

The Strategy for the Financial Services Industry in Scotland

Fifth Annual Report
April 2009 - March 2010

The Financial Services Advisory Board (FiSAB) is the custodian and advocate of the *Strategy for the Financial Services Industry in Scotland*.

The Financial Services Advisory Board (FiSAB), the pioneering collaboration between the financial services industry, trade unions, the Scottish Government (SG), Scottish Enterprise (SE) and Universities Scotland, is the custodian and advocate of the *Strategy for the Financial Services Industry in Scotland* (the *Strategy*).

In leading the development of the *Strategy* in 2003, the Financial Services Strategy Group (FSSG), comprising industry leaders, trade unions, government and the wider public sector, formed a unique and equal partnership to define the environment which would ensure that Scotland remains home to an innovative, competitive and thriving financial services industry. The *Strategy*, launched in March 2005, was a culmination of this work.

FiSAB is supported by the Financial Services Implementation Group (FiSIG) which delivers the *Strategy*.

Strategy Annual Reports have been published since 2006 and provide a summary of achievements in delivering *Strategy* objectives, comparative data on the progress made by the industry in Scotland and an outline of plans for future years. These reports also proved a successful platform to publicise not only the *Strategy*, but also Scotland's position as a leading financial services centre.

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Ministerial Foreword – First Minister of Scotland



Scotland: Harnessing long-held strengths to meet the global competitiveness challenge

Having experienced more than two years of disorder in financial markets and economies around the world, it may seem premature to take an optimistic view of future opportunities. But that is exactly what we need to do.

While we cannot fail to recognise the scale of the long-term challenges we face, the activities that the financial services industry undertakes have vital implications for the economy. The industry plays a key role in providing access to finance for both firms and households, improving confidence in the general economy, attracting skilled migrants and Scotland's reputation, competitiveness and attractiveness as a destination to invest and do business.

As this report demonstrates, over the past decade the financial services industry has grown strongly and has been an important contributor to the overall performance of the Scottish economy. While it's now clear that the very strong growth in the banking sector globally over the past two decades was unsustainable, the success of our major banks never gave the complete picture of the range and depth of the Scottish financial services industry.

Scotland's financial services industry remains in a strong position. Even through recent hard times major parts of the sector continued to grow. Scotland is a renowned centre of excellence in investment management with total assets under management estimated at around £650bn. And Scotland has been established as a centre of excellence in asset servicing for close to 30 years. Our general insurance, life assurance and pensions sector has a strong reputation with Scotland accounting for 24% of total employment in life and pensions in Great Britain.

Within the global economy, change is taking place to correct the large imbalances that were present when the recession began. In this dynamic environment, the steps we are taking now will play to Scotland's long-term strengths. Greater alignment and a more responsive public sector will help us focus on key opportunities and Scotland's comparative advantages. A key element in this is partnership working with key stakeholders, and the collaborative effort of the FiSAB partnership in delivering the *Strategy for the Financial Services Industry in Scotland* exemplifies this. The Finance Sector Jobs Taskforce has succeeded in no small part because it managed to deliver a unified public sector response to job losses in the industry, gaining trust and co-operation from industry partners. The new Financial Services Skills Gateway is another initiative built upon public and private partnership working. And both of these initiatives are fixed firmly within the FiSAB structure.

Strengthening our competitive advantages is the only way the Scottish economy will prosper in what is likely to be a period of substantial change as the global economy moves through economic recovery. We need to create the right investment structures to productively use the new wealth from emerging economies, such as China. And there are real opportunities in the development of new financial instruments that harness resources from emerging economies, to promote sustainable economic growth and reliable returns for the investor. And Scotland, with its expertise in financial services and its abundance of renewable energy just waiting to be exploited, is the perfect location for this development to take place.

In this, the fifth year of the pioneering *Strategy for the Financial Services Industry in Scotland*, we continue to face serious challenges as well as opportunities. I remain convinced that the continued commitment of the FiSAB partnership is exactly the right approach to ensure the future success and growth of Scotland's financial services industry and economy.

A handwritten signature in black ink, which appears to read 'Alex Salmond'.

Rt Hon Alex Salmond MSP, First Minister of Scotland

Industry Foreword – Mark Tennant



The year began in a state of continued volatility for the industry worldwide and ended on a considerably more stable note, but with many regulatory issues still to be determined.

In Scotland, we saw headlines predicting tens of thousands of job losses. Thankfully, those predictions were wrong. Instead we saw posts go in some areas, but new jobs arriving in others. But the situation remains challenging for financial services around the world and we must continue to work hard to maintain and, if we can, enhance Scotland's standing as an international financial centre.

FiSAB kept in close contact on this issue throughout the year, but we also made some key decisions on our future activity. I was particularly pleased that we reached agreement on three new issues – IT infrastructure; Asia; and microfinance.

On IT, in order to remain internationally competitive we need to ensure we have access to high speed broadband. The ability to transfer information fast is critical to our industry. FiSAB acknowledged this and agreed that one of our 2010 projects would be an examination of current capacity in Scotland, and consideration of our future requirements.

We also agreed that Asia had to rise to the very top of our priority list for overseas promotion – growth in China and Korea, for example, is already far outpacing that of north America and Europe. FiSAB was the perfect place to discuss how our industry and government can collaborate and work together in our approach to this challenge.

FiSAB also addressed the issue of improving access to banking services for people in Scotland who have very modest incomes and don't have bank accounts. We agreed to take this issue forward in 2010 and get involved in a specific project. Preparatory work is now underway.

