The Jacobson Group

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The Jacobson Group is the leading provider of professional and human capital services to the insurance, healthcare and financial services industries. For nearly four decades, Jacobson has met the needs of its client organizations through three operating divisions: professional recruiting, executive search and interim staffing.

PULSE of the Industry's Labor Market

derived from the data released by the U.S. Bureau of Labor Statistics

- The total U.S. unemployment rate remained at 9.7 percent from February 2010 to March 2010.
- Overall employment rose by 162,000 jobs nationwide from February 2010 to March 2010.
- Year-over-year, insurance industry payrolls fell by 3.3 percent. National non-farm payrolls fell by 1.8 percent in the same 12-month period.
- The unemployment rate for insurance carriers and related activities was reported as 8.4 percent in March.
- Health insurance continues to be the only insurance sector to see growth in year-to-year employment, adding 3,600 jobs since February 2009.
- Other industry sectors saw payrolls decline from February 2009 to February 2010. Claims adjusters declined by 15.7 percent, reinsurers fell by 8.7 percent, life insurers were down 4 percent, property and casualty insurers decreased by 3.7 percent, third party administrators were down 3.2 percent, agents and brokers declined by 3.1 percent, and title insurers dropped 1.7 percent.
- Average weekly earnings for the industry's nonsupervisory positions were up in most insurance sectors from February 2009 to February 2010. Reinsurers saw the biggest gains in average weekly earnings with an increase of 9.3 percent.
- Conversely, agents and brokers and third party administrators saw year-over-year declines in average weekly earnings. ▲

Read "The Job-Full Recovery" on page 3 for co-CEO Rick Jacobson's insight on employment statistics and the economic recovery.

Additional Resources:

- "BLS Data - Sources and Discrepancies," Rick Jacobson's blog
- "Job Growth Expected as Insurers Foresee Higher Revenues," *Business Insurance* article
- The Jacobson Group/Ward Group Labor Outlook Study results
- "Annual Economic Analysis Puzzles Through the Data and Explains the Trends," American Staffing Association article

industry executives ON THE MOVE

Congratulations and best of luck to the following executives who recently took on new challenges within the industry:

- **Marvin Adams**, *Head of Technology and Operations*, TIAA-CREF
- **Carl Amick**, *VP of Pricing and Underwriting Policy,* Berkshire Life Insurance Company of America
- **Mary Ann Brown**, *EVP of Corporate Development,* Pacific Life Insurance Company
- **Stephen Clark**, *VP of Ocean Marine Operation*, CNA
- **Vincent DeMarco**, *VP and Corporate Actuary,* General Re Life Corporation
- **Katherine Durham**, *VP of Marketing and Communications*, Standard Insurance Company
- **Robert Easton**, *Deputy General Counsel and Chief Compliance Officer*, Integro Insurance Brokers
- **Scott Galovic**, *VP of Investor Relations and Treasurer*, Conseco, Inc.
- **Barbara Giannini**, *VP of Strategy and Management Reporting*, EMPLOYERS
- **Timberlee Tamraz Grove**, *Chief Operating Officer of Markel Specialty*, Markel Corporation
- **C. Daniel Haron**, *President of CIGNA Pharmacy Management*, CIGNA
- **Lisa Hoffmann**, *Chief Information Officer*, Marsh & McLennan Agency LLC
- **Gary Kusumi**, *EVP and President of Insurance Subsidiaries*, Affirmative Insurance Holdings, Inc.
- **Larry Madge**, *SVP and Chief Actuary,* Sun Life Financial U.S.
- **Richard Magrann-Wells**, *SVP and Leader of North American Financial Services Practice,* Willis Group Holdings
- **Eileen McDonnell**, *President*, The Penn Mutual Life Insurance Company
- **Larry Moews**, *SVP, Chief Actuary and Chief Risk Officer*, Transamerica Reinsurance
- **Richard Pye**, *VP of Inland Marine and Property,* Harleysville Insurance Group Inc.
- **Lisa Riddle**, *VP of Claims and Medical Operations,* Accident Fund Insurance Company of America
- **Kenneth Riegler**, *President of Multinational Client Group for North America and President of ACE USA Foreign Casualty*, ACE Group
- **Thomas Riley**, *Chief Acquisitions Officer,* Brown & Brown, Inc.
- **Andrew Robinson**, *Chief Underwriting Officer*, C.V. Starr & Company (California)
- **Daniel Sussman**, *President of Political Risk Division*, Ironshore Inc.
- **David Wheat**, *EVP and Chief Financial Officer,* Hanover Life Reassurance Company of America

The Job-Full Recovery

by Richard Jacobson, *co-Chief Executive Officer*, The Jacobson Group

If you read the article in *Business Insurance* reporting on The Jacobson Group and Ward Group Insurance Industry Labor Market Study, you may have been surprised by two of our findings:

- 44 percent of firms expected increases in staff in 2010 while only 13 percent expected decreases.
- We projected a nearly 2 percent increase in insurance industry employment in 2010, resulting in approximately 26,500 new jobs.

These findings seem contradictory to employment market-related headline news: unemployment at 9.7 percent, U-6 unemployment (the "underemployment index") at 16.9 percent, job losses in January and February and only minimal private market job gains in March, and even unemployment rates rising within our industry. What's behind these seeming contradictions? Is our Labor Market Study inaccurate? Are we headed for a third straight "jobless recovery"?

