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Journal

The Capco Institute Journal of Financial Transformation

A new world order

Strategic pivots

When growth isn't enough: how uncertainty reshapes hiring decisions

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The Capco Institute Journal of Financial Transformation

Journal

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Journal

Welcome to the 62nd edition of the Capco Journal of Financial Transformation, the second to be published in partnership with King's College London, a world-renowned leader in education and research.

This year marks the Journal's 25th anniversary and the beginning of **Capco30**, our strategic vision as we build towards Capco's landmark 30th anniversary.

At the heart of Capco30 is The Expert Advantage: our commitment to be the trusted partner clients turn to when the stakes are highest. We are proud to have built an exceptional business by obsessing about our deep expertise, our strong client relationships, our innovative culture and our reputation for impact.

The Journal has embodied that ambition since its launch in 2001. Over the past quarter century, it has brought together leading academics and industry practitioners – including Nobel laureates, international regulators and board members of major institutions – to examine the forces shaping financial services and the wider global economy. We are equally proud to see Capco experts sharing their perspectives alongside such distinguished contributors.

As Professor Crawford Spence, our editor from King's College, observes in his introduction, this edition might aptly have been titled 'how to survive and thrive in turbulent times'.

After decades of globalization, firms are both refocusing on local market shifts and new forms of cross-border collaboration. Technology is driving integration as trade barriers rise; financial innovation is accelerating amid monetary realignment and volatile geopolitics; and the green transition is redrawing both energy markets and fiscal priorities.

Edition 62 focuses on the **new world order** emerging from these shifts – and how leaders across financial services and energy are rethinking established assumptions, navigating new risks and identifying opportunities for growth.

The coming decade could bring one of the most consequential reconfigurations of global business and economic systems in generations.

This environment reinforces the importance of expertise, judgement and the ability to turn insight into action. At Capco, we help clients connect vision models and strengthening resilience to reimagining customer experiences and the future of work.

We bring together industry depth, technology and data capabilities, and disciplined execution to help clients navigate the moments that matter most with confidence.

The Journal is one expression of that Expert Advantage: convening leading perspectives, challenging established thinking and helping shape the agendas that will define the future of our industries.

I hope you will find the articles in this edition both thought-provoking and valuable for informing your organization's future vision and strategic decisions.

My sincere thanks and appreciation to our contributors, readers and clients.

Annie Rowland, Capco CEO

2026, Edition 62

Editor's note

KING'S BUSINESS SCHOOL

We could equally have labelled this volume of the Journal of Financial Transformation 'how to survive and thrive in turbulent times', given that each of the articles effectively attempts to tackle this issue in their own unique way. Times are indeed turbulent. Recent months and years have borne witness to increased military conflict, heightened economic shocks and the emergence of new political forces.

These disruptions are often captured in popular discourse by reference to, variously, the decline of the rules based international order, the rise of authoritarianism and the re-emergence of nationalism and protectionism as challenges to globalization. While putting clear conceptual parameters around what is a very unsettled geopolitical period is difficult, there is at the very least little doubt that the world is changing and that a new order is emerging. To paraphrase an old political aphorism: the old is dying and the new is struggling to be born.

This geopolitical reshuffling is the backdrop to the current issue of the Journal. Contributors were asked to think about how financial services and energy might respond to, and indeed themselves help reshape, the new global order that is emerging. What they have presented here can be grouped into four conceptual clusters, each of which makes up a distinct sub-theme in this issue of the journal: colliding worlds; monetary risks; strategic pivots; and private markets.

The first group of articles we refer to here as colliding worlds. The worlds that collide here specifically are those of finance and energy. Each of these forces us to zoom out from financial transactions and investments and think about the wider environmental and material basis for these. For example, Ragland's fascinating look at the arms race for computing power shows how the rapid expansion of data centers is at odds with the way in which existing energy infrastructure is built. Those who will be successful in rolling out advanced computing power are those who will be able to finance and build out alternative energy infrastructure at the same time.

