

Skills Survey 2015

A CII research report

Surveying the future



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As the premier professional body for the financial services profession, the CII promotes higher standards of integrity, technical competence and business capability.

With over 115,000 members in more than 150 countries, the CII is the world's largest professional body dedicated to this sector.

Success in CII qualifications is universally recognised as evidence of knowledge and understanding. Membership of the CII signals a desire to develop broad professional capability and subscribe to the standards associated with professional status.

The CII works with businesses to develop bespoke, company-wide solutions that ensure competitive advantage by enhancing employees' technical and professional competence.

Individually, CII's members are able to drive their personal development and maintain their professional standing through an unrivalled range of learning services and by adhering to the CII's Code of Ethics.

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If you have any queries regarding the content of this report please contact Policy and Public Affairs.

Email: daniel.pedley@cii.co.uk

Headline findings

Skills shortages

- 81% of employers reported a shortage of technical skills in their business. This is up from 74% last year and 59% in 2013 (a 22% rise over two years).
- The impact of these shortages include: over a third of employers needing to spend more on training and development (36%); a quarter believing that shortages will stifle their ability to innovate or grow the business (24%); and a fifth foreseeing a drop in quality and service standards (22%).
- Over half (51%) of employers worry that they will not be able to access good quality talent in future – an issue for those looking to fill gaps through recruitment.

Global competition

- Although optimism remained high in the sector's ability to compete on the global stage (67% of employers agree we are well placed), there has been a drop in confidence over the last two years (2013 77%, 2014 75%). This coincides with a rise in skills shortages.

Taking action

- Almost half of firms (48%) say that they will increase training and development spend during the next year. This represents an 11% point rise on 2014 and is the first year that the number of employers increasing budgets is higher than those reporting static budgets (46%).
- Over half of employers (55%) intend to increase their headcount over the next 12 months.
- Employers are using a range of methods to attract new and diverse talent. These include well-established routes like graduate schemes, up and coming ones like apprenticeships, as well as a whole host of return-to-work programmes covering parents, recently retireds and ex-service personnel.
- To remain competitive in the future, employers identified developing technical skills as the number one priority (37%). This year has seen a threefold rise in those who think that attracting talent should be the number one priority (33%).

Education and careers advice

- Employers are worried about the quality of those entering the sector from education. Half feel that the education system does not meet the needs of insurance firms – compared to 42% who think it does a good job.
- One of the main problems identified was the quality of careers advice. Insurance careers remain a secret to many. 39% of members felt that careers education in schools is poor, against 15% who said it is good.

Apprenticeships

- Four in five employers are aware of technical apprenticeships in insurance (i.e. those containing CII professional qualifications). This has almost doubled since 2009 (80% vs. 46%).
- 45% of employers offer apprenticeships at the moment, and 39% expect to increase the number of apprentices they train.

(NB these questions were asked before the announcement of the compulsory apprenticeship levy on large firms).

The CII is the world's leading professional body for insurance and financial services with over 115,000 members worldwide. Our Royal Charter remit seeks to secure and justify the confidence of the public. Part of this work includes developing the knowledge, skills and competency of those working in insurance – be they new recruits or seasoned professionals. Underpinning this is an understanding of the skills landscape within our sector. That is why, since 2007, we have undertaken a UK membership skills survey to provide a 'state of the sector' view of skills.

The CII Skills Survey provides the most complete set of annual data on skills within the UK insurance market. Each year practitioners share their experience, telling us what they see across their firms and the sector as a whole.

This intelligence gathering is of vital importance as it helps to provide a snapshot of the situation across insurance. It informs the CII's interactions with policy makers, including government ministers, on important skills matters. Having access to data going back almost a decade helps to show any trends or significant changes over time, further strengthening the impact of the survey.

We are also able to compare the situation in insurance against similar surveys and general skills related data. As this year's results show, UK insurance is suffering from many of the same problems felt elsewhere in our economy. They also show that employers are not standing still waiting for support or a change in circumstance. The next year will see firms investing in training and bringing in new staff.

Skills, training and talent are areas that require constant attention and action to ensure employers and the whole sector are in the best position to compete, at home and abroad. This survey highlights key areas for focus to ensure we remain a world leader. As ever, as the professional body for insurance, the CII is here to support individuals, employers and the broader profession to meet that aspiration.

