6

TALENT MANAGEMENT

The IMF has continued to upgrade its financial sector skills and expertise, but the availability of knowledge and experience still constrains the quality and effectiveness of financial and macrofinancial surveillance.[37] Efforts to upgrade staff skills date back nearly two decades but remain a work in progress.[38] The IMF needs to staff three broad interrelated but distinct activities:

- technical work on specific financial sector activities such as banking, insurance, or security markets, conducted by financial sector experts;
- macrofinancial and financial stability analysis at the country and global level, for the most part conducted by fungible macroeconomists; and
- analytical work on financial economics (including research, development and implementation of assessment tools, and training of fungible economists), preferably conducted by expert financial economists.

Some staff straddle more than one skill set, and some tasks require more than one type of skill. The IMF faces different challenges in recruiting and retaining, managing and developing each of these categories of staff.

Over the last decade, the number of financial sector expets has more than trebled to about 90, mostly working on FSAPs and technical assistance. Most of these experts were recruited by MCM at mid-career from central banks, supervisory agencies and on a few occasions from the private sector. These financial sector experts now represent about half of MCM professional staff (Figures 6a and 6b).[39] In general, MCM has been able to build a strong cadre of experts, although it has faced recruiting difficulties in some emerging areas, such as cyber security and fintech, which require technical skills that are in high demand everywhere.

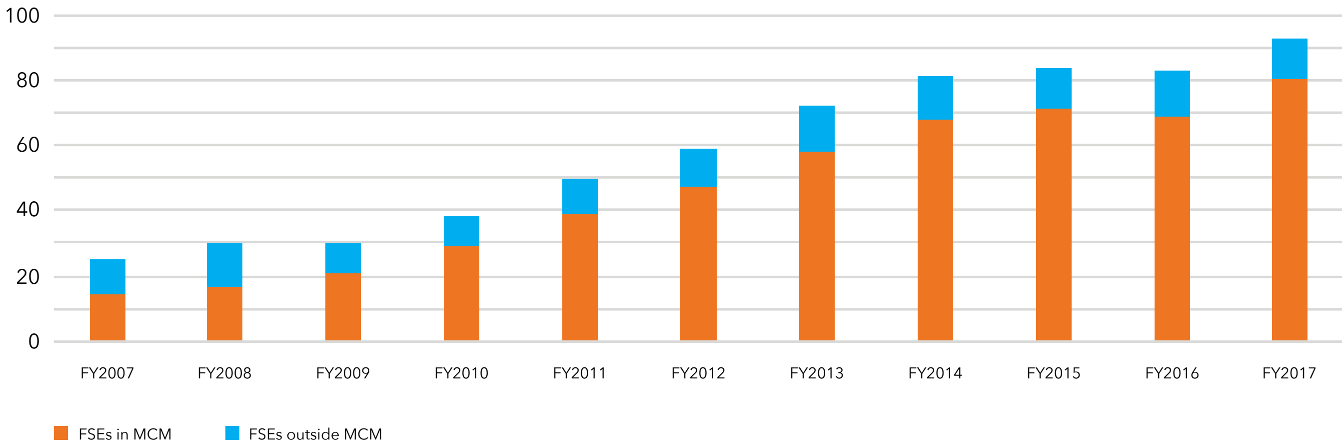
Fungible macroeconomists make up a large part of IMF staff. About 700 fungible macroeconomists in area departments do the bulk of Article IV surveillance work, which is now expected to include macrofinancial analysis. In addition, there are nearly 600 fungible macroeconomists working in other parts of the IMF, including over 100 in MCM. The range of macrofinancial skills among these staff vary widely, with only a small share likely capable of conducting the sophisticated macrofinancial work needed for risk analysis in FSAPs.

[37] This section draws on Stedman (2018).

[38] The 2001 Lipsky Report, the 2005 McDonough Report, IMF surveillance and FSAP reviews in 2008, 2011, and 2014, and IEO evaluations in 2006, 2011, and 2014, all pointed to the need for more financial sector experts and to upgrade the macrofinancial skills of IMF macroeconomists.

