [65,67]	Financial intermediation, except insurance and pension funding [65]
	Activities auxiliary to financial intermediation [67]
Insurance [66]	Insurance and pension funding, except compulsory social security [66]

Aggregation of 41-industry [NACE] to 16-industry [NACE]

16-industry [NACE]	41-industry [NACE]
11. Banking and insurance [65-67]	33. Banking and finance [65, 67]
	34. Insurance [66]

Aggregation of 41-industry [NACE] to 6-industry[NACE]

6-industry [NACE]	41-industry [NACE]
5. Business and other services [65-74, 90-99]	33. Banking and finance [65, 67]
	34. Insurance [66]

Source: Eurostat

In the scope of the present study, we will analyse these three "sub-sectors" considering their economic performance, their innovation potential and the employment aspects, occupational profiles, skills needs and human resources solutions. This analysis will not cover the ECB (European Central Bank), the different National Banks, the Stock Exchange Institutions and the Regulation bodies. Regarding the insurance sector, compulsory social security and pension funds are not included neither.

Financial services represent a very important part of the European economy and of each national economy. The financial industry is represented and located in every country, whatever its size. A developed country without banks and insurers simply does not exist. They are working both for individual customers, for enterprises and local authorities, and their activities are linked to the stock exchange. As for financial companies, they act both as a service provider and as an investor in all the economic sectors. In the different countries, the financial services have very tight links with enterprises development.

It could be said that financial services, are a basic necessity to business activity and enterprises and a stakeholder at the European and national markets and economies.

## 2.1. Banking industry

From the point of view of ownership, there are three kinds of banks in Europe:

- private banks (working with the different Stock Exchanges),
- savings banks,
- and co-operative banks (or credit unions in some countries like Great Britain and Ireland for the real estate sector)

The differences between these three kinds of banks are mainly linked to their capital structure, but we will see that there are also differences in the degree of decentralisation of organisation, management, risk policies, customer attitude and human resources management.

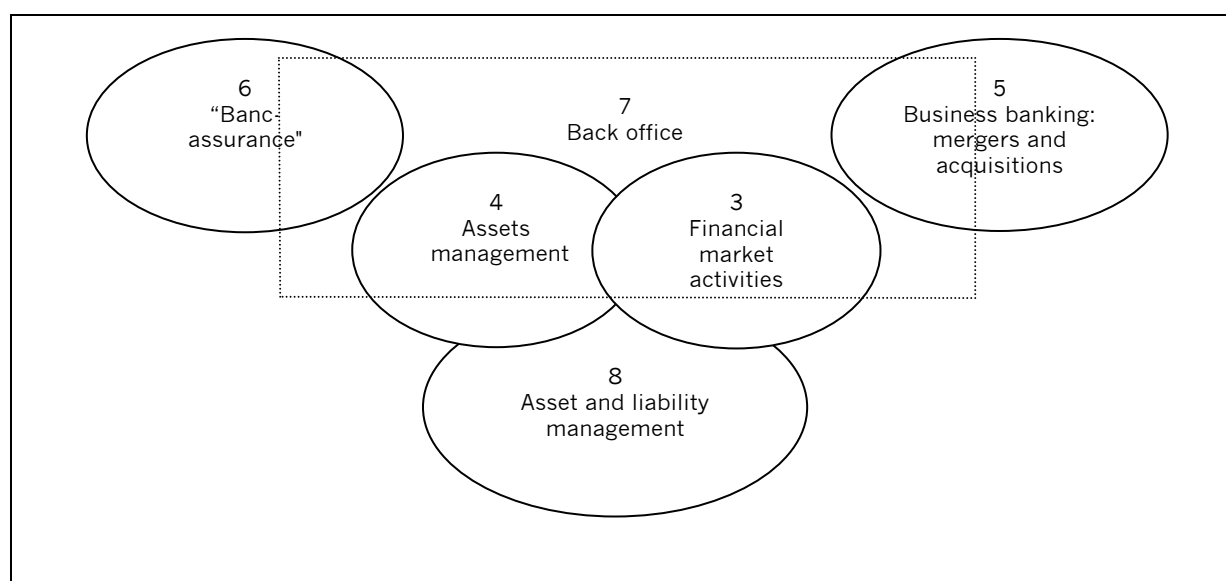
Inside the banking activities, we must separate:

- retail or domestic banking
- business banking. All banks can be active in both fields. But the recent developments in banking activities have lead to a more complicated scope.

The main activities could be described as following:

### Chart 1 The different activities in the banking industry

Source: "La nouvelle économie bancaire", Le Cercle des économistes, 2007 (sous la direction d'Olivier Pastré)



Source: "La nouvelle économie bancaire", Le Cercle des économistes, 2007 (sous la direction d'Olivier Pastré)



The value chain in the banking industry is not really a chain. Different segments of activities could be described such as :

- deposits and accounts management
- credits and loans
- bancassurance
- assets management
- market activities
- advice activities for business

The classic retail universal banks used to encompass all these activities but more and more some specific banks or institutions are acting only a single segment of activity. This movement is called by experts "segmentation".

We must notice that banks and insurers work within a financial system. One bank cannot work without the others, the inter-bank credit is a basic need for the business.

And the banking industry cannot work without regulation bodies (like the FSA - Financial Sector Authority in Great Britain, the AMF - Autorité des marchés Financiers- in France, the rules from Bale I and Bale II at the European level). The same holds true for the insurance industry. We will analyse the influence of regulation and prudential rules in the Chapter "Trends of change".

Data about this sub-sector could be provided with NACE 2, 65.

## 2.2. Insurance industry

The insurance industry is a key sector in the business world and it also serves a general public interest by protecting a large part of the countries' wealth. The insurance industry provides risk transfer mechanisms for business activities and protect individuals and families from the uncertainties of daily life, like health problems, risk for the property and all sorts of damages. So it could be said that insurance is a financial product that bind the insurance companies to pay losses to a policy holder when a specific event occurs. When a person or a company underwrites an insurance policy, he will pay a premium. In order to be able to compensate policy holders for their losses, insurance companies invest the income from premiums in financial assets and real estate.

An insurance company can not work alone: it may pass on some of the risk to other insurers or re-insurers. As for the banking industry, the insurance industry needs national and international regulations and prudential rules.

The concept of risk is the heart of business insurance and every day new risks appear, as for example environmental risks, risks of medical malpractice for doctors ...and the insurance industry is also closely linked to Social Insurance Systems of the Welfare State.

The insurance industry is divided between:

- life insurance and private pension funds
- non life insurance (motor, health and accident, property, general liability, Marine Aviation and Transport or MAT)
- re-insurance.

The distribution of insurance policies is handled in a number of ways: agents, tied to one company or not, brokers, companies themselves, banks or post network, direct or internet distribution.

It must be noticed that most of the banking companies deliver insurance products through their branches network. Meanwhile insurance groups have sometimes bought banks in-

cluding their network of branches and developed business banking activities. This is called the phenomena of "bancassurance". More and more insurance companies now sell financial products like securities, mutual funds, and various retirement plans.

The value chain in insurance industry can be sum up :

Design of products	Distribution	Customer management : premiums, claims, reimbursements
Supply chain : risk analysis, IT....		
Activities on the financial market		

As the segment "distribution" is often realised by intermediaries or other financial institutions ( such as banks), the insurance activity is the example of an historical segmentation.

Data about this sub-sector will be provided with NACE 2, 66 which closely covers the sector, including life insurance and pension funding, except compulsory social security.

### 2.3. Insurance and Financial intermediaries

This sector is more "composite".

Firstly it includes the insurance "brokers" or "agents" or "producers", working as self-employed or in very small companies for different insurance brands and companies, as a link between companies seeking to place insurance policies and consumers seeking to procure insurance coverage. Over the last two decades, many intermediaries have developed others services, like risk management strategies and claims management.

Secondly, it encompasses advice for individuals and companies and also some large broker companies are working world wide.

The main data could be provided by Nace 2-67, but there are a lot of discussions and studies about the relevance of the data available in this sub-sector.

The financial service industry is present in all European countries and it is a very wide spread industry, but it can be noticed that its size is unusually in proportion with population and national industry. So the highest density of financial services can be observed in cities. Banks are usually located near to the economic decision centres. London, Frankfurt and Paris are the three main financial places in Europe.

### 2.4. Institutional structure

The representation of employers in the sector follows the divisions mentioned above:

- Private banks are gathered in the EBF (European Bank Federation) in all the European states and in some non-European states like Norway, Island, Switzerland. Set up in 1960, the EBF represents the interests of 5000 banks from 20 national associations, with assets of more than Euro 20 000bn and over 2.3 million employees.
- Savings banks (like Caisses d'Epargne in France, Sparkassen in Germany, Caixa in Spain) are represented by ESG (European Savings Banks Group).
- Co-operative and mutual banks are represented by EACB (European Association for Co-operative Banks) which is a part of ICMIF (International Co-operative and Mutual Insurance Federation). EACB also represents the English and Irish credit unions and

building societies. They have 47 million members in Europe, employ 730 000 people and have an average market of 20%.

- Insurance companies are represented by CEA, Insurers for Europe (Comité Européen des Assurances) with 33 national member associations (EU 27 + Switzerland, Lichtenstein, Norway, Croatia...) representing around 5500 companies and one million people.
- The insurance intermediaries are represented by BIPAR (European Federation of Insurance Intermediaries) which gather 47 national associations of insurance agents and brokers in 32 countries, representing around 80 000 insurance intermediaries companies and 250 000 people. For a long time BIPAR has been representing only insurance intermediaries, but now they are also representing the financial advisers activities.

On the other side, all the employees of the sector are represented by Uni - Europa Finance, which is a very important stakeholder for that industry. But in each country, we can find specific forms of representation, depending on the structure of the social dialogue. In Nordic countries (Sweden and Denmark) and in Great Britain, unions are tending to merge in order to represent the whole financial services sector and to be more efficient.

## 2.5. Training institutions

In each European country, two types of training institutions are providing graduates and employees for the financial services sector:

- specific schools or apprenticeship centres for insurance jobs and banking jobs for basic employees, technicians and sometimes graduates,
- business schools (option " finances" ) are now playing a very important place to provide the sector with young graduates

## 3. MAPPING OF THE SECTOR (STEP 3)

### 3.1. Financial services in Europe and in the world.

**Table 2** The importance of financial markets activity  
% share of world, 2006

Activity	EUROPE	US	Rest of the world	Total
Investment banking revenue	33	43	24	100
Cross border bank landing	68	9	23	100
Commercial banking assets	70	16	14	100
Insurance global premium	40	31	29	100
Marine insurance	62	11	27	100
Funds under management	33	52	15	100
Assets of high net worth individuals	27	30	43	100
Hedge funds	27	65	8	100
Private equity, amounts invested	44	47	9	100

Source: a synthesis from OECD,CEA, Investment Company Institute and IFSL estimates

It can be noted that Europe and US are often evenly matched. As example for banking income and insurance global premium income, Europe shows a high level of income.

For banking income Europe has a market share of 33%, while US and the rest of the world represent 24% each one.

For insurance income, Europe has a market share of 40%, while the US and the rest of world represent respectively 31% and 29%.

But the securities market is larger in the US than in Europe.

