

# Tomorrow's workforce: Securing the talent to succeed

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Demographic shifts, evolving aspirations and accelerating globalisation are set to transform the shape of the labour market and could make it harder for insurers to attract and retain good people. Christopher Box, Ron Collard and Henk Van Cappelle look at what a new PricewaterhouseCoopers study<sup>1</sup> reveals about the nature of tomorrow's organisational and people management challenges and how insurers can position themselves to secure the talent they need to succeed.

## TOMORROW'S WORKFORCE: SECURING THE TALENT TO SUCCEED

Good people have rarely been more valuable as European insurers grapple with the challenges of new technology, global expansion and ever-more exacting customer demands. 'We need to be able to out-think, out-smart, out-innovate and out-perform the competition. And to do that, we must recruit and retain the best people', said Dr Richard Ward, CEO of Lloyd's, in a recent speech to the Insurance Institute of London.<sup>2</sup>

Unfortunately, however, nearly three-quarters of insurance recruiters in the UK are currently struggling to attract quality talent,<sup>2</sup> a pattern that appears to be repeated in many other parts of Europe. Referring to his own market, Dr Ward cited 'severe skills shortages' in a number of key areas including actuaries, claims professionals and people with financial modelling and relationship management capabilities.

### Brand image

In many cases, the difficulties of recruitment stem from image rather than remuneration. Barely 10% of UK graduates would consider a career in insurance.<sup>2</sup> The sector is losing out to seemingly more

exciting and glamorous professions such as investment banking or alternative career options that appear to provide more flexibility, work-life balance and a commitment to corporate social responsibility (CSR).

Clearly, it is important that insurers seek to correct this perception and 'sell' their profession to students coming up to graduation, for example by highlighting the range of roles and long-term career opportunities on offer within the industry. Until recently, however, only 30% of UK insurers supplied information to university careers staff and less than 10% gave campus presentations.<sup>2</sup> It is especially telling that while investment banks spend an average of nearly €6,000 on each recruit, insurers invest little more than €1,000.<sup>2</sup>

These problems can only be compounded by the cutbacks in many graduate training programmes, which have left what Nicholas Burrell, Director of Specialist Insurance at recruitment agency IPS, describes as a 'Catch 22 situation' of skills shortages on one side and a lack of opportunities for talented entrants on the other.<sup>3</sup>

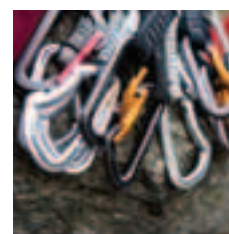
### Broadening horizons

Increasing moves into India, China and other growth markets provide considerable opportunities for further commercial growth and the chance to utilise a previously untapped talent pool. The expansion of offshore operations could also help to offset the continuing decline in the working-age population of many European countries (Italy is set to see a fall of 9% by 2025 and Germany by 7%, for example). With India and China combined producing some four million graduates per year, offshoring could increasingly expand into more sophisticated areas such as risk modelling and investment analysis.

At present, however, the availability of qualified personnel is limited. David Campbell and Felix Sutter's article on investment in China (see pages 32-39) highlights growing concerns among foreign insurance companies about a shortage of actuaries, managers and sales and marketing personnel, for example.

### Evolving aspirations

Looking ahead, the key focus of the battle for talent will be the highly assertive, tech-savvy and



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<sup>1</sup> 'Managing tomorrow's people: The future of work to 2020'.

(<http://www.pwc.com/extweb/pwcpublications.nsf/docid/3A8D7B25C99752A085257369004453C9>).

<sup>2</sup> 'The recipe for change and the key ingredients for success', a speech by Dr Richard Ward, CEO of Lloyd's, to the Insurance Institute of London, 01.10.07.

<sup>3</sup> 'Where did all the good grads go?', Professional Broker, 01.11.07.

FIGURE 1 Tomorrow's talent: Characteristics of Generation Y

- Tech-savvy
- Civic minded
- Connected
- Anti-commitment
- Self-confident
- Service-minded
- Optimistic
- Environmental
- Educated
- Entrepreneurial
- Bored by routine
- Opinionated
- Success-driven
- Diverse
- Lifestyle-centred
- Goal orientated

Source: PricewaterhouseCoopers

environmentally conscious 'Generation Y' (people born after 1981) that is now entering the workforce. The distinctive characteristics of Generation Y-ers (see Figure 1) are shaping career aspirations and expectations about the kind of employers they would favour that could have a transformational impact on the world of work. These attributes include:<sup>4</sup>

- Sense of purpose and meaning to their work;
- Long-term career development;
- Multiple experiences within a single organisation;
- Work-life balance and flexibility;
- Tech-savvy working environment;
- Access to mentors and other company champions; and

- Primary loyalty is to networks before their employers.

