



Talent and Capacity

Focusing our efforts on collaborative solutions



pwc

Results from a survey conducted for the Luxembourg **Asset Service Provider (ASP) Community** by the “ASP Senior Leader Roundtable (SLR)” **Working Group** around “Talent and Capacity within the Luxembourg ASP industry.”

Luxembourg's well documented success as the world's largest domicile for cross border funds, increasing leadership in private asset funds, and a thriving broader financial services industry, continues to impress. Much of that success has been built upon its multilingual, multicultural, international fusion of skills, and the continuing development of that talent pool remains critical to sustained growth.

That relentless pursuit of talent however creates its own challenges. The Asset Service Provider Industry initiative "ASP Senior Leader Roundtable" (ASP SLR) launched last year to identify common issues, in which the industry could collaborate to find solutions, prioritised "talent and capacity" as an early area of focus and formed a working group ("WG) of 15 senior representatives from the ASP industry, designed to highlight the root causes of those challenges and come up with suggestions on how to address them. The aim was to be guided by facts, not emotion, and be led towards specific, realistic, effective, and measurable solutions.

This article summarises the findings from that research (which was conducted through a survey), isolates key messages we may reach consensus on, and seeks to mobilise the industry to pursue a specific strategy emerging from the research.

For easy reading, the paper is organised as follows:

- Aims of the research and methodology pursued
- Key findings which explain our approach to solutions
- Synthesis of key messages which may sustain our efforts as a reference point
- Next steps



1.

Aims of the research and methodology pursued

The working group quickly realised from its initial brainstorming efforts there were a wide variety of views around talent and capacity challenges and solutions in the Luxembourg market. There was a need to gather and collate those views from across the industry, condense into messages and translate into solutions. The ASP initiative has attracted members from nearly seventy organisations, and it made sense to canvass views from that universe. The WG decided for the format of a survey, which was conducted before the summer break. The full spectrum was represented, from central administrators, depositaries, custodian banks, third party ManCo's, managed services players, and trust companies, representing small, medium, and large local employers.

We believe the sample size and diversity allows very meaningful themes to emerge and allows us to make informed conclusions from the intelligence gathered. In particular, the survey encouraged free format comments, not just tick box preferences.



2.

Key findings



These reflect the substance of participant feedback, and we have captured those thoughts into the following categories:

2.1. What do firms do today to attract and retain talent?

There was a high degree of consistency in the tactics used to attract and retain talent, to the point where it became clear why so few can differentiate themselves in the competition for that talent. Most offer the usual mix of training, work/life balance, induction, DEI, wellness, and high potential fast tracks. Perhaps this reflects the fact that there are many affiliated companies in Luxembourg, with limited local autonomy to innovate in this context. For

example, only one respondent mentioned Employee Share Option Programme as a differentiator.

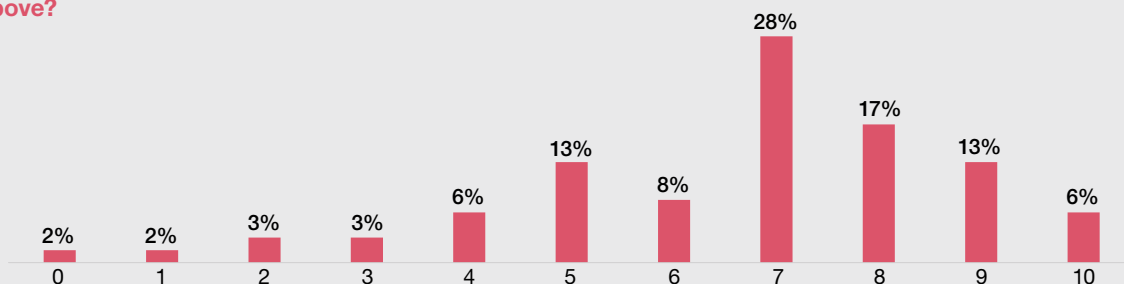
If we are to address the shortage of supply issue we need to move beyond this traditional approach, which reflects a “bare minimum” set of attract/retain tools rather than innovative ideas appealing to a global talent pool.

2.2. Is capacity really a problem? What else contributes to the problem?

Yes! Quite emphatically! Nearly 40% of respondents rated this an 8-10 problem on a scale of 1-10, with an apparent concern that attraction (2/3rds) is more difficult than retention (1/3rd). Here in particular

the free format comments reflected interesting perspectives on cause and effect.

