

Box Article

Futureproofing the financial sector workforce

Introduction

A competent and highly skilled workforce is critical for the financial system to function effectively. Over the past decade, the size of Malaysia's financial sector¹ workforce grew by 16% (2020: 166,360), driven by a larger proportion of higher skilled workers. Employment conditions in the sector remained resilient amid challenging times throughout the pandemic. The financial sector has continued to be a net creator of jobs, led by the banking sector. Net jobs gained after layoffs and discharges remained robust, averaging above 4,000 jobs per year over the past three years².

As the financial sector continues to evolve, jobs and skills will transform in tandem. The next stage of Malaysia's financial development journey will require a more adaptive workforce that is agile and equipped with skillsets of the future to effectively perform their role.



¹ Unless otherwise specified, "financial sector" in this box article comprises banking institutions (includes development financial institutions), insurers and takaful operators.

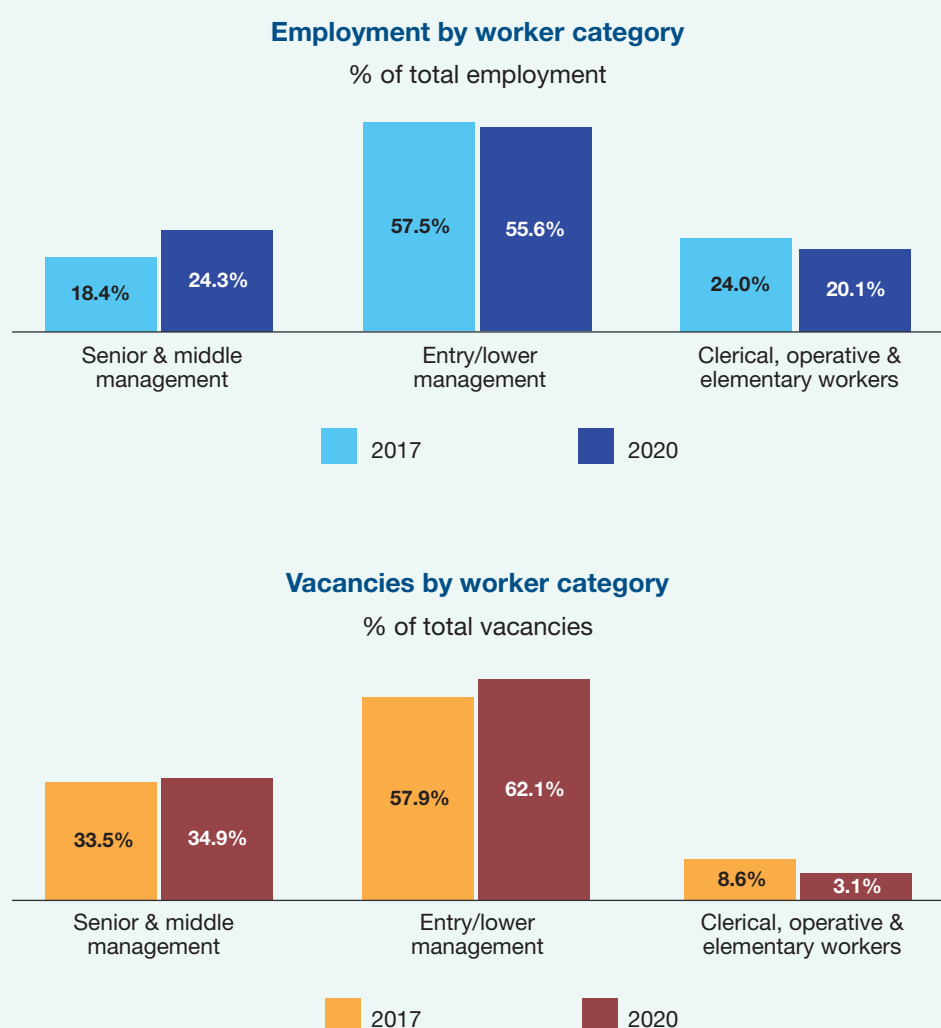
² Data on net jobs gained after layoffs and discharges is collected from 2016 onwards through the Bank's Labour Market Statistics Survey for Financial Services.

Key trends and developments shaping the future workforce

Continued demand and job opportunities for higher skilled talent

The financial sector continues to observe healthy demand for senior and middle management level talent³ (Chart 1). Job vacancies for senior, middle and entry/lower-level management⁴ increased over the last few years, indicating that job opportunities in these categories remain healthy amidst sizeable unmet demand. In contrast, demand for lower skilled and routine-based roles in the financial sector weakened – the proportion of job vacancies for clerical, operative and elementary⁵ workers over total vacancies fell by 5.5%, alongside a decline in the proportion of employment for this segment.

