

Evolving Workforces

People, talent, and experience: the challenge for financial services occupiers

VIEWPOINT

Prioritising people and talent through clear and evidence-based policies is especially relevant for financial institutions. This means that people issues are increasingly key to establishing an effective portfolio blueprint.

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Introduction

Prioritising people and talent through clear and evidence-based policies is especially relevant for financial institutions. It involves more than just competing effectively for the best talent – although that is important – and spans a range of issues linking real estate and people performance. These include location selection and right-shoring; management of labour and property costs; skills profiling and curating high-quality user experiences. This places real estate right at the centre of a financial company’s Employee Value Proposition and means that people issues are key to establishing an effective portfolio blueprint.

Labour market conditions underline the issue. According to Eurostat, Euro Area unemployment remained at an all-time low of 6.5% in January 2024 with some skills still scarce; and service sector labour costs were up by 4.1% year-on-year in Q4 2023, ahead of the overall inflation rate (2.9%). Some banks also perceive that they may have an “image” issue, in attracting talent with transferable cutting-edge tech skills. Additionally, the short job tenure of some types of tech workers further highlights the focus on this issue. Addressing the talent issue at portfolio level is therefore critical.

People and talent factors are increasingly influential in a number of areas and particularly affect three main strands of portfolio planning:

- Location selection and planning
- Evolution of new working arrangements
- Using real estate to generate and reinforce positive cultures and behaviours

This viewpoint looks at each of these priorities, highlights the focus areas and presents key takeaways.

Tight labour market conditions underline the need to focus on talent issues at portfolio level. Financial institutions need to pivot towards a more people-centric approach across the full range of real estate decisions.



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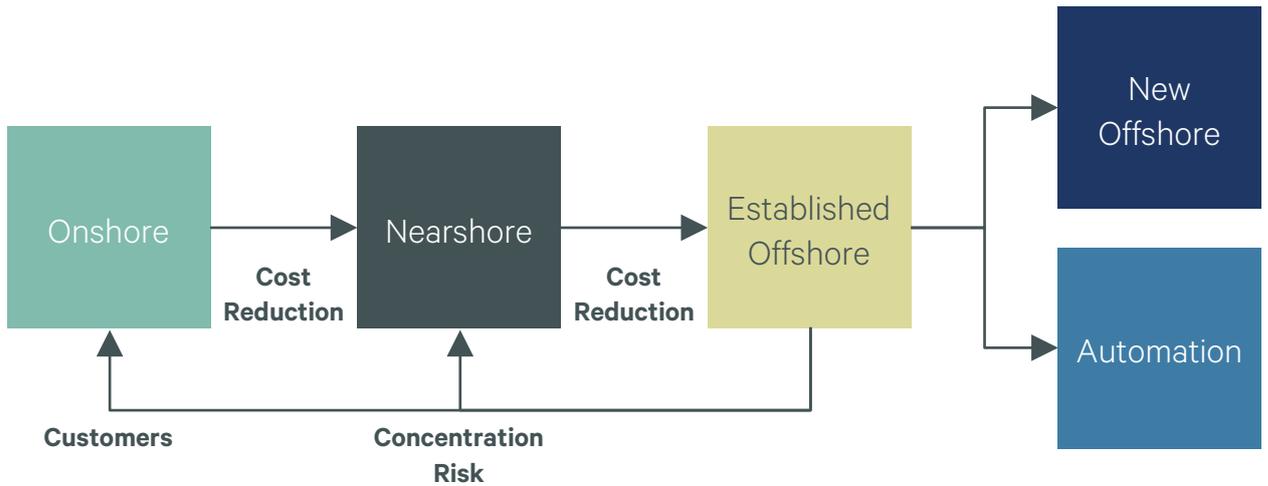


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Location selection and planning

The process of right-shoring is a well-established strategy for financial institutions. Distributing functions and services geographically is mainly done for cost reduction reasons but can also be driven by other aims such as growth or market diversification. Many banks have already moved some functions, primarily non-customer-facing ones, to lower cost locations. But the focus is shifting towards the people and talent landscape. Labour availability and cost and, increasingly, individual worker preferences are now critical factors (See Figure 1).