### Managing tomorrow's people

In 2007, a team from PricewaterhouseCoopers set out to discern how these evolving aspirations and the increasing competition for talent would affect the organisational models and people management strategies of businesses in the future. The research included interviews with 2,700 graduates from the UK, US and China about their expectations of work. While some of their thoughts are in keeping with received opinions about the future of work, a number of themes defy conventional thinking.

The resulting report, 'Managing tomorrow's people: The future of work to 2020' outlines three distinct, though not necessarily mutually exclusive, scenarios (see

Figure 2). The first is a 'green world' in which consumers and employees force companies to develop a stronger social and environmental conscience.

The attraction for Generation Y are companies that match their values and beliefs – 90% of the US survey respondents would actively seek out employers whose CSR behaviour reflects their own. Incentive packages would augment financial rewards with other inducements such as secondments to social projects, which would in turn help to strengthen engagement and so enhance retention. One of HR's key roles would be driving the CSR agenda.

Insurers could benefit from this scenario by highlighting their contribution to the evolving social and economic fabric of modern life. For example, insurers are likely to be at the forefront of the financial impact of climate change and therefore well placed to help spearhead greater understanding and solutions for the problem.

The second scenario is a 'blue world' in which ever-more powerful global corporations become virtual states in their own right. Organisational priorities are likely to include stringent management of employees' behaviour and performance. In turn, employees are tied in to the organisation through the provision of housing, healthcare and even education. Senior management is more mobile, often employing agents to secure the best position and deal. HR would play a key role in the strategic and

performance management of such corporations, as well as co-ordinating services and enforcing corporate values.

The blue world might appear to hark back to the business model of companies like General Motors in the 1950s. However, it could have a strong appeal to workers in European countries where the state is scaling down welfare provision or in emerging markets where the infrastructure of healthcare and other support services is still limited. It would also confer the kudos of working for a world-class business.

In the 'orange world', larger businesses would fragment into a looser network of autonomous, often specialised operations. Technology will help to bring these networks together, often on a task-by-task basis. Professionals would group into guilds, which would take on many of the traditional roles of employers such as training or even pensions. HR teams would evolve into relationship managers, sourcing freelance specialists, promoting connectivity and managing collaborative ventures.

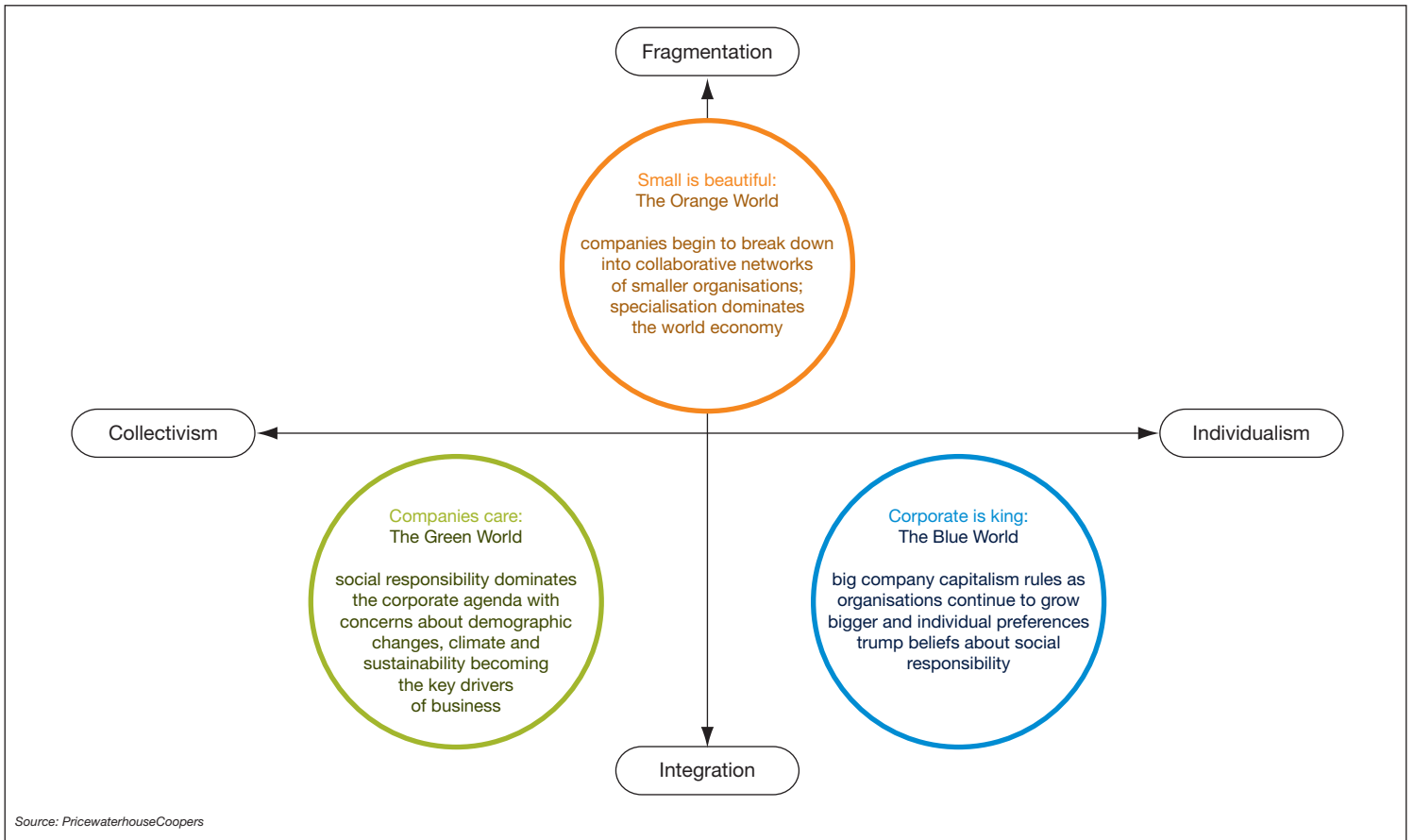
While the orange world might seem like the most radical departure, insurers are already developing collaborative networks, for example through the development of multisourcing, provision of training or the design and marketing of specialised products. In turn, the 'guild' model is already strong in the actuarial profession.