Some European financial groups are in the global top ten and the position of European banks in the world improved from 1990 to 2004:

**Table 3**            **Ranking of European financial groups 1990**  
Billion US \$

Rank	Bank (country)	Total balance
1	Dai-Ichi Bank (Japan)	408.025
2	Sumitomo Bank (Japan)	372.401
3	Fuji Bank (Japan)	366.745
4	Mitsubishi Bank (Japan)	364.100
5	Sanwa Bank (Japan)	357.760
6	Industrial Bank of Japan (Japan)	259.860
7	Crédit Agricole (France)	241.992
8	Banque Nationale de Paris (France)	231.463
9	Tokai Bank (Japan)	230.358
10	Citicorp (USA)	227.037
11	Norinchukin Bank (Japan)	222.300
12	Credit Lyonnais (France)	210.727
13	Mitsui Bank (Japan)	205.629
14	Barclays Bank (United Kingdom)	204.907
15	Bank of Tokyo (Japan)	202.854
16	Deutsche Bank (Germany)	202.263
17	National Westminster Bank (United Kingdom)	186.559
18	Long-Term Credit Bank of Japan (Japan)	176.240
19	Taiyo Kobe Bank (Japan)	174.967
20	Société Générale (France)	164.741

Source: The Banker, 2004 (cité in La guerre mondiale des banques)

**Table 4**      **Ranking of European financial groups 2004**  
Billion US \$

Rank	Bank (country)	Total balance
1	Mizuho Financial Group (Japan)	1 285.471
2	Citigroup (USA)	1 264.032
3	UBS (Switzerland)	1 1205.430
4	Crédit Agricole Groupe (France)	1 105.378
5	HSBC Holdings (Germany)	1 034.216
6	Deutsche Bank (Germany)	1 014.845
7	BNP Paribas (France)	988.982
8	Mitsubishi Tokyo Financial Group (Japan)	974.950
9	Sumitomo Mitsui Financial Group (Japan)	950.448
10	Royal Bank of Scotland (United Kindom)	806.207
11	Barclays Bank (United Kindom)	791.292
12	Crédit Suisse Group (Switzerland)	777.849
13	JP Morgan Chase (USA)	770.912
14	UFJ holdings (Japan)	753.631
15	Bank of America Corp (USA)	736.445
16	ING Bank (Netherlands)	684.004
17	Société Générale (France)	681.216
18	ABN AMRO Bank (Netherlands)	667.636
19	HBOS (United Kindom)	650.721
20	Industrial and Commercial Bank of China (China)	637.829

Source: The Banker, 2004 (cité in La guerre mondiale des banques)

We could notice that in 1990, among the top 20 banking groups in the world, there were:

- 12 banks from Japan,
- 7 from EU,
- 1 from the USA

and in 2004, the proportion was the following:

- 12 banks from Europe
- 4 from Japan
- 3 from the USA
- 1 from China.

### 3.1.1. Insurance industry in the world

**Table 5** Total premium income in the world  
billion Euros

Continent	1996	2005
Europe	675	1332
North America	689	1247
Asia	647	765
Others	95	98

Source: Annual Report CEA 2007

It can be observed that the premium income doubled in Europe and North America while it only grew by 8% in Asia for this period. For the time being, the growth of the financial groups in Asia (except from Japan which over passed the big crisis of the 1990s only since 2004) was quite low. The reasons for this poor development could be seen in the importance of regulatory rules, that's for example the case for Taiwan, or in weaknesses in the risk management (during the different banks crisis some of the Chinese banks has non performing loans: that's from the point of view of the experts the case for a large part of Chinese financial groups. In China, the total amount of savings is very important and it is one of the reasons of the Chinese financial group strength, but these savings are used for consumption, building and public investments (infrastructure) more than in industrial investments.

National market shares for some countries were the following in 2005:

- EU 25: 38.7%
- USA: 34,0%
- Japan: 14.6%
- China: 2.4%
- Brasil: 0.7%
- Russia: 0.5%
- Poland: 0.3%

It can be noted that Europe and North America have nearly the same market shares, amounting to twice of the Japanese share, and that Poland is the only new European Member State present in the world figures. This means that the growth potential of the insurance sector could be very important for both foreign and domestic companies in emerging countries.

### 3.1.2. Excursus: A look on the US financial sector

From 1996 to 2006, the sector had a very large and continuous growth of markets, revenues and profitability.

For example, commercial bank assets more than doubled between 1996 and 2005:

**Table 6** Commercial bank assets of the United States  
trillion US-dollars

Year	Assets
1996	5.32
1998	6.87
2000	7.46
2002	8.44
2004	10.11
2006	11.86

Source: European Banking Federation, Federal Deposit Insurance Corporation

The American insurance industry shows a continuous growth, for example with the total premium indicator:

**Table 7** Life and non-life premiums in the United States  
billion US-dollars

Year	Life and non-life premiums
1996	624
1998	656
2000	765
2002	847
2004	1206
2006	1485

Source: Swiss Re (IFSL, London, 2007)

Employment in the US financial services sector:

- 4.1 million people are employed in the American financial services sector: 1.8 million people are working in the banking industry (Bureau of Labour Statistics, 2006) and 2.3 million people in the insurance industry (62% in companies and 38% in little insurance agencies, brokerage and providers of other insurance services).
- But it must be noted that the repartition is not the same: in the USA, the insurance sector is bigger than the banking sector, encompassing surrounding activities like claims adjusters, examiners and investigators. This also reflects a feature of the American society with a strong lawyers and insurance system. The sub-sector of intermediaries is very developed.

## 3.2. Mapping of the employment in the sector

### 3.2.1. Trends of total employment in the sector

The financial services represents 5 629 600 people in EU 27. (Source: Labour Force Survey, 2006): 65% working in the banking industry, 20% in the insurance industry and 5% are intermediaries (agents and brokers)

CEDEFOP forecasts give the figure of 6 014 000 employees in 2006. Under the assumption that total employment is about 223 millions people, the financial services sector represents 2.69% of the total EU employment.

The data from CEDEFOP show a very small increase between 1996 and 2006: + 0.5%. At the same time the increase in employment for the whole service sector was 3%.

From the Associations of the representatives, we have figures for the different types of companies:

- The EBF general statistics on the European Banking sector as at 31.12.2006 gives the figure of 2 936 384 people working in 204 446 branches for 7126 banks.
- 730 000 people are working for the savings banks and 450 000 for the co-operative banks.
- 1 000 000 people for the insurers and 250 000 in the different intermediaries small companies.

The employees are generally full-time workers: 90.5% in 1994, 87.2 in 2005.

From the LFS data 1996-2006, the countries with an increase in employment in the financial sector from 1996 to 2006 are: Ireland, Great Britain, Greece, Spain, France, Luxembourg, Netherlands, Denmark, Slovenia, and Sweden.

On the other side, the countries with a decrease in employment in the sector from 1996 to 2006 are: Germany, Portugal and Finland. The volume of employment keep the same level in Italy, Austria and Belgium. For the countries not mentioned, the data were missing.

**Table 8** Financial Services employment by country  
1,000 persons, 1996 to 2006

Country	1996	2006
Belgium	140.9	140.6
Bulgaria	:	38.4
Czech Republic	:	71.1
Denmark	82.5	91,7
Germany	1.174.9	1,113.8
Estonia	:	7.0
Ireland	48.8	83.9
Greece	87.0	104.0
Spain	328.0	399.7
France	674.0	770.1
Italy	561.7	561.6
Cyprus	:	17.7
Latvia	:	23.9
Lithuania	:	15.4
Luxembourg	16.0	21.5
Hungary	81.1	71.7
Malta	:	9.2
Netherlands	215.8	262.3
Austria	120.8	125.7
Poland	:	299.4
Portugal	122.4	82.8
Romania	:	90.6
Slovenia	19.2	22.1
Slovakia	:	38.6
Finland	47.0	44.1
Sweden	72.6	82.4
United Kingdom	1,088.8	1,172.3

Source: Eurostat



The shares of financial services employment sector in total employment by country:

**Table 9** **Financial Services employment by country**  
% share of total national employment, 2006

Country	%
Belgium	3.88
Bulgaria	1.42
Czech Republic	1.75
Denmark	3.57
Germany	3.39
Estonia	1.17
Ireland	4.92
Greece	3.69
Spain	2.46
France	3.44
Italy	3.32
Cyprus	3.31
Latvia	2.48
Lithuania	1.21
Luxembourg	11.94
Hungary	2.08
Malta	4.71
Netherlands	3.68
Austria	3.70
Poland	2.71
Portugal	2.12
Romania	1.47
Slovenia	2.74
Slovakia	1.92
Finland	2.07
Sweden	2.08
United Kingdom	4.77

Source: Eurostat

From the point of view of employment, the largest countries in 2006 are Great Britain with 1 172 000 people working in the sector (4.77% from the total employment), Germany with 1 113 800 (3.39%) and France with 770 000 (3.44%). The Netherlands is also an important country for the sector (3.94%).

As for Luxembourg which has the most important share of employment in the sector (11.94% from the total employment). There are specific liberal rules for financial business with clients in all the world.

For Germany and France, the employment figures are in almost the same relation to the total population figures, but for Great Britain this relation is much higher, which shows that Great Britain is really the leading European country for financial services.

Spain, Italy, Austria and Poland rank at a medium position (respectively 399 000 people, 299 000 and 125 000 working in the sector).

The Nordic area could be seen as one geographical system with strong cross border links between companies: it represents a total of 257 500 people (Sweden, Denmark, Finland, Latvia and Lithuania). The data are not available for Estonia).

### 3.2.2. The occupational structure of workers

The following tables present the structure of occupational profiles, the education level for each group of occupational profiles, the distribution by age of the workforce and the proportion between men and women.

We have chosen to present only the figures for the most important countries. These countries are: Germany, Spain, France, Italy, Poland, and Great Britain. We also present the total for EU15 and for NM10 and for total economy.

As the main shares for occupational groups, education level, distribution of age and proportion men/women are not very different in the three sub-sectors, we present here the figures for the whole financial services sector. The only exception is the sub-sector of intermediaries which has a very important proportion of business and finance professionals with medium skilled self employed or employees.

**Table 10** Division of employment by occupation  
% of total persons employed in the sector, 2006

	Financial services									Total economy	
	DE	ES	FR	IT	NL	PL	UK	EU 15	NM 10	EU 15	NM 10
Legislators, senior officials and managers	4.4	13.8	29.5	7.6	9.5	10.4	25.5	15.2	10.1	9.0	6.0
Computing professionals and computer associate professionals	3.5	3.6	4.5	1.8	7.9	5.0	5.5	4.2	4.1	1.9	1.2
Business professionals, finance and sales associate professionals	8.8	23.7	9.6	42.1	29.4	47.7	23.5	21.4	44.1	4.6	3.6
Professionals, technicians and associate professionals	29.6	18.9	17.8	10.8	22.6	10.8	3.3	15.7	15.0	24.4	20.6
Clerks	51.0	37.3	31.0	34.9	28.5	23.6	37.8	39.7	22.7	11.9	6.6
Service workers and shop and market sales workers	0.4	0.7	6.2	0.9	0.8	0.8	1.5	1.6	1.2	14.2	12.5
Craft and related trade workers	0.5	0.7	0.4	0.7	0.3	0.3	0.6	0.5	0.8	21.5	28.8
Elementary occupations	1.8	1.2	1.0	1.1	0.9	1.4	2.3	1.7	2.0	12.6	20.8
Total employment in the sector	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eurostat, 2008

Firstly we must note that some differences between the countries - for example a larger share of clerks in some countries with a lower share of professionals and vice versa in other countries cannot be explained only by the organisation of work and the real structure of the workforce, but by the fact that similar jobs require different qualifications in different countries or are defined differently. Note that this occupational profiles nomenclature is more suitable for the manufacturing industry than for the services industry.

While analysing the division of employment by occupation it is worthwhile to point out that the highest number of senior managers can be found in France followed by the UK. The difference can even reach 25.1 percentage points while comparing the figures for France with those of Germany, where the share of senior managers is the smallest (4.7%). Further, this category is slightly larger (by some 5 percentage points) in EU15 than in EU10,

and the share of this category is larger than the same for total economy (by 6 percentage points for EU15 and 4 for NM10)

The highest number of IT specialists can be found in the Netherlands, followed by the UK and Poland. The smallest number of IT specialists prevails in Italy. While analysing data from new MS it can be stated that the number of IT specialists is very similar both in new and old MS, and for both larger than in the total economy

The largest share of occupations in the whole sector is the groups of "professionals of finance and sales professionals", and "professionals, technicians and associated".