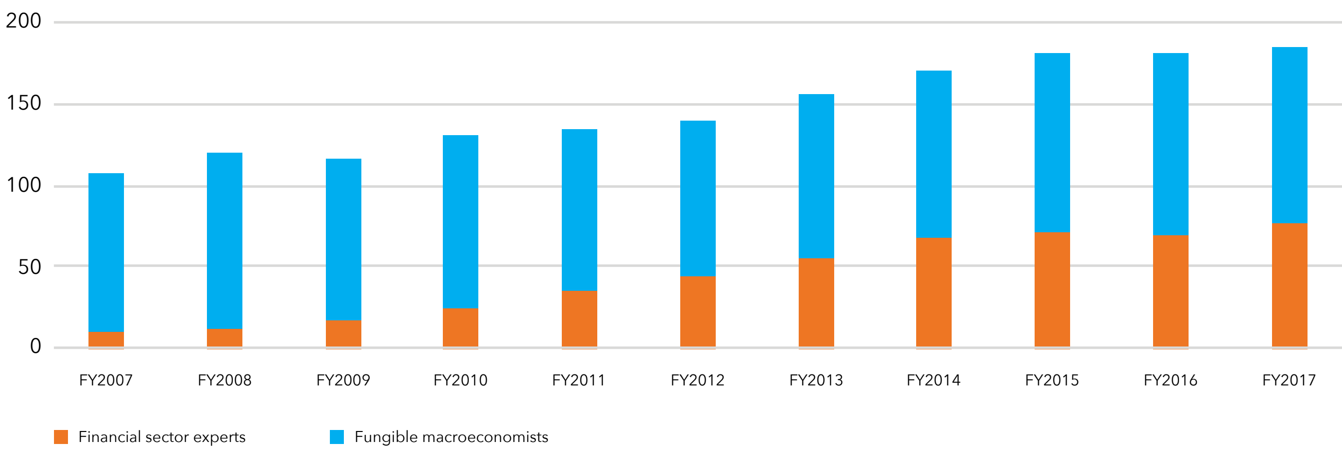
[39] This includes financial sector experts on staff as well as experts on long-term contracts to provide TA while based at IMF headquarters. For FSAP (and TA) missions, MCM also draws on short-term consultants. These short-term experts come from central banks or supervisory authorities and have the necessary knowledge and credibility, but this arrangement creates problems of continuity.

FIGURE 6a. FINANCIAL SECTOR EXPERTS IN THE IMF, FY2007–17
(Number of FSEs)



Sources: IEO calculations; IMF, Human Resources Department, TIMS.
Note: FSEs = financial sector experts; MCM = Monetary and Capital Markets Department.

FIGURE 6b. MCM STAFF COMPOSITION: FINANCIAL SECTOR EXPERTS AND FUNGIBLE MACROECONOMISTS, FY2007–17
(Number of employees)

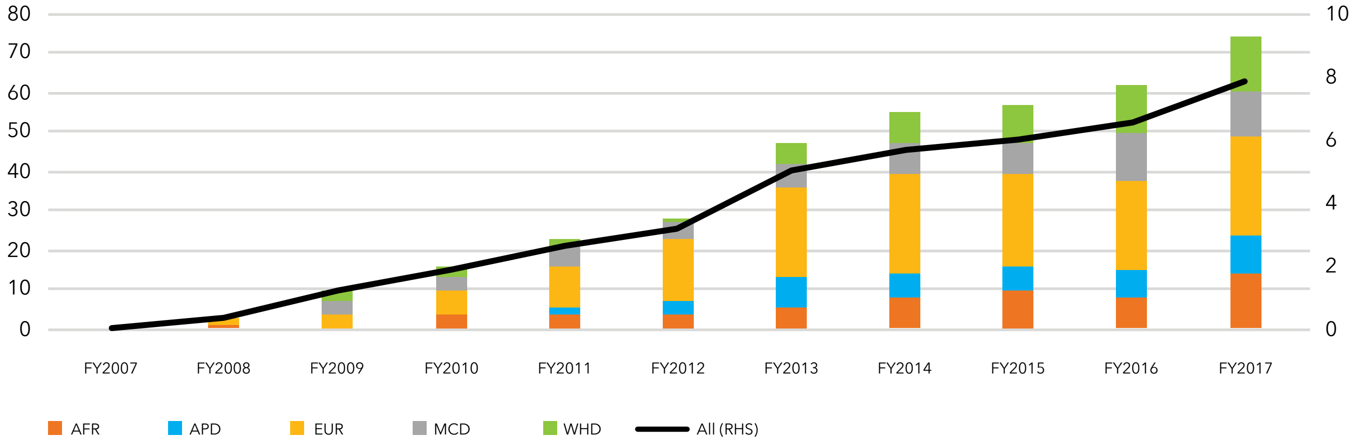


Sources: IEO calculations; IMF, Human Resources Department, TIMS.

Since the GFC, the IMF has worked to build the financial and macrofinancial skills of this group of economists through training, internal and external mobility, and recruitment. The Institute for Capacity Development expanded its courses on financial issues, and in 2015, it launched a structured training curriculum on macrofinancial analysis, which by end-2017 had been attended by about a quarter of area departments' fungible macroeconomists.[40] The IMF has also encouraged rotation of fungible macroeconomists to MCM to provide an opportunity for on-the-job training. IMF staff responding to the IEO survey indicated that learning through experience on the job was most helpful in developing skills and expertise on macrofinancial issues. Mobility efforts have helped more than

[40] Participation in the IMF's structured curriculum for macrofinancial analysis grew very fast initially; it declined sharply in FY2017 and partially rebounded in FY2018. More broadly, participation in internal training focused on financial issues overall began a decline in FY2015 but recovered slightly in FY2018.

