Saxton Leigh

August 2020

Salary Survey

Risk Management and Credit

WORD FROM THE MD

At the start of the year we put together our annual salary surveys for the UK risk and compliance markets where we took into account data from 2019.

At the turn of the year what no one could have predicted was that the world would enter into a global pandemic impacting not only our personal lives but also our careers and our way of working too. Considering this, we have decided to provide you an update on where the UK risk & credit markets stands after the first half of 2020 as well as what we predict for the next 6-12 months.

In the UK, the government has tried to prevent mass job losses with the introduction of the government furlough scheme, however this has not come without a cost. At the end of June 2020, there were 9.3 million jobs furloughed in the UK at a cost of £25.5 billion. It is expected that this cost will weigh heavily on the economy for many years to come, with undoubted increases in tax.

The impact of COVID-19 was felt through the whole of the financial services sector both in the UK and globally. In the UK finance and insurance industries 41% of potential employers utilised the government furlough scheme which accounted for 73,700 people being furloughed by the end of June 2020. This equates to 7% of potential jobs being furloughed at a cost of £246m. However, when compared to other sectors such as the construction industry which had 59% of jobs furloughed it shows how robust the financial services sector has been to the initial impact of COVID-19.

Although thankfully the volume of redundancies and positions furloughed has remained relatively low in the UK financial services space, there has been a significant impact to the job market. Saxton Leigh recorded a 61% decrease in risk & credit vacancies registered when comparing Q2 2020 to Q1 2020.

Working from home became the norm overnight and pushed firms into new ways of carrying out business which previously might have taken 5 to 10 years to implement. More conservative firms who previously would not have permitted working from home had to adapt within a matter of weeks. Following on from this, a Willis Towers Watson survey of nearly 1000 employers found that only 15% of firms felt that working from home had affected employee productivity. However, working from home hasn't been without challenges both for work and from a mental health point of view; not only have we had to share working spaces with family and balance home-schooling, but we also have had to adapt to both living and working at home. That said, a recent survey by YouGov showed that 45% of workers expected their firms to offer more flexibility when it came to working from home.

For people looking for employment in the risk & credit fields there are positive signs. The demands from the business and regulators have not decreased, and although firms have adapted and implemented new processes, many teams we've spoken to have reported that the increase in workload will drive the need to hire further staff. Throughout the lockdown period the Saxton Leigh team has been working hard both advising clients on virtual interview strategies and onboarding as well as matching many candidates with their new employer.

I hope you find this report useful. If you have any feedback or would like to input into any future reports please email me at *marcus.courtney@saxtonleigh.co.uk*

OUR SERVICES

In an ever-changing recruitment market, Saxton Leigh delivers a dedicated and specialist recruitment service for both UK employers and candidates specifically focussing on the Risk and Credit markets. We help build out teams, source specialist individuals and provide an end to end recruitment service for both permanent and contract staff.

WHY US?

With extensive market knowledge and experience, we have the insights that set us apart from other firms in the industry. With this experience, we have earnt the trust of both our clients and candidates, which means that we have the industry's top talent and leading firms working with us. Our consultants can offer you a tailored, bespoke service to match your every hiring need and requirement, whether you are looking to grow out a team or to find a niche specialist to help with a particular project. From a candidate perspective, our consultants are here to help guide you on your job-hunting journey and provide you with the best next step in your career.

12% of our business was contract in H1 2020.

9% was the average salary increase for candidates joining a new employer.

INTRODUCTION

Welcome to the Saxton Leigh mid-year salary guide for 2020.

Our experienced consultants have gathered their industry insights and analysis of the financial services risk & credit markets to bring you this pack. We hope that this report will be an informative guide for both our clients and candidates, whether to plot growth strategy, understand what is happening in the market or to look at remuneration benchmarking.

Please note that the research for this paper was carried out for the first half of 2020. Given the unprecedented nature of the COVID-19 outbreak and uncertainty it continues to bring, we only make predictions on what the future holds for risk & credit recruitment trends.

