Recruitment Market Insights – Risk 2023

Welcome to the Barclay Simpson 2023 Risk Recruitment Market Insights report

Fluctuation in the recruitment market is often driven by external factors. As we've seen before in 2008, 2011, 2016 and the slow decline between 2016-2019 as firms bolstered their European offices in readiness for the UKs departure from the single market. March 2020 was no different when we saw a sudden dip following the impact of COVID-19.

The strength of the recovery in early 2021 caught many people by surprise. In banking, a key driver of recovery was capital that had been set aside to cover loan losses which never materialised was brought back onto the balance sheet and reinvested. The pace of the economic recovery, regulatory scrutiny and pent-up demand were also key drivers of recruitment activity.

Towards the end of 2022 the market was showing signs of cooling and 2023 has been a mixed year. The economic impact of the disastrous mini budget, the war in Ukraine, inflation, interest rates and slow growth have dented confidence and impacted all forms of investment, including recruitment.

Within the risk profession there are many factors that continue to shape the recruiting sphere including evolving risk factors, economic uncertainty, new regulations surrounding operational resilience and changing corporate priorities.

Source: KPMG/REC, UK Report on Jobs

Supply & Demand of Risk Professionals and Jobs

The risk recruitment market is diverse, encompassing many different risk types and skillsets. Whilst the market overall has cooled, the first half of the year presented a mixed picture.

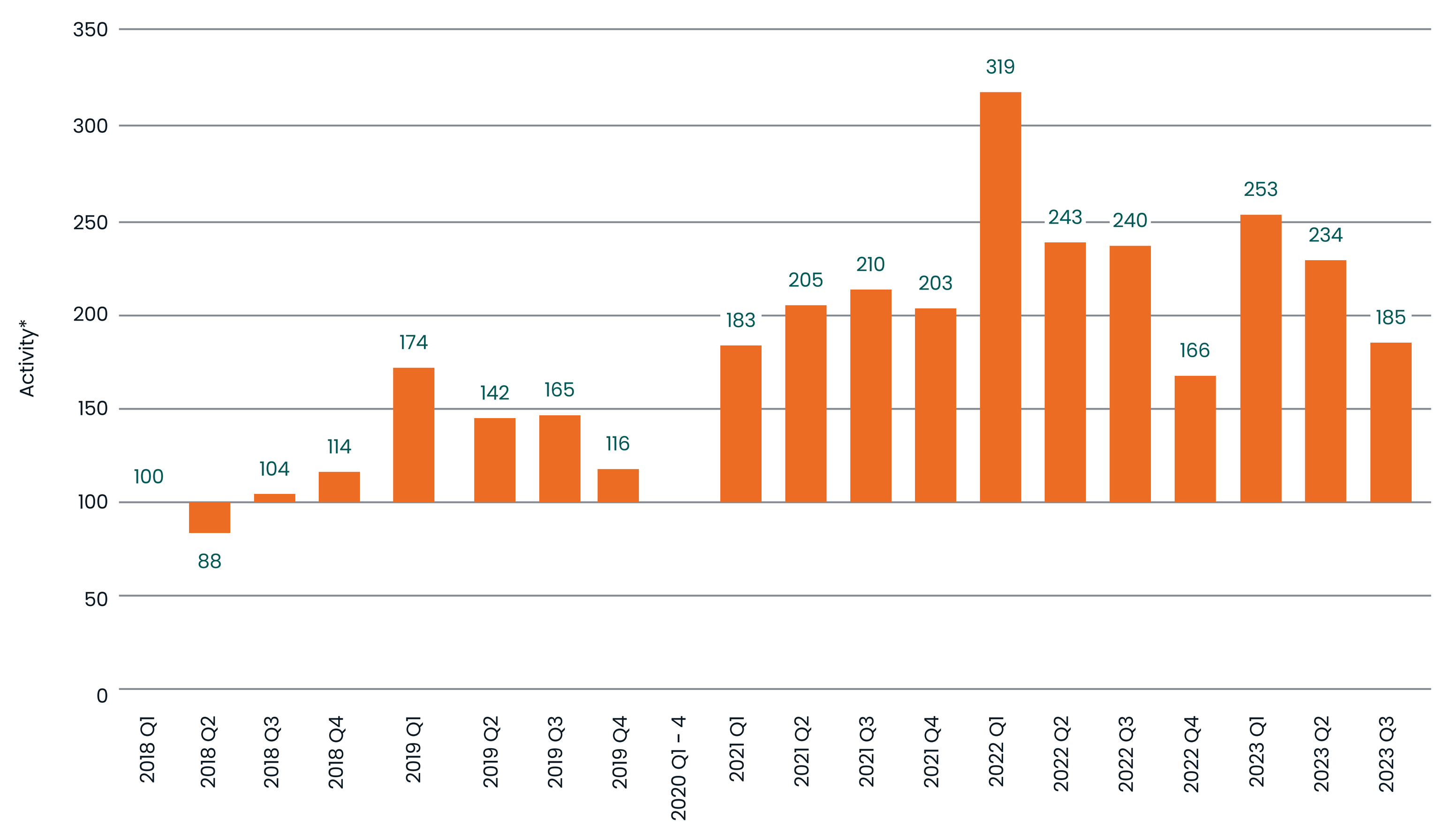
The operational and non-financial risk markets are significantly quieter than 2022. However, the quant space remains buoyant with demand for candidates with model development and validation experience. Likewise, market and investment risk and credit risk while slower than last year, has held up well. This year has also seen an emphasis on junior hires, particularly within non-financial risk.