The most numerous group of professionals and technicians can be found in Germany and in the Netherlands, with the smallest share in Poland. On the other hand, Germany is the country with the biggest share of clerks, significantly bigger than in other countries – the difference can reach even 22.5 percentage points (in comparison with the Netherlands) or 27.4 in comparison with Poland. In this respect Germany is high above the average both for old and new MS. We will see later that Germany is also the country with the biggest share of "medium skilled" workers.

This is related to the organisational structure of German financial institutions with big companies in both banking and insurance, but also to the training system which particularly promotes intermediary skills.

If we look at both finance professionals, sales professionals and other professionals, we can see that the countries with a large share of clerks (such as Germany) have small shares of professionals and vice versa (such as France or Poland). The NM have all a larger share of professionals than clerks and than the share of professional in the old MS. We will see later that it is in link with the age distribution: a younger and more professional population can be found in the new Member States. If "clerks" refers to back office and administrative occupations, it could mean that old MS have sometimes kept an old work organisation with a big number of back office employees. Studies show that it is the case for France, Greece, Portugal, Spain and Italy.

**Table 11** Change in division of employment by occupation  
Percentage point difference of occupational shares, 2000 to 2006

	Financial services									Total economy	
	DE	ES	FR	IT	NL	PL*	UK	EU 15	NM 10	EU 15	NM 10
Legislators, senior officials and managers	-0.8	0.7	4.4	0.1	-1.4		3.4	1.6	2.6	0.5	0.9
Computing professionals and computer associate professionals	0.6	1.8	0.2	1.2	0.2		0.1	0.6	1.0	0.4	0.6
Business professionals, finance and sales associate professionals	1.7	4.8	2.2	4	-3.1		3.4	2.9	19.6	-0.7	1.6
Professionals, technicians and associate professionals	1.8	3.6	-0.2	2.7	0.2		1.1	1.0	-4.7	-1.4	1.6
Clerks	-2.8	-11	-11.5	-7.6	4.5		6.4	-6.6	-0.8	-1.8	0.5
Service workers, shop and market sales workers	0	0.1	5.4	0.1	0		0.6	0.6	-1.0	-0.2	1.9
Craft and related trade workers	-0.2	0.3	-0.4	-0.2	0		-0.3	-0.2	-1.7	-2.4	0.2
Elementary occupations	-0.3	-0.3	-0.1	-0.1	-0.5		1.4	0.1		0.4	1.3

\* data available only from 2006

Source: Eurostat, 2008

For the lower categories of occupations the differences are not that striking among the MS, regardless whether these are old or new MS. In general the three groups ("Service workers and shop and market sales workers", "Craft and related trade workers" and "Ele-

mentary occupations") have a very small share in the occupations: 3.8% in EU15 and 4% in NM10, compared to 48.3 and 62.1 for the total economy.

While analysing the changes in division of employment by occupation between 2000 and 2006 it can be pointed out that the share of employment was rising in the category of senior managers in France and the UK, while it was decreasing in Germany and the Netherlands (difference was reaching even 5.8 percentage point). The share of IT professionals is slowly increasing in all the countries, but the increase is slightly bigger in NM.

The category of business, finance and sales professionals is increasing in the majority of MS: the biggest increase being in Spain, but the difference between EU15 and NM10 is striking: in the NM10 the rise of employment in this occupational category is with 16.7 percentage points much higher (19.6 against 2.9 in EU15). The contrary can be observed in the category of professionals: there is a decrease in their number in NM10, while in EU15 there is a slight rise. In the category of clerks there is a visible decrease of their share in all EU15; in NM10 the decrease is also visible, but not that significant.

### 3.2.3. Employment by educational attainment

**Table 12** Employment in financial sector by education level  
% of total employed in each occupation in the sector, 2006

Financial services											Total economy	
		DE	ES	FR	IT	NL	PL	UK	EU 15	NM 10	EU 15	NM 10
Legislators, senior officials and managers	Low	3.5	5.3	10.0	2.4	2.9	n/a	8.5	7.0	0.7	22.0	1.5
	Medium	39.1	24.8	29.4	66.7	26.7	17.6	44.4	37.7	18.6	40.2	48.9
	High	57.4	69.9	60.6	30.8	70.3	82.4	47.1	55.2	80.7	37.8	49.7
Computing professionals and computer associate professionals	Low	1.6	1.1	4.5	n/a	4.2	n/a	7.7	4.4	0.1	5.1	0.8
	Medium	45.0	21.2	14.5	78.1	41.4	23.1	39.0	36.4	29.2	36.0	40.8
	High	53.5	77.7	81.0	21.9	54.5	76.9	53.3	59.2	70.7	58.9	58.4
Business professionals, finance and sales associate professionals	Low	5.1	11.9	10.9	5.3	6.0	n/a	8.9	7.3	0.5	12.7	0.9
	Medium	57.2	28.8	42.1	65.4	42.0	38.7	47.3	50.7	45.4	46.0	44.6
	High	37.7	59.3	47.0	29.2	52.0	61.3	43.7	42.0	54.1	41.2	54.5
Professionals, technicians and associate professionals	Low	5.8	5.5	11.2	7.7	7.4	n/a	8.2	6.9	0.3	6.0	0.5
	Medium	67.1	21.3	41.3	61.2	39.8	37.2	42.8	51.7	39.8	33.8	43.6
	High	27.1	73.1	47.4	31.3	52.7	62.8	49.0	41.3	59.9	60.2	55.8
Clerks	Low	6.4	9.7	17.6	10.9	19.0	0.6	20.4	11.9	0.8	21.2	3.7
	Medium	75.5	35.2	46.8	68.9	58.7	74.7	60.0	61.7	76.4	59.9	81.2
	High	18.1	55.1	35.6	20.2	22.3	24.7	19.5	26.3	22.7	18.9	15.1
Service workers, shop and market sales workers	Low	21.3	31.6	6.0	30.8	25.7	17.3	11.7	11.8	9.1	34.6	8.4
	Medium	68.2	60.5	35.1	44.9	43.5	74.2	65.1	46.8	79.0	54.6	84.7
	High	10.4	7.9	58.9	24.2	30.7	8.5	23.2	41.4	11.9	10.8	6.9
Craft and related trade workers	Low	12.0	44.5	15.9	31.3	38.7	n/a	26.3	28.5	n/a	43.9	11.3
	Medium	78.3	34.0	50.9	56.0	33.5	n/a	40.6	49.5	98.3	49.2	86.8
	High	9.8	21.4	33.3	12.7	27.8	n/a	33.1	22.0	1.7	6.9	1.9
Elementary occupations	Low	48.6	81.9	57.0	50.3	63.0	35.0	47.7	55.0	27.9	57.0	42.5
	Medium	45.9	10.4	34.6	36.8	33.4	65.0	41.5	37.2	71.1	37.4	55.8
	High	5.5	7.7	8.4	12.8	3.6	n/a	10.8	7.8	1.1	5.7	1.7

Source: Eurostat, 2008

While analysing the financial sector by educational attainment one can see that there is a relatively large number of managers and senior managers with high level of education in

countries like Spain and the Netherlands. The largest number can be found in Poland. Interestingly, in the NM10 the proportion of senior managers with high education is much higher than in EU 15 (difference reaches the level of 25.5 percentage points). We could say that only graduates could reach the high management positions in NM10 but in the old MS there remains some possibilities for be promoted.

There are striking differences concerning IT employees: there are significant differences in the number of employees with an intermediate level of education attainment (difference even of 63.6 percentage points between France and Italy). The same concerns category of employees with high education: there are countries with a high number of such employees like Spain or France and with significantly lower level of IT employment like Italy. Moreover, there is a difference of some 10 percentage points between EU15 and NM10.

The structure of employment and education level remains rather similar in EU15 and NM10 in the category of business, sales and finance professionals. However, there are important differences, for example the one between Italy and Poland reaches almost 30 percentage points.

**Table 13** Change in employment in financial sector by education level  
Percentage point change, 2000 to 2006

	Financial services										Total economy	
		DE	ES	FR	IT	NL	PL*	UK	EU 15	NM 10	EU 15	NM 10
Legislators, senior officials and managers	Low	0	-3	-2.9	-0.4	1.8		-0.8	-1.4	-0.8	-1.8	1.5
	Medium	2.8	-14.1	-3	-3	-11.5		-2	-4.3	-13.3	-0.3	-0.6
	High	-2.8	17.1	5.9	3.4	13.2		2.8	5.6	14.1	2.1	2.2
Computing professionals and computer associate professionals	Low	-0.3	n/a	-2.9	n/a	-1.7		-2.8	-1.8	-0.9	-0.6	-0.5
	Medium	-2.9	10.9	-10.8	-19	-0.6		4.1	-3.1	-9.3	-1.4	-8.2
	High	-3.2	12	13.7	19	2.4		-1.3	4.9	9.2	-2.0	8.7
Business professionals, finance and sales associate professionals	Low	0.3	-15.2	0.2	0.1	-2.2		-5	-3	0	-1.4	-1.0
	Medium	0.6	-3.5	-1.5	-4.8	-12.2		-1.5	-3.8	-14.9	-2.4	-14.9
	High	-0.8	-18.7	1.3	4.9	14.4		6.4	6.8	15.4	3.7	15.9
Professionals, technicians and associate professionals	Low	-1.4	-5.7	0.2	2.6	-2.4		1.0	-1.1	-2.0	-0.9	-0.9
	Medium	1.7	5.4	-4.7	-9.6	-18		5.8	-2.9	-17.2	0.3	-6.4
	High	-0.3	10.9	4.4	7	20.3		-6.8	3.9	17.4	0.6	7.3
Clerks	Low	-2.2	-6.3	-1.7	0.4	-1.2		-7.4	-3.4	0	-3.9	-3.1
	Medium	3.1	-5.8	-6.2	-7.2	-4.2		3.5	-1.4	-8.5	0.2	-3.0
	High	-1.3	12.2	7.9	-8.1	5.3		3.8	4.7	9.9	3.7	6.1
Service workers, shop and market sales workers	Low	34.3	16.1	8.8	1.9	-41.7		-15.2	-15.3	-2.4	-6.9	-3.4
	Medium	32.4	40.9	-29.3	-8.4	20.7		9.6	-5.2	-9.1	3.9	2.5
	High	17.2	57	38.1	5.2	20.9		5.6	21.4	0.7	3.0	0.9
Craft and related trade workers	Low	-0.7	10.2	14.7	19.8	11.8		-29	-8	n/a	-4.2	-4.1
	Medium	3.1	-21.9	-6.5	6.6	-39.6		4.2	-4.9	13.2	3.3	5.0
	High	-3.7	11.6	21.3	n/a	n/a		24.8	12.9	-1.8	0.8	-0.9
Elementary occupations	Low	5.4	-1.4	15.1	29.0	-25.1		-14.0	-8.4	1.9	-8.7	-17.6
	Medium	6.0	-4.9	6.7	16.1	21.5		3.2	2.7	-2.9	7.2	17.6
	High	0.6	6.2	n/a	n/a	n/a		n/a	5.6	n/a	1.6	-0.1

\* data available only from 2006

Source: Eurostat, 2008

In the category of professionals and technicians the major observation is that there are more employees with an intermediate skills level in EU15, while the qualifications structure in the group of employees with high level of education is the opposite – more employees with high skills level can be found in NM10. These figures need to be crossed with the distribution by age, and can be put in relation with the presence of a big number of young high skilled (graduates) employees in a young sector.

In the group of clerks there are more employees with medium skills employed in NM10 but we have seen that the share of this group is smaller, while the proportion of employees with high skills is similar in the group of clerks with high level of education. In this group of employees there are significant differences among countries: for example in Germany the majority of clerks has a medium level of education, while in Spain the majority of clerks has high level of education.

An interesting observation can be made while analysing service, shop and sales workers although this group does not represent a big share of all the occupations: in Italy almost 60% of these workers has a high level of education, which is far above the EU15 average and there is even a higher difference in comparison to the NM10 average. It is striking that the number of employees in this group with high education is significantly lower in NM10 than in EU15 (difference of 29.5 percentage points).