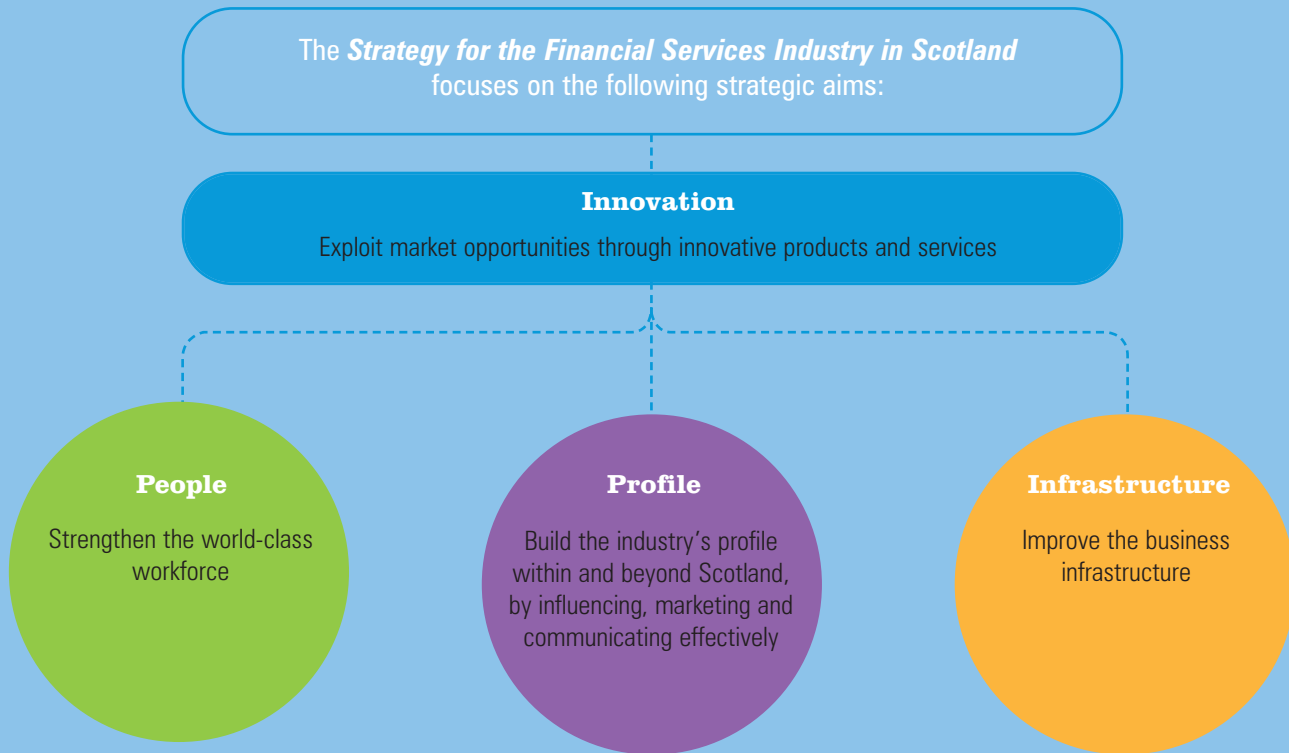
These are just three practical examples of where FiSAB can make a difference – this report shows many more. I look forward to playing my part in helping to deliver them.



Mark Tennant, FiSAB Industry Deputy Chair
(and Chairman, Scottish Financial Enterprise and Senior Advisor, Investor Client Management, JP Morgan Securities Ltd)

The *Strategy for the Financial Services Industry in Scotland* aims to deliver the vision of:

An innovative, competitive and thriving international financial services industry in Scotland, underpinned by world-class infrastructure and universally recognised as a leader on the global stage.



Effective partnership working across the public and private sectors has delivered progress across all areas.

Executive Summary

The *Strategy for the Financial Services Industry in Scotland* aims to define the environment which will ensure Scotland maintains its position as home to an innovative, competitive and thriving financial services industry.

This aim is delivered across many policy areas and by a diverse range of groups, companies and organisations, many of whom are not directly connected to the financial services industry. For example, our teachers, transport and communication professionals as well as supply chain companies all contribute to ensuring Scotland is a prime location in which to do business.

The FiSAB partnership ensures that these activities provide the most conducive environment to sustain the financial services industry.

Work is focused on three *Strategy* pillars:

- › **People:** strengthening Scotland's world-class workforce
- › **Profile:** enhancing Scotland's image and profile as a preferred location for financial services investment
- › **Infrastructure:** ensuring a fully conducive and supportive business environment

This fifth Annual Report reviews key activities which FiSAB and its delivery partners* have implemented in the last year. It also outlines a broader range of work currently underway across Scotland to support the *Strategy* pillars.

In light of the recent unstable financial environment, this year's activity has focused on **creating stability in the short-term, and planning for the longer-term aspirations of the industry**. This report provides details on specific initiatives put in place to achieve this, while setting out current activity and future thinking on a number of other strategic issues.

*FiSAB's delivery partners are the Scottish Government (SG), Scottish Enterprise (SE), Scottish Development International (SDI), Skills Development Scotland (SDS), Scottish Financial Enterprise (SFE) and the Financial Services Skills Council (FSSC).

People: Current Status

Key aims:

- › to strengthen Scotland's world-class workforce through labour market and skills development
- › to raise the appeal of the financial services industry as a career choice
- › to ensure delivery of financial education in schools and beyond

People have always been the financial service industry's most valuable resource, and this continues to be one of FiSAB's main focuses. Skills and labour market initiatives are crucial in enabling the industry to respond flexibly and positively to prevailing economic and business conditions. To meet this challenge, FiSAB partners are ensuring that Scotland offers a labour market which supports the financial services industry – now and in the future – by meeting skills requirements across all sectors. A number of key initiatives are underway to support this.

To assist companies and employees affected by the financial crisis, the **Finance Sector Jobs Taskforce** was established to help mitigate job losses and retain financial services talent in Scotland. At the same time, the **Financial Services Skills Gateway initiative** was established to help the industry respond positively to economic upturn. This initiative is led by a collaborative group comprising industry, SDS and the FSSC. Following broad consultation, a governance framework has now firmly embedded the Gateway within the FiSAB structure. Through a single executive level employer council, the industry will agree their skills needs and provide direction to both the FSSC and skills providers in Scotland.

The Scottish Government's skill support package, **ScotAction**, has created 460 new Modern Apprenticeships for Scotland's financial and business services sector, backed by £549,000 of funding. Work to deliver information and education to people of all ages to help them make informed choices on managing their finances is being supported by the **Financial Education Partnership**, which delivers workshops in schools on financial capability, employability and careers, and the **Scottish Centre for Financial Education** which supports the delivery of financial education in schools.

There has been direct engagement between industry HR professionals and the **FiSIG Access Talent Delivery Group** to ensure that Scotland can access the widest possible talent pool when responding to the economic upturn. At a UK level, there has been collaboration with the **Financial Services Authority (FSA)** in delivering its National Strategy for Financial Capability, and with the **UK Government** in taking forward a Legislative Consent Motion in the Scottish Parliament to allow the proposed *Consumer Financial Education Body* to operate in Scotland.

