Summary
• Improved technology can cut costs and improve business efficiency, while reducing labour expenses. However, research has found that just 40 per cent of the time spent working in finance could be replaced by technology.
• There is a shortage of qualified people in the pensions industry, due to factors such as auto-enrolment and master trusts increasing skilled staff demands.
• As DB schemes mature, the demand on administrators for project management and analyst skills has increased.
• There was a trend for offshoring a decade ago, but the pendulum is now moving back the other way thanks to the demand for higher-skilled workforces.

The rise of the robots?

Despite widespread expectations that technology will revolutionise, and in many cases take over, humans' jobs, Gill Wadsworth finds that the majority of those working in the pensions industry will not be so easy to replace

Fifteen million jobs could be lost to technology as robots replace humans in the labour market; that was the alarming prediction from Bank of England chief economist Andy Haldane back in 2015.

BoE governor repeated the cheery message just before Christmas last year, pointing to clerical and administrative roles as most ripe for obsolescence.

Technology versus people

For the pensions industry these forecasts are something of a double-edged sword. For the finance director, anxious to cut costs and improve business efficiency the prospect of reducing labour expense through improved technology can only be a plus. For those sat behind the desk actually crunching the numbers and answering phones, the looming threat of a robotic replacement is less welcome.

Independent trustee firm PTL client director Paul Stanbridge says: "The advantages of online processing are greater speed, accuracy and, as a consequence, the removal of swaths of clerical and managerial posts. These changes have provided competitive advantage to large players who have invested in technology, whilst the removal of people costs has enabled profitability to continue in a pensions market where legislators and consumer lobbies believe charges should be driven lower."

Yet there is no hard evidence that pension administrative roles are witnessing any kind of major scaling back. In fact recent research by McKinsey suggests jobs in the UK finance and insurance sector are relatively difficult to replicate using machines. The research found just 40 per cent of the time spent working in finance could be replaced by technology which, equates to 410,600 jobs. This compares with 62 per cent of jobs under threat in accommodation and food services and 55 per cent in manufacturing.

The search for qualified people

Indeed, the pensions sector has always suffered a dearth of talent and with major legislative changes sweeping across pensions in recent years – auto-enrolment and freedom and choice to name but two – qualified people are more difficult to come by than ever.

Pensions and benefits recruitment firm Alexander Lloyd's managing consultant Tom Martin says: "The pension industry has always had lots of jobs but there is a real shortage of good candidates in the market."

Martin says that auto-enrolment has been particularly significant in draining the job market of suitable individuals.

Since 2012 every single company in the UK with more than one employee has been obliged to offer a pension scheme to their workforce. As this legislation has rolled out to micro-employers, completing next year, the demand for administrative jobs and those with pension knowledge has grown.

Equally, where employers are unable to set up their own scheme, a master trust offers a bundled alternative. As such, the industry has seen a huge growth in master trusts, which in turn has led to a demand for relevant individuals to staff these enterprises.

Martin points to one of his own clients, a major master trust, which undertook a 'massive recruitment exercise' to help with increased client demand following auto-enrolment.

DB skills required

While workplace pensions are enjoying a growth spurt, traditional defined benefit (DB) plans have been in a long slow decline for some time. Yet rather than force DB specialists to pick up their P45s, there has been a rise in demand for administrators in this field too.

Pensions administrator Trafalgar House managing director Gary Wake says: "Over the past five years competition for professional administrators has steadily increased.

As DB schemes mature, the pressures faced by trustees to unwind the errors of the past has meant that demand on administrators for project management and analyst skills has sky rocketed."

Wake adds that trustees also want more from their administrators than simple day-to-day member service. Focus, he says, is now on 'non-core project activities' such as strategic consulting and project management services.

The sheer complexity of the DB system also keeps the labour market supply and demand dynamic firmly in the favour of the employee and means that technology is unable to replace the personal touch.

Standbridge says: "DB roles remain relatively safe from automation for now, as the complexity of DB structures and the declining number of schemes means automation cannot always deliver significant productivity gains that would justify the outlay. Job roles for people with relevant DB experience will continue for some time."

Recruitment challenge

Consequently employers are left with a considerable recruitment challenge; there simply are not enough people out there to do the job.

Wake says: "The supply of administrators has not increased over the years and, despite the industry offering a stable long-term career with relatively generous reward and development opportunities, it still does not attract a great deal of new talent."

In response, Trafalgar House is investing in its own graduate trainee programme and adopting what Wake calls a 'grow your own' approach, which ensures the firm has the talent it needs by training individuals itself.

Wakes says: "Our aim is to backfill the skills retained in our member service teams so that they can feed the growth of our scheme services operation."

Offshoring comes home

Given that it is not cheap to recruit, train and retain individuals in such a specialised undersupplied field, companies have long tried to keep costs down through judicious location of their operations. A decade ago the trend to offshoring was in full swing – JLT for example set up a large operation in India – but Wake argues the pendulum is moving back the other way thanks to the demand for higher-skilled workforces.

Martin notes that instead of going overseas, employers are shifting within their own borders and taking operations from the south east to the north of the UK.

"Real estate is very expensive in the south east and that coupled with higher wage costs leads companies to consider moving further north. Locations including Leeds, Sheffield and Edinburgh are proving popular alternatives."

Indeed many of the major consultants have shifted focus from the south to north, including Willis Towers Watson, Aon Hewitt and Capita.

Brexit

UK employers will also have to consider the impact of Brexit on their businesses and what that in turn will mean for recruitment.

February's Brexit White Paper makes clear the government's desire to protect rights of British workers in the EU and those of European employees here but there is no clarity on how this will be implemented.

At the same time, there may be changes to pension legislation, taxation and employment law; all of these would have implications for the way pension departments are run and the skillsets needed to head up operations.

Businesses must also decide if they want to retain the UK as the HQ for their operations or consider an overseas alternative.

Martin says: "Do big global firms like want to remain in the UK post-Brexit? That is a massive decisions for those companies."

Martin suggests two outcomes as a result of Brexit. The first is a retreat from the UK, which sees businesses reduce domestic operations in favour of the EU, leading to widespread redundancies. The second is a bolstering of UK business and a subsequent recruitment drive.

"It's looking like the latter," Martin says. "No company we work with has – since the UK voted to leave – said they are downsizing here. They are still recruiting and growing operations."

A career in pensions looks like a relatively safe bet at the moment – at least for the individuals with skills that cannot be replicated by a computer.

Employees able to get to grips with this complex area and translate that knowledge to the wider business or to the general public, will be in high demand irrespective of the rise of the robots.

Rather it is employers, not individuals, who are facing a recruitment challenge.

Managing costs, rethinking locations and keeping on top of technology are just a handful of the serious consideration for today's pensions companies.

Successful employers will need the right level of technology to complement skilled personnel if they want to connect with their audience without breaking the bank.

Written by Gill Wadsworth, a freelance journalist