

Abdul Rasheed Ghaffour: Keynote address - launch of Future Skills Framework

Keynote address by Mr Abdul Rasheed Ghaffour, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the launch of Future Skills Framework (FSF), Kuala Lumpur, 22 July 2024.

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I am honoured to be here today for the launch of the Future Skills Framework for the financial sector also known as the FSF. I would like to commend the Asian Institute of Chartered Bankers, Malaysian Insurance Institute and the Islamic Banking and Finance Institute Malaysia for driving this important initiative, and to the financial industry for all the work that went into the creation of this framework.

Let me start with a brief mention of the economy's prospects. Malaysia's economic growth performance remains forthcoming. Despite the many challenges and uncertainties, recent indicators reaffirm our assessment for an improved outlook of 4% to 5% growth this year. The economy expanded by 4.2% in the first quarter of 2024, and the advance estimate for the second-quarter GDP indicated a better expansion of 5.8%. The growth performance was supported by resilient domestic demand and recovery in external demand. This resilience is a direct result of our transformation to build a stronger and more diversified economy. This also underscores the importance of reforms to better position ourselves for the future.

The nature of work is also evolving. All over the world and across industries, automation, AI and other digitalisation trends are reshaping jobs and creating new ones. This means that the skills that matter in the workplace will also evolve and become more diverse. What is clear is that the workforce needs to be agile and resilient to change.

This is especially pertinent for the Malaysian financial sector, even as we strive to further develop and position the financial industry to more effectively serve the economy – a progressive and productive economy that is powered by innovation. To make this a reality, about 168,000 individuals working in the financial sector must be equipped with the right knowledge and skills. In this respect, the FSF is an important agenda to futureproof the sector's workforce and ensure that it plays a pivotal role in driving economic growth.

Ladies and gentlemen,

The financial sector is an important employer, providing high-quality jobs to many in Malaysia. Despite ongoing efforts to digitalise operations, the financial sector workforce expanded by almost 3% in the last two years, with most employment opportunities targeted at highly skilled workers, averaging more than 95% of total job vacancies and newly created positions. This underscores the financial sector's capacity to adapt to changes in the operating environment, enabling it to remain a net job creator, including of highly rewarding jobs.

To ensure that we remain ready to meet the evolving demands of the economy, the way we approach talent development must keep pace with the changes around us. Today, I would like to offer three perspectives on configuring the future of work and my thoughts on the way forward.

First, the digital and sustainability revolution. Digital transformation is set to significantly impact more than 20 roles in the financial sector across all job levels. This is not surprising as AI – including Generative AI in particular – is widely believed to be a major driver of change in the future of work. With its vast potential to create new opportunities and augment human abilities, Generative AI is forecasted to revolutionise 70% of text- and data-heavy tasks by 2025, and this is according to Gartner.

Concurrently, the rising urgency of the sustainability agenda has accelerated demand for new skillsets and job roles to support customers across industries in making the green transition and meeting their environmental goals. For example, to support customers in adapting processes and adopting technologies to reduce carbon and environmental impacts, complying with regulatory requirements, or mitigating the impacts of physical risks.

Second, the growing importance of power skills defined as psychosocial skills relevant for all job roles in the FSF in today's workforce. As digitalisation and automation become more pervasive, technical skills alone is no longer sufficient as the world will be looking to tap into employees who are able to innovate and find novel solutions. Power skills will become increasingly valuable as they involve unique human abilities not easily replicable by machines – cognitive skills such as critical thinking, problem solving and innovative thinking or emotional and social skills such as adaptability and resilience – are skills integral in shaping culture and ethics within the organisations.

It also needs no saying that technical skills must also be continually upgraded. An interdisciplinary approach that blends technical and power skills are therefore required to thrive in today's environment. Employees that are able to master both would be better prepared to navigate uncertainty, capitalise on opportunities, and drive organisational agility.

Third, embracing a "skills first" strategy in hiring and developing talent. For example, traditional strategies for recruitment and sourcing – such as through conventional graduate pathways – might no longer be the best way to attract talent with the right skills. We have seen organisations increasingly embracing a "skills first" approach in attracting, hiring and developing talent. This prioritises individual skills and competencies, irrespective of how they are acquired. And with technology, organisations can equip their employees with tailored skills based on business needs as and when they are needed and in a more cost-effective way. Further, by adopting a "skills first" strategy, employers can open opportunities for more people with the right skills mix to join the industry to drive organisational success.