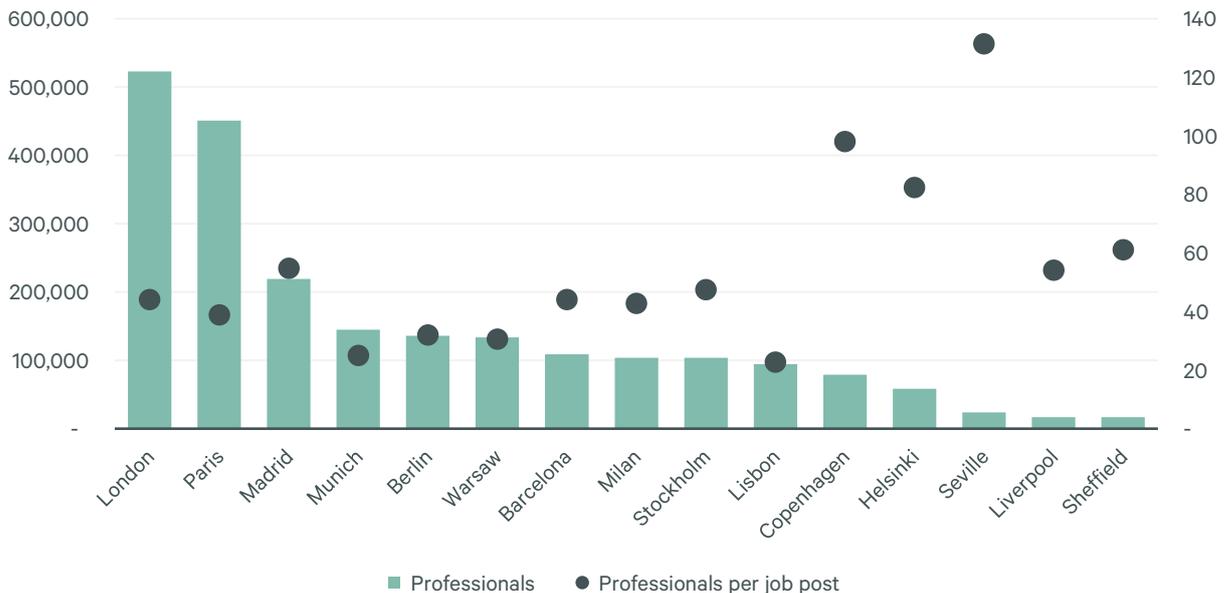
FIGURE 1: Right-shoring strategies for financial institutions



Source: CBRE Location Advisory

Large talent pools found in major cities are often viewed as the default location choice for front-to mid-office functions, simply because of their size. However, the size of a talent pool is not necessarily reflected in high availability. In a European context, the availability of tech-skilled professionals per job posting is often much higher in smaller capitals such as Copenhagen, or second-tier cities such as Seville, than in major conurbations like London and Paris (See Figure 2).

FIGURE 2: Professionals with tech skills per job posting, selected European locations



Source: LinkedIn Talent insights

Location selection and planning (cont.)

Wage differentials across locations also need close attention. Labour costs can constitute around 80-90% of operating costs for major financial institutions, and hence have a significant impact on profitability. Opportunities for savings may be available; for instance, in the UK, average salaries for business analysts are around 15-20% lower in the main regional cities than in London, and software engineer salaries 25-30% lower. But, in general, wage cost differentials have been narrowing as previously low-cost locations have expanded into higher value-add activities, supporting more expensive skills.

There are now relatively few untapped low-cost locations in Europe (or even globally) that are both viable destinations and offer compelling wage cost reductions. In the year to mid-2023, financial sector wage cost inflation was higher, mostly over 10%, in low-cost countries such as Poland or Romania, than in high-cost markets such as France or the Netherlands (generally around 5%).

The importance of people and talent issues doesn't stop at location selection. The availability of specific talent groups who might only be available in (or attractable to) high-cost cities, such as traders, is often a major factor both for siting a building and deciding who has space in it.

This presents a challenge when set against the aim of instilling common cultural standards and collaborative practices across an organisation. These aims mostly favour co-location of teams and people, but at what price, both financially and in terms of corporate cohesion? In order to meet other "people" objectives, cost may have to take a lesser role.