A common theme throughout is that there is pent up demand from hiring managers but little to no appetite for headcount increases from employers. Risk management tends to be resilient to economic fluctuations, but it does not operate in a vacuum. The impact of persistent inflation and high interest rates has dented confidence.

High interest rates mean banks can increase their margins in their loan books, but they must ensure that interest rate risk has been properly hedged. Failure to do so was a contributing factor in the collapse of Silicon Valley Bank. Falling rates also present risks to cashflows which needs to be taken into consideration.

With this in mind, we have seen growth within the field of Interest Rate Risk in the Banking Book (IRRBB). Many of the large banks have been investing in this area from both a systems and personnel perspective and look likely to continue to do so.

Risk Recruitment Activity Index



**Composite measure of recruitment process activities*

The need to manage market volatility, day to day lending activities and regulation has led to a shift in employer priorities. Longer recruitment processes, increased selectivity when evaluating candidates and hesitancy to make hiring decisions often means the best talent ends up being snapped up by the competition. While the market isn't as buoyant as it was, the very best candidates in hard to fill risk roles remain in demand.

Market fluctuations has meant increasing demand for candidates with market risk management and macro products experience. New regulations have seen demand linked to Fundamental Review of the Trading Book (FRTB) and PRA Supervisory Statement SS1/23 covering Model Risk. Volumes in these areas have been stifled slightly by the broader economic headwinds, but conversations with employers would suggest that both will get busier going into 2024. Finally, growth in structured lending saw demand for credit officers with experience across leveraged finance, infrastructure, and commercial real estate.

Candidate priorities have also shifted. Cost-of-living concerns meant compensation was a key driver in 2022, but this year work-life balance has become much bigger consideration for many candidates.