As part of our work as your dedicated risk & credit recruitment specialists, we carry out constant market research through attending virtual seminars, writing blogs and engaging with our clients on a regular basis. This research continues to keep us at the forefront of risk and credit recruitment and as one of the UK's leading specialist firms.

OVERVIEW OF RISK MANAGEMENT AND CREDIT RECRUITMENT

The COVID-19 outbreak has significantly impacted regulated firms. The FCA and PRA were quick to recognise this and looked at how they could help firms to cope and provide guidance on how the internal risk and risk to customers should be managed. To ease the burden on businesses, the regulator has allowed flexibility for firms in areas such as market trading and reporting where they recognise controls in some cases can't be managed in the same way with staff working from home.

After a slow start in January, we saw positive signs as recruitment volumes increased in February and early March. However, as soon as lockdown commenced, 80%+ of our live jobs were frozen and the new job flow was almost reduced to zero. Saxton Leigh saw new vacancies decrease by 56% between H2 2020 and H1 2019. However, what was more startling was the 61% drop in new vacancies between Q2 and Q1 2020. This was clearly a result of COVID-19, with firms facing cuts in budgets as well as feeling uneasy about hiring without having face to face meetings with future employees. Over the lockdown period firms have had to adapt their hiring strategies and put more trust in their screening processes when onboarding people remotely.

If we look to our candidate registrations, Saxton Leigh have recorded a decrease of 18% when comparing H1 2020 to H1 2019. We have seen an increase in applications from contract candidates who's engagements have finished or were due to finish during H1. However, we have seen a decrease in applications from the wider risk & credit markets as candidates have preferred to ride out the market uncertainty in their current companies.

In terms of the contingent workforce, contract vacancies made up 12% of our business in H1 2020. This was a significant decrease from the 24% we saw during 2019. We attribute this decline to both the implementation of the new IR35 regulations (which was subsequently postponed) and the impact of COVID-19.

Across the risk & credit markets, the average salary increase in H1 2020 was 8%. This is down on 2019 where the average increase was 12%. Once again, pressures placed on firms' budgets due to COVID-19 has meant that there has been little room for pay rises and candidates have recalibrated their expectations.

We have highlighted some of the specific trends below, as well as an overview of the contract workforce market trends.

OPERATIONAL RISK

- In terms of the operational risk recruitment market when comparing vacancies in H1 2020 v H1 2019 the market remained stable with almost like for like volumes. However, when looking at job numbers for Q2 2020 v Q1 2020 we saw a significant decrease in volumes with a drop of 69%. Such a large decrease is somewhat surprising given the additional workloads operational risk teams have faced due to pressure both internally and from the regulator to maintain essential services for customers, firms changing working practices and people working remotely.

- Permanent salaries have remained relatively flat during H1 and to date we haven't seen any impact due to the economic climate/ COVID-19. However, the same can't be said for contract positions in the operational risk space where we have seen day rates begin to decrease and contractors show more flexibility in the hope of securing a position.

CREDIT RISK

- In terms of the credit risk recruitment market, we saw a different pattern to that what was seen in the operational risk space. Volumes decreased by 58% when comparing H1 2020 v H1 2019 but when we look at Q2 2020 to Q1 2020 we saw a further drop to 63%.

- Both permanent and contract rates have remained relatively flat during H1 and to date we haven't seen any impact due to the economic climate/COVID-19.

- Credit Risk/Credit teams have reported increased workloads as the business has not only been requiring them to do credit reviews for future business but also review the whole existing credit portfolio to ascertain if there has been a change in credit worthiness.

MARKET/INVESTMENT RISK

- The market risk space has shown more resilience than the operational and credit areas although overall volumes are down.

- H1 2020 v H1 2019 saw vacancy volumes at the same level whereas when we look at Q2 2020 v Q1 2020 saw a drop of 43%.