This has strong parallels with Xu and Preda's article looking at the infrastructure of bitcoin mining, which demonstrates in some detail how supposedly digital assets have heavy materiality in terms of both the physical infrastructure that supports them and the energy consumption that goes into their mining and processing. Finally, Savignon takes the energy transition head on by exploring the mechanics and possibilities of carbon credits in Brazil, a country which is characterised by a dominance of renewables in its energy mix. Showing real heterogeneity in how carbon credits are deployed in different sectors in Brazil, this article concludes by outlining how those who are able to integrate thinking around finance, data and energy will be able benefit from and contribute to the energy transition in the Brazilian market.

Monetary risks refer to the various ways in which currencies are embroiled with risk at both the national and transnational levels. As the fundamental means via which deals are transacted, it is perhaps no surprise that we find money, in its various guises, to have so many political inflections. Cryptoassets are often heralded as some kind of safe haven (‘digital gold’) during times of economic and political turmoil and there are many central banks across the globe who are now pursuing digital currency projects of their own. These have significantly lagged the development of private crypto initiatives. One of the reasons for this might be the perceived financial crime risk that is associated with digital currencies in general, something which Tjeransen’s article outlines in detail.

Fiat currencies are also deeply imbricated in geopolitical factors. This is the subject of Hou et al’s article which draws attention to the ways in which currency risk premia are associated with trade imbalances between nations. Such factors are of increasing importance to, not only forex traders, but any organization engaging in currency hedging. Finally, nowhere is the importance of currency to geopolitics more evident than in Zayim’s article looking at how central banks engage in currency swaps with other central banks. Focusing on both China and the US, Zayim shows how each has sought to build up spheres of influence with different counterparties as part of larger attempts to accrue power and minimize geopolitical risk for themselves.

Our third conceptual ‘bucket’ looks at how individual organizations respond to geopolitical shifts. In other words, these articles look at the various strategic pivots that organizations make in order survive and thrive in turbulent times. These strategic pivots can take different forms depending on the geography and industry in question. For example, Schnyder shows how banks in East Central Europe can mitigate risk in response to rising anti-FDI policies in that region. In Scriven’s article the author shows how software delivery needs to be reconfigured in order to overcome increasing regulatory divergence and export controls.

In times of geopolitical uncertainty, capital markets can become less efficient in allocating capital and so firms have to focus more on their internal efficiencies, which is what Gkikopoulos and Stathopoulos illustrate in their article exploring the relationship between firms and banks; such relationships have implications for tax planning and productivity. Political turbulence also impacts hiring strategies, which Nguyen and Sila demonstrate in relation to corporate hiring practices during times of election uncertainty. Finally, Confalone makes a strong case for a strategic pivot towards developing ‘enterprise intelligence’ in the age of AI, a shift which has governance implications for financial services organizations.

The final sub-theme of the issue reflects an ongoing interest that we have had in private markets. The shift from public to private markets is one of the big secular shifts of modern finance, which was dealt with explicitly in issue 61. In this issue, we build on this with two further articles. One of these, by Phalippou, tackles the shift of private equity towards retail investors, outlining the potential risks in selling private equity products that were designed with institutional investors in mind to a less informed and less powerful constituency. Preda and Chen’s article pursues another tack, showing how venture capital funding in Asia and elsewhere has to be cognisant of surrounding government policy imperatives if it is to be successful.

Taken together, these articles argue that financial services are not simply being buffeted by geopolitical change. They are becoming one of the arenas in which that change is negotiated. Through payment systems, liquidity backstops, energy and computing infrastructure, corporate strategy and the evolving boundary between public and private markets, we can see how geopolitical forces manifest themselves and adapt to existing institutional constraints and imperatives.