While looking at the changes in the educational level between 2000 and 2006 in the group of senior managers, the general observation is that the number of employees with medium level of qualifications is decreasing, in NM10 even to a greater degree than in EU15. At the same time the number of senior managers with high level of education is increasing, again to a greater extent in the NM10, however the biggest increase of high skilled in this category of workers has been observed in Spain.

The change in qualification levels can also be very clearly seen in the IT group: the number of employees with medium skills is decreasing, while the number of employees with high skills is increasing. The only country where the share of IT employees with medium level of education increased is Spain. The biggest increase in the share of the employed with high level of education was observed in Italy, followed by France. Often increase and decrease are exactly in the same proportion: - 10.8% of medium skilled in France and +13.7% of high skilled. In Italy: -19% and +19%.

Employment of low skilled and medium skilled employees in the category of business, finance and sales professionals is slowly decreasing in all EU countries, with the growth of highly educated employees. Both trends are visible in all the EU countries, however it is stronger in NM10.

In the category of professionals and technicians in all the European countries there is a switch between medium skilled employees and high skilled ones: -2.9 and +3.0 for EU15, -17.2 and +17.4 for NM10. This switch is present in all the economy, but more important in financial services sector. The biggest decrease in medium level education employees and the biggest increase of high level employees was noted in the Netherlands. There was a significant decrease of employment of medium skilled employees in NM10.

It is striking that the number of employees with a high level of educational attainment increased also in service, shop and sales activities; and to a much greater extent in the EU15 than in NM10. A possible explanation for this is that at present there a high level of education is now expected from the sales and client service people.

To sum up these trends: there is a strong trend of upgrading occupational skills. the major change is the increase of the share of high skilled in the IT jobs, in the very large group of finance, business and sales professionals and in the clerks group.

### 3.2.4. Employment by age group

**Table 14** Employment in financial sector by age group  
% of total employed in each occupation in sector, 2006

	Age group	Financial services									Total economy	
		DE	ES	FR	IT	NL	PL	UK	EU 15	NM 10	EU 15	NM 10
Legislators, senior officials and managers	15-39	36.2	39.3	35.4	19.4	41.0	46.0	53.3	40.8	46.9	35.1	39.1
	40-49	34.1	35.3	33.9	37.6	38.4	29.4	31.4	34.3	30.8	32.4	30.7
	50+	29.7	25.4	30.7	43.0	20.6	24.6	15.2	24.9	22.2	32.5	30.2
Computing professionals and computer associate professionals	15-39	45.9	55.0	51.0	34.7	47.6	69.6	62.6	52.8	67.7	61.8	73.9
	40-49	34.6	30.7	27.7	38.6	36.6	18.6	28.0	31.0	18.4	26.1	15.6
	50+	19.5	14.3	21.4	26.7	15.8	11.8	9.4	16.2	13.9	12.2	10.5
Business professionals, finance and sales associate professionals	15-39	43.4	51.9	49.2	43.2	57.3	62.9	63.8	51.5	60.4	55.8	60.5
	40-49	31.6	26.2	36.1	30.9	24.8	23.0	21.4	27.2	23.5	23.7	21.8
	50+	25.0	22.0	14.7	26.0	17.9	14.2	14.9	21.3	16.2	20.6	17.7
Professionals, technicians and associate professionals	15-39	44.5	54.5	39.1	50.4	59.4	52.3	60.8	47.7	55.0	45.1	47.5
	40-49	31.8	26.0	25.5	35.9	24.0	20.6	25.2	29.3	22.0	28.6	27.0
	50+	23.6	19.5	35.4	13.7	16.6	27.1	14.0	23.0	22.9	26.3	25.5
Clerks	15-39	49.2	57.9	45.6	50.9	58.6	61.7	66.4	54.3	60.8	50.9	54.6
	40-49	28.1	22.5	24.9	31.3	25.7	22.8	19.2	25.4	23.4	26.7	25.4
	50+	22.6	19.6	29.6	17.8	15.7	15.5	14.6	20.3	15.8	22.4	19.9
Service workers, shop and market sales workers	15-39	28.6	66.2	76.8	79.3	48.5	59.8	72.3	71.3	56.9	57.6	60.9
	40-49	30.1	27.9	10.9	16.9	20.5	31.7	7.9	13.5	25.2	23.8	22.8
	50+	41.3	5.9	12.3	3.8	31.0	8.5	19.8	15.2	17.9	18.7	16.4
Craft and related trade workers	15-39	23.8	55.1	53.2	42.1	63.5	n/a	40.4	39.4	27.8	49.5	51.9
	40-49	28.7	17.5	32.1	29.5	n/a	11.8	22.8	27.1	25.2	27.6	27.7
	50+	47.5	27.5	14.7	28.3	36.5	88.2	36.8	33.4	47.0	22.8	20.4
Elementary occupations	15-39	20.2	22.6	63.3	28.6	42.1	38.9	45.6	34.9	26.2	42.8	41.2
	40-49	31.8	36.7	21.7	51.3	15.0	26.7	20.1	26.8	29.4	27.1	23.9
	50+	48.0	40.7	15.0	20.1	42.9	34.5	34.3	38.4	44.5	30.1	34.9

Source: Eurostat, 2008

While looking at the age structure of the financial sector in 2006 in EU27 the general observation is that this sector is “younger” in NM10 than in EU15 and also that in NM10 there are more 50+ people employed in the lower level occupation than in EU15.

The most important number of young people (age 15-39) in the senior management positions is employed in Poland and the UK. The oldest senior managers can be found in France and Italy – the majority of them is 50+.

Similar observations concern IT employees that is a very young group (40.8 % of the IT employees are between 15 and 39 in EU15 and 67.7% of them in the NM10), but they are younger in NM10 than in EU15 - there is almost a 15 percentage point difference in favour of the NM10 in the age category 15-39 and 40-49. The smallest number of “young” IT people is employed in Italy, which has the smaller proportion of this group of occupations.

The number of business, finance and sales professionals has pretty much the same structure across different age categories, however this group tends to be younger in NM10. Professionals and technicians are mainly young (age 15-39) in the NM10 and middle aged (age 40-49) in EU 15.

In the category of clerks the age structure tends to be very similar between EU15 and NM10, however, the group of clerks at the age of 50+ is more numerous in EU15.

For all the professional and clerks group, the age distribution is near the one of total economy, except for Germany and France.

**Table 15** Change in employment in financial sector by age group  
Percentage point change, 2000 to 2006

		Financial services									Total economy	
		DE	ES	FR	IT	NL	PL*	UK	EU 15	NM 10	EU 15	NM 10
Legislators, senior officials and managers	15-39	-8.9	3.6	2.4	-9.6	-0.3		-5.1	-3.3	9.2	-5.4	0.8
	40-49	-7.0	-5.1	3.6	1.9	-5.0		-4.7	4.0	-14.7	3.5	-5.8
	50+	-3.5	1.4	-5.9	7.7	-2.1		0.3	-0.7	5.4	1.9	5.0
Computing professionals and computer associate professionals	15-39	-13.8	-34.2	0.1	-47.0	-13.8		-15.4	-14.7	2.0	-7.6	4.5
	40-49	5.0	20.2	-5.0	20.3	-25.9		9.7	8.1	-0.3	5.3	-5.3
	50+	19.6	n/a	5.0	n/a	-1.1		5.6	6.6	-1.7	2.4	0.8
Business professionals, finance and sales associate professionals	15-39	-0.2	-7.8	-14.4	-9.2	-8.3		-1.5	-5.8	1.0	0.3	7.1
	40-49	1.3	1.6	12.2	3.1	-38.3		1.5	2.8	-3.2	-0.2	-6.6
	50+	10.8	6.3	2.2	6.3	-2.5		0.1	3.0	2.3	0.0	0.5
Professionals, technicians and associate professionals	15-39	-6.6	-3.8	-9.2	0.5	-8.5		3.4	-5.9	0.3	-3.2	1.6
	40-49	7.2	-2.5	-6.9	2.6	-37.9		-6.5	2.5	-7.9	-0.4	-4.6
	50+	3.8	6.3	16.1	-3.1	6.0		3.0	3.4	7.6	3.6	3.1
Clerks	15-39	-7.7	8.4	-1.8	-4.7	-10.5		-4.7	-4.0	-3.3	-4.7	2.8
	40-49	3.8	-12.3	-10.3	1.8	-42.6		2.0	-0.4	-1.1	1.1	-5.6
	50+	10.0	3.9	12.2	3.0	0.9		2.8	4.4	4.4	3.5	2.6
Service workers, shop and market sales workers	15-39	-9.8	-13.4	-2.4	-1.8	-24.9		-4.3	2.4	-11.6	-2.5	-2.0
	40-49	-5.4	14.1	-3.1	4.0	-41.6		-10.3	-4.2	4.0	1.7	-2.2
	50+	-1.5	-0.7	5.4	-2.2	11.3		6.0	1.8	7.6	0.9	4.3
Craft and related trade workers	15-39	-10.4	10.9	5.1	-7.3	14.7		-10.3	-3.7	-23.5	-4.9	-2.8
	40-49	-11.3	-30.4	17.8	-18.3	-27.6		-4.2	-5.9	-12.0	2.2	-2.4
	50+	n/a	19.5	-22.9	25.5	21.3		14.5	9.4	35.4	2.6	5.2
Elementary occupations	15-39	-5.3	-18.3	14.4	-6.4	24.2		15.9	4.4	-16.5	-3.7	2.5
	40-49	9.4	10.0	0.8	26.4	-7.4		-2.7	1.8	-0.1	2.6	4.5
	50+	37.5	8.3	-11.7	-19.9	-4.5		-13.3	-6.0	16.8	1.1	-7.0

\* data available only from 2006

Source: Eurostat, 2008

The most significant changes were observed in Germany and the Netherlands, in particular in the age category 50+.

### 3.2.5. Employment by gender

In general, senior managers are more likely to be men in the EU 15 – the highest disparity can be observed in Italy (81.6% men and 18.4 women) and Spain (84.8% men and 15.2 women) and the lowest gender gap can be found in France. In the case of new Member States the proportion of male and female employees is more equal (53.3% men and 46.7% women), in average there are more women employed in the senior positions in the financial sector than in the whole economy both in EU15 and NM10.



But in the IT jobs, the share of men employed amounts to 80% both in the EU15 and NM10.

In the category of business, finance and sales professionals the majority of female employment can be observed in France and Poland; again in the NM10 the majority of employees in this occupation are women. The same concerns professionals and technicians: there is a visible trend of prevailing male employment in the EU15 and female employment in NM10.

In the category of clerks the same situation can be found: prevailing female employment both in EU15 and NM10; however in NM10 there are many more women employed in this occupation than men (difference of more than 20 percentage points).

**Table 16** Employment in financial sector by sex  
% of total employed in each occupation in sector, 2006

	Sex	Financial services									Total economy	
		DE	ES	FR	IT	NL	PL	UK	EU 15	NM 10	EU 15	NM 10
Legislators, senior officials and managers	Men	70.0	81.6	58.7	84.8	75.2	50.3	64.6	67.0	53.3	67.4	66.3
	Women	30.0	18.4	41.3	15.2	24.8	49.7	35.4	33.0	46.7	32.6	33.7
Computing professionals and computer associate professionals	Men	78.4	80.0	63.6	82.6	84.3	88.4	87.3	79.0	82.2	82.7	79.5
	Women	21.6	19.9	36.4	17.4	15.7	11.6	12.7	21.0	17.8	17.3	20.5
Business professionals, finance and sales associate professionals	Men	75.1	56.2	38.0	70.2	60.9	28.4	59.7	61.6	33.0	59.3	42.4
	Women	24.9	43.8	62.0	29.8	39.1	71.6	40.3	38.4	67.0	40.7	57.6
Professionals, technicians and associate professionals	Men	54.9	42.8	44.3	41.8	52.6	19.1	50.8	49.9	25.3	46.6	38.6
	Women	45.1	57.2	55.7	58.2	47.4	80.9	49.2	50.1	74.7	53.4	61.4
Clerks	Men	39.3	45.7	25.7	46.8	30.8	12.5	26.5	35.7	14.8	30.6	28.7
	Women	60.7	54.3	74.3	53.2	69.2	87.5	73.5	64.3	85.2	69.4	71.3
Service workers, shop and market sales workers	Men	36.0	40.9	20.2	44.4	41.4	71.7	42.7	31.3	81.4	31.3	35.2
	Women	64.0	59.1	79.8	55.6	58.6	28.3	57.3	68.9	18.6	68.7	64.8
Craft and related trade workers	Men	84.8	77.5	73.1	64.3	88.0	100.0	87.6	81.2	97.6	88.4	79.6
	Women	15.2	22.5	26.9	35.7	12.0		12.4	18.8	2.4	11.6	20.4
Elementary occupations	Men	25.1	22.8	7.5	57.2	7.0	28.0	46.3	31.4	20.2	53.0	52.8
	Women	74.9	77.2	92.5	42.8	93.0	72.0	53.7	68.6	79.8	47.0	47.2

Source: Eurostat, 2008

The general trend is that there are more women employed in the sector in all occupational categories in 2006. The biggest change can be seen in senior management category and elementary occupations. The only occupation category where the proportion of male employment was increasing was IT jobs; moreover, the increase was more significant in NM10 than in EU.