Setting the scene

Worries about skills and productivity in the UK are rarely far from the headlines these days, and quite rightly this is an issue occupying the minds of business and politicians alike. In their annual skills report, the CBI described skills as 'an increasingly urgent priority', and a survey by the Institute of Chartered Accountants of Scotland (ICAS) of Chief Financial Officers found the skills gap second only to the low oil price on their list of main concerns. The possibility of Brexit and China's economic situation trailed behind, with the skills issue being described as the 'elephant in the boardroom'. It is not difficult to see why when looking at the raft of data and surveys on this subject.

Problems, problems, problems

Productivity in the UK stubbornly remains an issue and a tough nut to crack. The UK continues to lag behind our continental counterparts, with France and Germany enjoying a 20% productivity advantage. Put simply, something taking five days to complete in the UK, would only take four days in either of those countries.

Skills gaps and mismatches are contributors to this productivity problem. The Hays Global Skills Index 2015, which considers the skills on offer against employer need, found the UK's talent mismatch to be 9.7 out of 10: one of the worst scores in Europe. This mismatch leads to a host of unfilled vacancies. The UK Commission for Employment and Skills (UKCES) in their last employer survey found that, across the UK, three in ten vacancies are hard to fill. Andrew Sentance, former member of the Bank of England's Monetary Policy Committee now with PWC, says that unfilled vacancies cost the UK £10bn a year. Further to this is that the difficulty in filling vacancies begins to drive up wages. Recruitment firm Robert Half UK says that companies are paying more because of the 'war for talent' and predicts that professional wages in London are expected to rise by 3% in 2016, well ahead of inflation.

Into the future

The workplace is changing at a fast pace, driven in the main by technological developments. This means that employers will need to constantly train and develop new and existing staff to make sure knowledge and skills remain relevant. The CBI points out, in their 2015 skills report, that most jobs created between now and 2022 will be high skilled and that the majority of the workforce is already in place and will therefore need to be developed. This sentiment echoes that of Lord Leitch's seminal skills report of almost a decade ago.

Adaptation will need to account for the impact of a rise in automated practices. We are already witnessing this in insurance, especially in underwriting. How far will technology go and what will its impact be on future needs?

The under-utilisation of skills is another issue for firms. The UKCES's employer survey found that almost half of employers reported skills under use. In future this 'skills slack' could be turned into an advantage and harnessed to the benefit of individuals, firms and the economy. Achieving this, however, will not be simple.

Government action: Enter the levy

Shortly after winning the General Election, the Conservative government published a UK productivity plan: '*Fixing the foundations*'. The wide ranging paper sets out a number of policies, many of which focus on education and skills.

Change continues across the schools system with a return to a more 'traditional' curriculum and a greater emphasis on STEM subjects (Science, technology, engineering and maths). The government also aims to have all pupils starting year 7 in September 2015 studying towards the English Baccalaureate.

In trying to tackle the disparity in public sentiment towards vocational and academic study, the government hopes Institutes of Technology will help to promote technical and professional education. However, most of their effort in this space is directed towards apprenticeships.

The most radical of all the government's plans relate to apprenticeships. The Chancellor, George Osborne, recently announced a significant shift in policy with the introduction of a compulsory apprenticeships levy on large firms (whether they train apprentices or not). Introduced in 2017, the aim of the levy is to help meet the 2020 target of three million apprenticeship starts across the UK.

This represents a dramatic shift and is a potentially far reaching intervention in the debate on skills investment. The policy could have unintended consequences on employer behaviour in relation to wider training and development. Although the full details of the policy were not known at the time of this year's survey, this set of results will act as a key reference point for measuring the future impact of the levy.

Results

The CII’s annual membership skills survey has been providing a view of the skills situation across the UK sector since 2007. Each year we ask our members, including those who describe themselves as employers, to tell us what they see in their workplace. This year 1140 members responded, 153 of whom were employers.

Shortages

Reported skills shortages were at their lowest two years ago (59%) but since then we have seen a worryingly rapid increase. This year’s survey found that four in five employers (81%) are suffering from a skills shortage, a six percentage point jump on last year, and a huge 20% increase on 2013. There could be a number of factors at play here including the loss of experienced staff, the impact of cutting staff and training during the recession and above all fierce competition in attracting and retaining talent.