Professor Crawford Spence
King’s College London

When growth isn't enough:

how uncertainty reshapes hiring decisions

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Abstract

Hiring has slowed across many advanced economies despite continued economic growth. This article examines how political uncertainty reshapes firms' hiring decisions, using evidence from more than 10 million U.S. job postings around state governor elections. We show that uncertainty affects not only the volume of hiring but also the composition of roles firms choose to fill. Firms disproportionately scale back specialized, high-commitment positions, shift towards more flexible and temporary roles, and relax job requirements to preserve adaptability. These adjustments reflect the partially irreversible nature of hiring and the value of waiting when future regulatory and policy conditions are difficult to predict.

Worker behavior reinforces these patterns: job-to-job mobility declines under uncertainty, while matches formed during uncertain periods are less stable. Together, these dynamics help explain why labor markets can cool even when output remains resilient. The findings are particularly relevant for financial services firms operating in highly regulated environments, where hiring mistakes are costly to reverse. Rather than signaling weak fundamentals, slower hiring often reflects a strategic response to uncertainty, with implications for workforce planning, internal mobility, and talent risk management.

1. Introduction

Recent macroeconomic data present an unusual combination. While economic growth has remained resilient at around 3% in recent years, the demand for new workers is easing in many countries.[1] In several major economies, including the U.S., the U.K., Germany, Canada, and Japan, job openings per unemployed worker have fallen back toward or below their 2019 levels, despite continued growth in aggregate output. Recent U.S. data show job openings falling to one of their lowest levels in nearly five years and hiring remaining sluggish even as the economy continues to grow, underscoring the unusual decoupling between output and labor demand.[2] Figure 1 illustrates this pattern for the U.K., where firms are advertising fewer new roles than before, even as the broader economy continues to grow. This divergence suggests that factors other than weak demand may be at play.

[1] https://apnews.com/article/jobs-economy-hiring-e7b5d4c29d444ea019199d8bb759bb51
[2] ibid.

Figure 1 plots real GDP (in billion GBP) and vacancies per unemployment for the U.K. Real GDP is measured as GDP at market prices using the Office for National Statistics (ONS) chained volume measure. Labor market tightness is measured as the number of job vacancies per unemployed worker, constructed from ONS vacancy and unemployment data (VACS01). Annual GDP for 2025 is a provisional estimate extrapolated from quarterly GDP growth, as official annual GDP data are not yet available.

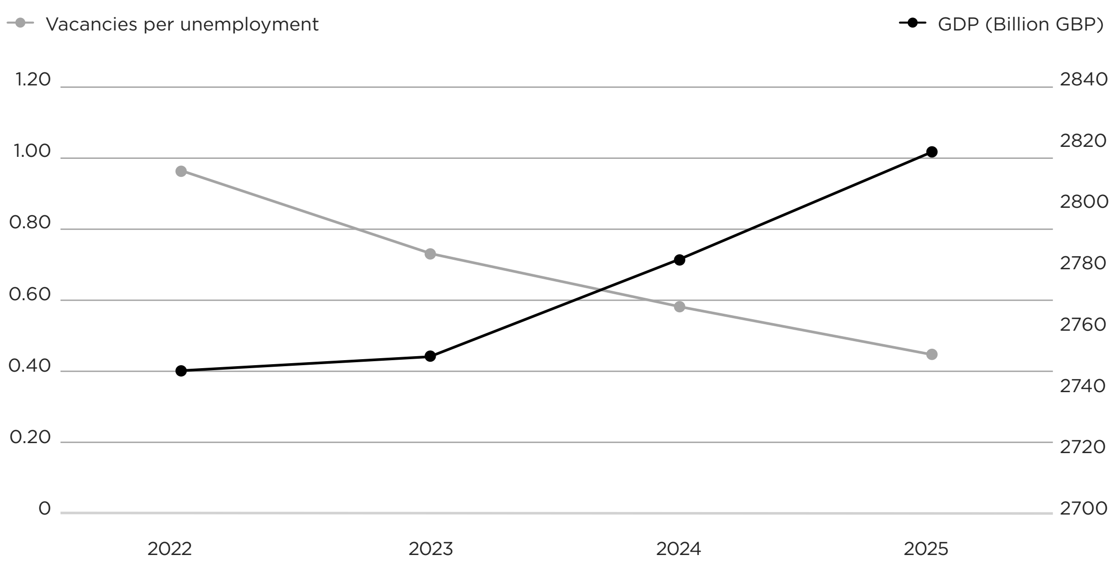
The answer may lie in the growing uncertainty and how it shapes workforce decisions. Across the global economy, firms are navigating shifting regulatory agendas, ongoing geopolitical tensions, and rapid technological change. Elections in major economies, renewed trade frictions, and uncertainty about global financial markets have all added to the sense of unpredictability. In this environment, businesses are becoming more hesitant to make long-term commitments, and hiring could be an area where such caution becomes visible.