Led by **Scottish Investment Operations** and supported by SE, the Diploma in Investment Accounting was developed in 2009 and is being jointly delivered by the **Chartered Institute of Bankers in Scotland** and the **Institute of Chartered Accountants of Scotland**. The diploma provides candidates with a comprehensive grounding in the fundamentals of finance, general accounting and investment accounting, offering an industry-wide solution to the intensive in-house training and mentoring which was previously the only option.

People – Planning Ahead

Communication between the industry and skills providers will continue to be improved, making it easier for employers to recruit the workforce with the skills they require. The **Finance Sector Jobs Taskforce** will continue to meet the needs of employers and employees within the financial services industry.

In 2010 the **Financial Services Skills Gateway** will produce a robust skills demand statement setting out clearly its current and future skills needs to help supply-side organisations align provision to specific industry needs.

People – Case Study: The Finance Sector Jobs Taskforce

What:

A taskforce to ensure maximum levels of employment are retained within the financial services industry in Scotland

Why:

Following the global financial crisis, the taskforce was established to:

- › minimise job losses in the financial services sector
- › ensure retention of skills in Scotland
- › match transferable skills
- › enhance skills to meet the needs of alternative employers and emerging industries

“the industry must respond flexibly and positively”

Who:

Membership includes SG, SE, SDI, SDS and the Scottish Funding Council. The industry and its workforce are represented through Unite the union and SFE. Local councils are represented by CoSLA.

Taskforce aims are to:

- › tailor advice and assistance, with support from appropriate agencies, to help companies retain jobs
- › raise awareness and widely communicate the assistance available when potential downsizing/consolidation occurs
- › examine the demographics of those most likely to be affected and identify appropriate support
- › where jobs have not been retained, make employers in other companies or sectors aware of availability of skilled staff
- › identify relevant advice channels, e.g. professional recruitment, careers guidance and welfare benefits

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Achievements:

In the past, many strategically important companies had little need to engage, as they had been able to procure all their required services without public sector assistance. In a relatively short space of time, the Taskforce has worked intensively with companies and public sector agencies, building good relationships with many businesses which are downsizing.

Regular meetings, an open exchange of information, and a supportive environment of joint working have enabled a more co-ordinated approach to assistance.

This has not only helped to create trust and information sharing between the various parties, but has established sustainable private/public sector relationships for the future.

Outputs:

Enhanced resources have been delivered to employers and employees through the Partnership Action for Continuing Employment (PACE) team, particularly in relation to increased awareness of public sector services, guidance and careers advice. PACE resources have also been delivered at joint employer surgeries, with one company rolling out the model across its UK business.

Other benefits include improved communication between all partners, job matching between companies and, in some instances, the opportunity to present Scotland's proposition to potentially secure future job gains for Scotland.

Profile: Current Status

Key aims:

- › to enhance Scotland's image and identity as a centre of financial services expertise
- › to profile Scotland as a preferred location for financial services investment

The reputation of the financial services industry in Scotland has been affected by the global financial crisis, so **Profile** is an increasingly critical *Strategy* pillar.

Despite recent challenges, substantial parts of the industry remain strong, with life & pensions and asset management **performing well**, as well as the emergence of new players in the banking sector. Significant efforts are underway to help restore Scotland's historic reputation as a highly successful global financial centre.

With the growing importance of financial markets in Asia, the **First Minister** visited China in 2009 and hosted a number of meetings with invited Chinese financial institutions and key fund managers, supported by SDI and SFE. SDI has also built relationships with key government organisations to enable non-Chinese firms to operate in China, including the China Insurance Regulatory Commission and the Shanghai Financial Municipal Government. Continued partnership with colleagues in the City of London and UK Trade and Investment (UKTI) has also ensured that Scotland's value to the UK financial community has been recognised and promoted across the globe.

A number of important industry issues have been raised with **key decision-makers** at UK and European level. These include working to achieve amendments to the draft Alternative Investment Fund Managers Directive (AIFM) as it progresses through the European Parliament. This has involved work with individual companies across the industry led by SFE and Scottish Ministers.

Now in its fifth year, the SFE **The Innovators** awards continue to profile the best new developments in the financial services industry in Scotland. The theme in 2009 was "recognising new thinking" – an apt response to rapidly changing and challenging markets.

Profile – Planning Ahead

Events to promote Scotland as a preferred location to do business include asset management events in China, a fund management event at the Shanghai Expo (September 2010) and further inward delegations to Scotland from other parts of Asia. Collaboration with **theCityUK**'s Overseas Promotion Committee is underway to help the UK-wide industry to compete in global markets and meet challenges from Asia.

A Steering Group, with members from SG, SE, SDI and SFE, has been established to co-ordinate a series of events to promote financial services in Scotland. These will complement other events such as the Low Carbon Investment Conference in the autumn, which will bring together the financial services and energy industries. SDI will continue to sponsor **Euro Finance Week** following the success of last year's event in Frankfurt, capitalising on relationships created at that time. A watching brief on regulatory matters at UK, European and international level will be maintained to ensure that industry and policy makers understand the implications of future regulatory issues.

Profile – Case Study: Euro Finance Week

What:

Euro Finance Week in Frankfurt, Germany, is the largest finance, insurance and pensions event in Europe, attracting over 10,000 visitors from 60 countries. SDI was lead sponsor for the 2009 event which included 30 conferences and over 150 panel discussions.

Why:

Euro Finance Week provided a timely platform to bring together stakeholders and business partners with European opinion leaders, potential investors and key journalists, and to underpin Scotland's position in the European financial services industry.

Who:

The First Minister addressed an international audience on 'Restructuring the Global Financial Architecture'. FiSAB's newest member Benny Higgins, Chief Executive Officer of Tesco Bank, spoke on Scotland's financial capabilities and why Tesco chose to headquarter its banking operations here. Representatives from Standard Life and Aberdeen Asset Management were also present at the event.

Achievements:

The First Minister was invited to host the annual *European Banker of the Year Award* dinner, underlining Scotland's prominence on the European stage.

