



Succession and Progression – A Relay Race

Some compare an orderly company succession and progression plan to a “relay race.” In Canada’s property and casualty insurance industry, a challenging labour market will make recruitment and retention a defining issue for companies seeking competitive advantage. Select firms have already begun the race.

The aging workforce is a well-documented reality facing today’s companies and organizations. Global in nature, the trend is particularly acute in Canada, where the sheer size of the baby boomer “cohort” is larger than most other countries. “An aging workforce is not unique to Canada,” according to a recent report from Statistics Canada. “What distinguishes Canada is the relatively large size of the baby boom generation, and, therefore, the potential rapid exit of these aging boomers from the labour market.”

Canada’s employment numbers bear out this trend as more workers than ever before near retirement. In 2005, an estimated 3.6 million workers were within 10 years of the median retirement age of 61. This group represents 22.1 per cent of the total workforce, up from 10.3 per cent in 1986. By 2011, almost one-fifth of baby boomers – those born between 1946 and 1964 – will be at least 61 years of age and pushing ever closer to retirement.

Who will replace them? As many progressive corporations know, the problem will be compounded by the fact there are fewer young people entering the labour force. Population projections carried out by Statistics Canada estimate that the population aged 50 to 64 years will increase by 27 per cent between 2006 and 2021. In contrast, the population aged 15 to 49 is projected to remain essentially unchanged over the same period (see charts).

While some predict that the economy could face worker shortages as soon as the next decade, many already see the reality in the form of a sharply more competitive labour market. In Canada's property and casualty insurance industry, workforce strains are already appearing in key regional markets, such as Alberta and Quebec.

"The reality is that in the insurance industry in Quebec, 60 per cent of the positions available are unfilled," says Steve Anderson, senior vice president, Corporate Markets and Administration, Crawford & Company (Canada). "It is almost a battlefield. Insurance companies and adjusting companies, everywhere you look, are trying to entice new employees with better compensation packages, better benefits, and better opportunities for growth. That is our most significant issue, and there are simply not enough resources for the need."

The 'graying of the workforce' is one of many aspects that have spurred corporations to refocus attention on recruitment, training and succession planning. As John Taylor, vice president, Human Resources, Crawford & Company (Canada), says: "There are a number of different variables in recruitment, such as the compensation package, career development, culture of company, company values, geographic location. You have to try to be strong and competitive across all those different decision-making variables for the labour market."

Estimates from the Insurance Bureau of Canada show there are about 104,000 people employed in the p&c insurance sector, ranging from brokers to insurance company employees to independent adjusters. According to Peter Hohman, president and chief executive officer, the Insurance Institute of Canada: "On average, our industry is 10 per cent older than that of the Canadian average for all industries. There seems to be a shortage of 40-50 year olds generally and this demographic should be a major source of future leadership."

"In this industry, there are really two core competencies – underwriting and claims," says David Wilmot, senior vice president and chief agent in Canada for Toa Reinsurance Company of America and an industry veteran with more than 30 years of experience. "And the key question is whether or not we have invested enough in training and lifelong learning around these two areas. I think the unfortunate answer is no."

"There is no reason to believe that the Canadian insurance industry will escape the 'graying workforce' phenomena that is looming for virtually all the other commercial components of the Canadian economy," notes Gord Crutcher, vice president, Sutton Reinsurance and a former chair of the Insurance Institute of Canada. "As an industry, we are willing to invest in 'hard' assets like buildings and technology, but very few companies seem to be interested in enhancing their 'soft' assets – their present and future human resources."

There is some evidence in the insurance industry that certain firms are well aware of labour market trends and undertaking specific strategies in progression and succession planning. Crawford & Company (Canada) is one of those companies. It has started a comprehensive human resources project that features both succession planning for senior management and progression planning that reaches deep into the organization's talent pool and skill base.

"What we have really done is create the ability to map out positions, job descriptions, requirements, skill sets and other factors that will guide employees from the time they walk into the company to

when they move into management positions,” says Anderson. “Individuals can see at any time where they are, where they want to get to and what they need to do to get there.”

This progression plan began at Crawford in 1998, and for Anderson it has made an enormous difference in training, motivation and resource planning. “Eight years into this, you now see the people come in and they have a roadmap at various entry level positions of where they can get to, they understand what the education requirements are, what specific training is necessary,” he says. “Our retention rate is specifically highlighted on that basis. Our turnover rate over the last five years is less than 8 per cent.”

For John Taylor, Crawford’s progression and succession planning project is a matter of competitive advantage. “We did it to be ahead of the curve in terms of being competitive in the labour market,” he says. “A lot of people who you wish to attract and retain as employees require these types of tools to plan their career and to make a decision to remain with your company. The bulk of it is driven by recruitment and retention.”

The second component of Crawford’s human resource initiative is a full succession plan for senior and mid-level management. Started in late 2004, the goal of the succession plan is to ensure a stable talent pool of experienced managers who can step in, assume responsibilities quickly and ensure smooth continuation of company standards and values.

“This is an infrastructure program wherein we have 35-40 candidates,” says Anderson. “Our commitment has been that every senior level executive person needs to have at least one individual who can potentially take that position at any given time. That is not a threat; it is just a healthy thing to do. You have to bridge that mindset where people initially feel threatened that someone can do their job, but unless you have someone prepared, you are not in a position of strength as a corporation.”