Chart 1:
Employment and job vacancies by worker category in the financial sector (2017-2020)



Note: Figures may not necessarily add up due to rounding
Source: Bank Negara Malaysia

³ Equivalent to managers and professionals categorised as Major Group 1 and Major Group 2 respectively under the Malaysia Standard Classification of Occupations (MASCO) 2020.

⁴ Equivalent to technicians and associate professionals categorised as Major Group 3 under MASCO 2020.

⁵ Categorized as Major Group 4 and 9 under MASCO 2020. Primarily performs simple, routine and non-systematic tasks, such as compilation and maintenance of financial transaction records and other information of business activities as well as general and miscellaneous functions.

Growing need for a workforce with strong digital skills and acumen

As Malaysia's digital economy continues to expand, we expect to see an acceleration of digital transformation in the financial sector. This reinforces the need for talent who are able to learn, apply, and deploy emerging business models as well as new technologies. It also demands a workforce that is more digitally savvy as a whole – with the ability to innovate and integrate business concepts with technology and data (see Diagram 1 for further details). Globally, there is an urgent need to fill in the digital skills gap for readily available talent, with skills shortage in local labour markets perceived as the largest barrier for organisations to harness the growth potential from new technologies⁶.

The future of work and skills required is multifaceted

The transformation of work in the financial sector will be felt across various dimensions. The most significant transformation will be in terms of how we work, skills, and people management. Flexible work arrangements and acceptance of part-time or gig workers into the workforce is anticipated to be more widely adopted, enabled through greater use of data, strengthened cyber resilience and governance arrangements. Automation of routine-based tasks will see existing jobs evolve to require higher levels of human creativity, judgement, and interpersonal skills. For instance, with greater adoption of AI, individuals staffing call centres will take on an added level of complexity in their roles that requires them to contextualise, apply empathy, and exercise judgement in assisting consumers to solve problems.

Emerging consumer and business priorities continuously reshape what it takes to remain effective in job roles

Financial services providers with innovative product designs and personalised financial solutions that cater to the needs of discerning consumers will have a competitive edge. This however will require talent equipped with up-to-date knowledge of consumer or business-specific needs, that would enable financial institutions to innovate and capitalise on these opportunities. It will also be important for the workforce to keep abreast with emerging developments and priorities – such as SDGs, climate risks, value-based finance and social finance – to continuously deliver value to consumers.

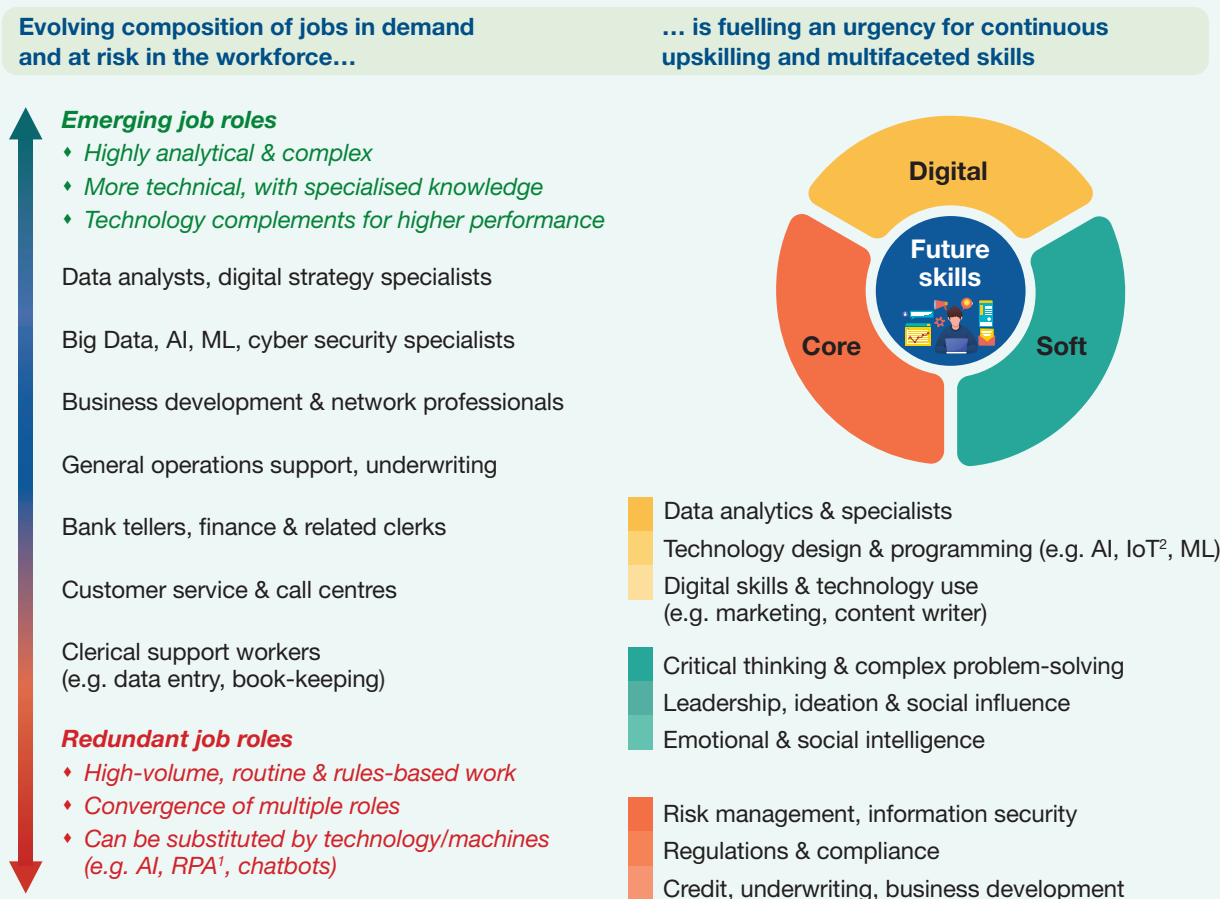
Shorter shelf-life of skills demands constant reskilling and upskilling