The event provided an opportunity to engage with several key decision-makers from Europe including the President of the European Central Bank Jean-Claude Trichet and Dr Josef Ackermann, CEO of Deutsche Bank.

During the event, Odyssey Financial Technologies and Kleinwort Benson also announced that they plan to open new offices in Scotland.

“Despite current difficulties, Scotland’s reputation for financial services remains strong, and our talent and infrastructure continues to attract some of the biggest names in finance”

Rt Hon Alex Salmond MSP, First Minister of Scotland

Speaking at the *European Banker of the Year Award*, November 2009

Infrastructure – Current Status

Key aims:

- › to ensure the business environment in Scotland is conducive to achieving a thriving financial services industry
- › to ensure the right infrastructure is in place to enhance the industry's competitiveness

Issues within this *Strategy* pillar cover more than physical infrastructure such as transport links. A vibrant higher education sector providing world-class research is fundamental to any priority industry, and it is essential that results of this research can be applied to benefit the industry, its customers and the economy as a whole.

Key partners in industry and academia are continuing to explore the most effective ways in which Scotland can collaborate with Scottish universities in, for example, pooling research resources to achieve the most effective research base for Scotland's financial services industry.

A healthy community of suppliers is also key to ensuring Scotland offers a business-friendly environment, and work has been ongoing to strengthen Scotland's supplier community, such as SE's *Connections* events.

Opportunities need to be understood and explored in relation to evolving information technology, and developments channelled to provide competitive advantage for Scotland.

Infrastructure – Planning Ahead

Many IT infrastructure issues, such as the benefits of high-speed broadband and speed of data transfer, are not specific to the financial services industry in Scotland. Collaboration with other Industry Advisory Groups across Scotland will, therefore, ensure intelligence and understanding of IT issues are shared and common ground identified, so that relevant activity going forward is co-ordinated to benefit Scotland's competitiveness.

A further *Connections* event is planned in 2010. This will explore whether the format could be replicated for other parts of the financial services supply chain, and consider how companies can collaborate more effectively to bid jointly for contracts.

Opportunities are also being sought for industry engagement in the transition to a low carbon economy, prompted by the ambitious carbon reduction targets set by the SG.

“A healthy community of suppliers is key to ensuring Scotland offers a business-friendly environment”

Infrastructure – Case Study: Connections Event

What:

A series of events in Edinburgh and London bringing together small technology companies and buyers with technology purchasers from financial services companies.

Why:

Small companies have often found it difficult accessing key decision-makers within large financial services companies to help achieve their business ambitions. Similarly, buyers in financial services are keen to learn about the innovative technologies and services available from Scottish-based companies and how these can help improve their company's competitiveness.

The aims of *Connections* events are to:

- › help develop and strengthen the capabilities of Scotland's technology companies
- › increase the profile of Scottish technology-based small companies to financial services companies
- › provide access to business opportunities and ultimately gain contracts
- › encourage suppliers to collaborate and work together to service the financial services industry

Who:

At the last *Connections* event in London in September 2009, 23 representatives from small Scottish technology firms met 10 financial services representatives including key players such as HSBC, Citi, Morgan Stanley, RBS and Barclays Wealth in a 'speed-dating' format over the course of the day.

Achievements:

It is too early to accurately review the success of this event in terms of new contracts. However, a review of the *Connections* project as a whole shows that:

- › financial services companies have placed contracts worth over £400,000 from the 2008 event alone
- › every £1 spent by SE on the events has yielded sales of over £14 for the attending companies
- › over 90% of participants had further contact with financial services companies following the events
- › one financial services company has stated that total savings would be over £500,000 as a result of services from a new supplier met at this event

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“IT developments need to be channelled to provide competitive advantage for Scotland”

Sector trends and benchmarking

The global financial services industry continues to experience a period of significant change following the international financial crisis and economic slowdown. In response to this, a range of interventions have been underway across governments internationally to restore financial stability and to contain the impact on the overall economy.

Like every other financial centre around the world, the financial services industry in Scotland is not immune to these conditions, and **output** has fallen from its peak in 2007. Despite this, output in 2009 was 70% higher than in 1998, demonstrating a greater percentage increase than the wider Scottish economy average, and the Scottish service sector average over the same time.

Employment levels in the financial services industry in Scotland continued to increase in 2008. However, it remains to be seen what the net impact has been on overall levels of employment in the sector since then. There was continued uncertainty over the future shape of the financial services industry in 2009. Organisational restructure continues following the private-sector takeovers of major financial institutions, and as a result of **restructuring** plans put in place to meet European Commission requirements on State Aid. Following discussions with the European Commission, divestment plans for a number of banks across Europe were agreed at the end of 2009, including RBS and Lloyds Banking Group in the UK, KBC in Belgium, and ING in the Netherlands.

Several Scottish-based companies announced their intention to cut staff numbers in 2009. However, falling output and potential job cuts do not represent the industry-wide picture. Indeed, a number of major **investment and expansion** plans have recently been announced, including Virgin Money, Tesco Bank and HSBC who will all create new jobs in Scotland. Scotland continues to build on the conditions necessary for **future growth**. The proportion of graduates in the workforce continues to increase, while the migration rate has been positive annually since mid-2003, reflecting the continuing attractiveness of Scotland as a place to live and work. Scotland remains a sizeable, global centre for a range of financial services industries, including life & pensions and asset management. Scottish companies have also demonstrated **strength in international markets**, exporting financial services to the rest of the UK and worldwide.

The chart below illustrates the **performance** of Scotland's financial services industry, relative to UK financial services and the Scottish and UK economies as a whole. It indicates that Scotland's financial services industry outperforms the overall Scottish and UK economy on every measure, except growth in median earnings. In comparison to the UK financial services sector, growth in employment between 2006 and 2008 was faster in the Scottish financial services industry. At the same time, however, median earnings remained lower.

FIGURE 1: SUMMARY OF PERFORMANCE

Indicator	Performance of the Financial Services ¹ in Scotland relative to:		
	Scottish Economy	UK Economy	UK Financial Services
Growth in GDP (1998Q1-2009Q4)	▲	▲	▼
Growth in Employment 2006-2008 ²	▲	▲	▲
Median Earnings (2009)	▲	▲	▲
Growth in Median Earnings (2008-2009) ³	▼	▼ ⁴	▼
Proportion of workforce educated to degree level (2009)	▲	▲	▼
Growth in proportion of workforce educated to degree level (2001-2009)	▲	▲	▼

1 The financial services industry is defined using the following standard industrial classifications: SIC code 65; Financial Intermediation – SIC code 66; Insurance and pension funding – SIC code 67; Activities auxiliary to financial intermediation.