Evolution of new working arrangements

The people aspect of location planning is increasingly inseparable from those relating to new work arrangements. Since the Covid pandemic, flexible or remote working has been widely adopted by financial institutions, with many accepting increased flexibility as a permanent change, to whatever degree they decide to embrace it. This has made talent planning more complex in at least two ways:

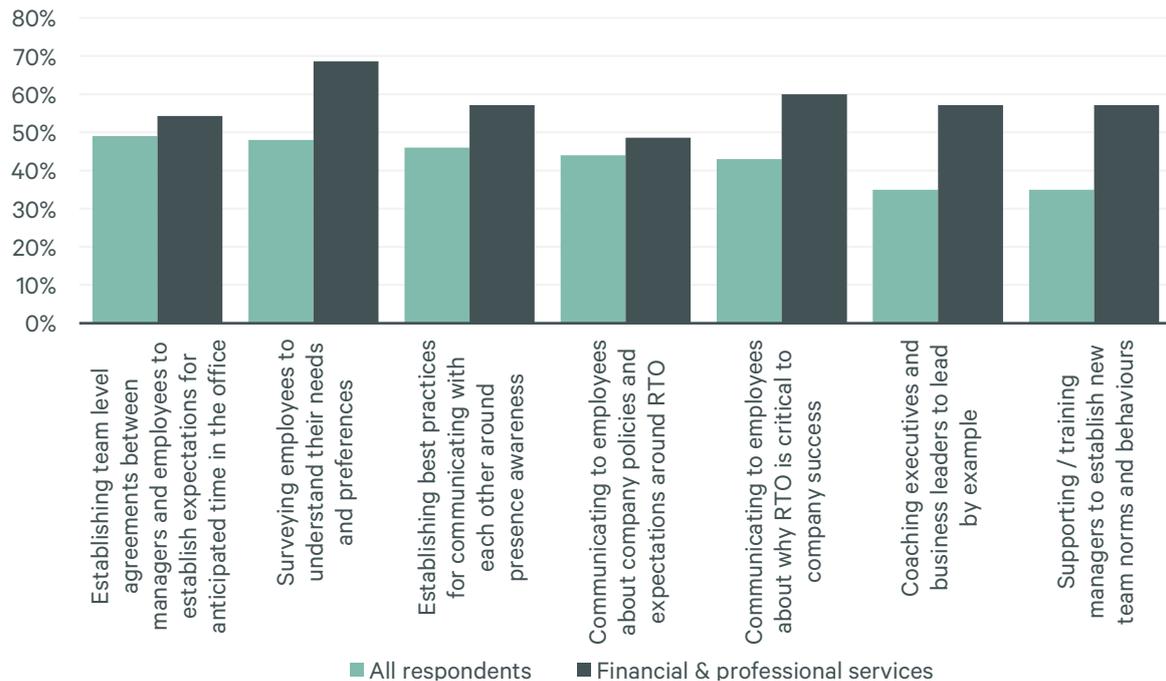
- How flexible working policies compare with those of competitors, and hence attract or inhibit hiring and retention of labour. This includes the role of mandates, and decisions around relative remuneration between remote workers and in-office workers
- The measurable contribution of real estate (in terms of location, quality, amenity etc.) in devising and sustaining talent and hybrid work strategies

Flexible working policies

There is still a wide range of views and policies among financial institutions. Despite increased mandating and stricter guidance on office attendance, few of our clients are currently asking employees to attend the office four days a week or more. This is reflected in office utilisation which remains below pre-pandemic levels, suggesting that organisations have either found their new baseline for office attendance or are still evolving their use of mandates. There has been a corresponding shift in the design composition of new offices, with a marked increase in collaboration space over the last few years. For those who regard the current position as optimal, the office is not so much competing with home working as complementing it.

Most financial companies have guidance in place around office attendance, with some of them being recently introduced. They are also more likely than other sectors to be tracking compliance and enforcing measures. [As a result, financial institutions are seeing slightly higher attendance levels than other sectors, but some also see scope to raise these further.](#) Consistent with this, financial institutions are also more likely to be using a wide range of change management and employee engagement methods to evolve their position (See Figure 3).

FIGURE 3: Approaches to employee engagement on working arrangements



Source: CBRE European Office Occupier Sentiment Survey, 2023

The main areas of emphasis here are:

- Generating evidence on the pattern of needs and preferences across the workforce
- Establishing and communicating norms around expected behaviours
- Training and role modelling

This recognises that a range of approaches are needed. Promoting and communicating the benefits of office attendance, and facilitating any change in working arrangements, is challenging, and no single method is likely to succeed on its own.

[There is some evidence that high levels of office attendance are self-perpetuating.](#) Individuals are more likely to come into the office more regularly where their peers, and managers, are seen to be doing so. We expect mandates in the financial sector to become even more widespread, and likely more stringent, to further reinforce this behaviour.