To what extent do you feel your business has been affected by the Talent & Capacity shortage described above?



The high cost of living drives up salary needs and expectations. Indexation is attractive to employees but creates tension with group parents. This basic inflationary impact of excess demand over supply creates an upwards spiral of salary arbitrage.

Many specialist roles are seen as necessary compliance investments, but this narrow range of high demand specialists simply drives salary costs higher. At the opposite end of the spectrum the industry has lost its talent pool knowledgeable across the fund value chain. This coupled with lack of investment in automation has resulted in many roles being mechanical, siloed and therefore unattractive, with a risk that such roles are performing oversight of a “function” without the prerequisite of understanding how one process in the value chain affects another.

The market has yet to adapt to the needs and expectations of the next generation workforce. This is a crucial part of the “supply” side yet little evidence exists of firms proactively attracting through innovative tactics aimed at this cohort, especially given the new competition from FinTechs offering intellectual stimulation, freedom from corporate rules, and often the prospect of equity rewards.

Comments also reflected the need to attract talent from well beyond the traditional Greater Region catchment area. Very few examples of attracting talent globally were mentioned.

“Simply put, excess of demand over supply for critical and specific skills has created a mercenary attitude and salary arbitrage, where vacancies cannot be allowed to remain open for long without risking regulatory censure” said one respondent.

2.3. What skills need to be nurtured?

A clear consensus with three priorities; end-to-end value chain education and training, applying next generation technology for competitive advantage, and “soft skills”, in particular, for a service industry the participants reflected on the absence of a “client delight” service philosophy and obsession.

Participants particularly stressed the need for “tech savviness”, i.e. the need for the workforce to be interested in and familiar with the use of new technology, as well as their willingness to integrate it into their daily working routines. Rethinking ways to operate and merging digital advancements with established business processes is seen as a crucial step to remain competitive.

Whilst End-to-End (“E2E”) value chain focus is covered later, comments around “soft skills” further reflected upon the need to encourage curiosity, attention to detail, ownership of a problem through to resolution. The need for aptitude and courage, to be bold, take career

Think about junior resources: which skills should they have more of?

Lack of holistic view on the overall value chain



Soft skills



Technical skills



Other



risks, build a network, be humble, and have an insatiable appetite to learn. Passing on these skills to a next generation workforce requires innovative thinking and a bold approach from employers as well!

2.4. How important is it to recognise contribution from the next generation talent pool?

Again, the problem was widely recognised; if we ignore this cohort of talent, we risk further exacerbating the supply problem. Indeed, we must embrace what this talent pool can bring, in particular their natural ability to deploy new digital tools, to find smarter ways of working, to be critical in their thinking **“why do we do that?”**, and analytical skills around applied AI without fear.

Ideas volunteered to bridge this generational gap included open minded mentoring, or shadowing, reverse mentoring especially on technology topics, cross functional projects, and one we found very interesting around a “NexCo” (Next generation Executive Committee) - operating alongside the traditional Executive Committee (“ExCo”) - where membership consists only of next generation talent encouraged to spawn and propose ideas to the ExCo.

Do you have any idea on how we could bridge the generations (seniority/knowledge vs. “fresh” ideas/new technology) and ensure cross-functional collaboration?

Mentoring



Reverse mentoring (e.g. on tech topics)



Cross-functional projects



Specific trainings



Other



2.5. The challenges of losing end-to-end knowledge

Probably the area of most consensus throughout the research, a recognition that for a variety of reasons our industry has lost its local knowledge of how the fund life cycle operates end to end. This has coincided with a shift towards an oversight model, exposing the industry locally to the risk of overseeing “tasks” rather than a “process” without the context of the broader fund eco system.

Causes of this include; stretched experienced resources left with no latency to educate, lack of investment in fast tracking talent through rotation roles, automation that has done its job but we have lost opportunities to teach the basics, functionalised organisation structure of global service providers, fragmented approach to offshoring with **“centres of excellence being a euphemism for highly siloed mechanical tasks”** as one respondent put it, and

the generation from the 1990’s and 2000’s who grew up with the industry now rapidly retiring (or becoming INEDs!) .

