

IN CLAIMS, IT'S A CANDIDATE'S MARKET

UNDERSTANDING
THE WAR FOR
TALENT—AND
HOW TO WIN IT
BY DAVID E. COONS

No longer just a warning for the future, the long-predicted war for talent is here, and it has hit the insurance industry with incredible force. Unfortunately, the market's return to its pre-recession state and relative stability has left insurers unprepared to face what is undoubtedly the most competitive recruiting environment the industry has ever faced.

One key factor driving this competition is the industry's virtually non-existent unemployment. According to the Bureau of Labor Statistics, the unemployment rate within the insurance industry is at two percent for July 2017. Predictions for the year point to an average hovering between one and three percent, representing a rebound to full employment. While this is certainly a positive indicator of the industry's economic recovery, it reveals an increasingly shallow talent pool from which insurers are able to find and recruit new workers.

While the industry's talent supply continues to dwindle, the demand for additional staff remains high. According to the Mid-Year U.S. Insurance Labor Outlook Study, conducted by The Jacobson Group and Ward Group, the estimated rate of hiring within the industry is at 62 percent. This is in stark contrast to the study low of 35 percent reported in July 2009.

While low unemployment and high staffing demands are certainly

positive, they also compound an already challenging recruitment environment. An aging workforce, a pending mass exodus of experienced professionals, a widening skills gap, and a continued challenge in attracting and engaging young professionals have created the perfect talent storm, and insurers are feeling the impact when they attempt to fill open positions, including claims roles.

We are reaching a breaking point in terms of labor recruitment. The need for an effective talent solution is clear and immediate.

GROWING STAFF

Despite years of increased demand, industry plans to grow staff remain high due to an anticipated increase in business volume, insurer expansions into new markets, and the need to address understaffed departments.

Driven by the continued focus on adding staff, the number of professionals employed within the insurance industry has reached historic levels. There are currently 1,512,800 individuals working within insurance—a number the industry hasn't seen since January 2004. Since the industry's recent low in April 2011, insurers have seen employment increase by 6.50 percent—or by more than 92,000 new jobs. And this number is only expected to rise. For 2017, the industry is reporting an average of 267,000 job openings—more than



double the 121,000 reported in 2009. It's clear that the number of new jobs being created is far outpacing the supply found in the industry's increasingly shallow labor pool.

THE CONTINUED IMPACT OF TEMPORARY STAFFING

While many predicted that the use of interim staffing would drop following the economic recovery, temporary employment continues to play a vital role within the job market. In July 2017, the temporary penetration rate for the overall labor market—the number of temporary jobs as a percentage of total employment—reached 2.07 percent. This marks monumental growth from the 1.34 percent reported in July 2009, amid the Great Recession. Temporary employment within the greater U.S. economy has increased by 57,200 jobs since January of this year.

Today, there are nearly 3,033,900 interim professionals active in the labor market, and this number will only grow. Increasingly, experienced industry professionals are opting for contract work thanks to the flexibility, specialized focus, and diversity of projects it offers. In fact, according to an Intuit report, more than

40 percent of employees in the United States will be temporary, contingent employees by 2020.

Within insurance, there are an estimated 30,000 temporary professionals currently employed. With organizations continuing “run lean” staffing mentalities, the industry is turning to interim professionals to meet its project-based talent needs without the time and expense of maintaining a larger base staff. Currently, 78 percent of surveyed organizations plan to maintain their use of temporary employees, with an additional 12 percent looking to increase their use—the third-highest rate in survey history. For claims organizations, the ability to bring on qualified, trained staff for seasonal or geographic needs without maintaining a roster of full-time employees is driving the usage of temporary talent.

HIGH DEMAND, STATIC TALENT POOL

Departing from recent trends, surveyed insurers indicate a slight easing of recruiting difficulty for more than half of industry functions. Only 5 out of 12 roles surveyed saw recruiting difficulty increase over the past year, compared to seven and nine reported in recent surveys. Despite

this slight drop, 10 out of 12 roles continue to be moderate-to-difficult to successfully recruit for—including claims. Analytics, executives, and actuarial top the list of difficult areas to fill.