**Table 17** Change in employment in financial sector by sex  
Percentage point change, 2000 to 2006

		Financial services									Total economy	
		DE	ES	FR	IT	NL	PL*	UK	EU 15	NM 10	EU 15	NM 10
Legislators, senior officials and managers	Men	-9.9	-4.8	-12.4	-4.9	-3.6		-0.8	-5.8	-10.3	-2.5	-2.8
	Women	9.9	4.8	12.4	4.9	3.6		0.8	5.8	10.3	2.5	2.8
Computing professionals and computer associate professionals	Men	-2.5	7.0	-13.2	14.4	-0.8		10.5	0.7	18.3	0.3	8.3
	Women	2.5	-7.0	13.2	14.4	0.8		-10.5	-0.7	-18.3	-0.3	-8.3
Business professionals, finance and sales associate professionals	Men	1.7	-10.3	-4.2	0.4	-8.0		-6.8	-3.9	-6.0	-5.9	-0.8
	Women	-1.7	10.3	4.2	-0.4	8.0		6.8	3.9	6.0	5.9	0.8
Professionals, technicians and associate professionals	Men	1.8	-11.3	-4.7	-7.4	0.2		-5.6	-2.2	-3.9	-1.6	-1.6
	Women	-1.8	11.3	4.7	7.4	-0.2		5.6	2.2	3.9	1.6	1.6
Clerks	Men	0.7	-13.7	-2.2	-6.8	1.2		3.1	-2.0	-1.5	-1.8	5.2
	Women	-0.7	13.7	2.2	6.8	-1.2		3.1	2.0	1.5	1.8	-5.2
Service workers, shop and market sales workers	Men	5.8	-20.2	-14.3	5.1	-5.2		12.4	-8.0	7.6	-2.6	1.1
	Women	-5.8	20.2	14.2	-5.1	5.2		-12.4	8.0	-7.6	2.6	-1.1
Craft and related trade workers	Men	6.0	-22.5	-2.0	-23.7	12.0		9.0	-6.0	3.8	-1.3	2.8
	Women	-6.0	n/a	2.0	23.7	n/a		9.0	6.0	-3.8	-1.3	-2.8
Elementary occupations	Men	-3.3	-15.8	-25.9	-5.8	-23.0		-7.1	-3.7	-22.8	-1.0	2.9
	Women	3.3	15.8	25.9	5.8	23.0		7.1	3.7	22.8	1.0	-2.9

\* data available only from 2006

Source: Eurostat, 2008

## 4. MAIN TRENDS OF CHANGE IN THE FINANCIAL SERVICES SECTOR (STEP 4)

### 4.1. Market growth in Europe

#### 4.1.1. Banking industry

(This section will be completed if EBF-data are available.)

#### 4.1.2. Insurance industry

The total premium income is increasing in Europe, but not in the same percentage from 2006 to 2007 as the past evolutions.

The drop in 2001, a year with a lower increase of growth is in link with the financial crisis so called "internet speculative bubble".

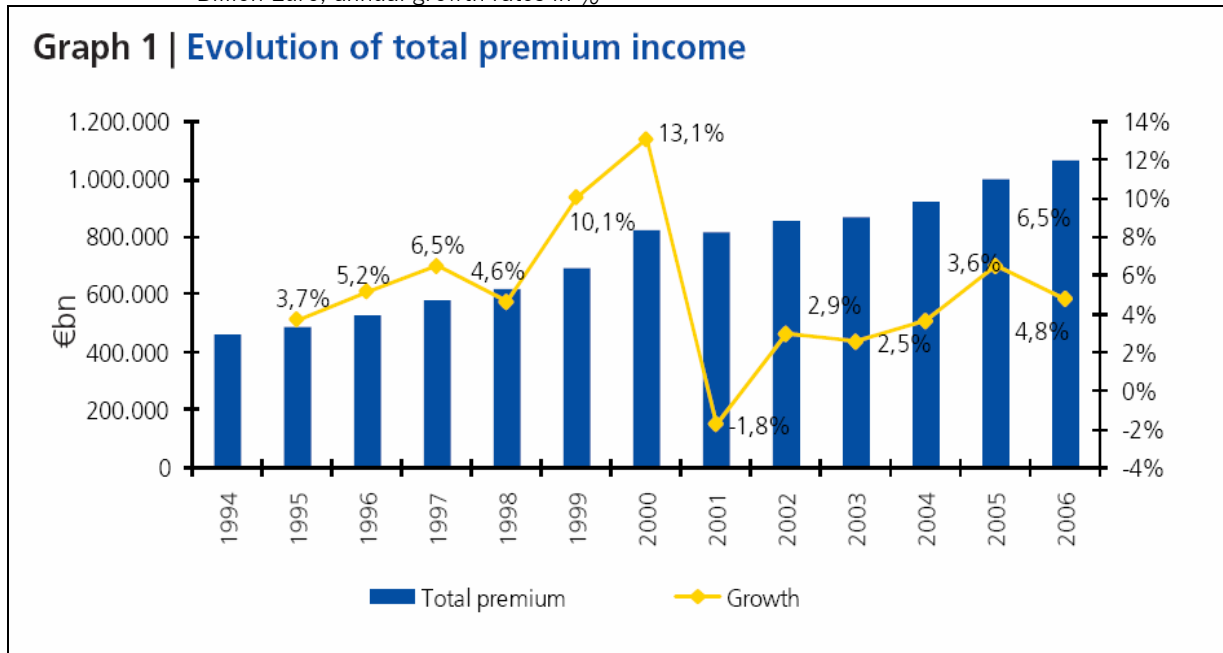
The European insurance market has grown by 4.8% in 2006 (5.3% for non-life insurance, due to a large part to the privatisation of the Dutch health care system, and 4.4% for life insurance).

This growth was higher than in America for the same year: only 2.7%. But a growth of 9.5% was observed in Asia (Japan and others newly industrialised countries in the area).

From 1996 to 2006, the European insurance market has been growing. It can be measured with the average premium/inhabitant: 1100 Euro in 1996 and 2174 in 2006 (CEA, Annual Report 2007). Comparing insurance premium income accounts to the number of

inhabitants is a good indicator of insurance development (except for Luxembourg where insurers largely benefit from the freedom to provide foreign services).

**Chart 2 Evolution of total premium income**  
Billion Euro, annual growth rates in %

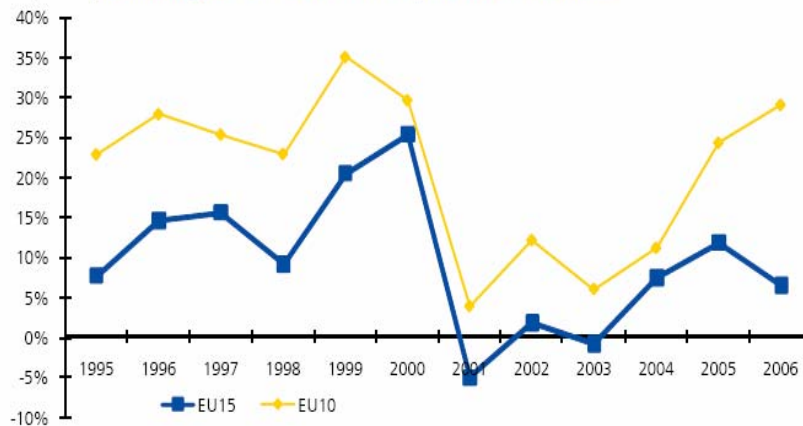


Source: CEA Statistics, August 2007

About life-insurance: the development of new pension insurance products (for example in the occupational pension sector such as in Sweden, Slovenia and France) or individual pensions was important. The Annual CEA Report 2007 observes also the development of "unit-linked products" in life-insurance, combined with options to allow for a capital guarantee. But the performance of the life-insurance market is closely linked with the different fiscal incentives in each country.

**Chart 3 Life premium income**  
Annual growth rates in %

**Graph 5 | Annual growth rates in life premium income**



Source: CEA Annual Statistics, August 2007

About non-life insurance: the shares of the different markets are the following:

**Table 18**      **Non-life insurance**  
% market shares

Non-life insurance	%
Motor insurance	33.7
Health-accident	25,0
Property	21,0
General liability	8.7
MAT	3.4
Legal expenses	1.5
Others	6.7

Source : CEA Annual Report 2007

#### 4.1.3. The impact of enlargement

The growth of financial services markets in the New Member States has been very important since the middle of the 1990s and this process is still going on. It has represented a way of external growth for the Western companies. It started at the end of the 1990s.

During the catch-up phase in Eastern European countries, the insurance market is characterised by strong growth: +26% on average in 2006. For example in several countries new pension schemes are managed by insurers.

Of course, for the time being, an important share of the financial services sector in NM is depending upon the Western European companies: 85% of the banking sector in Hungary for example, or 90% of the banking sector in Slovakia.

The following example can be named:

- The insurance group from Hungary: the bank OTP and OTP Garancia. This organisation was a single public bank during the communist regime, OTP Banking. After being privatised, the financial group developed retail banking activities, non life insurance products and life insurance products. Then the group took positions in 6 eastern countries: Romania, Slovakia, Bulgaria, Ukraine and Russia. OTP in 2007 has 1432 branches, 30 532 people, and 32 M. Euro of assets. In 2008, the group sold its insurance activities (with an increase of growth of 13% a year since 2004) in order to concentrate on its central business segment. Probably the French mutual group GROU-PAMA will be the buyer, in link with a strategy of external growth in Eastern Europe. The Hungarian market grows rapidly since 1998: premiums were multiplied by three. GROUPAMA is becoming the second insurance group in Hungary.

#### 4.1.4. Diversification and search for new markets

- Looking for new markets and new products according to the changes of the Welfare State benefits. Mainly about health care and pension funds. Growing areas for the insurance industry are in medical services and health care.
- Looking for original products as the "pay-as you-drive" car insurance, or the loans on SMS for the young Swedish people.
- Looking at the real estate sector: not only as a guarantee but as an investment. The Dutch group ING has a subsidiary for Real Estate which bought recently a real estate property developer in Lyon for building offices and commercial centres. The French group Credit Agricole, under the brand "Square Habitat" has bought 480 real estate

agencies in 2005 that is nearly the same number of agencies as Real Estate companies.

## 4.2. Globalisation of financial markets and international competition

The concept of "globalisation" has a wide range of meanings, but in link with the employment and skills problematic, we should stress two main meanings:

- 1) the financial services are now more dependent from the global markets;
- 2) most firms are now global players, developing activities in a wide range of countries, growing by external growth and having an international strategy.

### 4.2.1. Financial services and global market

Description: in banking industry, for a long time the companies had secured the loans mainly by their customers bank deposits, and partly by inter-banks credits. Meanwhile insurers invest in the economy and in real estate sector in order to insure their risks. Now all the coverage is based on a large range of financial products depending on the stock exchange and financial global market. So every company realise benefices both by doing its job and by acting every and every minute on the global financial market.