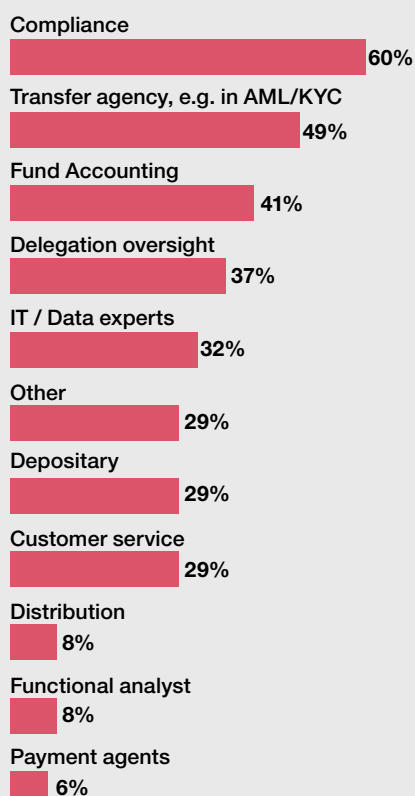
Relatively new roles have emerged to address the compliance needs of new and necessary regulation, with attendant high salaries offering an attractive career alternative where “depth” of knowledge is deemed more important than “breadth”.

A clear view emerged that whilst shifting the Luxembourg model from “production” to “oversight” is a necessary evolution given the scale now attained, there has to be a reinvestment to ensure those in oversight roles (whether of delegates, or offshored colleagues) have a clear understanding not just of tasks but of life cycle.

2.6. Where are the recruitment stresses felt most?

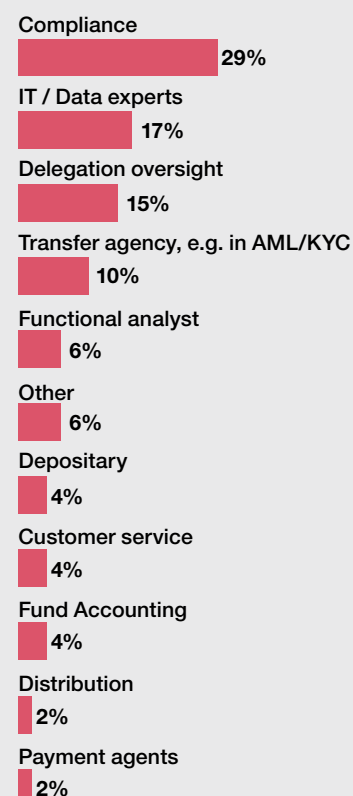
Some interesting metrics emerged when we asked participants to identify key vacancies, today’s skills gaps, future skills gaps, and solutions for the E2E knowledge gap.

Which are the key vacancies, i.e. you are challenged to find profiles?



Key vacancies which appear hardest to fill clearly identified risk and compliance and AML/KYC roles, and a similar pattern emerged for which knowledge gaps are hardest to close.

In your opinion, what are the most to least important knowledge gaps?



2.6. Where are the recruitment stresses felt most?

Future skills mentioned which are in need of focus included mostly soft skills, such as (in ranked order) self-efficacy, analytical thinking, application of technology skills, and client delight.

Which will be key skills required going forward, considering the current trends, e.g. increased use of technology, AI, etc.?

Self-efficacy (e.g. resilience, flexibility, ability, curiosity, motivation, self-awareness, attention to detail)



Cognitive skills (e.g. analytical thinking, creative thinking, Systems thinking)



Technology skills (e.g. AI and Big Data, Tech literacy, design and UX, networks, cybersecurity, programming)



Engagement skills (e.g. service orientation, customer service)



Working with others (e.g. leadership and social influence, empathy, active listening)



Other
0%

Which initiative could most likely ensure that the “holistic view” on the overall ASP value chain is transferred to new talent?

A dedicated educational (e.g. Masters) programme



Cross-functional projects



Mentoring



Specific trainings



Other



Finally, the initiative mentioned most in response to addressing the E2E knowledge gap was a dedicated master's degree.



2.7. What other solutions could we consider?

Respondents were asked about possible pathways to close the knowledge gaps identified, and thus improve the supply side of the talent and capacity issue. A summary of the responses follows.