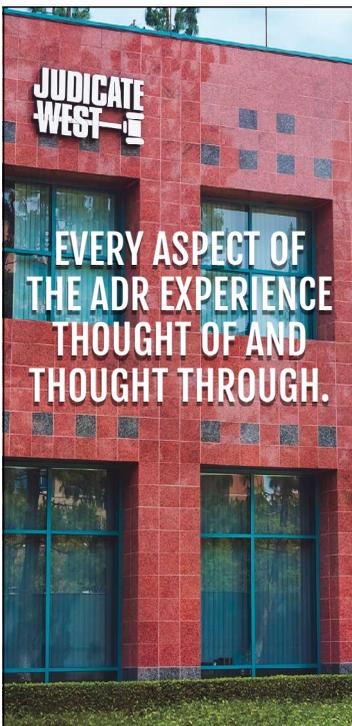
Claims difficulty, which has historically hovered around a five rating, was reported at 5.3, an increase of 0.1 since January 2017. While this shows a moderate level of recruitment difficulty, the lack of incumbent talent joining the sector is making it increasingly difficult to find skilled claims professionals to fill more mid-level roles.

In terms of current market demand, claims ranks among the top three functions where companies are most likely to increase staff. Unfortunately, this demand is being met with a largely static talent pool. Competitive compensations and successful engagement efforts have resulted in active claims professionals opting to remain in their current jobs. In addition, the large percentage of tenured employees within claims functions are not looking to change positions and, instead, plan to remain in their roles until retirement. This entrenched workforce is not interested in moving to new organizations, significantly impacting the industry's ability to meet staffing demands.

Thanks to this passive talent market, employers are no longer able to rely on large numbers of qualified, interested, and available candidates for open positions. Insurers face competition from both inside and outside the industry. In addition, counteroffers from employers looking to retain their employees are becoming a major factor. As a result, employers need to move quickly and decisively with high potential candidates. It is truly a candidate's market and successful insurers are adjusting their pace of hiring in order to quickly acquire top talent.

ADDRESSING THE MID-LEVEL CLAIMS GAP

The claims sector faces shifting labor realities that are creating a growing mid-level gap. Apart from a wave of impending retirements and a lack of young professionals joining the field,



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there is an emerging shift in the skill set required for middle managers. Today's rapidly-evolving business reality has created a growing need for a new kind of claims professional.

Technology is shifting claims professionals away from the traditional administrative and workflow related tasks and toward higher-level adjusting. Automation allows organizations to move skilled claims resources toward higher-value tasks. Changing consumer demands are putting a premium on the ability to understand customer preferences and communicate effectively and efficiently. In addition, the need to provide information across multiple channels through integrated data systems requires individuals with technological acumen.

Just as modeling and analytics transformed the underwriting arena, data-driven decision-making is driving a new era of claims management. Unfortunately, employee training and development have

not kept up with this emerging skills shift. As a result, claims departments are struggling to fill mid-level roles.

Insurers must refocus their efforts on training and development. An estimated 60 percent of all new jobs in the 21st century require skills and experiences held by only 20 percent of the current workforce. As such, providing developmental training programs will be critical to addressing emerging skill needs and combatting the mid-level talent gap.

There is no one-size-fits-all training and development program. Organizations should invest in a multi-pronged approach that incorporates multiple types of learning—including classroom, online, and on-the-job—with personalized experiences. The focus should be on providing experiences that nurture and engage employees. Consider experiential opportunities such as stretch assignments, additional responsibilities, and supervisory functions. Encourage

tenured employees to share their valuable institutional knowledge with younger co-workers. Prompt individuals to join and participate in relevant professional groups and associations.

The claims function continues to see a growing talent gap at the mid-levels. Organizations must take a new approach to training and professional development in order to build high-performing claims teams for the future. Not only do these opportunities help build employee engagement and increase retention, but they also provide insurers with chances to develop their next generation of mid-level talent and even C-level leadership. Only those organizations willing to invest in the development and growth of their employees will be able to bridge the growing gap. ■

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