- The focus for hiring remains on candidates who have programming languages such as Python and R who can assist the business with refining the models.

TEMP AND CONTRACT RECRUITMENT COMMENTARY:

- As a result of COVID-19, the temp and contractor market saw the postponement of IR35 until 2021. Unfortunately, the delay to the regulation came too late and by March 2020 many contractors were out of work. The postponement from April 2020 to April 2021 was a short reprieve for some contractors/ teams who wanted to continue utilising the services of Personal Service Company. However, the subsequent acceptance in Parliament on the 1st of July 2020 of the Finance Bill now means almost certainly that the rules will be implemented in April 2021. By tabling an amendment, MPs had hoped the changes could be delayed until the 2023 to 2024 tax year, but they were defeated by 317 votes to 254. As of April 2021, this will mean the IR35 status will be determined in the majority of cases by the company engaging the worker. Some firms who had planned a strategy in readiness for April 2020 have maintained their stance on PSC's even after the rules were not implemented in April 2020 meaning they are ready for the implementation in 2021.

- Looking forward, for those firms who haven't finalised their contingent workforce strategy, time is now of the essence if they want to retain and attract the best talent. It is worth noting that generally after a recession or economic shock the contract recruitment market is generally the first to pick up so readiness is the key.

FUTURE TRENDS:

- Although the spotlight has been on the pandemic for the past months, the Brexit implementation date on 31st of December is now just around the corner. With this in mind, and with the likelihood of a hard Brexit, we have seen more international firms looking into hiring in mainland Europe and Ireland and we expect this trend to continue for at least the next 6 months. That said, our UK clients are not stating Brexit as a reason affecting their hiring, but instead putting the emphasis on COVID-19 and the impact that it is waging on the economy.

- Our analysis shows that September will be a key month in the financial services recruitment space. Subject to no second wave, we should see schools returning which will allow firms to increase their physical headcount in their offices with over 50% of firms saying they will have 10% to 30% of staff returning to the office. Some firms are looking to do this on a voluntary basis to accommodate individuals who have struggled or been unable to work from home.

- In September we expect to see a new wave of activity as firms restart their previously frozen hiring processes as well as releasing new roles to help with both internal and regulatory demands. We expect recruitment volumes to gradually increase through H2 2020 but don't expect any significant uplift until H1 2021. This is on the assumption that there isn't a second wave and employers follow through with plans and have a higher percentage of people back in the office.

- It is likely where firms have relied on operational risk teams to cover BCP and Information Security we will see the splitting out of roles and teams to provide dedicated functions. This will drive recruitment for technically strong individuals in each area rather than generalists. The Bank of England/PRA/FCA have indicated that Operational Resilience is a shared priority for the three supervisory bodies and as stated in our last report Operational Resilience will continue to be a key area for hiring in 2020 and into 2021 as firms build out dedicated teams.

- Information Security has been a key area during the first half of the year with the National Cyber Security Centre detecting more COVID-19 scams than any other type. It will be a key area for the regulator, firms and recruiters for the next 12 months. The hiring focus again will be on technically strong candidates who have worked in the financial services sector and have demonstrable experience of ensuring services are maintained both internally within the business and for customers.

- We expect where there is demand in the credit and market risk areas the focus will be on candidates with strong technical analysis and IT skills. The credit area will focus on candidates who can do in-depth reviews and provide detailed reports on the credit worthiness of both current and new business. Candidates who can assist with the development/enhancement of the credit models will be the highest in demand. In the market/investment risk space, we expect the demand to be highest for candidates with programming languages who can enhance the models, rather than those focusing on the reporting side of the role.

- Although in general we expect salaries to plateau, we could see upward pressure on base salaries for specialist roles particularly in the operational risk, resilience and information security areas. We are expecting firms' bonus pools to be significantly reduced until 2023 and therefore we anticipate candidates to be focussing on base salary to compensate for the risk of changing position.