2 Due to a change in survey methodology in 2006, employment data from 2006 onwards cannot be compared with earlier years. Comparison is with GB financial services and GB economy-wide employment.

3 Based on revised SIC 2007.

4 For earnings, comparison is with GB.

Contribution to the economy

The financial services industry in Scotland continues to make a significant contribution to the economy and accounts for around 8% of the country's GDP.

The global financial crisis has impacted on output both in financial services and across other sectors in the economy. Output in Scotland's financial services industry is below the level in 2007 and, in the latest year (to 2009 Q4), output had fallen by 8%.

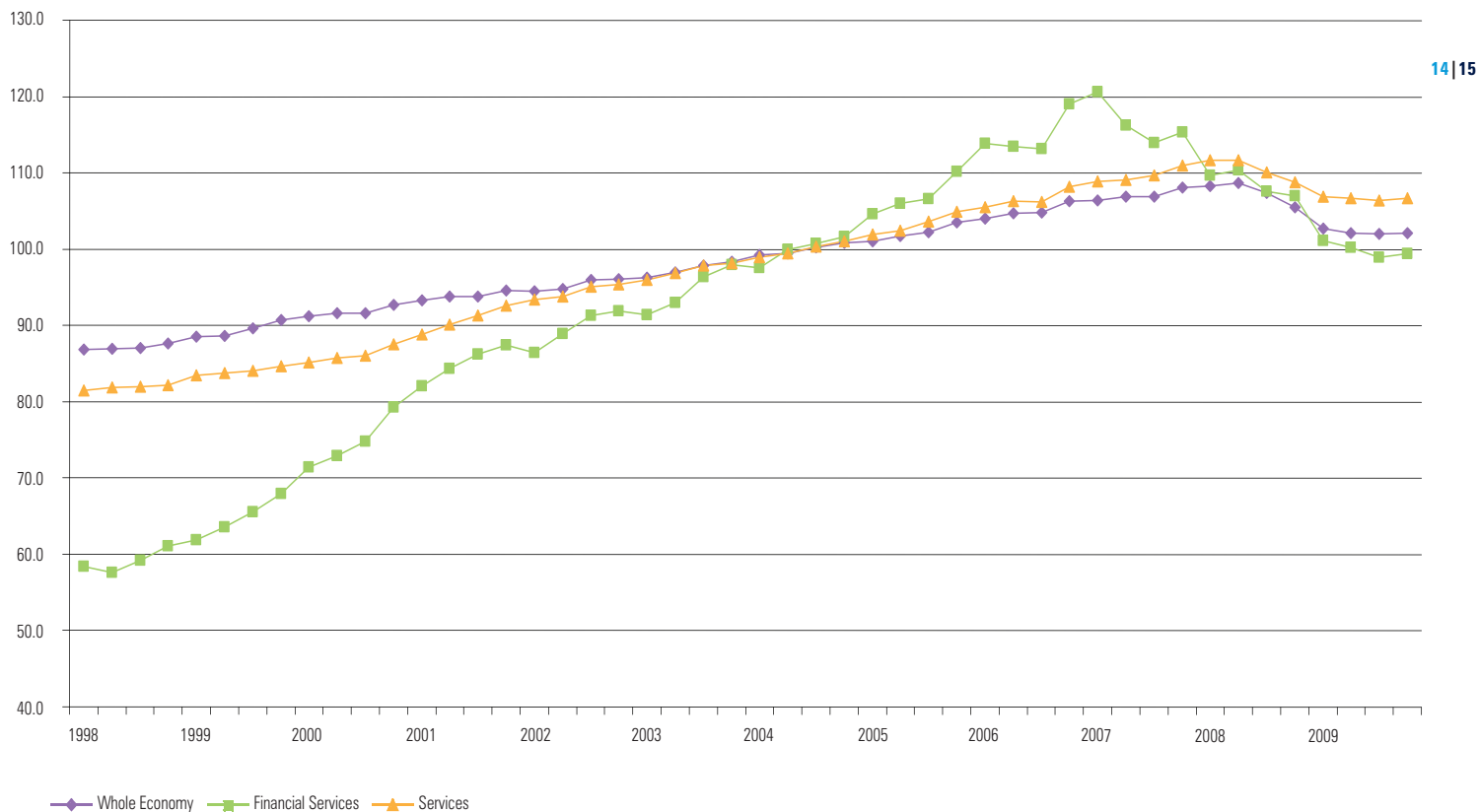
However, the most recent Scottish GDP data shows that there was an increase in financial services output of 0.5% in the most recent quarter. In comparison, output in the Scottish economy as a whole increased by 0.2%, and output in the UK financial services industry fell by 0.8% in the same quarter.

Despite this overall drop, between 2007 and end of 2009, output in Scotland's financial services industry remains 70% higher in real terms than at the start of 1998.

Over the same period, output in the Scottish economy as a whole increased by 18%, and output in the UK financial services industry increased by 72%.

“Despite the overall drop between 2007 and end of 2009, output in Scotland's financial services industry remains 70% higher in real terms than at the start of 1998”

