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Talent 2020: Surveying the talent paradox from the employee perspective
The view from the Insurance sector

Deloitte Consulting's September 2012 *Talent 2020: Surveying the talent paradox from the employee perspective* report is based on a survey conducted by Forbes Insights of 560 employees across three global regions and five industries, comprising 17 sectors. The survey responses underscore three critical findings for Insurance and their implications are explored in greater depth in this perspective.

- Insurance employee respondents reported a strong intent to stay with their employers, which is in line with other sectors and an improvement from 2011. All sectors, including Insurance, emphasized the importance of meaningful work and sound leadership as key to their retention.
- Respondents in Insurance were less likely than those in other sectors to be concerned with workforce reductions; therefore, employee attrition in Insurance is more likely to be self-generated.
- Significantly less career movement was noted in Insurance versus other sectors. This absence of movement was noted as a potential source for turnover.

The broad comparison

The September 2012 report, the fourth in Deloitte's *Talent 2020* series, highlighted overall key findings across a broad range of sectors and provides salient insights into the issues that Insurance talent is concerned with versus talent in other sectors.

Some 80% of survey respondents in all sectors (75% in Insurance) say they plan to stay with their current employer in the next year—a 45-point increase from the 2011 survey. In light of this, Insurance employers should focus their retention efforts on two talent dimensions: (1) employees with critical skills (e.g., Actuaries, Underwriters, Agents), and (2) those who are at high risk of departure.

Employees value meaningful work over other retention initiatives. Respondents who report their company uses their skills effectively are more likely to plan to stick with their current employer. Further, 88% of this group plan to stay versus 57% of those who definitely feel their skills are not well used.

Impending Talent Shortage for Critical Insurance Roles

The employment outlook for the Insurance industry continues to be positive. According to the US Bureau of Labor Statistics (BLS), the industry will continue to grow and add jobs over the next decade. Overall, the BLS reports that 2,238,000 people were employed in the Insurance industry in 2010. They have also projected that insurance industry employment will grow 8.7%, or 194,800 jobs, to a total of 2,432,800 by the year 2020. **Given the projected replacement rate of employees retiring or leaving the occupation, the BLS predicts that the insurance industry will need to fill more than 400,000 jobs by 2020.**

Among the critical insurance roles, a couple merit further attention due to potential impending talent shortages. Actuaries outpace the national averages for both percent change of growth rate (26.7% for actuaries vs. 14% for all occupations) as well as replacement rate (60.4% vs. 23.6% for all occupations). In other words, more than half of the actuarial workforce will be brand new by 2020. Another role that stands out is Insurance Underwriter: while the growth rate is only 5.8%, below the national average, the replacement rate outpaces the national average at 32.6%. This occupation is expected to be uniquely impacted by a significant exit of employees, with more than 33,000 new Underwriters projected to be needed by 2020.

Source: *Bureau of Labor Statistics Occupational Outlook Handbook 2012-2013.*

A strong majority (56%) of overall survey respondents who have been seeking new employment do not believe their job makes good use of their skills and abilities. Moreover, the surveyed employees who feel this way constitute about a third of the respondents (33% for Insurance, 36% for all sectors). Respondents planning to switch companies cite a lack of career progress (37% overall) and a lack of challenge in their jobs (27% overall) as the two top factors influencing their career decisions.

Focus on "turnover red zones." Turnover intentions are concentrated among employees at certain points in their careers, creating employee segments at high risk of departure. Retention strategies should focus especially on critical talent that belongs to these groups. Employees with less than two years on the job are the group most likely to move on, so retaining high-performers beyond the two-year mark is especially important. For all surveyed sectors, 34% of these workers expect to leave within a year, and for Insurance this number reaches an alarming 60%. The fact that Insurance has a disproportionate number of Baby Boomers may be causing younger employees to feel that they do not have job advancement opportunities.

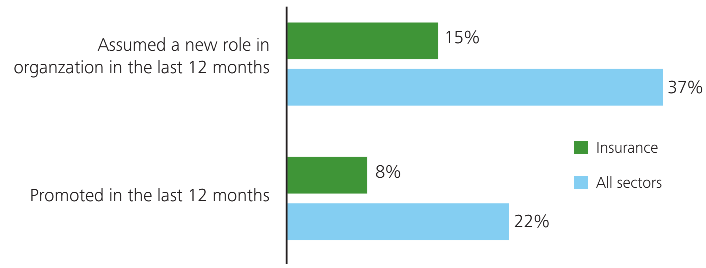
Leadership matters. Employees are far more committed when they trust their leadership, receive clear communications about corporate strategy, and believe their leaders are capable of executing that strategy. Employee retention should be driven by business leaders, not simply left to HR.