Ladies and gentlemen,

Implementing the FSF is a critical step for the industry in building a strong foundation for skills development and job-skills matching, addressing the challenges and opportunities which I have just described earlier. And for this, we need a whole-of-

industry and nation approach. With these perspectives in mind, I would like to put forward three action items to futureproof the financial sector talent.

First, skills forecasting and planning must be an integral part of the workforce strategy for the financial sector to remain resilient. As new forces of innovation continue to shape how financial services is delivered and the skills needed to support it, this means that the industry must continuously refresh the FSF to ensure it remains relevant as a reference point for skills, job roles and career pathways.

To do this effectively, we can learn from the UK's Financial Services Skills Commission, which advocates forecasting skills at all levels – national, industry and at firm level. This means building allies for forecasting, undertaking detailed job understanding and data collection, and investing in skills development infrastructures.

The need to invest in skills forecasting is also clear for two reasons:

- One is to serve as critical input to foundational education to reduce skills gaps among graduates; and
- Second, to better anticipate reskilling and upskilling needs of the financial sector workforce. This in turn is imperative to meet new demands for financing in the economy to secure Malaysia's future growth prospects.

My next point is for every financial institution to cultivate a culture of lifelong learning and emphasise high ethical standards throughout the organisation. A McKinsey study highlights that lifelong learning can improve worker productivity by up to 12%, and increase talent retention through higher employee loyalty and satisfaction. However, cultivating a culture of lifelong learning goes beyond setting aside a specific amount of budget for training every year. Its ethos should be integrated with how the organisation operates – for example by featuring development as part of career progression, encouraging learning and exchange of knowledge in everyday workflows and processes, and creating opportunities for employees to reskill and upskill themselves. Executive sponsorship is key and so the board and senior management must champion this agenda.

Equally important is the role of the board and senior management in preserving strong ethical standards and integrity throughout the organisation. Fostering trust and credibility in our financial system is of the utmost importance to preserving public and investor confidence. Our supervisory reviews over many years have found that institutions that are intentional and uncompromising in upholding high standards of governance and ethical conduct are far less likely to be exposed to financial and reputational risks.

Therefore, we expect the industry to be more deliberate in integrating strong ethics and sound risk culture throughout the organisation's operations to prevent abuse, misconduct and exploitation. To achieve this, the board and senior management must provide strong and visible leadership on the desired values and acceptable conduct not only for the institution, but also the industry that you are a part of. Leaders must take direct ownership of the process for assessing and managing culture, and send a strong, clear signal that they do not tolerate fraud or predatory conduct. This must include the robust screening of prospective employees to prevent individuals that have defrauded

institutions or customers from re-surfacing in the industry. This industry is built on trust and that trust depends on staff of financial institutions acting with integrity, honesty, transparency, fairness and empathy towards the public they serve.

Ladies and gentlemen,

Today's launch marks a major step in our journey to realise the vision for the FSF which we set out in the Financial Sector Blueprint 2022-2026. But the work has only started. I hope that the FSF will inspire talent ecosystem stakeholders into action, not just to meeting today's needs but also the future skills required for tomorrow.

My goal is for all to join us in this effort to develop a workforce that continues to better support the needs of the country. In keeping with a whole-of-nation approach, we will need the support of many stakeholders:

- Equip individuals with skillsets that can ease entry into the financial sector through relevant offerings by tertiary education providers;
- Development of future skills taxonomy and job-skills matching platforms that can facilitate a more seamless, user-friendly journey for both individuals and firms to identify common skillsets between job roles in different economic sectors in Malaysia – thus allowing greater job mobility;
- The financial industry working closely with training institutes, professional bodies and industry associations to ensure that training programmes continue to be up to mark in meeting not only established quality assurance standards, but also in setting high standards in new skills areas as we go forward; and
- Public-private partnerships that drive ongoing research and corresponding actions to address skills gaps and workforce needs in Malaysia.

Ultimately, our vision is for us all to strive towards a holistic FSF at the national level to unlock cross-sector talent mobility and support efforts towards greater job security and a vibrant labour market.

In closing, I look forward to seeing the industry embark on this journey of implementing the FSF. I am confident that your collective ownership of the FSF to ensure its continuing relevance and effectiveness, as well as applying the findings would strengthen your respective talent strategies and competencies across the board.