The next steps for Crawford are to formalize the succession and progression planning, obtain ongoing feedback from employees and seek out a broader corporate view of how these types of initiatives affect staff retention, satisfaction and productivity.

“Right now we are still catching up with a lot of the formalization process, in terms of making sure that everything is documented, current and available,” Taylor says. “We also want to integrate all the different progression plans so we can get a larger corporate map. Right now we have great maps of individual lines, but the next point is to get it to the step where we can have a broader corporate view.”

Few question the urgency for these types of progression and succession planning projects in the insurance industry. The need for recruitment and retention is felt particularly sharply in claims adjusting. According to research firm Conning and Company, cutbacks in recruiting and training of new claims adjusters during much of the 1990s have led to a “dearth of experienced claims professionals.”

In a study released in 2001, Conning stated, “the insurance industry has not done enough to attract college graduates to a career in claims. Insurers also need to be more proactive in making advanced training and educational opportunities available for the claims staff. Many of the claims executives

interviewed for the study pointed out that there is often no clearly defined career path for claims professionals and no development plans to prepare people for positions of increased responsibility.”

It is precisely this situation that firms like Crawford plan to rectify. “I think that 20 years ago, training was fairly static,” says Anderson. “You got your training, you could count on that being valid and that was all you needed. Now we find there is a need to renew and upgrade skills and adapt to change. That is so significant that the need for investment in training is greater than ever. I am not so sure that the training budgets have kept pace in that way.”

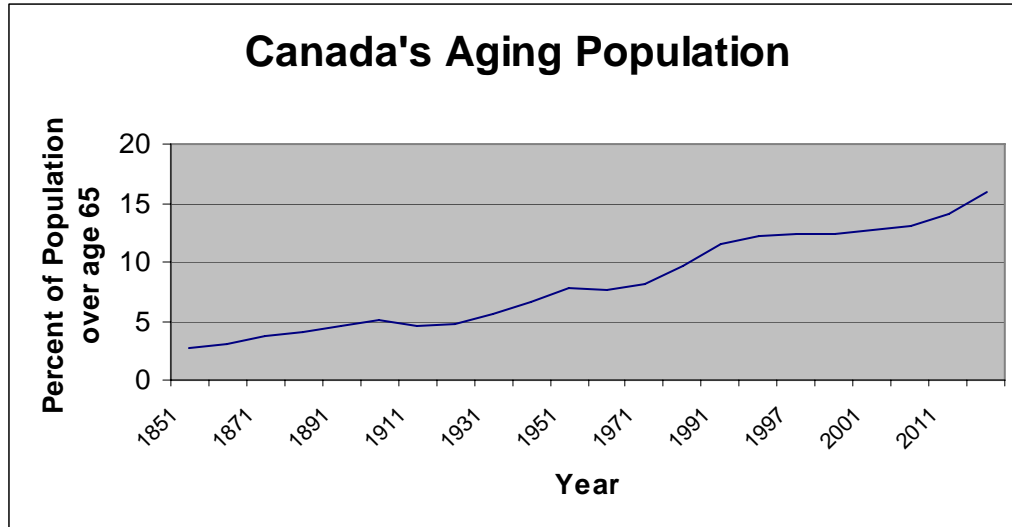
“The typical mindset when I started in this business was that you had a ‘job for life,’” says Crutcher. “Such a mindset is long gone. Today’s workforce is generally better educated and much more transient. Management faces the challenge of identifying and attracting qualified staff, but the even larger challenge of retaining them long enough to recoup their company’s investment in training these people.”

“Interestingly, it would seem that companies with solid training and development plans that include hiring young talent, educating them through the CIP/FCIP program, training them and providing them with a bright career future that includes a ‘promote from within’ strategy do not appear to have succession issues,” Hohman notes.

While there are no formal studies of succession or progression planning in the Canadian p&c insurance industry, sources estimate that fewer than 25 per cent of companies have active projects in place. “There is little evidence that the industry is taking the pending decline in ‘people resources’ very seriously,” Crutcher says. “We probably won’t realize it will indeed be a crisis situation until we’re up to our necks in it.”

With increasingly obvious signs of labour market strains in areas of commercial lines underwriting, brokering and adjusting and shortages in regional markets such as Alberta, Quebec and British Columbia, some say there is a short window for companies to adapt and begin the hard work of succession and progression planning from within. “The fact is that very few companies map out where you enter a company and where you can go to,” says Taylor. “That is the key factor. I compare it to a relay race.”

Companies that design a proper progression and succession process now will create a solid team of talent ready to receive the baton in the challenging labour market ahead.



Canada's Aging Population

(percent of population over age 65)

	Percent over 65 years of age	Total population over 65 (000's)
1851	2.67	65
1861	3.03	98
1871	3.66	135
1881	4.12	178
1891	4.55	220
1901	5.05	272
1911	4.66	336
1921	4.78	421
1931	5.55	576
1941	6.67	768
1951	7.75	1086
1961	7.63	1391
1971	8.09	1745
1981	9.7	2361
1991	11.61	3170
1996	12.23	3527
1997	12.3	3726
1999	12.42	3795.1
2001	12.64	4030.7
2006	13.06	4399.2
2011	14.06	4981.2
2016	15.88	5894.3

Source: Statistics Canada, CANSIM