For all sectors, 62% of surveyed employees who plan to stay report high levels of trust in their corporate leadership versus 27% of employees who plan to leave. Furthermore, 27% of those who plan to leave in the next year cite lack of trust in leadership as a key factor. Survey respondents in the Insurance sector are in line with all sectors in terms of trust in their organization's leadership (56% for Insurance versus 55% for all sectors). Some 63% of surveyed Insurance employees (versus 55% overall) say their management has communicated effectively with them in the past year about the company's strategy, however they are slightly below all sectors in their confidence in management's ability to execute that strategy (58% for Insurance versus 63% overall).

Insurance-specific findings

Insurance respondents reported significantly less career movement as compared to other sectors. Specifically, surveyed Insurance employees were less likely than those in all sectors to have assumed a new role in their organization (15% for Insurance versus 37% for all sectors) or to have received a promotion (8% versus 22% overall) in the past year (Figure 1).

Figure 1. Career movement in the last year

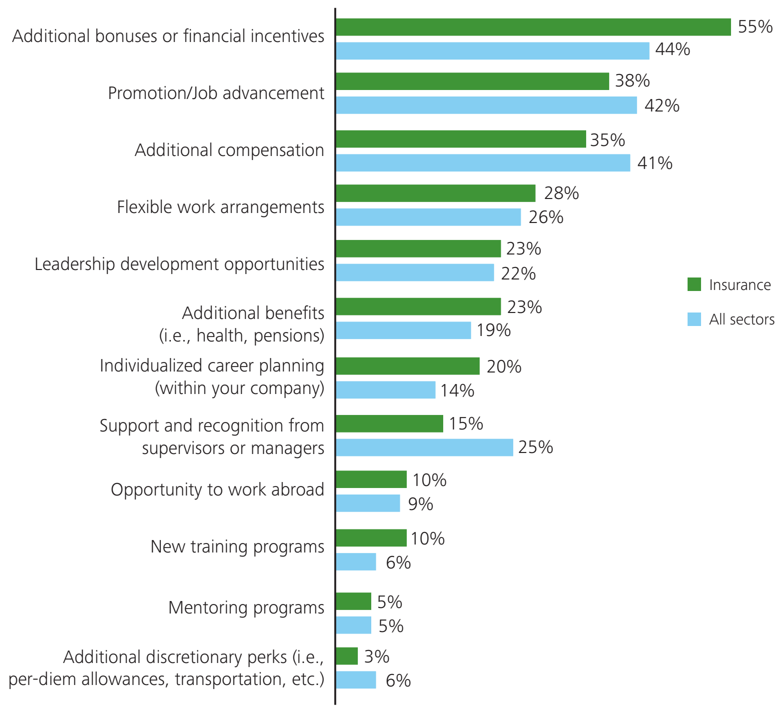


60% of Insurance employees with less than two years on the job expect to leave within a year.

Although surveyed employees in the Insurance sector were just as likely as others to receive a raise in the past year (75% for Insurance versus 71% overall), fewer of those who did get a raise indicate they were satisfied or very satisfied with it (43% versus 57% overall). Surveyed Insurance employees were in line with all sectors in the likelihood of receiving a bonus in the past year (73% versus 71% overall) and were slightly more satisfied with their bonus (72% satisfied or very satisfied for Insurance versus 67% satisfied or very satisfied overall).

The incentives that surveyed employees indicate would be most effective in keeping them with their present companies include additional bonuses or financial incentives (55% for Insurance versus 44% overall), promotion/job advancement (38% versus 42% overall), additional compensation (35% versus 41% overall), and flexible work arrangements (28% versus 26% overall) (Figure 2).

Figure 2. What incentives would be most effective in keeping you with your current employer?