FIGURE 2: QUARTERLY GDP INDEX – SCOTLAND – WHOLE ECONOMY, FINANCIAL SERVICES, SERVICES 1998Q1-2009Q4



Employment

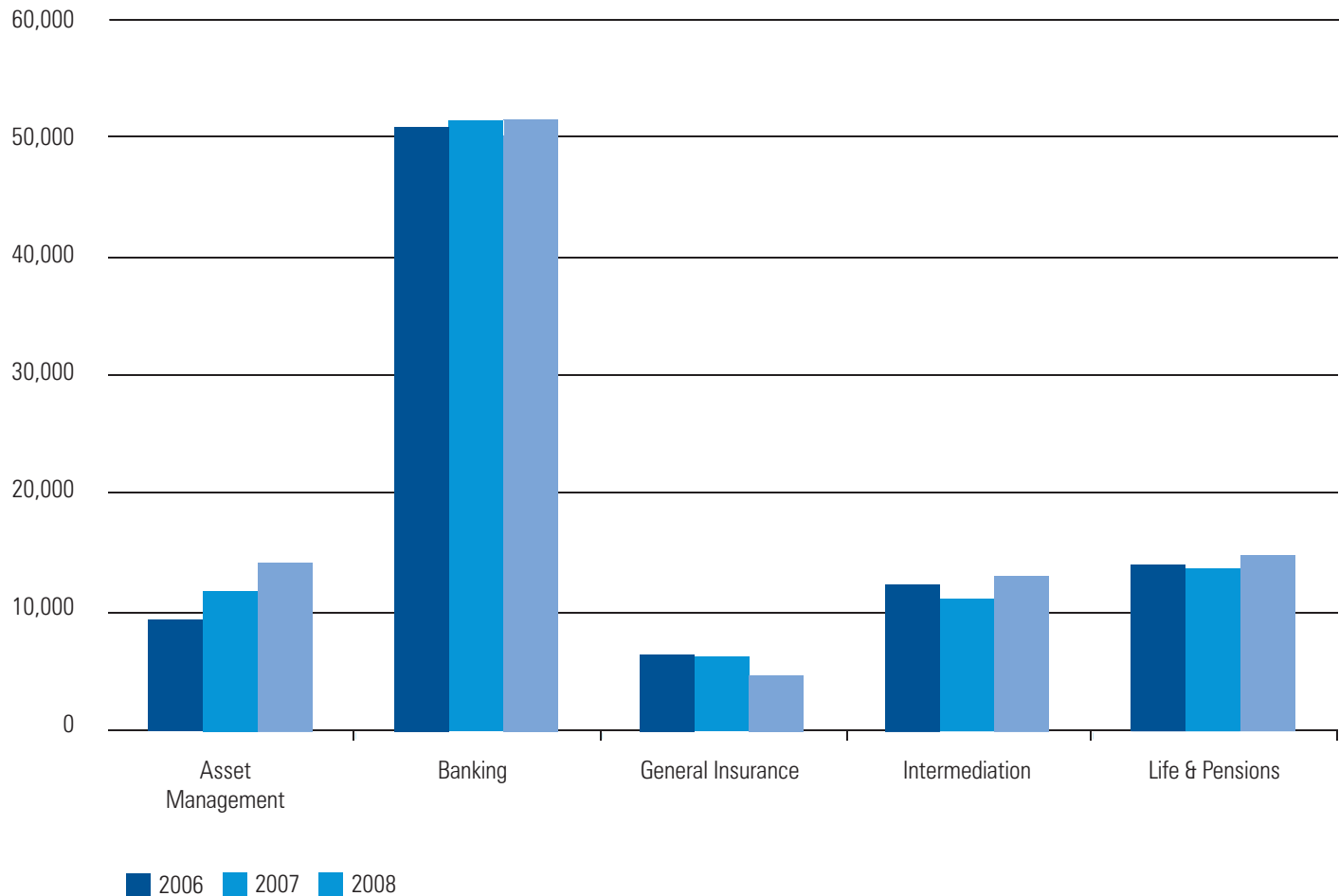
In 2008 there were 95,500 people employed in Scotland's financial services industry. The banking sector forms the largest component, employing 50,000 people, and accounting for 52% of the total.

The second largest sub-sector was life & pensions, employing 14,400 people, accounting for 15% of the total.

There was growth in employment in the asset management sub-sector in 2006 – 2008, which now stands at 13,800 employees, accounting for 14% of the total financial services industry in Scotland.

Note: Statistics in this section represent the most up-to-date annual statistics currently available from the Annual Business Inquiry as they relate to 2008. They do not reflect any impact from the most recent events throughout 2009.

FIGURE 3: FINANCIAL SERVICES EMPLOYMENT IN SCOTLAND BY SECTOR 2006-2008



Note: The financial services sub-sectors are defined using standard industrial classification codes: Banking – SIC codes 65.11, 65.12, 65.21, 65.22; Life & Pensions – SIC codes 66.01, 66.02; General Insurance – SIC code 66.03; Asset management & Securities Broking – SIC codes 65.23, 67.11, 67.12, 67.13; Intermediation SIC 67.20.

Overall, Scotland's share of GB financial services employment was 9% in 2008. However, the shares vary across sub-sectors, with life & pensions continuing to stand out in Scotland with a 24% share of all employment in the sector across GB as a whole.