It's a source of fragility for the whole sector.

#### *Example: the recent sub-primes crisis*

It's a way to follow the value and risk chain in a part of the industry: the business or market banking and in link with retail banking activity and credits. While the prices of real estate were increasing, building brokers and credit institutions, mainly in the USA, but also in Greta Britain and Spain, undertook to sell building credits with a high degree of risk. Firstly, because they were sold to high risk borrowers, secondly because they were guaranteed by "financial papers" out of the normal accounts of the companies. The crisis happened when people were not able to reimburse their loans.

The impact of such a crisis hits firstly credit institutions: some of them were near the failure (for example the English Northern Rock that was nationalised by the British Government,) or in urgent need of capital (such as Merril Lynch or JP Morgan Chase).

The consequences on the whole sector are very important and not yet known:

- The risk of failure for some large banks put them in situation to look quickly for increasing their capital, sometimes with the help of wealth sovereign funds or of foreign companies in emerging countries (the Chinese groups Ping An and China Life take opportunity of the weakness of American or European companies to enter their capital).
- This cyclical weakness could lead to a new concentration movement within the sector: mainly in countries where the consolidation of the sector is not realised, such as in Germany). Mergers and acquisitions could have negative effects on the employment volume.
- The activity of credit and loans in the banks will be reduced: such a limit is expected in the US, for individuals and companies, with a general recession. So the whole economy could be concerned with effects on employment in all the sectors.

Sub-primes crisis is not a new phenomena: experts count around 24 financial crisis since 1980. It will lead to reinforce the control process and the general regulations in the sector and in each companies with the development of a control middle office function (see chapter 5)

Any crisis of this volume before? The experts think this crisis is not more dangerous than the Asian banking system crisis in the 1990s.

The losers jobs with the sub-primes crisis will be: the traders, the credit and securities specialists such as " structurors" who design and make working new sophisticated financial products, the Hedge funds managers, the specialists for LBO (Leverage Buy Out). And the possible winners will be: the risk managers, the departments of "equity capital market", the "private financial advisers", and the employees in the function " control" in the companies.

What could be expected with this sub-primes crisis: certainly a demand for more control of global capital markets, rising risk awareness with higher interest rates, may be shrinking international capital flows. For all the sector experts, a higher concentration on banking and insurance markets with more and more global large players. But at the opposite, some experts are thinking that the better solution for financial services will be in the higher degree of specialisation and spilling up of the companies see *La nouvelle économie bancaire*, Hans Blommestein, Esther Jeffers and Gaël de Pontbriand, 2007).

#### 4.2.2. Financial services groups are now European and global players

For a long time, the growth and strategy of these groups were mainly national, cross-border mergers were rare. This is mainly due the fact that the financial sector was under a strong administrative national control and organised according to national legislation.

Today, experts notice that the whole banking and insurance industry in Great Britain, Benelux, France, Spain and the Nordic area are acting beyond its own administrative and national borders and are global players. This is the result of the long-lasting deregulation policy at national levels and at the European level. Deregulation means the enhanced possibilities for financial companies to enter all European markets and to buy all sorts of financial groups. More precisely it marked the end of some divided lines like the one between banking industry on one side and insurance industry on the other side. The separation between retail banking and business banking was also abolished, even if after the sub-primes crisis some experts asked for a new separation.

In some countries deregulation meant that new financial activities - like brokers - became legal, as in Sweden in 1990: there is now 800 brokers in 300 small companies.

It could be noticed that the Italian financial services and partly the German are the only ones which still have to undertake strategic changes, because in these two countries, the financial services sector remains still limited by strong national regulation and regional public authorities participation.

The following indicators show the new global play and its size: large financial companies have staff in all the world, such as:

- HSBC: 312 000 employees world-wide, 57 000 in Great Britain, 50 000 in the USA, 29 000 in Brasil, 28 000 in Hong Kong...
- UNICREDIT-HBV: 120 000 people world-wide, 38 000 in Italy, 27 000 in Poland, 25 000 in Germany, 15 500 in Turkey, 12 500 in Austria
- Société Générale: 120 000 people world-wide, 58 200 in France, 9700 in Czech Republic, 7 200 in Russia, 7 100 in Romania, 2100 in Asia and 3 000 in the USA.
- Credit Agricole Group: 157 000 employees world-wide, 116 000 in France, 7 600 in Italy, 7 000 in Greece, 5 300 in Poland , 3 300 in Ukraine
- BNP-PARIBAS: 155 000 people in the world, 63 000 in France, 20 300 in Italy, 10 400 in Ukraine, 6 400 in Great Britain, 14 500 in the USA

Source: Internationalisation in retail financial services. " New jobs, new skills, new organisations ", EBTFN (European Banking and Financial services Association for Training". Paris 15-16 November 2007.)

The following developments illustrate the new strategy: European financial groups are taking position in China, and China Funds are entering the capital of western groups, like other sovereign wealth funds of other parts of the world:

- In 2007, the Spanish group CAIXA bought the private banking activities of the American group Morgan Stanley, and has now subsidiaries in Poland and Romania, and took a share in The Bank of East Asia, an Asiatic group well organised in China.
- In November 2007, the Chinese group PING AN, the second on the Chinese market, became the first shareholder for the Belgian and Dutch group FORTIS. This fact has two important consequences: firstly, it proves that the Chinese groups are taking opportunity of the sub-primes crisis in order to enter on the western market; secondly, they seek strategic partnerships with European groups to develop innovations and new products for their own domestic market. But on the other hand FORTIS is well developed in Asia with Taiping Life.
- It is worth noting that the Chinese financial institutions, which manage wide domestic saving funds, have recently undertaken a new investment policy world wide.
- A recent working paper from Mc Kinsey pointed out that Asia is the third biggest player for financial services, aside USA and Europe, and its market share could increase from 20% of financial industry in 2005 to 25% in 2005, reaching 27% of the world-wide business. The market places of Singapore, Hong-Kong, and Shanghai are a very good basis for this growth. (Le Monde de l' Economie, 15.01.08).

An increased international competition could arise from this new play. This needs to be viewed against the background of the high profitability of the Anglo-Saxon banking and insurance system and the crisis of German banks and lately of the Japanese ones. The highest profitability is obtained in countries where there is an economic policy in favour of a large household debt. (Michel Aglietta, *Vingt ans de mutations*, in: *La guerre mondiale des banques - Le Cercle des Economistes*, 2007).

Competition could also come from non traditional providers for financial services, such as retailers, automotive companies, telecommunication companies, affinity associations. (Oliver Wyman Report: *State of financial services*, 2008). For example the Swedish company Volvo has a subsidiary for motor insurance.

A look at the American financial system reveals: the household debt is very high, the American banks have the highest level of capitalisation, which helps to make them strong. Some experts say that they face better conditions for the globalisation and liberalisation of markets. But when a financial crisis appears, or if American households become insolvent, the crisis could be systemic, concerning all the types of financial business. The "sub-primes" crisis has been forecasted by economists since 2005, through the analysis of the risk externalisation by the way of new sophisticated products, putting off the risks on other financial actors and even sometimes on households and particulars.

Some countries, like Germany, France or the countries from the Nordic area have an important "mutual" sector, which is also a global player with a cross-border strategy, but with more sustainable profitability indicators.

For employment patterns, internationalisation of financial services sector could have several consequences:

- The impact of the global crisis is more difficult to avoid and this crisis could lead to further restructuring with job cutting plans.
- The large size of companies could lead them to a more industrial organisation with standardised products, easy to be delivered and low level of skilled employees (we will examine this issue in the Chapter 6 about Scenarios and Forecasts;)
- The world-wide organisation of firms could lead them to relocate support functions and back office jobs
- The fact of being global players could weaken the links between financial groups acting as investors and the national industry (as for instance, a recent study from the German BDI - Employers representative at a national level-, pointed out that more

than 50% of the German DAX companies are now under non German control, Le Monde 19.12.07).

We now turn to giving an overview of the European rules and regulation for the financial services sector, and the consequences of the European single market.

### 4.3. European single market and rules

Since 1990, national controls have been abolished to a large extent and have been replaced by European regulations like Basel I and II. Central banks in each country and the ECB are independent bodies. The rules laid down in the so called Basel I and Basel II aim to ensure a liable relation between the capital and the volume of loans related to their risk degree. It has replaced the so called "ratio Cooke". Basel II encompasses a more economical approach: the level of risks will be calculated by the banks themselves as a result of their own risks evaluation. Some of the experts for the sector are now in favour of this new system because they are not such confident in their risk management internal system. But the new philosophy of Basel II is recent and, as for the new accounting rules IFRS, it is not possible to analyse the consequences of these new rules for the industry.

For the insurance sector, the directive "Solvency II" was set up in July 2007: it requires a more solid capital basis for the companies in order to assume risks and to encourage them to go to the stock exchange market in order to raise money.

The question of the diversity of ownership in the financial services sector is on the table for some experts and companies representatives. Among the main conclusions of a recent study conducted by Oliver Wyman, published at the Convention of the co-operative banks: "they should have been seen as a safe haven in the current times of turbulence and uncertainty, and as a customer champion". (2007 Report for EACB) That is an important issue for employment which is more protected in mutual sector than in private companies with higher requirements of profitability.

The European market (for the 27 EU Member States) is now open and in each State the barriers between the different sub-sectors were abolished.

CEBS is the European Committee for supervisors in the banking sector. It is a EC 's body, being responsible for the implementation of the Basel II rules. But " the vision of a single EU financial services market is being delayed by heterogeneous local market conditions, differences in tax incentives, consumer preferences". (Oliver Wyman Report, State of financial services sector -2008). That why a lot of companies try to have both a decentralised organisation suitable for each country rules and customer habits, and common industrial platforms for standardised activities.

CEIOPS is in charge of regulation and prudential rules for the insurance sector, it groups the EU 27 national control bodies and is now preparing the directive "Solvability II" for 2012 (named also Lamfussy process). In July 2007, a European directive on insurance was adopted. (For a survey: European Commission 's green Paper in Financial Services Policy 2005-2010).



## 4.4. Concentration in the financial services sector: Mergers and acquisitions

### 4.4.1. Competition versus "too big to fail"

The concentration process in the sector could have several reasons:

- The wish to enter new markets where an important growth can be expected. For example, in the New Member States West European companies are well established. Or for example at the large American market companies like the English HSBC or RBS (Royal Bank of Scotland), or the Dutch ABN-AMRO, or the French Axa are important players.
- Looking for scales economies: debates on this subject are going on among experts and they mostly conclude that there were no serious economic reason to become larger and larger except power and reputation: " The first driver for gigantic size is the struggle for power ", (Michel Aglietta, Pastré, de Boissieu in *La nouvelle économie bancaire*, Economica, 2006).
- In order to expand into one another's market, insurance groups, banks and securities firms are engaged into numerous mergers, allowing the merging companies to access each other's client base and geographical markets. In the USA, there have been plenty of mergers after 1994 as a result of the abolition of the Mac Fadden Act which, before, accepted banks to collect only in the State where they were registered after abolishing the Glass Steagle Act in 1999 which separated banking and insurance activities.
- Looking for wider markets to spread their risk efficiency, particularly in the insurance industry, are a further rationale for mergers. Cross selling of products means for the banks and the insurance groups to spread costs and risks across products and services. "Diversified risk spreading is positive" said Charlie Mc Creevy, the European Commissioner for Internal Market at the EBF diner, 24<sup>th</sup> September 2007.
- Mergers may be perceived as help for resolving a financial crisis: after the big bank crisis since 1997, the Japanese government encouraged mergers in order to increase the consolidation of the sector and a large number of secondary banks were shut. The government also reacted by creating a regulation body on the model of the English one.

### 4.4.2. Degree of consolidation in the different countries and groups of countries

Firstly, it must be noted that there are in Europe a wide range of financial institutions: for example, there are 7 196 different private banks (EBF, General statistics on the European banking sector as at 31.12.2006).