2. Why does hiring slow under uncertainty?

To understand why firms pull back on recruitment when uncertainty rises, it helps to consider the nature of hiring itself. Adding a new employee involves advertising, screening, interviewing, onboarding, training, and integrating them into a team. All these activities require time, resources, and managerial attention. These upfront investments cannot be recovered if the role is later withdrawn or the match ends prematurely. While firms can dismiss workers if conditions deteriorate, doing so is disruptive, costly, and often reputationally sensitive. In this sense, hiring is only partially reversible, and the difficulty of unwinding these commitments makes firms more cautious about expanding their workforce when the outlook becomes uncertain.

This logic is consistent with well-established economic theory on 'real options' and irreversible investments. When an investment is costly to reverse, uncertainty encourages decision makers to wait until more information becomes available.

Figure 1: Output growth and hiring in the U.K.



Hiring follows this pattern. Unlike buying raw materials, taking on a new employee typically involves a long-term relationship and substantial sunk costs. At the same time, it is not as irreversible as building a new factory or investing in large-scale physical infrastructure. In this sense, hiring sits somewhere in the middle: partially reversible, but still costly to unwind.

As uncertainty increases, the value of the 'option to wait' also increases. Firms may not know how regulations will evolve, whether demand will remain stable, or how geopolitical or financial developments will unfold. In such situations, recruiting a permanent employee becomes riskier because the firm cannot be fully confident that future conditions will justify the hire. By delaying the decision, the firm keeps its options open and avoids making a commitment it might later regret.

> *Uncertainty affects not only the volume of hiring but also the composition of roles firms choose to fill.*

Importantly, this 'wait-and-see' behavior does not necessarily reflect pessimism about the economy. Instead, it reflects caution in the face of unpredictable conditions. Even firms with healthy order books and strong financial performance may slow their hiring if they believe that key aspects of their operating environment, such as policy direction, regulatory frameworks, or global market conditions, are unusually difficult to forecast.

3. Looking at the data: how firms adjust their hiring under uncertainty

Our research examines how firms alter their recruitment decisions when uncertainty rises, using detailed data on 10.5 million U.S. job postings between January 2010 and December 2019.[3] By tracking changes in the number and content of job advertisements, the types of roles being posted, and the timing of hiring decisions, we are able to observe how firms adjust not just the volume of job advertisements but also the composition of their workforce demand.

To study how firms respond to uncertainty in a systematic way, we use U.S. state governor (gubernatorial) elections as a source of variation in uncertainty. These elections can trigger state-level changes in tax rules, labor regulations, public spending priorities, and business conditions, even though their outcomes and implications are uncertain in advance.

We focus on the period between the global financial crisis and the COVID-19 pandemic because it allows us to study firms' hiring behavior in response to repeated episodes of policy and economic uncertainty without the confounding effects of large, economy-wide shocks to labor demand and supply. This period captures multiple election cycles and enables us to isolate the effects of uncertainty associated with elections from crisis-driven global disruptions.