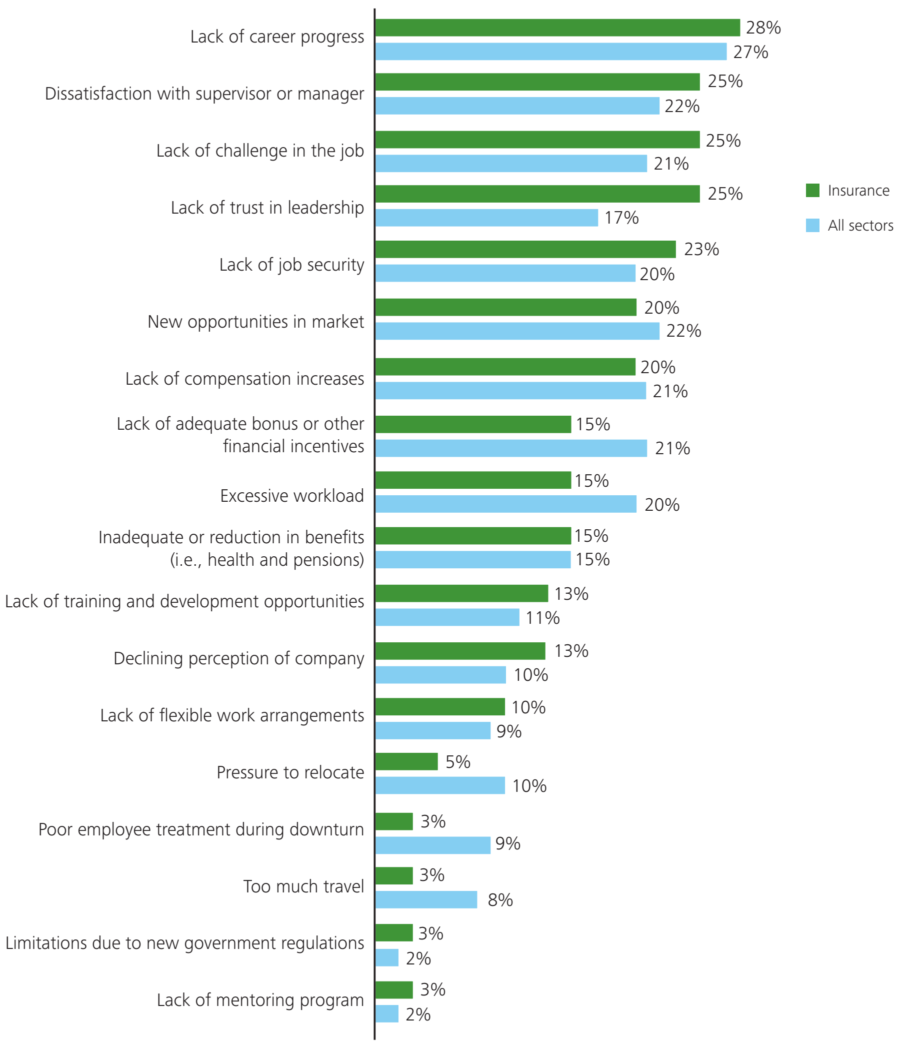
Note: Survey participants were asked to pick their top three choices

The factors most likely to trigger a job search among surveyed Insurance employees include lack of career progress (28% for Insurance versus 27% overall), lack of challenge in the job (25% versus 21% overall), dissatisfaction with supervisor or manager (25% versus 22% overall), and lack of trust in leadership (25% versus 17% overall). No single factor in triggering a job search is dominant for Insurance (Figure 3).

Survey respondents in the Insurance sector were less likely than all other sectors to anticipate layoffs in the next six months (25% for Insurance versus 36% overall) and or to report experiencing layoffs in the past six months (30% versus 41% overall). Moreover, none of the Insurance respondents who were laid off in the past three years reported being out of work for more than a year (0% versus 11% overall).

Surveyed Insurance employees were somewhat less likely to report an increase in voluntary attrition in the past year (31% for Insurance versus 40% overall) and they were slightly less likely to anticipate an increase in voluntary attrition in the next year (33% versus 37% overall).

Figure 3. What would encourage you to look for new employment?



Note: Survey participants were asked to pick their top three choices

Surveyed employees in the Insurance sector care somewhat more than other sectors about certain corporate commitments when evaluating a potential employer. These include sustainability (cited as very important by 48% of Insurance respondents versus 35% overall) and work-life balance/flexibility programs (50% versus 44% overall). Insurance respondents are less concerned with supporting innovation (15% versus 29% overall), diversity and inclusion (13% versus 21% overall), and corporate brand and reputation (23% versus 31% overall).