4 <http://www.careerscope.info/features/CSautumn07/generationy.html>.



FIGURE 2

2020: Three worlds



### Competitive repositioning

As we have said, these three worlds are not mutually exclusive and may well sit side by side, even within the same organisation. For example, a green model may come to the fore within home markets as European companies seek to attract innovative Generation Y-ers, while they might adopt a more blue-orientated approach in their emerging market operations.

The key is to think about how the company's business model and objectives are likely to evolve, what kind of people will be needed to meet these goals and whether the rewards, career development and other key aspects of the employment 'brand' are geared to attracting the necessary talent.

Adapting to these changes will be a huge business and cultural challenge for many organisations, though it could provide an opportunity to make a career in insurance more relevant and attractive to young people coming into the workforce. These

developments also offer a valuable opportunity for the HR function to move from a support service to a central role in formulating and enacting the overall business strategy. On the flip side, failure to respond could leave HR marginalised and even put an end to its existence as a separate function.

### Geared for change

Many insurers are facing severe and mounting skills shortages. Fundamental developments in the way businesses are organised, the motivations of their workforces and their wider role in society present challenges in adapting to change, but also opportunities to make insurance a top career choice.

How companies respond to these new ways of working and shifts in generational priorities will be critical to their future viability. 'Successful organisations need to be built for change, need to be dynamic and nimble, see change as the norm and have people in them who are entrepreneurial, collaborative and forward-

looking', says Dr Richard Ward. 'As an industry, we are just waking up to this challenge. If we are going to stop ourselves sleep walking into disaster, we have to realise the potential of our people.'<sup>2</sup>

In this competitive labour market, the companies that survive and thrive are likely to have the following attributes:

- Take early steps to develop a strategic approach to HR management capable of anticipating and responding to the wide range of potential business scenarios identified in the 2020 report;
- Align key elements of their talent attraction, retention and engagement strategies to the expectations and aspirations of the increasingly influential Generation Y-ers;
- Review current operational people management practices against the future needs of the business and evolving expectations of its staff;

- Identify and realise opportunities to differentiate benefits, career development prospects and other key aspects of the employment brand in emerging markets;

- Take a lead in setting the CSR agenda in areas such as climate and the environment; and

- Through effective organisational development, seek to instil behaviours that blend together the long-established professionalism of the insurance industry with the innovation and forward-looking values of the new generation of customers and employees.

Clearly there is a challenge in seeking to look beyond all the many pressing short-term demands to address these longer term strategic issues. However, if companies ignore these challenges they are destined to fail. □

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