The degree of concentration of the market varies quite significantly across the different European countries. Some of the representatives of the sector underline that all kind of different credit institutions are useful for each type of customers. It could also be observed that decentralised countries, where the economic structure is decentralised too, implies a wide variety of institutions in the different regions of the country.

The Annual CEA Report for 2007 states that the highest degree of concentration (in insurance business) can be observed in the Baltic and Scandinavian countries. The explanation is that insurers need a portfolio of a minimal size in order to spread their risk efficiency: so smaller markets have high concentration ratios. Indeed, the largest financial markets (such as in Great Britain, Germany Spain and France) are less concentrated.

Medium-sized firms can be found in non life insurance, sometimes with "mono-liners" companies.

The top 20 insurance companies in Europe represented 52.5% of the market in 2005 (50% in 2004): the degree of consolidation in the insurance sector has slightly risen to a share of 75% of their income coming from Europe, followed by America (16%) and Asia (9%). So they are "European groups" with external growth on others continents.

As an example of high concentration in the insurance sector the case of Great Britain can be named, which is the most important country for financial services, and where 72% of the market are realised by the top 10 firms.

#### **4.4.3. Relations between the three sub-sectors: the reality of "Bank-Insurance-Finance"**

Ten years ago, the main trend was the so called "bancassurance": banks started to deliver insurance products through their numerous branches covering all parts of the countries, to set up new life-insurance products. And insurance companies started to invest in business banking activities. There has been willingness of banks to offer a larger range of saving products, to increase their assets under management and to diversify their income sources. Over the last decade, this trend has given birth to large financial conglomerates offering insurance as well as bank products. On the consumer side, the propensity to consult the bank for investing or saving money is very strong. The difference between insurance and bank products is not always obvious to the consumer, particularly between savings and life insurance products. Moreover, the wide variety of savings products offered by financial institutions and the central location of all financial services within a bank can be seen as an advantage by the customer.

Today, in the context of financial globalisation, the most part of financial groups are both banks and insurers, and players on the global stock exchange and financial market. The financial industry is more and more integrated, encompassing banks activities, insurance activities, assets and property management, securities enterprises and brokerage activities. We should examine if this new reality has consequences on skills and training at the different educational levels.

Mergers do have consequences on the employment volumes and structures: there are no global figures but so far every important merger has led to job cutting plans (e.g, 1800 jobs were cut when Crédit Agricole merged with Crédit Lyonnais; when HVB merged with UNICREDIT there were 1500 lay-off. But in the case of Crédit Agricole and Credit Lyonnais, at the same time, 1000 new sales related people were hired.

## **4.5. Technological changes**

### **4.5.1. Computer science and ICT (Information and Communication Technologies)**

Technology is having a major impact on the banking and insurance industry. Electronic transfer payments, debits cards, ATM (cash dispensers) have influenced on all the activities in the sector.

Meanwhile, more and more technical and high value-added activity including daily management are outsourced.

But it is worth noting that during the past ten years, the installation of automates and the IT process have been spreading on a faster path in banking than in the insurance sector, because of the presence of a high number of insurance intermediaries. Some experts state that the "new technologies were not applied in order to keep employment". (see interview with Mr Lobjeois)

Advancements in technology have also led to improvements in the ways in which the banks and the insurers process information. New developments are:

- Software package development
- IT process
- Network architectures
- Computer science security
- Design of data bases
- Management of customer relations

#### 4.5.2. ITC and customers habits

Firstly, it needs to be noted that the different national markets remains very specific for the retail banking because of the different law systems in each country, the different pension and health care systems which influence the market of life insurance and other insurance products, and also because of customers habits relating to the way of payment and financing. All the experts insist on this aspect.

Another characteristic is the “inertia” of the customers habits: experts explain that the absence of willingness for changing their banking address is twenty times more important than for all sorts of goods and services. (JP POLIN in: La guerre internationale des banques, 2007).

What is new is that insurance and banking companies have discovered that Internet could be a powerful tool to reach potential and existing customers. Not only to post company information but also to enable customers to access online to account and billing information. For the time being, direct Internet banking or insurance products distribution per Internet is well developed in Great Britain and in the Nordic area. Whether this trend will break through in other countries, will be a question for our forecast scenarios.

Online services are changing a great part of the activities and distribution channels for the financial products. A recent study conducted by Cap Gemini and Novamétrie forecasts that the European banks will deliver one third of their products by Internet till 2011.

The first period for Internet banking was not a success: Zee Bank or ING Direct, set up in 2000 did not work well. But today, Internet becomes a real distribution channel for all sorts of banks in a logic of multi - channel distribution, like the English and international group HSBC. This evolution has important consequences on skills needs. (see interview with Mr Desvignes , Human Resources Manager, ING Direct)

#### *Examples:*

ING Direct, Axabanque, Monabanq. Groupama creates in 2008 a direct channel for delivering insurance products, named AMAGUIZ.COM. It aims to have 100,000 clients within four years. This new channel will complete all the traditional ones. The new subsidiary will be economic in jobs and intermediation costs. ("low cost" said its director).

Among the main consequences of direct distribution for financial products we can disentangle the following:

- Distribution is the driving force for the development of the whole financial services industry
- Standardisation of financial products
- New problems of transparency and complete information for the customers
- Segmentation of services by customers groups with specific data bases
- Weak jobs creation

- Risks for the intermediaries (see interviews with Nic De Maesschalck, director for the BIPAR and Polish Association for brokers)
- Skills needs for people in order to be able to work through the different channels (Internet, call centres, and as tellers in branches).
- Design of branches. Note, that while online banking and the direct insurance are going on, new branches are opening everywhere in Europe and particularly in towns.

Will rising private assets not demand for more financial advice, delivered by banks or financial consultants? Yes but for a very little number of advisers.

#### 4.5.3. New tools for payment

- ATM are now well developed in Europe, and all sorts of automatic and dematerialised ways for payment, as Credit cards.
- The European new "SEPA": adopted in January 2008, the "Single Euro Payments Area" concerns the Euro zone and some added countries: Liechtenstein, Switzerland, Island and Norway. Thus, roughly 4,500 banks will now be able to use the same ways of payment as on a national market (bank transfers, cards....) within three open days of delay.
- Payment by mobile phone cards as in Estonia and Latvia, electronic pocket-money...

### 4.6. How financial products are delivered? The question of distribution

#### 4.6.1. Insurance agents or brokers

Organising the distribution through insurance agents and brokers is generally decreasing for life insurance, but the different countries have numerous traditions.

In life insurance the market share of insurance agents and brokers is in the EU countries lower than their market share in non-life. In the private lines for life insurance market, banks and bancassurance networks compete with professional agents and brokers.

In terms of market shares insurance agents and brokers represent currently in the great majority of EU markets over 50% of market shares in non-life insurance. Since the 90's alternative forms of insurance distribution such as Direct writers, banks and internet sales have been in strong competition with agents and brokers in the private lines insurance business.

In commercial lines business agents and brokers continue to have the major market shares.

Though few statistics exist on the precise market shares of the main distribution channels for insurance (namely direct sales by insurance companies, sales through agents and sales through brokers) the information available shows a great deal of variation across Member states .

There is a wide variation across countries in the number of intermediary firms present. For example, in Finland, there are just 70 brokers, while in the UK, there are some 10 000 authorised intermediaries. The number of intermediary firms does not appear to be related to the size and income level of the various countries. This is because, in some countries, there has been a longer tradition for intermediaries to provide services to customers than in other countries.

**Table 19** Market shares of the various insurance distribution channels in the EU  
in % - selected countries

	Insurance Intermediaries		Banks/Post Offices	Direct Insurance	Other
	Brokers	Agents			
Austria <sup>1)</sup>	35	13	5	43	4
Belgium <sup>2)</sup>	67	10	6	17	
Denmark	15		5	40	40
Estonia	50	10	10	30	
Finland	15	10	5	70	
France	18	35	9	3	35
Germany	20	67	5	1	7
Greece	18	70			12
Ireland	70	5		25	
Italy <sup>3)</sup>	93 <sup>4)</sup>		1	6	0
Lithuania	32				68
Luxembourg	10	70	3	6	11
Malta	40	20		30	10 <sup>5)</sup>
Netherlands	41		16	34	9
Poland	16	55			29
Portugal <sup>2)</sup>	17	58	11	11	3
Slovakia	53	6			41
Spain	16	43	38	3	
Sweden	55				45
UK	55	6	7	22	10

1) Austria banks can operate as broker or agent

2) 2004 data for Belgium and Portugal

3) Estimates

4) Broker and agents together

5) Tied agents

Source: BIPAR

The broad picture emerging of the intermediaries is of a sector populated by a large number of very small firms and a relatively limited number of larger or very larger broker firms.

For example:

- in Italy, there are a few big firms (100 to 1000 employees), and many small brokers (2 to 4 employees). The top ten brokers are estimated by AIBA (Italian Association of insurance brokers) to have a market share of about 40%.
- in Sweden, there are just three non-life firms with more than 50 employees. There are about 35 medium-sized firms (5-20 employees) and 550 small firms (1-4 employees), covering both life and non-life insurance.

With the insurance intermediary channel, the agent channel is the largest in countries such as France, Germany, Greece, Luxembourg, Portugal, and Spain while in countries such as Belgium, the Netherlands and the UK, brokers are by far the largest non-life distribution channel.

#### 4.6.2. Product delivery by the insurance companies themselves

Insurance companies deliver directly their products with a market share of 43% in Austria, 40% in Denmark, 70 % in Finland.

#### 4.6.3. Product delivery by bank branches

It is in the Netherlands where the share of products delivered by banks and post offices are the most important ( 16%). In Portugal and Estonia this share is of 11% and 10%. But this share is generally increasing.

## 5. WORK ORGANISATION AND EMERGING COMPETENCES (STEP 5)

Behind the low evolution of the total employment volume in the sector, there are a lot of changes in the structure of occupational profiles, new skills needs with requirements for a higher level of formal education and new competences required to do the jobs, due by a customer oriented organisation of work.

We could describe six main functions in financial services sector, with skills needs and new emerging competences for the occupational profiles in each function.

But firstly, we must repeat that in all the sector all the functions are becoming "customer oriented", even for the IT jobs (except for some jobs in "logistic" and support functions), so the usual distinction between front office jobs and back office jobs is working less well now.

### 5.1. The six main functions

#### 5.1.1. Administrative back office

For the insurance industry, the back office function is very large: it concerns all management operations for underwriting contracts and policies, answer to claims, damages resolution and liquidation.

For the banking industry it concerns all sorts of information treatments which are now all under the presence and control of IT.

Over the past ten years, the employment in financial services sector has remained very stable but there were two big changes in the workforce structure:

- a) the proportion between commercial and sales related jobs and back office administrative jobs has changed. We see with the European Tables (Chapter "Mapping") that, particularly in the EU15 the share of clerks in the total employment of the sector had decreased while the shares of professionals increase. The differences between the countries are important about this regard, as can be illustrated by the following example: in Sweden, in 1998, 80% of the jobs were sales related ones, while in France only 40% were.
- b) the proportion between middle skilled employees and high skilled employees has also changed as we can see with the tables about "level of education". For instance, the Banking Industry French Observatory notes that the share of technicians decreased from 72.1% in 1996 to 58.9% in 2006, while the shares of "cadres" (A high level and five years of academic studies or equivalent by internal training and promotion) increased from 27.9% in 1996 to 41.1% in 2006.

Today, three main trends in work organisation of the administrative jobs can be observed:

- If there is no contact with the "insured" or the bank customer, the work could be done wherever in the world, with big platforms of administrative treatments (e.g., in France, 63% of the insurance claims are resolved without a physical contact. Mr Lobjeois interview). So the tasks could be realised in foreign relocated call centres or administrative centres (if it possible from the point of view of languages). The main drivers are productivity and work costs.
- If there is a contact between the insured or customer and the company's employee about the claim or the file, the schedule for reimbursement, the search for concrete solutions or new services, the job requires more finance and business knowledge and more relational competences. It is a proximity back office job. In the insurance sector,

M. Ferec, HR Manager for Generali, insists on the fact that the administrative employees of the traditional back office are now in contact with the client who wants to flow his file and the quality of service is depending upon him.