Figure 1: Do you believe that there is a shortage of technical skills in key areas of your business?

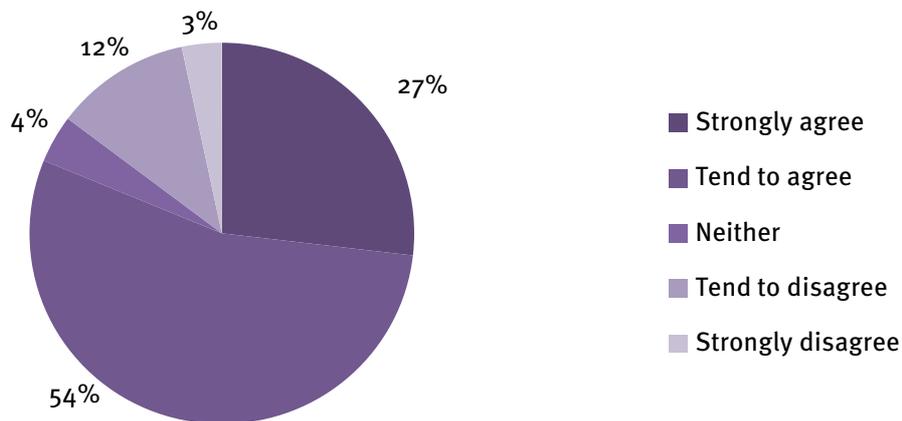
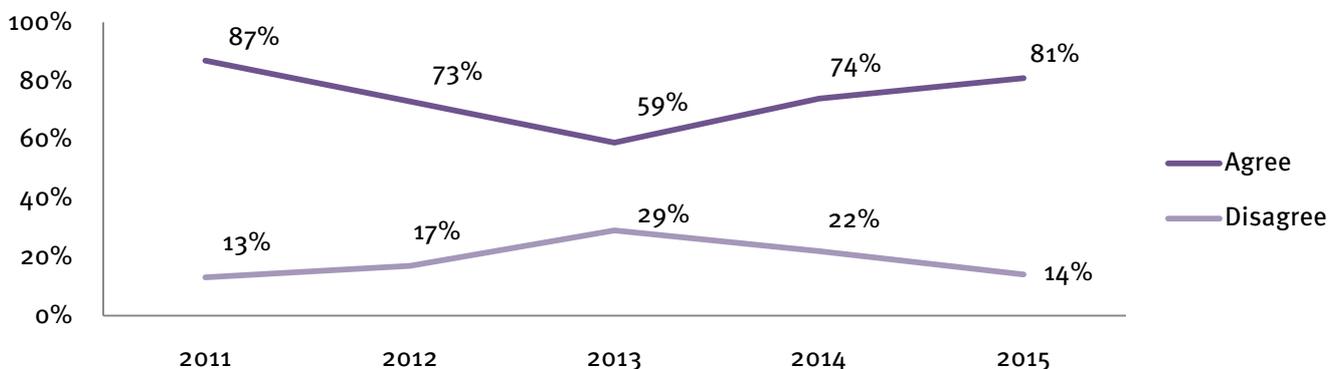


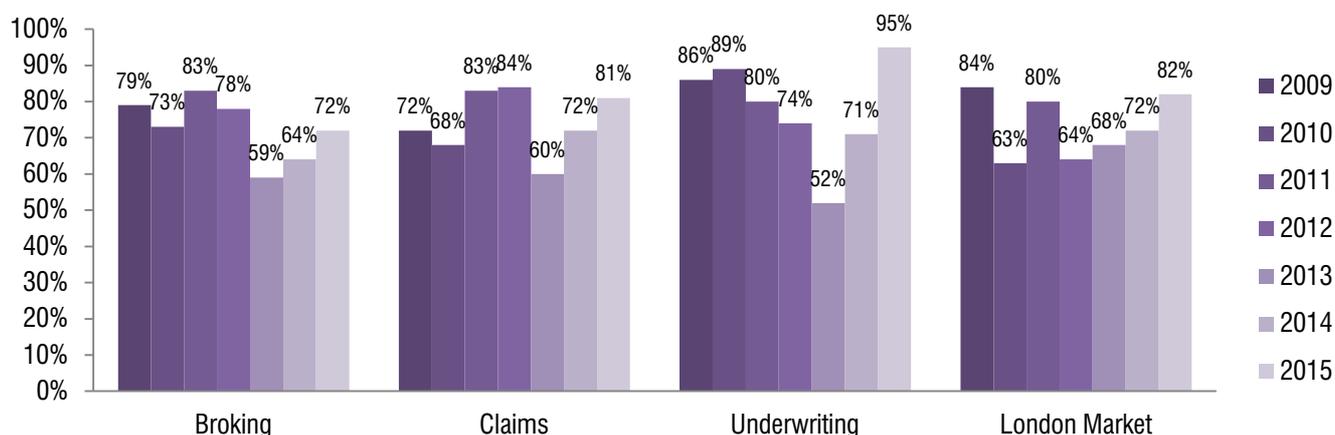
Figure 2: Do you believe that there is a shortage of technical skills in key areas of your business? (2011– 2015)