- In terms of the contingent market, we anticipate contract vacancy volumes to increase over the next 6 months as teams look to manage their workload whilst under the restraints of permanent headcount freezes. It is too early to predict whether the implementation of the new IR35 rules may slow the contract market in Q1 2021 or whether demand will remain robust for the reasons outlined above.

- In conclusion, firms looking to hire now will need to have a strong recruitment process to attract the best talent. They will need to articulate a clear strategy on Brexit, COVID-19 and post-COVID-19 and what it means for their employees. We are already seeing candidates doing more in-depth due diligence and research on potential employers prior to accepting offers of employment. Salary and career prospects are no longer the only main drivers. COVID-19 has led many people to reassess their lifestyles and look for employers who can satisfy not only financial and career ambitions but also address the work life balance and allow flexibility in terms of where and when people complete their work. Looking forward employers who insist on the 9-5 in the office, 5 days a week are likely to miss out on some of the best talent.

TOP 3 MOTIVATORS:
FLEXIBLE WORKING, MONEY, CAREER PROGRESSION

REMUNERATION GUIDELINES

Please note that these figures are based on base salary only and data collected in H1 2020.

IR35 delayed until April 2021.

Operational Risk	Basic Salary	Daily Rate
Analyst/Senior Analyst	£30,000 - £45,000	£180 - £230
Manager (AVP)	£50,000 - £75,000	£225 - £375
Senior Manager (VP)	£80,000 - £110,000	£400 - £525
Director	£100,000 - £145,000	£500 - £750
Head of Operational Risk	£110,000+	£700+

Credit Risk	Basic Salary	Daily Rate
Analyst/Senior Analyst	£30,000 - £50,000	£200 - £250
Manager (AVP)	£55,000 - £75,000	£275 - £400
Senior Manager (VP)	£75,000 - £110,000	£450 - £550
Director	£90,000 - £145,000	£500 - £850
Head of Credit	£130,000+	£800+

Market Risk - Sell Side	Basic Salary	Daily Rate
Analyst/Senior Analyst	£30,000 - £50,000	£180 - £250
Manager (AVP)	£55,000 - £85,000	£275 - £450
Senior Manager (VP)	£85,000 - £115,000	£500 - £650
Director	£130,000 - £160,000	£800 - £1,000
Head of Market Risk	£160,000+	£1,000+

Investment Risk - Buy Side	Basic Salary	Daily Rate
Analyst/Senior Analyst	£25,000 - £48,000	£200 - £250
Manager (AVP)	£50,000 - £80,000	£250 - £450
Senior Manager (VP)	£85,000 - £110,000	£500 - £600
Director	£100,000 - £160,000	£600 - £1,000
Head of Investment Risk	£160,000+	£1,000+

Liquidity Risk	Basic Salary	Daily Rate
Analyst/Senior Analyst	£35,000 - £55,000	£180 - £250
Manager (AVP)	£55,000 - £75,000	£250 - £400
Senior Manager (VP)	£75,000 - £110,000	£450 - £550
Director	£100,000 - £130,000	£500 - £850
Head of Liquidity	£130,000+	£800+

I was very pleased to be called up by Stuart who gave me a status update, especially as there was no specific news to pass on – in my experience it's very rare for recruiters to keep in touch and I really appreciated the effort. Everyone from Saxton Leigh that I have met during this process has been exceptionally professional.

G Wolvaardt

I have dealt with Stuart and the Saxton Leigh team over the last couple of years. They have always been there when needed, with no fuss and never intrusive. They supported me on the smooth transition between a couple of contract roles, have made themselves available to use as a sounding board whenever needed and were supportive when moving into a permanent role. Much appreciated.

M O'Leary

Saxton Leigh for the past few years have always sent me interesting roles and they recently secured me two interviews at banks with roles that are good for my career. I managed to secure a job at one of those, so thanks to Marcus and the team.

M Keys

YOUR RECRUITMENT PARTNER

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