FIGURE 7. AREA DEPARTMENT STAFF WITH MCM EXPERIENCE, FY2007–17
(Number of employees—left scale; and percent of employees—right scale)



Sources: IEO calculations; IMF, Human Resources Department.
Note: AFR = African Department; APD = Asia and Pacific Department; EUR = European Department; MCD = Middle East and Central Asia Department; WHD = Western Hemisphere Department.

double the share of area department economists with MCM experience since FY2012, to over 8 percent (Figure 7). On the other hand, external assignments in the private sector have declined since rules were tightened in 2011. Finally, recruitment efforts yielded a modest flow of new fungible economists with macrofinancial skills—less than 15 per year, half entry-level and half mid-career, representing about one-quarter of new hires. Again, there has been little success in bringing in economists with private market experience, especially at the senior level.

The efforts to upgrade the macrofinancial skills of fungible economists seem to be bearing fruit, at least based on self-assessments. There is no comprehensive data on the financial skills of IMF staff. However, the IEO survey provides a picture of how IMF staff assesses its own skills: half of respondents considered themselves to be macroeconomists with significant financial sector expertise, and 30 percent reported that they had a degree either in finance or in macroeconomics with a specialization in finance.[41] More than half reported that they were adequately qualified or expert in four of the five macrofinancial skill sets that the IEO survey addressed. Two-thirds of respondents felt adequately qualified or expert in integrating financial variables in baseline projections and quantifying the possible macroeconomic impact of financial sector risks. Eighty percent felt that they were adequately qualified or expert at interacting with authorities in a dialogue on relevant financial sector issues. On the other hand, staff were least comfortable with their skills related to simple stress testing for banks, admittedly a more specialized field. Sixty-three percent judged themselves minimally or not qualified (and even fewer believed themselves likely to be able to conduct sophisticated stress testing in advanced jurisdictions, which require years of training and experience). Encouragingly, 72 percent of respondents felt that financial and macrofinancial skills contribute significantly or to some extent to career advancement in the IMF.

However, the IMF still has work to do to make macrofinancial analysis a central part of the IMF staff's skill set. In addition to the gaps revealed by the IEO survey, more than half of mission chiefs responding to a 2017 IMF survey pointed to lack of financial expertise on country teams as one of the main challenges for mainstreaming macrofinancial integration; they also favored more MCM participation in missions (IMF, 2018a). Authorities in many countries, including but not limited to officials in S29 central banks, perceive IMF staff expertise and experience deployed on financial sector issues, particularly in Article IV

[41] The 400 respondents are likely more knowledgeable and interested in financial issues than the overall population of about 1,300 economist and specialist staff at grades A12–B4 who received the survey.

consultations, to be not on par with their own staff (Takagi, 2018).[42] Central bank officials interviewed, particularly in S5 institutions, suggested that they have been more successful in skilling up through recruitment of recent graduates with financial training and people with market experience. The Fund has had less scope to upgrade through hiring, given its low staff turnover and the fact that the overall size of the IMF has been capped for the past decade. The IMF has had therefore to rely more on training and especially on on-the-job experience.

There is a sense both within and outside the IMF that the institution needs a deeper pool of expert financial economists to support and contribute to country work, and to undertake cutting-edge analytical work. This is a long-standing issue that has been discussed in previous IEO evaluations (e.g., IEO, 2011) as well as IMF reviews of surveillance (e.g., IMF, 2014b). A shortage of such staff is one factor behind the fact that the Fund has at times been overtaken by central banks in developing cutting-edge techniques, as noted in the previous chapter. In addition to helping advance the frontier on analytical tools, expert financial economists could also play a useful role within area departments by raising the level of analysis of and engagement on financial issues in bilateral surveillance.

However, human resource policies, in particular the compensation structure and mobility requirements for career progression, have made it hard for the IMF to attract and nurture economists with high-level financial and macrofinancial skills. In interviews, managers and financial economists in central banks, academia, and the private sector indicated that IMF salaries are not competitive enough to attract recruits with special, high-demand skill sets. Moreover, the IMF does not offer an attractive career path for someone who wants a career as an expert financial economist—since most IMF promotions beyond a certain level require broader experience, including mission work as a fungible economist. Such mobility requirements, along with the pressures of operational work, make it difficult for financial economists, especially researchers, to develop their expertise. Indeed, there are examples of highly respected IMF financial economists who chose to move to other institutions. There is some scope for promotion to senior levels through the "guru" track, but numbers are strictly limited, and this track has generally been aimed at specialists rather than financial economists looking to progress to senior managerial positions.

The IMF is in the process of developing a new human resource strategy that will provide the opportunity to address these issues. As part of this strategy, the institution is considering ways to facilitate recruiting and retaining staff with macrofinancial skills, including by establishing a career track for experts including financial economists. Projections for higher staff turnover in coming years, due to expected retirements, may also provide greater scope for recruitment of staff with expertise in financial economics and related areas.

[42] According to IEO surveys, OEDs were more confident than authorities regarding IMF staff skills. Half of OED respondents reported that IMF staff working on Article IV teams were "well-qualified to analyze financial and macrofinancial issues," but this ranged from almost 70 percent among OED LIC respondents to about one-third of OED AE respondents (another one-third of whom still found that IMF staff was only "minimally qualified" to perform this function) (Monasterski, 2018).