



DECEMBER 2023

Looking
Forward to
2024



Canadian Financial & Insurance Companies Market Analysis

The ground-breaking pace of change experienced during COVID is only increasing exponentially. There are so many factors contributing to this, including geo-political, technological advancements, climate change, inflation, pandemic/epidemics, return-to-office versus remote/hybrid, immigration, housing, and others. All these factors are playing out at the same time, creating periodic peaks and troughs in demand with more frequency than we are all used to.

2024 looks to be a year of both managing risks and setting up for growth again in a new environment as interest rates, immigration, and other factors trend towards historical levels. This is a return to balance.

For professional services and business professionals, the demand is still very elevated. Both interim day-to-day business as usual (BAU) support and project-oriented are busy and picking up. First, we will talk about BAU then projects, which are highly regulatory driven.

Business as Usual (BAU)

Clients are starting to listen to staff and mitigate burnout risk. The increase in demand at the mid to senior level backfill resources is at peak levels we have never seen. Furthermore, increases in the levels of staff burnout have led to an increase in stress leaves. Societal changes have led to a wider acceptance of paternity leaves, and we are seeing a lot of backfill roles to cover for this. Remember in financial and insurance companies in Canada, these staff members have a lot invested with their employer regarding Defined Benefit Plans. They have been doing a lot of the work for newer hires since COVID and they are now taking care of their own health - mental and physical.

Contract hiring with a view to be converting into full-time is a dominant strategic trend in the marketplace. With full-time hiring freezes, rapidly shifting business priorities, and inflation, almost all temporary and contract hires into BAU roles have some view to convert to full-time down the road when available. Furthermore, clients acknowledge that this provides them with a chance to try out the hire before committing.

Projects

Let's talk about projects in two categories: regulatory and business initiated.

Regulatory Projects

Demand for project professionals to drive completion of regulatory projects is extremely high. Candidates are getting multiple offers plus ongoing calls for opportunities as they are on assignment. We have implemented new strategies for retention including variable pay with large milestone payments, inclusion, and diversity efforts, and creating work cultures where consultants feel like they are part of IFG and our clients.

Some bigger projects with high demand include, but are not limited to:

- IFRS 17
- T+1
- IBOR (CODA to CORRA)
- AML
- Model Risk

In addition, all financial institutions (banks, asset managers, and Insurance companies) are upgrading or re-building their reporting. All are or have been migrating to “one source of truth.” This information is then used to help manage various risks.

Business Initiated Projects

A lot of projects (system/ERP/etc.) that were on hold previously are going ahead with vigor and urgency. Multiple financial and insurance companies are upgrading their ERPs, risk systems, and various client interfaces. Demand is remarkably high for Project Managers, Business Analysts, Business Systems Analysts, and Business Professionals to help drive these projects.

Transactions continue to play a significant factor in driving demand for specialized skill sets, from Accountants to help with business combinations to Post-Acquisition Integration Consultants. Some examples include, but are not limited to, the RBC acquisition of HSBC, CPL/Securian Canada's acquisition of Sun Life's market business (association, affinity, and group creditor units), etc. Demand for these skill sets is expected to increase as the pace of dealmaking picks up in 2024 and beyond.

Other considerations:

1. *Liquidity and Funding*

- As financial markets absorb all the monetary policy tightening, there is going to be pressure.
- This further compounded with the growing concern regarding mortgage holders' (residential and commercial) ability to make payments will lead to higher default rates.
- OSFI is being very diligent regarding Guideline B-20.

2. *Digital Innovation & Non-Banking FI Intermediary*

- Competition is only increasing barriers to entering the market. Political will in Canada appears geared towards opening the banking system.
- This is creating a pull on a lot of resources from traditional BAU resources to highly specialized Fintech & Technology profiles.
- Clients are aggressively exploring AI and automation to further enhance all their Robotic Process Automation (RPA) efforts.

3. *Climate Change*

- There are two forms - physical and transitional. Physical risks are the risks associated with natural disasters, extreme events, etc. while transitional risks are the risks with transitioning to a green economy.
- Financial and insurance companies in Canada are aggressively pursuing “green goals” and they are incorporating them into their supply chain/base as part of their transition.
- These financial and insurance companies are also analyzing their costs, mark-ups, and returns due to the increasing frequency and severity of physical risks.
- OSFI has released Guideline B-15 to help.
- In the summer of 2023, the International Sustainability Standards Board (ISSB) issued two standards - IFRS S1 and IFRS S2. These are intended to improve the alignment of ESG reporting for all affected, including Canada's banks and insurance companies. Implementation is required to apply for both IFRS S1 and IFRS S2 for annual reporting periods beginning on or after January 1, 2024.

4. *Diversity, Equity & Inclusion (DE&I)*

- Focus on DE&I is expected to stay the course. Clients are experiencing positive results with a diverse workforce.
- There is a trend towards “get me the best person for the job” vs. “get me a diverse offering of candidates.” One client let us know that they are no longer being asked by corporate HR for a review of their diversity plate when hiring.
- There seems to be varying degrees of programs and policies from place to place.

5. *Model Risk*

- There is very high demand for skill sets in 2023 and this is expected to continue into 2024.
- Clients cannot find enough qualified staff for their model risk initiatives and day-to-day BAU work. Clients are hiring full-time, temporary workers via their respective contingent workforce management programs, and a lot via SOW with accounting firms. We are busy supporting accounting firms as they pipeline resources into these risks and internal audit groups.
- OSFI Guideline E-23 currently deals with this.

In closing, 2024 and beyond looks particularly good for business as we transition back to a more “normal” economy post COVID. Some factors affecting demand that are expected to continue include:

- Most candidates want flexibility and if not remote, hybrid work models. Companies are still adapting and experimenting with these models as well.
- Some clients are using remote work to attract employees and keep their costs down since having a remote workforce comes with lower fixed costs.
- Clients are starting to step back, assess their workforce, and revert to performance planning and coaching. This was not done as diligently during COVID. The result is that some clients are de-hiring COVID hires and replacing them with better skilled individuals that are willing to go to the office, at the same compensation or less.
- Baby boomer retirements are creating a pull-on demand for senior level resources across labour categories. As inflation subsides and their retirement portfolios remain healthy, many are expected to go into retirement, further creating a demand for talent.
- As of today, there are simply not enough rare earth minerals available to produce enough chips to power Artificial Intelligence (AI). This will take time to play out and many are expecting the AI bubble to pop soon.

For more information, please contact Michelle Campanaro or your local IFG contact.