While our evidence is drawn from the context of election-related uncertainty, the underlying mechanisms we identify are relevant to more recent sources of uncertainty, including heightened geopolitical tensions and the rapid adoption of artificial intelligence (AI) and its implications for business models and workforce decisions.

[3] While similar hiring patterns are visible across advanced economies, our empirical analysis focuses on U.S. firms, where we can observe recruitment decisions in granular detail.

Our analysis reveals that uncertainty influences not only how much firms hire, but also the kinds of roles they seek to fill.

Firms scale back high-skill and specialist roles more sharply. These high-skill roles, such as technical, managerial, and specialist positions, typically require more screening, longer onboarding, and deeper integration into teams, meaning they carry higher sunk costs. When uncertainty rises, firms delay or redesign such roles, often lowering experience requirements or broadening skill expectations to maintain flexibility.

Firms prefer flexibility over fixed commitments. Our analysis shows a significant shift toward contract, temporary, or project-based roles during periods of elevated uncertainty. Permanent, full-time positions decline disproportionately, especially in headquarters or central functions where staffing decisions carry greater strategic weight. This reflects a preference for roles that preserve organizational agility and minimize long-term commitments.

Hiring slows more in areas where dismissal is costlier. We observe larger hiring reductions in industries in which more workers are union members or covered by collective bargaining agreements. This pattern aligns with the economic logic of partial irreversibility: when unwinding a hiring decision is expensive, firms become more cautious about making that decision in the first place.

Job requirements become more flexible. Our analysis of required skills and qualifications reveals that firms lower their educational and experience thresholds, reduce highly-specific skill requirements, and place more emphasis on broad, general competencies. This suggests that firms are avoiding niche or tightly-defined roles and instead prefer employees who can be more easily redeployed across different parts of the organization if conditions change.

In addition to job advertisements, we also examine whether election uncertainty is associated with an increase in layoffs. We find no evidence that firms lay off more workers before a gubernatorial election. This suggests that the reduction in job postings is not driven by firms anticipating negative news or worsening economic conditions. Instead, it is the uncertainty surrounding the election itself that leads firms to scale back hiring.

4. Do workers react to uncertainty?

Uncertainty does not influence only firms. Workers also adjust their behavior, and these responses can reinforce or amplify the patterns we observe on the demand side. Although employee decisions are more difficult to observe directly, our analysis of worker flows provides some evidence that uncertainty shapes labor supply in important ways.

Workers become less willing to change jobs. We find that the number of employees joining firms declines in the quarters leading up to a gubernatorial election. Job search involves time, effort, and the risk of stepping into a role with uncertain prospects. When uncertainty rises, workers appear more inclined to stay in their current jobs rather than pursue new opportunities.

Employees do not leave firms at higher rates. Despite the slowdown in new workers joining the firms, we find no evidence that workers are more likely to leave their employer before an election. The absence of an increase in worker outflows is consistent with workers valuing job stability when the environment becomes harder to predict. Combined with lower inflows, our evidence points to a reduction in job-to-job mobility.

Matches formed under uncertainty are less stable. Even when firms hire during uncertain periods, the resulting matches tend to be less durable. Workers hired shortly before an election are more likely to leave within their first year. This suggests that worker–firm matching is more difficult when uncertainty is high. Firms may relax their requirements or accept candidates who are not the ideal fit, and workers may accept roles that do not align perfectly with their skills or long-term plans. As conditions stabilize, these mismatches become more apparent, leading to earlier departures.

Taken together, our research shows that uncertainty reshapes hiring from both sides of the labor market. Firms post fewer vacancies, particularly for more specialized or longer-term roles. At the same time, workers become more cautious about switching jobs, reducing the flow of applicants. And among those who are hired, early turnover increases. This combination helps explain why hiring slows even when economic activity remains strong. Although our evidence is drawn from broad cross-industry data, the implications are particularly relevant for financial services firms, which operate in highly regulated environments and are often more exposed to political or policy shifts.