German apprenticeship model: This particular approach focuses on the postgraduate or non-graduate population, with a structured programme combining “hands on” experience with “classroom” teaching. It requires structure and measurable progression through a defined period with effectively a “certification” at the end and would have to be run across the industry rather than within individual firms. For any certification to be meaningful it would have to reflect standards and consistency of material, message, curriculum, and with mixed classrooms. This idea sounded rather similar to the “boot camp” idea promoted by PwC in a [thought paper published 18 months ago](#).

Knowledge transfer reflects a concerted effort to mobilise those with knowledge and experience, to dedicate a significant amount of their time to “train”. What this cannot be though is an extra-curriculum approach, and there has to be the formality of allowing an agreed amount of time dedicated to training or transfer of knowledge. Other aspects of this idea mentioned by participants included a local network of mentors/mentees across the industry not just within a firm.

Master's degree in asset services: The working group encourages the ASP community to focus on the problem this seeks to solve. It is designed primarily to attract more people into our industry, as much as an opportunity to reward high performers already actively employed here. A recognised “degree” offers reassurance to employers in who they hire, is “future proof” insofar as the curriculum will always be maintained to existing and future regulations, product, distribution models, philosophies etc. Offering it virtually as well as physically may be more attractive to students from around the globe, who may seek to become graduates before taking the risk of moving to Luxembourg. It may also prove to be a way of attracting indigenous

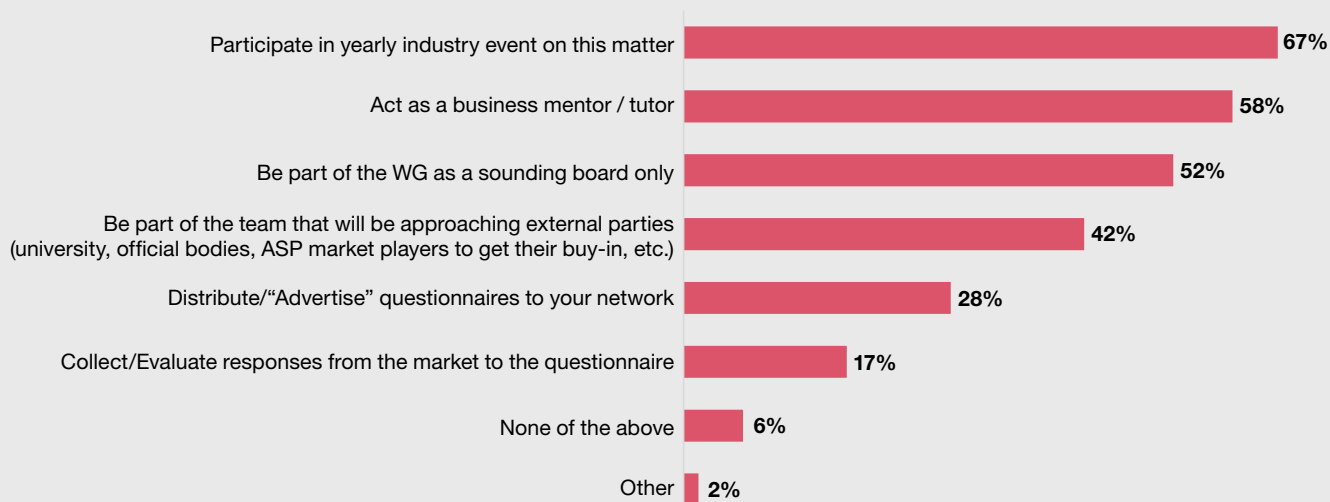
Luxembourg talent into our financial services industry; it still remains a mystery why typically only 5-10% of local staff in our industry are Luxembourg natives, and another example of a potential talent pool we have yet to tap into. Another comment of note was a sensible reminder the curriculum must be practical and not overly academic. A final comment offered by a number of respondents emphasised how this **“must be a true industry collaboration, including government, industry bodies, and university, with an absence of territorial battles such initiatives have floundered on before”**.

Graduate training programme: The consensus here was that if we succeed with a master's degree initiative, then graduate training programmes can remain the domain of individual firms hiring graduates ideally from the master's degree programme.

Other; two ideas emerged. The first suggested by some respondents was around a professionalised “interim” service. Many firms report challenges in covering for short/medium term absences of key staff, and would welcome the availability of experienced interims, but bemoan the fact there is a shortage of professionalised services able to match relevant talent with demand. The second idea focuses on driving standardisation (and even utilities) in the industry, so we consolidate or aggregate volume of low margin activity with fewer variations. Examples included KYC/AML utilities, regulatory reporting, data template standards.