My view is that while the economic recovery began last autumn, it is just now starting to create jobs. We will end up with at least a moderately robust rebound in the labor market this year, and it will gain strength as the year progresses and beyond. My hypothesis is based upon four tenets:

1. The historic rate and timing of labor market recovery from recessions that have had significant impacts on labor versus the rate and timing of recovery from recessions that had a mild impact on labor
2. The strong concurrent correlation between temporary staffing and GDP growth, the strong leading correlation between temporary staffing and employment growth, and what these numbers are saying today
3. The Jacobson Group's "on the ground" perspective
4. What the discrepancies in the BLS data might be telling us

Historic Labor Market Recovery

The magnitude and timing of unemployment growth during recessions and the subsequent magnitude and timing of the decline in unemployment are - historically - strongly correlated during the cyclical recovery phase. Look at the accompanying table which shows trough-to-peak changes in the unemployment rate for each of the past seven recessions and the change in unemployment rate for the 24 months (max) following the peak:

		Unemployment Rise		Subsequent Recovery	
Recession Dates	GDP Decline	Magnitude	Duration (mos.)	Magnitude	Duration (mos.)
Dec. 1969 – Nov. 1970	-.6	2.6%	16	.9%	24
Nov. 1973 – March 1975	-3.2	4.4%	19	2.0%	24
Jan. 1980 – July 1980	-2.2	1.9%	9	.6%	12
July 1981 – Nov. 1982	-2.7	3.6%	16	3.6%	24
July 1990 – March 1991	-1.4	2.6%	27	1.7%	24
March 2001 – Nov. 2001	-.3	2.4%	30	1.3%	24
Dec. 2007 – July 2009*	-3.9	5.7%	28	???	???

* This is an estimate of when the recession ended based upon GDP growth. THE NBER (National Bureau of Economic Research, the official arbiter of recession timing) has yet to define the official end of the recession.

While each recession is different, the correlation between the strength and alacrity of the labor purge and the subsequent strength and duration of the recovery growth can be seen fairly easily. One relevant fact not shown by this table is that during the previous recession with the greatest employment purge (1973), the unemployment rate continued to shrink for 24 more months (a total of 48 months), shaving off an additional 1.4 percent from the unemployment rate before the rate began slowly rising into the 1980 recession. The labor market behaved similarly following the deep purge during the 1981 recession; however, the unemployment rate continued to decline until March of 1989 - more than six years after the peak! During this time, the rate fell from the December 1982 peak of 10.8 percent all the way to 5.0 percent. Much like the current recession, the 1973 and 1981 recessions incited deep and fast drops in employment. They were then followed by long periods of significant employment growth.

The Temporary Staffing Indicator

In June of 2009, the American Staffing Association (ASA) released a landmark study of the correlations between GDP growth and concurrent temporary staffing growth, as well as between temporary staffing and future employment growth. In short, this study found the following:

- A very strong correlation between GDP growth and temporary staffing
- Temporary staffing growth to be a coincident indicator of GDP growth
- Temporary staffing to be a strong one to two quarter-leading indicator of nonfarm employment growth

Thus far, the correlations seem to be holding very well during this recovery phase. Temporary staffing began to show incremental gains in the third quarter of last year after six consecutive quarters of decline. This growth continued in Q4 and accelerated in Q1 of 2010.

According to the ASA study, temporary staffing growth typically leads employment growth by three to six months. Again, the correlation seems to be holding up very well as the first signs of temporary staffing growth emerged in September 2009, and the BLS data showed private sector employment growth in March 2010. Although, as I will illustrate later, I believe the BLS data may be under-reporting the strength of the labor market recovery.

The Jacobson Group's Experience

Our temporary staffing revenues bottomed in September of last year. Since that point, we have seen a persistent and strengthening rebound in demand for these services. All of the data we track (and we track a lot of data!) shows the same trend. Interestingly, the growth in demand for our "permanent" services (executive search and professional recruiting) has been very strong since January. While I cannot put any serious weight on the results of one mid-sized firm (especially one that only serves three industries), our experience is consistent with the ASA correlations.

BLS Data Discrepancies

BLS data for the monthly Employment Situation Report comes from two different surveys: the Current Employment Statistics Survey (CES) or "payroll survey" and the Current Population Survey (CPS) or "household survey." These surveys have different methodologies and yield different, but overlapping, data sets. The official employment growth numbers announced on the first Friday of every month come from the CES, while the official unemployment rate comes from the CPS. However, both surveys yield results for total employment and sometimes they diverge quite sharply. These differences tend to develop more at inflection points in the labor market. During the first two months of this year, while the widely-reported CES showed job losses, the CPS was showing job growth of more than 800,000 jobs!

There are many potential reasons for this large discrepancy, and it could end up simply being a survey blip that is not validated by subsequent CES growth. However, there is a fairly good chance that we are seeing an inflection point in the labor market and the CPS is showing that strength more accurately than the CES. This is very possibly due to the lack of information that the BLS has on newly-formed and under-the-radar organizations and self-employment.

Conclusion

There is no doubt that we live in uncertain times and that there are substantial valid concerns about the global economy - not the least of which are the short- and long-term consequences of burgeoning sovereign debt. However, the private sector seems to be recovering at a reasonable pace; and my view is that the rapid labor purge of the past two years has already begun to reverse. As organizations gain confidence in this recovery, employment growth will strengthen and the shortage of skilled workers will once again become a top concern. ▲

Richard Jacobson is co-Chief Executive Officer of The Jacobson Group, the national professional and human capital services firm providing executive search, professional recruiting and temporary talent solutions to the insurance industry. He can be reached at (800) 466-1578 or rjacobson@jacobsononline.com.