With various forces of change at play going into the future, the ability to quickly adapt to the new operating environment will be critical. Financial sector talent must continuously learn new skills to remain relevant and be ready to grasp new opportunities. This needs to be supported by access to comprehensive upskilling and learning infrastructures made available for the workforce, both at an industry-wide and organisation level.

⁶ This finding is consistent across 20 of the 26 advanced and developing economies (including Malaysia) surveyed in *The Future of Jobs Report 2020* by the World Economic Forum.

Collectively, these trends are expected to drive the evolution of jobs and skills – both in terms of jobs creation and jobs at risk of displacement. Certain capabilities and skillsets will become more pronounced, while certain roles will be re-engineered to complement business transformation (Diagram 1).

Diagram 1:
Anticipated evolution of jobs and skills of the financial sector workforce



¹ Robotic process automation (RPA)

² Internet of Things (IoT)

Source: World Economic Forum, Bank Negara Malaysia

Preparing the workforce for the future: priorities moving forward

As we move ahead, financial institutions must intensify the focus on their people. The challenge faced by financial institutions to upskill and reskill their workforce is significant – for most institutions, bridging the skills gap is a challenge that cannot be solved alone. A dynamic and sustainable talent ecosystem is thus crucial to continuously enhance talent capabilities and support the transition of the financial sector workforce.

This is an area where we see a continued need for the industry to come together to take collective action. Over the last decade, notable progress was made to raise the professionalism of the workforce and strengthen institutional infrastructures for talent development. Enhancements to the quality and diversity of training programmes facilitated upskilling – a greater proportion of the workforce today is equipped with accredited professional certifications from a wide range of programmes covering leadership development, ethics modules, and specialised certification tracks in key functions. Importantly, Malaysia also continues to be globally recognised as a leader in Islamic finance talent development.

Going forward, strong industry-led initiatives to further develop the talent ecosystem will remain crucial to effectively prepare the workforce for the future. We envision this outcome to be holistically driven by various stakeholders and leaders in the financial sector – industry associations, FSPs, training providers, professional bodies, institutions of higher learning, and union groups all play important roles to identify key skills needs and training gaps for the workforce.

To this end, two key priorities that will pave the way towards a more dynamic and sustainable industry-led talent ecosystem – including for Islamic finance talent – will be pursued in the immediate horizon.