- Administrative and support activities, that are not in the heart of the business, such as archives, reprography, editing..., have been externalised for a long time.

For the banking industry, the back office jobs are less important because now a lot of administrative tasks are realised just in time during the contact with the customer. It becomes an administrative front office.

It can be said that that industrialisation of data and information management has been developed while the customer relation became more and more personal.

In the two cases, in the insurance and banking industries the jobs require a wide range of knowledge about the different products, the rules, the solutions, as well as a real cleverness about ICT daily use in order to provide solutions to the customer just in time.

In almost all the European countries, there are no more "sheltered jobs" being never in relation with the customer. In the study " Structural change in the financial services sector and consequences on employment and training" (Bernard Brunhes Consultants, 1998), we noted that the volume of back office jobs remained very important in countries such as Greece, Austria, Spain, France, Ireland and Italy, while these jobs were cut out in ND and GB, and the Nordic countries. But the decrease of the group of " clerks" for these countries shows that it's no more the case.

As for the NEM, the tables show that they have adopted directly a work organisation customer oriented and based on young professionals with a high level of formal education.

Some of the occupational profiles within this function are:

- Administrative agents
- Administrative and banking technicians
- Credit technicians
- Claims technicians
- Accountants

### *Examples:*

The British companies were the first in Europe to undertake a wide relocation. In 2004, the British insurance group AVIVA (operating in UK under the name of Norwich Union) decided to relocate 2500 jobs in India: 500 in call-centres, and 2000 for administrative back office and computer science department.

The French group AXA recently decided not to relocate but to create 1,500 jobs in Morocco, in order to manage a new contract with an automotive group. The chief executive officer insists on the fact that meanwhile new jobs will be created in France (Le Monde, 13.03.07) needing the same skills. The reason is to not lose skills in their native country.

In 2003, the HSBC banking group had relocated 4 000 jobs (it employed 55 000 people in GB) in India, Malaysia and China.

### **5.1.2. New middle office for financial operations**

Traditionally, in this sector, a difference was made between back office activities and front office ones, which means a face to face relation with customers (individuals or enterprises, associations or local authorities). But today, many employment experts note that a new

function has appeared recently, which was put under the lights with traders affairs: and the heart of this new function is control, with back offices not only managing all the financial operations, but with back offices for the hard financial operations. This new function need experts and specialist with a high level education. The new European rules and the recent financial crisis have led to a reinforcement of this function, even it won't be a very large function in number of jobs.

Beyond control, needs for market analysis, risk analysis and risk management, property management, assets management, experts for local finances, actuaries in insurance business are also growing...

Property management and enterprises relations are carried out by staff with high level of education (in general tertiary education and higher tertiary education (A-level + 5 years of studies or vocational training).

Among the jobs encompassed in this new function:

- market specialists
- risk analysers
- risk managers
- actuaries
- project managers

Of course all these middle office jobs require high level of education and graduates, often coming from financial business schools.

### 5.1.3. Front office, marketing and sales related function

All these tasks represent an increasingly important function in companies. As for example, the recent Report of the French Insurance Federation (FFSA) noted that 60 per cent of the people working in the insurance industry are now marketing or sales men and women.

Some of the job profiles within this function are:

- Tellers
- Marketing men and women (technician or tertiary education (A-level + 5 years of VET)
- Salesmen and women
- Loan client counsellors
- Securities, commodities sellers
- Marketing and sales managers

But a distinction must be made between marketing function which means the design of new products, communication campaigns and selling function which require middle skilled profiles with wide relational competencies. The human resources managers insist on the fact that the level for these jobs must not be very high. " People must be more active, selling all sorts of products. It's not a question of high qualification level, but a question of wider competences". (Sweden, M.Nohberg, BAO, Swedish Banks Federation).

The same remark is made by the representatives of intermediaries sector. The Polish Intermediaries Association (Member of BIPAR) said that " the level of formal education is not crucial" (See Interview)

It could be noticed that "sales related jobs" are often the first jobs proposed to young graduates (A-level +2 years of VET, A-level+3 years of VET). As long carriers are proposed in the financial services sector (internal labour market is the rule in large companies), these young people could change to marketing jobs (design of new products and new ways for delivering them), with more added value or to middle office jobs.



But a major part of Human Resource Managers of the sector remark that with the demographic shock and competition for employees it becomes more and more difficult to attract young graduates in this selling function. Behaviour competences are very appreciated and these jobs cannot be held by older employees being in the companies for a long time.

The scenarios need to explore different ways for the design of this "sales related function", advice oriented with a qualitative approach or hard selling oriented with an industrial approach. The consequences for skills needs are very important: for example when companies look for hiring people in the mass distribution, it is a choice regarding to this alternative. "For customer advisers, we are looking for job profiles coming out from the mass distribution and travel agencies", declared recently the head of human resource of the French bank Credit du Nord. (Le Monde, 11.09.07).

As in a lot of industrial sectors, the challenge is now for financial services to be both a mass marketing sector and a sector with a high level of customer relations and services.

#### 5.1.4. Research and development function

This represents a new function for the financial service sector, built on the pattern of R&D departments in industrial companies. It encompasses economists (in general the department is directed by a high level well known economist, with a "chief economist" having worked in International Institutions for example), mathematicians, actuaries, market and finance experts sometimes coming from the audit and consulting sector, computer sciences profiles because new developments are closely linked with ICT models.

In every big company there is now a R&D director. But one of the problems in the sector is that there is no particular protection for innovation and new products (such as "patents").

##### *Example of "clusters": the French "Pôle de compétitivité": "Finance Innovation"*

This cluster was created in 2005 with the target to increase the French part in the financial market from 11% of the European market to 20% within 10 years and to increase the employment in these R and D function. In the heart of this cluster, located in the capital region (Ile de France Region), we could find Paris Europlace which has developed Creditnext, an independent platform for "derived products": the researches are about risk management with new tools for financial forecasts, financial mathematics, rules...

40 programs are carried out with around 40 million Euro. The cluster aims at developing the market management skills in the high qualified jobs segment; it wants to develop the French mathematics tradition, challenging the London financial place.

One of the research program concerns the "carbon finance" for managing the CO2 emissions; another is about climate indicators in order to develop environmental risks management and new insurance policies by engaging in a partnership with Meteo-France.

The cluster is linked to Universities and business schools in Paris as well as to the R & D departments in the main financial services groups (in France, about 700,000 persons are employed in the financial services).

#### 5.1.5. Computer science and ICT function

This function is at the very heart of the business because new products are always linked to ICT for their delivery and also for guaranteeing their place at the global world market of financial products. ICT represents the basis for financial operations: buying and selling on

the stock exchange markets, on the exchange rates markets and on the primary materials markets. The tables (chapter 3) show that the share of this function is larger than in the others sectors of the economy, as well in the EU15 as in the NM 10.

It encompasses:

- Studies
- Design and management of data systems (like information system architect)
- Daily operating (exploitation) software packages management
- Network architectures
- Project engineers
- ICT safety
- CRM: customer relation management
- Management of customers data

Two main trends can be observed about the development of this function and the jobs within it:

- To develop the skills within the companies (for more safety and discretion regarding the different process and products)
- or to externalise them with big companies of ITC suppliers (Cap Gemini, Ernst and Young, Pick Marwick...).

The choice is not only a question of costs but also a question of skills and careers: a computer science man must have up to date competencies, which could be more difficult in a bank or in an insurance company than in an ITC company.

The number of jobs in this function (within and outside the financial services companies) will be increasing and it can be a function with possible shortages. (see the scenarios)

### 5.1.6. Management function

The function is present in top management, in support services, in branches and local offices management, it represent a share of the total employment in the sector larger than in the total economy.

Managers at the different levels are generally financial services specialists, hiring first for specific jobs as actuaries for example, or credit specialists. There are not a lot of top managers coming from other sectors. The internal labour market is working in this sector.

One the main challenges is now for the companies to set up internationalisation of their management.

The consequences about new requirements for training - formal education as well as first professional education (apprenticeship or other types of contracts) and life long training will be described in Chapter 7 with examples of companies policies and training institutions.

## 5.2. Trends of change for employment for these functions

(The Tender tables will be filled after all the interviews)

## 6. IDENTIFICATION OF THE MAIN DRIVERS OF CHANGE AND HYPOTHESIS FOR THE SCENARIOS

(this chapter will be developed after a scenario workshop with the research teams and experts for the sector , 24<sup>th</sup> and 25<sup>th</sup> June 2008)

### 6.1. Identification of the main drivers for building scenarios

Among the different trends of change ongoing in the financial services sector, we must identify what are the main real drivers:

- the economic drivers: market growth, needs of population and customers, international competition for market shares, risks due to the global financial system (the so called systemic risk)
- the technological drivers: development of ICT in link with the multi-channels distribution and direct management by the client (with Internet)
- the demographic change of the population: ageing and new needs, longevity in link with pension funds and welfare state benefits. Demographic change in the total population can be taken as a driver: what will be for example the consequences of a large decrease of population in the NM (a decrease of 15 percentage points is expected for some experts to 2050 )
- the institutional rules: the European single market and evolution of national rules, prudential rules for insurance and banking industry, national rules (car security, life insurance, healthcare systems...)

### 6.2. Three possible scenarios for the next seven years must be discussed (first indications)

#### *SCENARIO ONE: SPECIALISED FINANCIAL SERVICES AND ADVISERS*

- new markets, catch up in Eastern Europe, new innovative products
- a small but continuous growth rate
- more services and development of customer relations
- "financial advise sector" with more added value services
- development of branches and local offices, spreading in all parts of the countries
- more high skilled jobs
- development for innovative brokers and advisers

#### *SCENARIO TWO: MASS DISTRIBUTION OF FINANCIAL PRODUCTS*

- new markets, news products with a dualisation of the market: on one hand, a few high level financial services and on the other hand, a wide development for mass distribution of simple products
- a small growth rate
- standardisation of products
- multi-channels distribution
- hard selling based on call centres
- industrial and low cost large plat-forms for administrative work and IT operations
- less volume of jobs
- medium skilled jobs for a sort of "new taylorism" of work organisation
- risks for the intermediaries (because of direct selling and direct management by the customer)

*SCENARIO 3: THE BIG CRASH*

- the big "crash" in the financial world wide system
- failures for a lot of companies
- mergers and acquisitions within the sector or by sovereign wealth funds, or by new competitors (retailers, automotive companies...)
- high degree of consolidation for the whole sector
- risks for savings banks and co-operative banks (a big crisis require more and more capital)
- decrease of the employment volume in all the European countries

**6.3. Other forecasts***CEDEFOP:*

The " Future needs in Europe, Medium term forecasts" (2008) expected a flat situation for financial services sector till 2015 with no growth for this period:

- 1996: 5 743 000 people - 3% of total employment
- 2006: 6 014 000 people - 2.9% of total employment (+ 3%)
- 2015: 6 032 000 people - 2.7% of total employment (+0%)

For the same periods, the increase of employment was a 4.1 percentage point from 1996 to 2006 and will be a 2.7 percentage point from 2006 to 2015.

*USA:*

In the USA, according to the " Career guide to industries" (Bureau of Labour Statistics), the banking sector will increase by 4% (while 11% is expected for all the industries) and the insurance sector (including brokerage and insurance self employed experts) will increase of 7.4% for the next five years.

Decreases of employment could be expected in the banking industry from 2006 to 2016 for:

back office jobs and all sorts of administrative support jobs,

- for general management and corporate jobs,
- for credit analysts (because of the development of credit scoring)
- for data entry keyers

And increases for:

- financial analysis
- personal financial advisers
- computer specialists
- tellers

Decreases of employment could be expected in the insurance sector from 2006 to 2016 for:

- computer programmers
- file clerks
- data entry keyers

and increases for:

- computer system analysis
- insurance sales agents
- customer service representatives.
- financial analysts

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