We are also able to split the data by CII faculty discipline (figure 3). However, given the small sample sizes involved these results are indicative rather than representative. It is perhaps because of this we have seen some big shifts.

Given the overall increase in shortages, the rise in employers reporting problems across broking, claims, underwriting and the London Market is not unexpected. Perhaps the most worrying jump is in underwriting, given its scale.

Figure 3: Do you believe that there is a shortage of technical skills in key areas of your business?

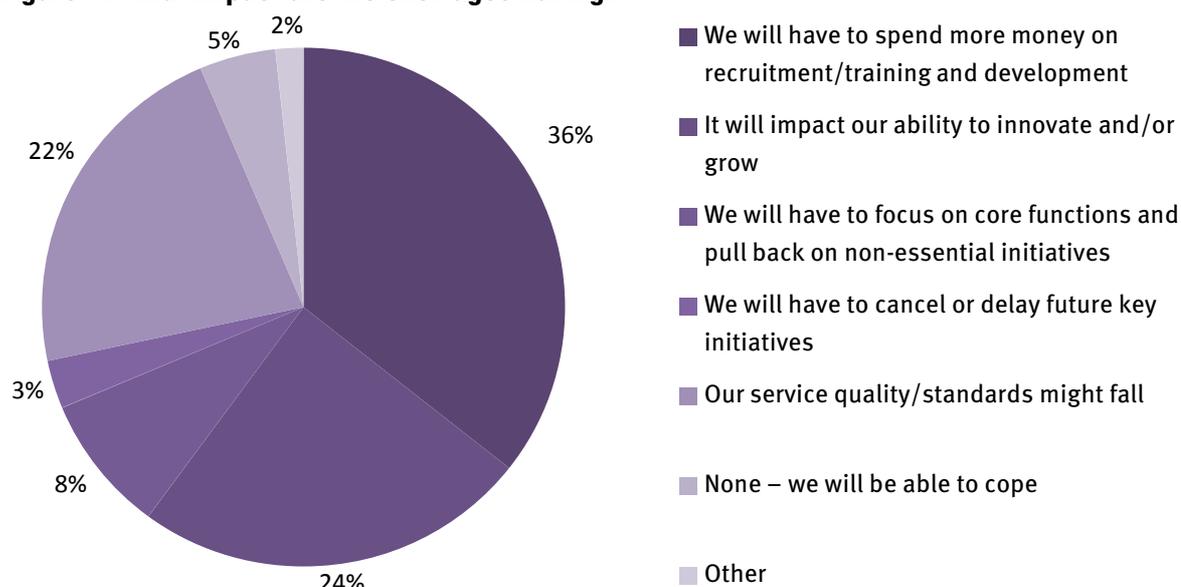


Impact

Employers experiencing skills shortages reported three main impacts: needing to increase training spend, a reduced capacity to grow and a potential fall in service standards.