In-Demand Roles Businesses are Looking For

1 Market and Credit Risk

2 Model Risk

3 IRRBB

Drivers Impacting Candidate Movement

Remuneration

Career Development

Better Benefits

Job Security

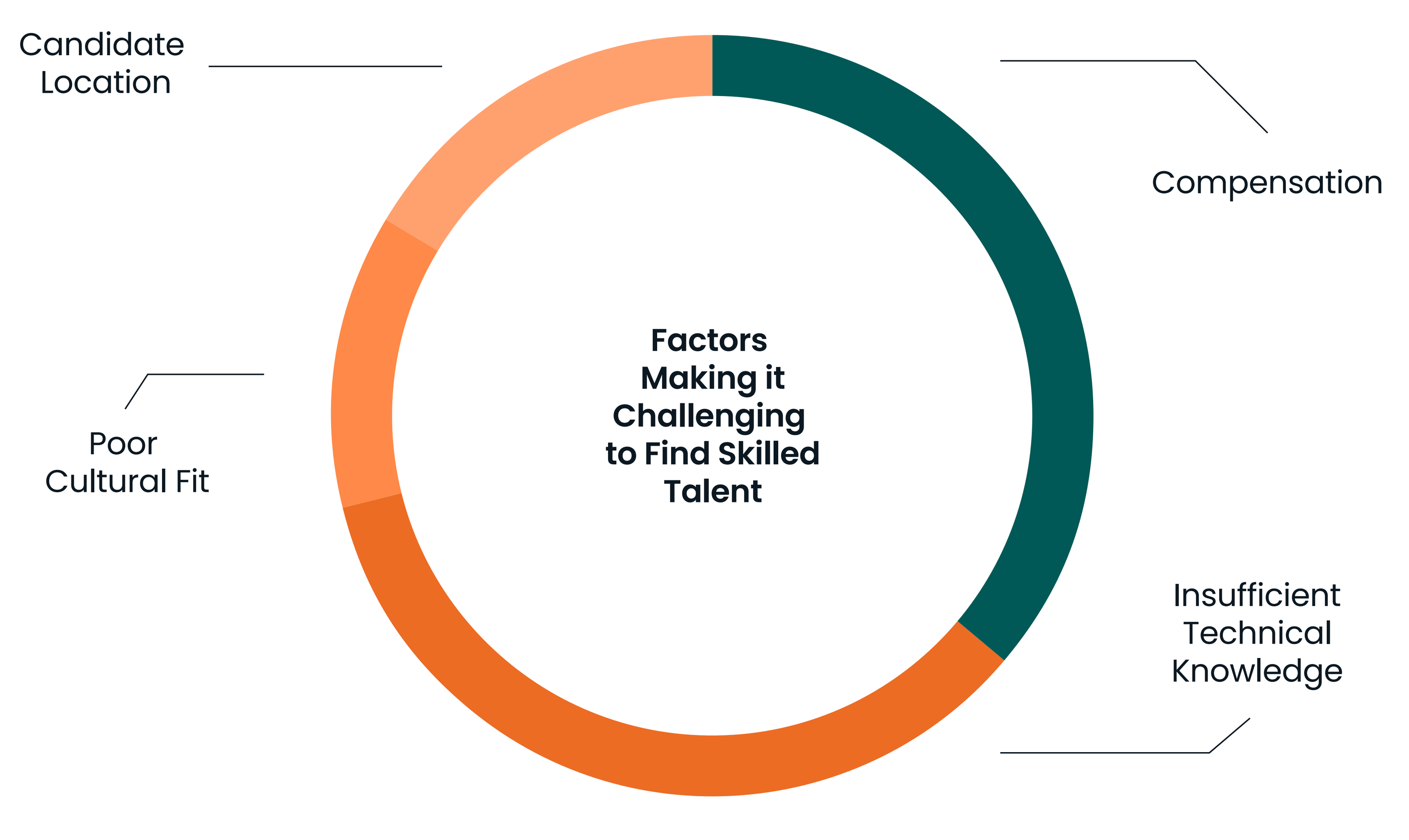
Work-life Balance

Data taken from the 2022 Barclay Simpson Internal Risk Salary & Recruitment Trends Guide

Pay Growth

Pay rises achieved by candidates with their current employer have been averaging 8% compared with the 15-18% achieved by candidates who have changed employer. This is a reduction from 2022 when candidates were achieving 20-30% rises by using the recruitment market. This is where the trade-offs between security of tenure, improved salary and quality of company and opportunity come sharply into focus.

Greatest Recruitment Challenges



One of the biggest challenges for employers going forward is going to be sourcing candidates with sufficient technical skills. Many candidates who moved roles in 2021-2022 when there was a lot of movement, aren't ready for another move. As a result, the candidate pool is very tight, particularly in niche specialisms such as investment risk.

Salaries are now approximately 20% higher than pre-2020 levels, with the greatest wage inflation seen at the junior to mid-level. Fortunately for employers reticent to overspend in an uncertain economy, wage inflation appears to have levelled out.

To attract highly skilled candidates without further increasing salary, employers might consider softening their stance on getting people back into the office to better meet candidate desires for increased flexibility and work-life balance. They might also consider recruitment support to keep hiring efficient and ensure the best possible outcomes.

Attract and retain the risk professionals you need with Barclay Simpson

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