5. Key takeaways for financial services firms

Many of the hiring adjustments we observe in the data mirror the challenges experienced in the U.K. According to the ONS, U.K. job vacancies have been consistently declining since their peak in March to May 2022.[4] Within this broader contraction, financial services continue to grow – but the growth is highly concentrated in areas where firms face mandatory requirements or significant skill shortages such as regulatory, risk, and technology roles.[5] This sector is also particularly exposed to uncertainty, including changing regulatory expectations, requirements around operational resilience, and consumer protection. Similar to other industries, financial services also have to deal with the emerging implications of artificial intelligence and the broader geopolitical pressures.

Our research may help explain a broader shift in how financial institutions think about workforce decisions. When uncertainty rises, firms may become more hesitant to hire. Because hiring is costly to reverse and matches formed in uncertain periods tend to be less stable, financial institutions often choose to delay recruitment and distribute work across existing teams. This can lead to short-term workload pressures even when business performance remains strong.

For workers in financial services, this shift means that transferable skills and internal redeployability are becoming more important. As job descriptions broaden and firms prioritize flexibility, employees with adaptable capabilities are better positioned to move across functions. For employers, talent strategy increasingly focuses on building multi-skilled teams, strengthening internal mobility pathways, and reducing dependence on narrowly specialized roles that are harder to realign when business condition changes.

Finally, slower hiring should not be interpreted as a sign of deteriorating business fundamentals. In financial services, where regulatory, policy, and technological uncertainty is substantial, cautious hiring often reflects firms' desire to preserve agility rather than a deterioration in performance or outlook.

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[4] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/jobsandvacanciesintheuk/october2025

[5] Office for National Statistics (ONS). UK Job Vacancies (thousands) – Financial and Insurance Activities, Series JP9Q. Available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/jp9q/lms

6. Conclusion

Across industries, and particularly within financial services, uncertainty is becoming a defining feature of the operating environment. Our research shows that when the future outlook becomes difficult to predict, firms respond by slowing recruitment, redesigning roles, and placing greater emphasis on flexibility. Workers, too, react by reducing their willingness to move, tightening labor supply precisely when firms are trying to manage risk through more selective hiring. These adjustments help explain why labor markets can soften even when output growth remains steady.

For financial institutions, our research has direct relevance. Many of the hiring adjustments we observe in the data mirror patterns currently visible in the U.K.: slower recruitment pipelines overall, continued growth in regulatory and technology roles where skill shortages are acute, and greater reliance on more flexible staffing. In this context, workforce strategy becomes less about expanding headcount and more about building resilience through multi-skilled teams, stronger internal mobility, and role designs that allow talent to be redeployed as business needs evolve.

Crucially, a slowdown in hiring should not be misinterpreted as a signal of weakening fundamentals. In a sector shaped by regulatory change, technological disruption, and political uncertainty, cautious hiring is often a strategic response rather than a sign of stress. Understanding how uncertainty reshapes both labor demand and labor supply can help financial institutions anticipate bottlenecks, design more adaptable talent models, and make workforce decisions that remain robust even when the external environment is unsettled.

About Capco

Capco, a Wipro company, is a global technology and management consultancy shaping change in the financial services and energy industries. For almost 30 years, we have been trusted to help our clients adapt, transform and create long-term value across capital markets, banking, payments, insurance, wealth and asset management, and the energy and utilities sectors. Our deep industry expertise, partnership mindset and award-winning Be Yourself At Work culture are amplified by our strengths in advisory, technology, data and AI innovation. We support our clients to establish clear priorities, connect vision to value and deliver measurable impact when the stakes are highest.

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It is the ninth faculty of King's College London, leveraging interdisciplinary potential across the College. It drives pioneering thinking and engages the limitless energies of the city's businesses, policymakers, entrepreneurs and change-makers. King's Business School puts its commitment to drive positive change at the heart of its life-changing research and "London as a classroom" experiential education.

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