First, develop and implement a Future Skills Framework for the financial sector

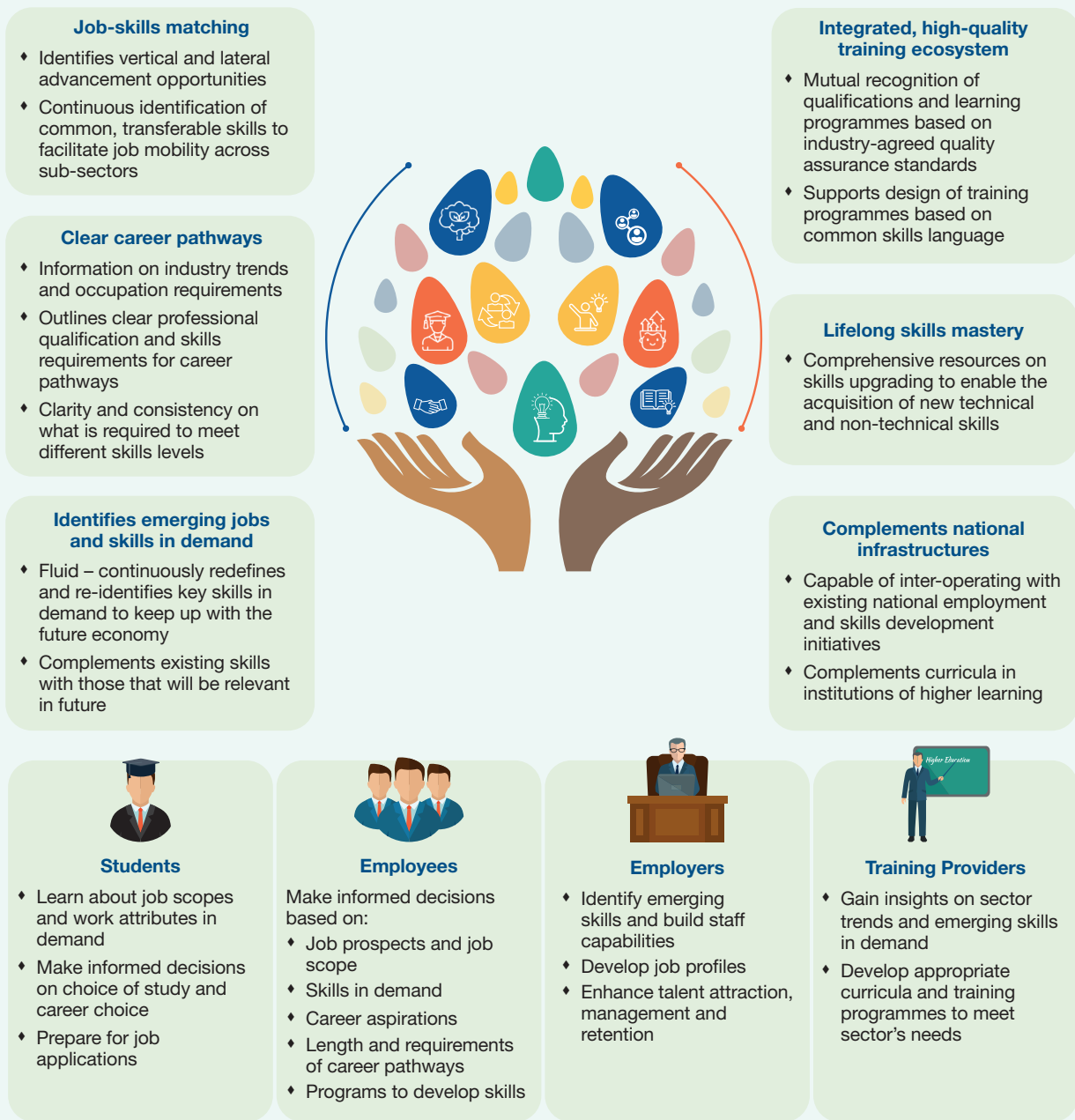
Given the multifaceted skills needs of financial services, a primary focus for the sector will be to establish an industry-led framework that identifies skills required, job expectations as well as career development pathways for individuals currently working in or aspiring to work in financial services. Over the long-term, this is envisioned to support several key outcomes for the financial services workforce – it identifies roles with an acute skills shortage, matches skills to jobs available, facilitates talent mobility across different roles, enables training providers to respond to training needs, and supports individuals to chart their own professional development paths. To complement this, continuous efforts to raise the professionalism of the workforce through higher standards of professional programmes and qualifications for various career pathways – from risk specialists to loss adjusters – will also be important. The framework should be designed to benefit multiple stakeholders across the financial sector talent ecosystem, enabling each actor to make better informed decisions and play its role effectively (Diagram 2).

Early job impact identification and mitigation plans are important to enable recalibration of the workforce towards new roles – and something we expect all financial institutions to drive. Nonetheless, we recognise that some job losses may be inevitable. A whole-of-industry approach is thus important to ensure appropriate supporting mechanisms are in place to minimise the impact of job displacement on livelihoods and support an orderly transition of the affected workforce to jobs in other organisations or economic sectors. Such support may include, among others, appropriate compensation, financial support to reskill and outplacement assistance.

The impact of new business models and technological advancement on the evolution of jobs and skills is ubiquitous – its effects will be felt not only by the financial services sector, but Malaysia's workforce as a whole. A coordinated effort to reduce fragmentation and advance the implementation of a holistic future skills framework for Malaysia at a national level would complement the Financial Sector Skills Framework to unlock greater benefits and synergies in cross-sector talent mobility.



Diagram 2:
Envisioned outcomes and benefits of a Future Skills Framework for the financial sector



Second, align existing requirements on training and development applicable to financial institutions

We will undertake a holistic review of requirements on staff training and development applicable to financial institutions, with a view to uplift the Staff Training Expenditure (STE) policy in 2022 and Staff Training Fund (STF) policy by end-2026. We will also engage with the financial industry to explore opportunities for more effective coordination, synergies, and collaboration across the financial sector talent ecosystem – particularly where it will serve to deepen the talent pool for the financial industry and encourage talent growth and mobility.