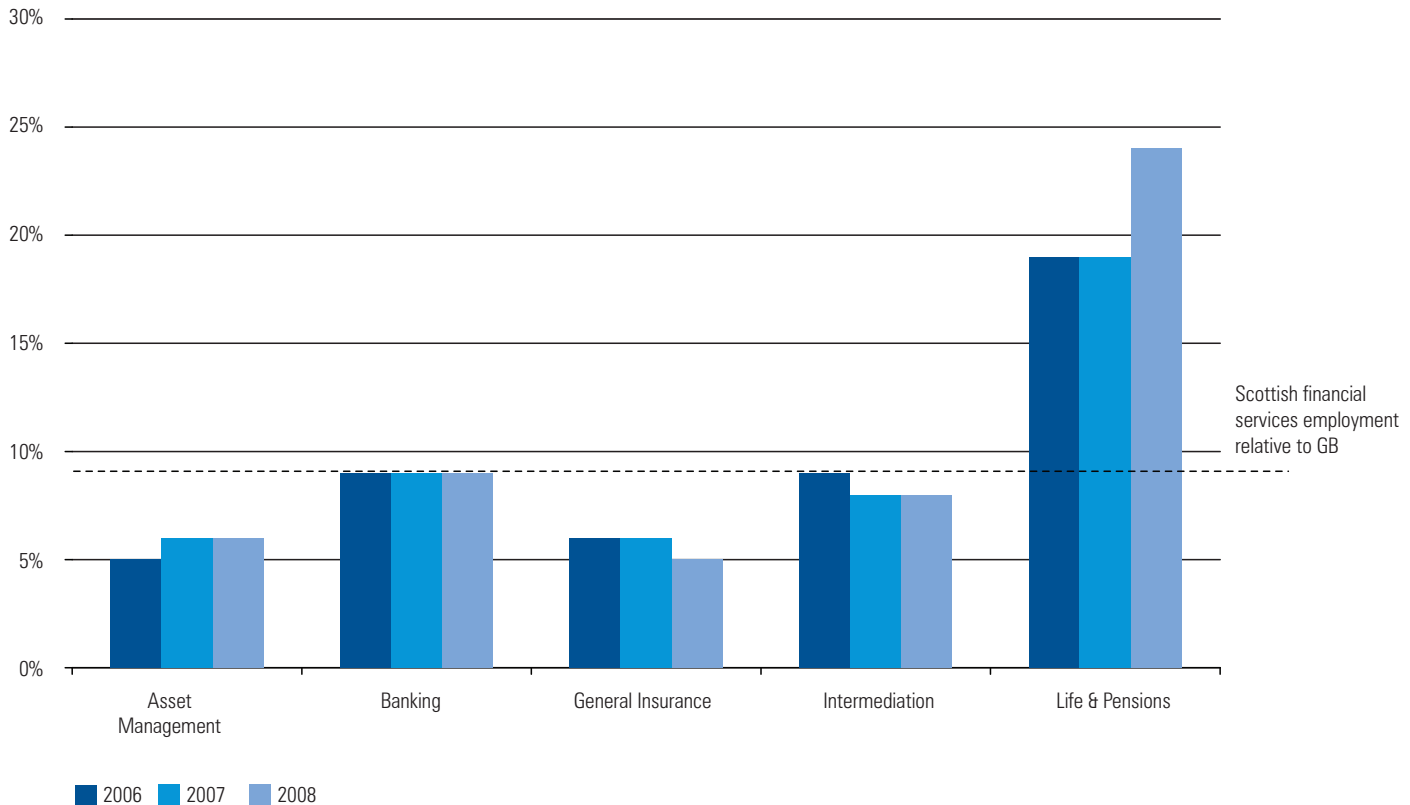
The response rate to the latest Joslin Rowe Financial Services Recruitment Survey⁵ declined in 2010 compared to 2009⁶. However, results from participating companies indicate some optimism around recruitment intentions for 2010.

52% of respondents intend to increase permanent employment in 2010, 82% indicating that the increase is due to business growth.

10% of respondents indicated that they expect to reduce headcount in 2010, largely due to offshoring and outsourcing.

38% of companies expect to maintain headcount level in 2010.

FIGURE 4: FINANCIAL SERVICES EMPLOYMENT IN SCOTLAND – SHARE OF GREAT BRITAIN TOTAL BY SUB-SECTOR 2006-2008



“Scotland’s attractiveness as a place to do business has continued to improve since 2000”

5 Joslin Rowe & Scottish Enterprise (2010) Scottish Financial Services - Recruitment Review 2010. Companies surveyed in November and December 2009. Full report available from: <http://www.joslinrowe.com/documents/editorial/38.pdf>.

6 68 responses were received from Scotland’s financial services organisations during November and December 2009. Overall, the number of responses was therefore lower than the 75-85 responses per annum achieved in previous years.

Earnings

Median earnings in Scotland's financial services industry remain higher than median earnings averaged across all sectors in Scotland, but below the level for financial services in GB as a whole.

Overall, in 2008 – 2009, average salaries in the Scotland and GB financial services industries remained fairly stable, whereas average salaries across all sectors experienced some modest growth.

The table below highlights that the financial services industry, in both Scotland and GB as a whole, has more than twice the proportion of the workforce engaged in managerial and senior occupations than the wider workforce average.

Administrative, secretarial and sales, and customer service occupations also feature more heavily in the financial services industry in both Scotland and GB than across other sectors on average.

FIGURE 5: MEDIAN EARNINGS BY OCCUPATIONAL STRUCTURE 2009

Occupation	Scotland Financial Services		Scotland – All Sectors		GB Financial Services		GB – All Sectors	
	% of sector	Earnings £	% of sector	Earnings £	% of sector	Earnings £	% of sector	Earnings £
Managers and Senior Officials	32.3	46,600	12.6	36,100	33.1	54,200	16.1	37,700
Associate Professional and Technical	11.7	32,200	16.8	28,300	17.6	34,300	15.6	29,200
Administrative and Secretarial and Sales and Customer Service	41.7	19,300	19.3	17,800	37.8	20,100	20.0	18,500
Other*	14.3	36,900	51.3	24,000	11.4	40,500	48.3	24,100
Total	100	29,800	100	25,000	100	33,300	100	25,900

*Other – includes a wide range of occupations, and in financial services, includes professional occupations such as actuaries and economists.

Column totals may not add to 100% due to rounding.

Source: Annual Survey of Hours and Earnings.

Qualifications

Around 30% of the workforce in Scotland's financial services industry is graduates, six percentage points higher than the average for all sectors in Scotland.

Scotland's financial services industry performs broadly on par, or outperforms, each of the comparators in the table below, with 40% of the workforce holding a SVQ Level 4 or above, compared to 41% for UK financial services, 38% for Scotland as a whole, and 35% across all sectors in the UK.

This demonstrates Scotland's ability to provide a highly qualified workforce which enhances competitive advantage for the industry and Scotland as a whole.

FIGURE 6: QUALIFICATIONS 2009

Qualification	Scotland Financial Services		UK Financial Services		Scotland – All Sectors		UK – All Sectors	
	Number	% of sector	Number	% of sector	Number	% of sector	Number	% of sector
Above SVQ 4 – Degree or Higher	31,000	29.2	420,000	34.4	587,000	23.5	7,138,000	24.8
SVQ 4 – Higher Education below degree	11,000	10.6	83,000	6.8	355,000	14.2	2,827,000	9.8
SVQ 3 – A Level or Equivalent	36,000	33.0	311,000	25.5	669,000	26.8	6,620,000	23.0
SVQ 2 – GCSE A-C or Equivalent	22,000	20.3	294,000	24.1	411,000	16.4	6,280,000	21.8
SVQ1 and below*	7,000	6.9	104,000	8.5	465,000	18.6	5,711,000	19.8
Total	108,000	100	1,222,000	100	2,499,000	100	28,832,000	100

* Note – this includes those with NVQ level 1 qualifications, other qualifications and no qualifications. Those with unknown qualifications have been removed from the analysis.

