

# Hidden Talent



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Canada's insurance industry has a hidden retention issue and employers should expect some challenges. Although progress has been made to meet the industry's changing demographics and retirements to date, the impact of upcoming retirements looms, demanding steps be taken to support smooth transitions.

The impact of the changing demographics of the insurance industry's workforce, now and over the next five to 10 years, is going to be incredibly challenging for employers.

The good news: The Insurance Institute's demographic research shows that the industry did a good job of recruiting youth into the industry over the last five years — enough to offset the retirements seen to date.

The bad news: The industry has not yet seen the numbers of retirements projected. Going forward, the impact of retirement will increase substantially.

To meet the challenge, the level of recruitment

and retention will need to increase substantially. But focusing on recruitment alone will not solve the problems.

## **BEYOND RECRUITMENT TO RETENTION**

"Although the perceived and actual importance of retention has increased in recent years, it is still considered an issue of lesser importance than recruitment," writes Richard Loreto, author of the Insurance Institute's recent report, *A Demographic Analysis of the P&C Insurance Industry in Canada, 2012-2022*. "Given the trends in Canada's labour market, this is a perception that must change," Loreto cautions.

"Increasingly, as the supply of younger workers grows more slowly," he continues, "retention strategies will have to ensure that an organization's existing workers are not unduly tempted by the potential advantages of working for a new employer."

Employers cannot afford to lose all who may exit either voluntarily (often workers in their 30s who are seeking increased salaries or career advancement) or through retirement (mature workers who are taking a lot of knowledge and experience with them).

To help industry employers learn more about workforce strategies to address these challenges, the Insurance Institute has contracted with subject matter expert Lisa Taylor, president of

Challenge Factory, to lead a three-part instructional program for the industry's human resources professionals and to offer insight and ideas about the demographic factors impacting the industry's talent management.

### Retirement is not the end

"We need to stop looking at retirement as it has traditionally been defined — to retire (to conclude your working life) between 55 and 65, was established in the 1930s when the then-average lifespan was 61," says Taylor. "Today, with people expecting to live until they are in their 80s or possibly upwards to 100, retiring at 60 (which is the average retirement age in the insurance industry in Canada) means many still-vibrant workers are leaving with a third of their lives ahead of them. It is not so surprising then that they are leaving and working somewhere else."

As the demographic research shows, of the employees who responded to the Insurance Institute's surveys in 2009 and 2012, "one in three indicated that they plan to retire in the next five years," Loreto says. "Of those, seven in 10 expressed a clear preference for continuing to work on a part-time basis with their current employer," he reports.

"This pattern of retiring and continuing to work is evident across the finan-

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cial services sector. Leading organizations are recognizing that career paths need to continue past age 60 and are starting to offer phased retirement programs to avoid loyal, experienced talent from taking their expertise to a competitor who is more flexible," says Taylor.

### The talent escalator is broken

When there are no career options for people with the most seniority in an organization, they remain in place. "In an ideal organization, talented recruits see attractive career paths. Senior people stay engaged until retirement, without blocking opportunities for those mov-

ing up," says Taylor. "But in many organizations today, large numbers of baby boomers are clogging the senior ranks. Some have retired in place, waiting to be packaged out. Others can't afford to retire. Many want to feel useful and wanted, but their organizations have no plan for making this happen. Meanwhile, aggressive young managers conclude that they must move elsewhere to advance."

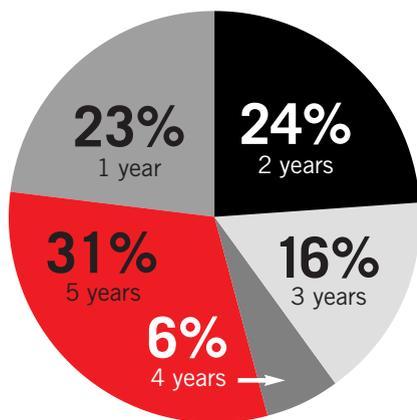
### Change to achieve the desired results

Given the trends in Canada's labour market and the demographics of the industry, employers' recruitment efforts, retention strategies, succession planning and retirement programs will need to change. The belief that the insurance industry can continue to do things the way it has always been done, is a belief that will have to change. "Talent, like technology, is going to revolutionize the workforce," states Taylor.

Why are demographics so important to HR strategies and decisions? "Demographics explain about two-thirds of everything," David Foot, professor emeritus of economics at the University of Toronto, and co-author of *Boom, Bust & Echo: Profiting from the Demographic Shift in the 21st Century*, writes in the book.