In finishing this section, we should acknowledge the commitment expressed in the research by participants to participate in evolving industry solutions. Nearly 70% committed to participate in periodic events or conferences to define solutions and mobilise support, nearly 60% volunteered to be a mentor if that industry initiative were pursued, and more than half confirmed their willingness to be affiliated to the working group to help develop ideas receiving industry sponsorship and support.

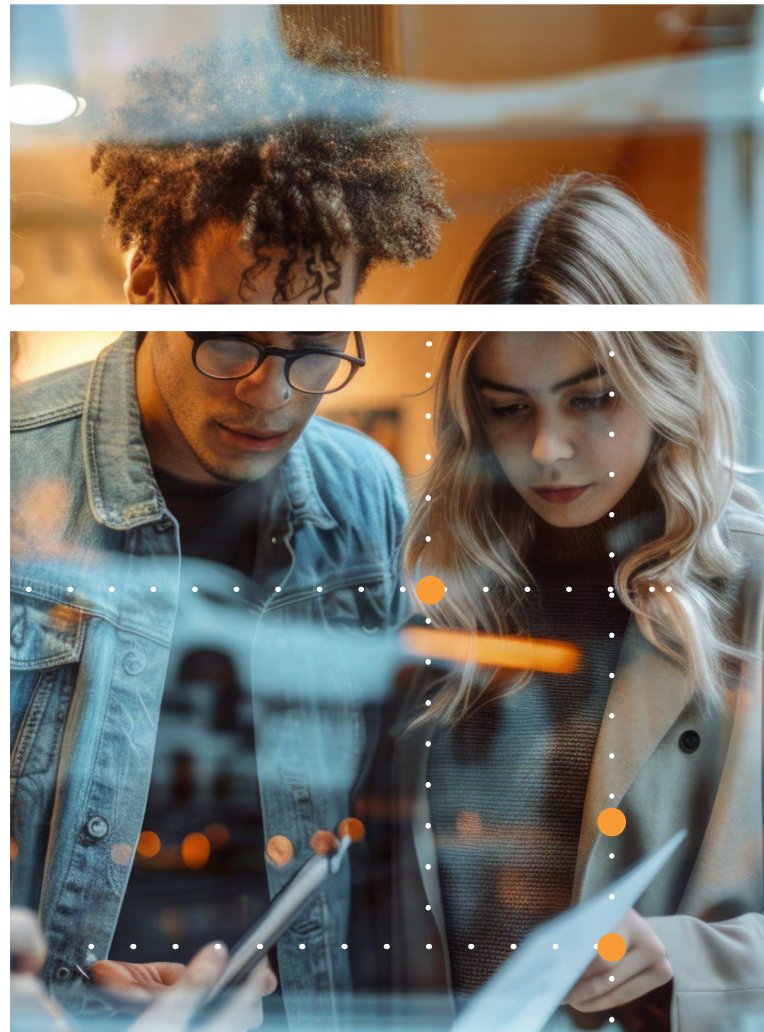
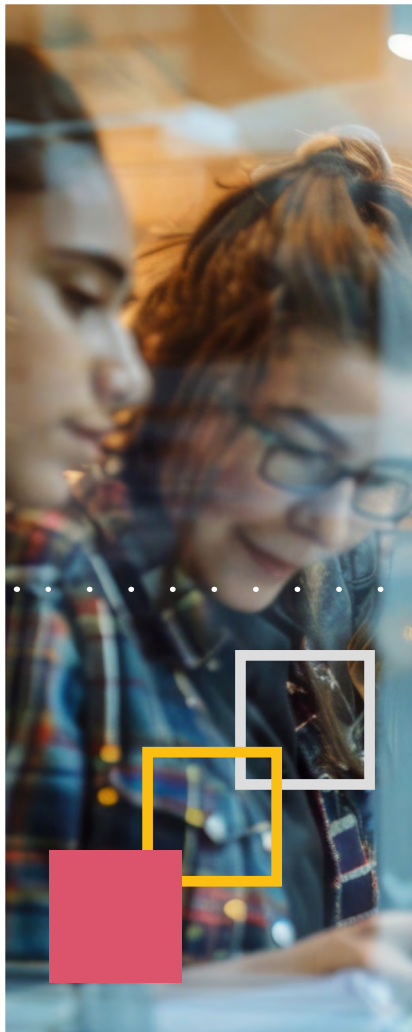
To what extent would you commit to improving the talent & capacity situation?