Survey respondents give relatively low ratings to the sector's HR/talent efforts overall, with 16% of Insurance respondents rating them excellent or very good versus 24% for all sectors. Moreover, 28% of Insurance respondents rated HR/Talent efforts as poor versus 18% for all sectors. The specific area that stands out is managing and delivering training programs, rated as poor by 35% of Insurance respondents versus 19% for all sectors. The areas with relatively positive ratings were remaining transparent to employees in times of economic uncertainty (rated excellent or very good by 33% for Insurance versus 25% overall) and providing competitive compensation and benefit packages (41% versus 33% overall). Insurance respondents were less likely than all other sectors to see at least some improvements resulting from periodic employee engagement surveys (41% versus 62% overall).

The incentive most likely to cause surveyed employees to postpone retirement is additional bonuses or financial incentives (43% for Insurance versus 31% overall), followed by ability to work virtually (33% versus 23% overall) and flexible work arrangements (28% versus 45% overall).

Conclusion

While survey findings clearly point out that Insurance respondents are less concerned with layoffs than other sectors, findings also indicate that there are growing issues related to retention, such as the lack of career movement and dissatisfaction with compensation increases. Further, Insurance respondents rated their companies' HR/talent efforts poorly, and 60% of surveyed Insurance employees with less than two years of experience intend to leave within the next year. If these conditions are not addressed, a likely consequence is increased attrition. This is particularly concerning for Insurance companies in need of rare or specialized skills that are in great demand. Additionally, it appears that Insurance companies may not have robust HR/Talent programs to handle these potentially brewing concerns. It is a call for action for Insurance companies to examine the quality of their HR/Talent programs, assess their compensation structures, provide employees with meaningful work, and offer desirable corporate programs such as sustainability and work-life balance programs to attract critical talent and retain their top performers.

Survey demographics

Seven percent of the overall survey respondents, 40 in total, were from the Insurance sector. The surveyed Insurance respondents represented much of the globe, with 57% located in the Americas and 43% in Europe, the Middle East and Africa (Figure 4). All of the Insurance survey respondents were employed by companies with annual revenues of more than $500 million, and 31% work for companies with more than $10 billion in revenue (Figure 5).

Figure 4. Geographic distribution (Insurance)

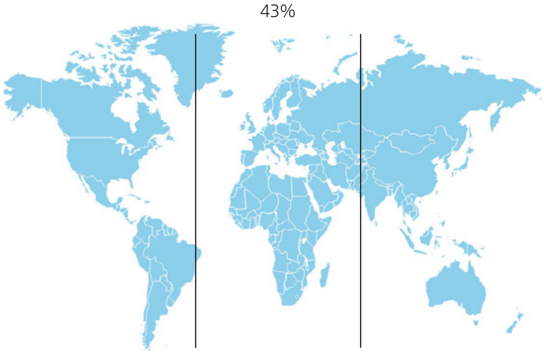
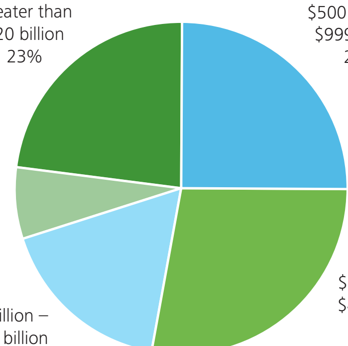


Figure 5. Company revenues during the most recent fiscal year (Insurance)



Contacts

Andrew Liakopoulos
Principal
Deloitte Consulting LLP
United States
aliakopoulos@deloitte.com
+1 312 486 2777

Neal Baumann
Principal
Deloitte Consulting LLP
United States
nealbaumann@deloitte.com
+1 212 618 4105

About the survey

The *Talent 2020* longitudinal survey series follows the *Managing Talent in a Turbulent Economy* survey series launched during the recession. The report examines shifting talent strategies and priorities of global and large national companies. This report features results from a September 2012 survey that polled 560 employees at large corporations in the Americas, Asia Pacific, and Europe, the Middle East, and Africa.

For more information see **www.Deloitte.com/us/talent.**