The rest of the insurance industry's workplace dynamics may well be explained

## Projections of Exits



Source: Insurance Institute of Canada, *A Demographic Analysis of the P&C Insurance Industry in Canada, 2012-2022*

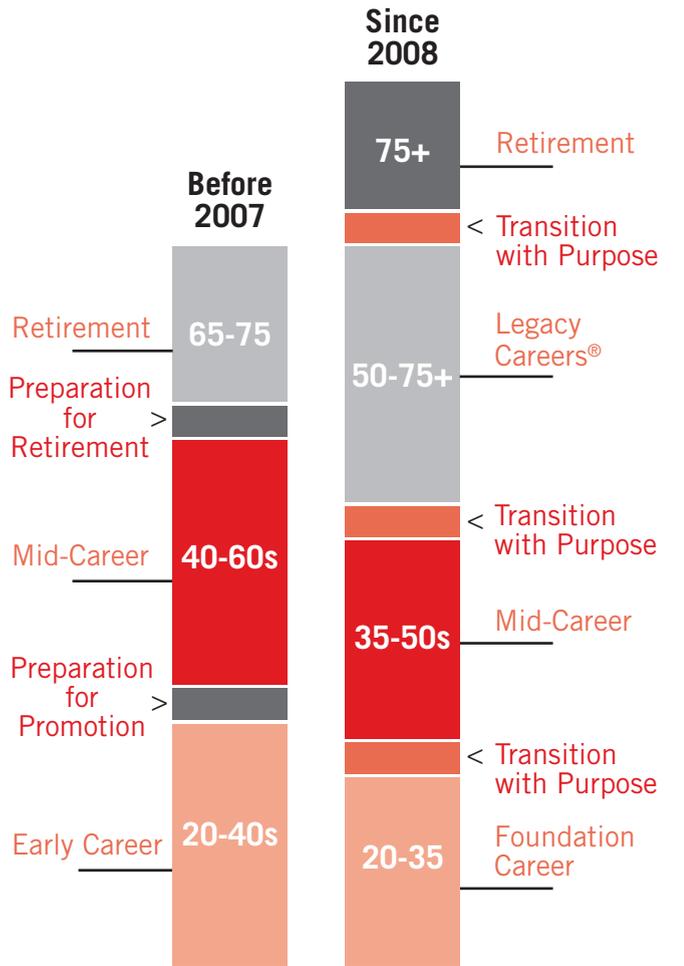
## Projections on Retirement

Potential maximum decrease in the industry's 2012 workforce by 2022 could be as high as:



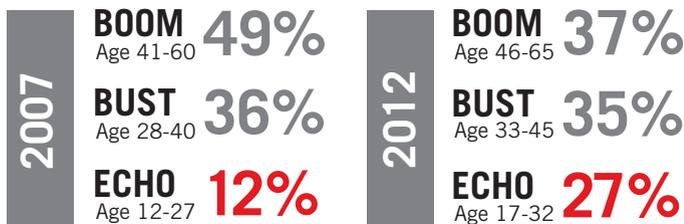
Source: Insurance Institute of Canada, *A Demographic Analysis of the P&C Insurance Industry in Canada, 2012-2022*

## Career Timelines Have Changed



Source: Challenge Factory Inc. 2012

## Cohort Analysis



Source: Insurance Institute of Canada, *A Demographic Analysis of the P&C Insurance Industry in Canada, 2012-2022*

by evolutions in processes. There has been a lot of necessary evolution in the last century, notes a report by Josh Bersin, principal and founder of Bersin by Deloitte (Deloitte Consulting LLP), entitled *Predictions for 2013: Corporate Talent, Leadership and HR — Nexus of Global Forces Drives New Models for Talent*.

“In the early 1900s, the focus was on steel, resources, railroad, with a lot of focus on becoming proficient, automated, data-driven on finances and logistics, resulting in processes, strategic priorities, and eventually technical systems for efficiency,” Taylor explains.

“By the 1950s and ’60s, the focus had moved on to customer and marketing, the beginning of data warehousing all the way through to the entire rise and fall, and continued focus and evolution of the dotcom craze, including how dependent we are on the Internet and how significant marketing analytics have become,” she says.

“Continued evolution from operations, to finance, to the customer, to what Bersin is indicating, globally, that now is the time for the talent revolution. Just as the Internet transformed how work was done and how we related to customers, demographics, skills and leaderships are going to be the next wave that will have just as significant an impact on how businesses operate. And it’s elevating the role of HR,” Taylor reports.

Before the Internet, the role of the chief information officer (CIO) or vice president of IT “was at the senior management table, but not necessarily the strongest voice at the table. And if you think of the role of the CIO today in strategic decision-making and how integrated technology is and how business gets done, you can’t really imagine CIOs not being a strong voice at the table,” she says.

“As we go through the talent revolution, it’s HR’s turn. The demographics, skills shortage and leadership are going to be the critical issues that will leap frog the way things get done. It’s not an evolution, but a revolution,” emphasizes Taylor. ☰