Note: Multiple choice question

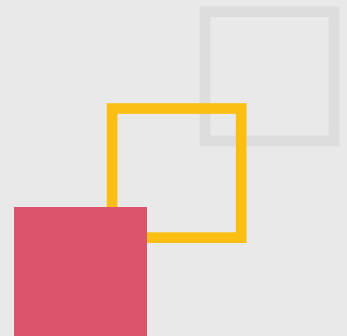
3.

Synthesis of key messages



What we have tried to do next is extract key messages from the research and use those messages as a key reference point or design considerations as we seek to focus on one or two initiatives which could really make a difference.

- Luxembourg accommodates more and more subsidiaries in its finance landscape, leaving many firms sub scale to invest individually in talent attraction/retention and without any real differentiator. They are tactical in nature without making a dent in the supply side problem. This is an industry-wide problem that can only therefore be solved by industry collaboration.
- Many years of functionalisation, drive for productivity, outsourcing, offshoring, automation, and a generation now retiring, has led to a significant dilution in end-to-end knowledge of the fund industry value chain. Addressing the supply side of the talent problem will fail unless this value chain awareness gap is also closed.
- We are a service industry; soft skills are as important to embrace as technical skills.
- Recognising the different needs and motivations of the next generation work force is critical; understanding and adapting is better than forcing them to behave traditionally.
- We should strive to identify one initiative that could make a significant difference, and apply a “focus and finish” mentality, rather than trying to solve the entire talent/capacity problem at once.
- We were surprised at the absence of comments made around the tensions between home-based working and return to office. This deserves attention; flexibility on this point can be a differentiator, and we risk further diluting supply if *frontliners* seeking a better work/life balance decide to seek opportunities in their home country.
- We must remember the primary problem we are trying to solve is an excess of demand over supply, particularly in specialised roles. Anything we do therefore must impact the supply side of the equation and focus on finding the right skillsets in sufficient quantities of supply.
- The key initiative identified with popular support, and which can only be addressed by industry collaboration, is a holistic master’s degree covering the entire Investment Fund (liquid as well as illiquid)/ Asset Servicing sector. This requires support across government, industry body, and university leadership. It could address the end-to-end knowledge gap, and also encourage new entrants into the industry (indigenous Luxembourg talent, and talent from the global supply pool more confident of graduating with a degree intended precisely to make them attractive to the local job market, particularly if we offer the degree as a virtual course).
- Other ideas we may consider for our second wave of initiatives could focus on filling the specific skills gaps identified (e.g., compliance, AML/KYC, and delegate oversight). Again, readers are referred to the “boot camp” idea presented in the PwC thought paper referenced earlier.



4.

Summary and next steps



We are encouraged by the feedback from participants in the research which suggests widespread support for the idea of a master's degree initiative. The facts derived from the research indicate this would address many of the talent and capacity challenges we face and benefit the industry as a whole. Luxembourg as a fund centre will continue to grow, evolve, innovate, and embrace new technology and for sure must comply with inevitable refined regulation. The demand for talent will remain, both in quantity, quality, skills profile, and diversity.

Technology will further automate the mechanics of the industry, leaving talent focused increasingly on quality intervention, intelligent oversight, intellectual roles requiring curiosity and problem solving, and an obsession with client delight.

Individual firms have little chance of impacting these changes with respect to a supply of evolving talent needs, but an industry mobilised into a solution such as a master's degree, collaborating, cooperating, communicating, and contributing, is formidable and can make a real difference. We are seeking the formal endorsement of this initiative from the ASP community to allow us to advance

to the next stage of detailing a plan (initially in the form of a white paper to canvass support from relevant partner Institutions) towards execution of this idea.

Other initiatives, such as “boot camps”, interim services have been identified from this research, which the working group will in parallel engage with the Asset Service Provider industry to prioritise and pursue.

Finally, as mentioned earlier, a survey of the “young generation” is being conducted to understand their career ambitions and motivations, and how the Luxembourg financial services sector could be more attractive to them.

The working group welcomes your support across each of these initiatives and encourages anyone who wishes to become part of the working group to reach out directly.

Lätz make it work!

Notes

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