Column totals may not sum to totals due to rounding.

Source: LFS 2008 Calendar quarter 2 (Apr-Jun).

International and regional benchmarking

Scotland's financial services industry is benchmarked against a set of international and regional comparators, across a range of indicators agreed by FiSAB and FiSIG.

The change in Scotland's position is assessed from 2000, or the latest period over which comparator data is available.

The significance of Scotland's financial services industry is reflected in a number of key indicators. Across Great Britain, Scottish financial services accounts for the second highest proportion of total employment in the regional economy, and makes the second highest contribution to GVA within the local economy across the UK.

FIGURE 7: FINANCIAL SERVICES BENCHMARKING

Scotland Financial Services	International Comparisons			Regional Comparisons		
	Number of comparator locations	Scotland's position	Change in position since 2000	Number of comparators	Scotland's position	Change in position since 2000
Share of total employment (2008) ⁷	28	8	◀▶ ⁸	11	2	▲
Employment Growth 2006-2008 ⁹	24	15	N/A	11	2	N/A
Contribution to GVA (2007)	25	5	▲	12	2	▲
Exports per worker (2007) ¹⁰	28	2	▲ ¹¹	UK as a whole	1	–
Average Earnings (international – 2007 or most recently available year) (regional – 2009)	23	6	▲ ¹²	11	4	◀▶ ¹³

General business environment benchmarking

Figure 8 provides further indicators of how the wider economic environment in Scotland compares to other industrialised economies including the USA, Japan and Germany. This shows that Scotland's attractiveness as a place to do business has continued to improve since 2000.

A negative net migration rate in 2000, and a position of second from the bottom amongst a range of OECD comparators, has turned into a positive net in-migration rate which is ahead of the EU27 average.

FIGURE 8: SCOTLAND'S GENERAL BUSINESS ENVIRONMENT BENCHMARKING

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Indicator	International Comparisons		
	Number of comparator locations	Scotland's position	Change in position since 2000
GDP per head of population (2007)	31	17	▲
Productivity – GDP per hour worked (2008)	26	16	▼ ¹⁴
Total Entrepreneurial Activity (2008)	12	9	▲
Percentage of Graduates in the population aged 25-64 (2007)	30	13	▲ ¹⁵
Net migration as percentage of population (2007) or latest available year	24	10	▲

7 2006 for France and 2007 for Luxembourg, Greece and Poland.

8 Change in positions is from 2006. Due to a change in methodology, employment data for 2006 onwards cannot be compared with earlier years. No 2008 data for France, Greece, Poland and Luxembourg therefore only 24 comparators available.

9 Change in position from 2000 not possible as employment data from 2006 onwards cannot be compared with any years previous.

10 Data for Scotland is sourced from the Scottish Government's Global Connections Survey, for all other countries the source is OECD Trade in Statistics in which data is available in US dollars. In order to ensure data for Scotland is comparable the sterling value of Scottish export data has been converted to US dollars at the same rate as the OECD converted UK data in sterling to US dollars, however, it should be noted that comparisons of export values in different years will be affected by currency fluctuations.

11 Change is from 2002.

12 Change in position is from 2006 – due to change in methodology, earnings data from 2006 onwards cannot be compared with earlier years.

13 Change in position is from 2008 as previous years data is based on SIC 2003. Data on average earnings is based on revised SIC 2007.

14 Change in position is from 1999.

15 Change in position is from 2005.

Current members of FiSAB are:

Rt Hon Alex Salmond MSP – First Minister of Scotland – FiSAB Chair

John Swinney MSP – Cabinet Secretary for Finance and Sustainable Growth

Jim Mather MSP – Minister for Enterprise, Energy and Tourism

Mark Tennant – Chairman, Scottish Financial Enterprise and Senior Advisor, Investor Client Management, JP Morgan Securities Ltd –
FiSAB Industry Deputy Chair

Ian Ferguson – Director of Underwriting, Aviva

Martin Gilbert – Chief Executive, Aberdeen Asset Management PLC

Benny Higgins – Chief Executive Officer, Tesco Bank

Archie Kane – Group Executive Director Scotland and Insurance, Lloyds Banking Group

Tim Keaney – Chairman of Europe, Bank of New York Mellon

Rob MacGregor – National Officer, Finance and Legal Sector, Unite the union

Andrew McLaughlin – Head of Communications and Group Chief Economist, Royal Bank of Scotland

John Mason – Director, Business, Scottish Government

Prof Anton Muscatelli – Principal, University of Glasgow

John Rendall – Chief Executive Officer, HSBC Bank plc, Scotland, HSBC Bank plc

Magnus Swanson – Chief Executive, Maclay, Murray & Spens LLP

Otto Thoresen – Chief Executive, AEGON UK

Lena Wilson – Chief Executive, Scottish Enterprise

Margaret Wallace – Managing Director, Morgan Stanley

Observer from HM Treasury

The delivery of the *Strategy* is managed by the Financial Services Implementation Group (FiSIG). FiSIG's membership reflects that of the FiSAB partnership. Current members are: Stephen Boyle, Royal Bank of Scotland; Liz Cairns, Unite the union; Steven Cameron, AEGON UK; Ian Hanson, Skills Development Scotland; Linda Houston, Financial Services Skills Council; Owen Kelly, Scottish Financial Enterprise; Keith Milne, Aviva; Margaret McGrath, Scottish Government; Aileen McKechnie, Scottish Government; Mark McMullen, Scottish Development International; Helen McNeill, Lloyds Banking Group; Jeff Newton, Standard Life; Sam Walker, Aberdeen Asset Management; Jim Watson, Scottish Enterprise.

Scottish Government officials provide secretariat support to both FiSAB and FiSIG.

The minutes of FiSAB meetings (available at www.scotland.gov.uk/financialservices) outline the strategic oversight and direction provided by the Board, this report highlights the practical outputs.

Thanks are also given to: John Campbell, State Street Corporation; Lisa Stephenson, Lloyds Banking Group; Ian Hards, Bank of New York Mellon; Jack Perry, Scottish Enterprise; Sir Muir Russell, University of Glasgow; David Wilson, Scottish Government, John Cooke, HBOS; Ewan McCulloch, Clydesdale Bank; Douglas Johnson, Scottish Widows; Ben Thomson, Noble Group.



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