Quality of location is important but doesn't guarantee high attendance. [Tolerance for commuting has fallen, particularly for long commutes,](#) and some post-pandemic housing decisions have assumed less frequent journeys. Salary relativities have also become a more significant factor, particularly the issue of local (residence-based) rates against previous (city centre) rates, raising the issue of equity across different types of working patterns. Good outcomes need a holistic and people-centric approach that encompasses the whole Employee Value Proposition – but also identifies a clear role for real estate.

The role of real estate in the people agenda

The term “flight to quality” has become widespread recently, and there is growing evidence of it affecting markets. [Nearly half of financial institutions are looking to relocate at least some functions into better quality space](#). As a result, vacancy rates for CBD markets across Europe are mostly lower than corresponding all-city averages and, in many cases, falling.

But what are the key components of “quality” in the eyes of users – both employees and clients – and how do they affect performance? It is revealing that [nearly 75% of financial institutions are looking to raise the level of collaboration and partnership across service functions such as HR, IT, Real Estate and Corporate Communications](#), partly to be able to answer this question more fully.

Financial institutions are increasingly recognising the need to redefine the user experience across all types of asset that they occupy. There are examples of success and best practice, mainly in location selection processes. Some major financial institutions have explicitly included people and talent factors in their asset selection criteria, alongside factors like amenity and arrival experience. Others have placed a greater emphasis on the importance of good design.

However, design is only part of the issue. In any case, high-quality design is not necessarily the same as purposeful design, which requires a deep level of staff and stakeholder engagement and combines aesthetics with purpose.

Quality of process is critical. Rigorous and structured methods for employee engagement, and for generating, interpreting, and applying these human-centric insights are key to enhancing user experience and reducing points of friction. This represents a shift away from planning based on loose or subjective evidence, towards one centred on a genuine understanding of user needs.

Using real estate to generate and reinforce positive cultures and behaviours

High-quality user experiences begin with understanding the employee in detail and the moments that truly affect their experience. Only then can we define how the physical space, services, behaviours, and digital elements can best support these moments. Companies that approach experience design in this order are more likely to be human-centric, and positively impact experience in a measurable way. Structuring a process for this with people at the centre involves:

- Understanding people’s needs in detail
- Creating impact-driven solutions
- Testing proposed solutions in order to save time and cost

Traditional approaches often collect information on a one-off basis or in a limited number of ways and place great emphasis on leading practice and what others are doing. A human-centric approach puts people at the centre of this process. It devotes more time and more methods – such as observation, focus groups, video journals, or persona shadowing – to generating information so that priorities can be decided in the clear knowledge of what people actually want.

A third of the re-design effort should be spent understanding the employees on the site and looking beyond surveys. Intuitive “look and feel” recommendations may have a role as add-ons, but they need a base of rigorous scrutiny. This involves a marked shift in the distribution of effort across the process (see Figure 4).

FIGURE 4: Effort allocation distributions for enhancing user experience



Source: CBRE Human Capital Advisory

Quality of experience is a product of both action and feeling; and certain moments are more critical than others in producing an optimal overall experience. Being able to identify and assess these moments that matter, and finding which ones are experienced positively or negatively, can determine the whole success of an experience re-design programme. These moments may include arrival at the office, finding a workspace, greeting a client, or encountering a colleague by chance. In a financial institution, where many service lines, roles, and specialisms can co-exist in the same building, or even the same floor, these experiences are even more vital.

Designing spaces to provide high-quality experiences at key moments needs a clear diagnostic process. Increasingly, we see this producing inclusive working environments that reflect work cultures based around service, community and wellbeing, enabled by technology. Of course, design may not be enough on its own to produce the desired result – it also needs reinforcing behaviours, leadership endorsement, and identification of enablers and blockers.

Key Takeaways

- 1 Financial Institutions should pivot away from traditional metrics and approaches towards a people-centric method, across the full range of real estate decisions.
- 2 There needs to be an acknowledgement that *people objectives* – such as collaboration, setting common values, and culture – are better supported by proximity than by dispersion, and assess the cost consequences.
- 3 Companies need to diagnose the specific contribution of real estate and design play in fulfilling user experience needs; and apply and refine the learnings.
- 4 Financial Institutions are advised to adopt a *moments that matter* approach when defining and providing an optimal user experience; and prioritise efforts to understand user needs and preferences in detail.

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