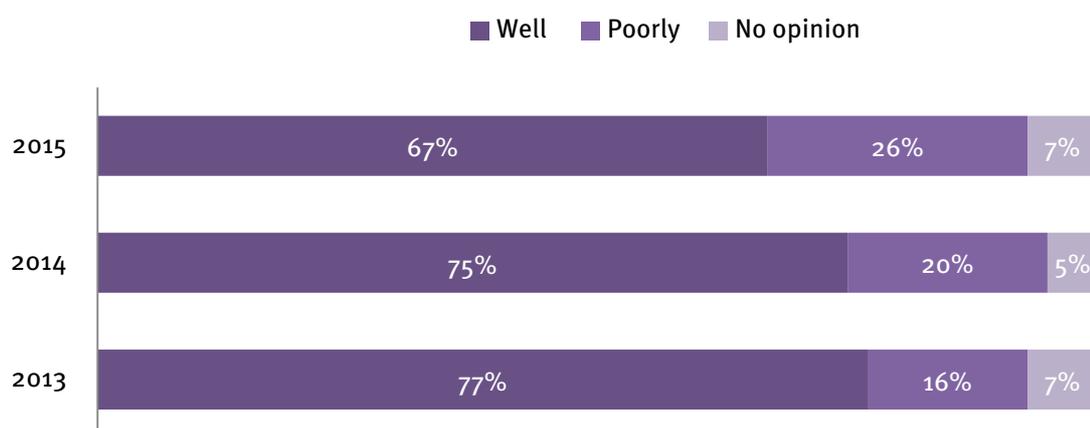
Over a third of employers believe that more money will need to be allocated to training and development spend to ensure their needs are met. Almost a quarter of employers say that their ability to innovate and grow will be diminished as a result of skills shortages. This is something that chimes with the findings of PWC's annual CEO survey. 70% of financial services leaders (so not just insurance) said that limited availability of skills is a threat to growth. Add to this the fifth of employers who worry that service quality might fall and there is cause for concern.

Figure 4: What impact are the shortages having?



The continuing increase in skills deficiencies appears to be having a knock-on effect on confidence in the sector as a whole. Although optimism remains relatively high, with two thirds of employers believing the British insurance industry is well prepared to take on the international competition, this positivity rating has dropped from over three quarters two years ago (77% vs 67%). And, for the first time, we have seen over a quarter of employers believing we are poorly positioned, globally, on skills. This changing sentiment may reflect increased competition in the battle for scarce talent.

Figure 5: In relation to skills and skill levels, how well prepared do you think the UK insurance industry is to compete on the global scale?



“ Over the next 20 years the challenge for the insurance industry will be for it to be fully recognised as a true 'profession' in the same way as law or accountancy. To do this it needs to focus on attracting new talent and advancing technical skills. ”

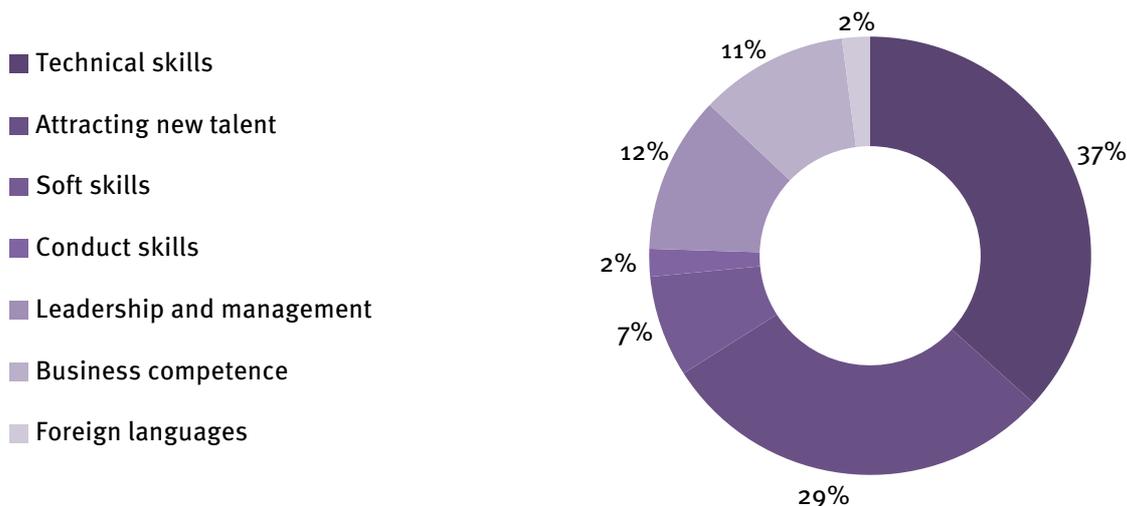
Survey respondent

Tackling the issue

As a sector it is important we do not accept our fate and instead work to ensure we do not sleepwalk into a talent crisis. This year has seen a big rise in employers increasing their training and development budgets, with almost half (48%) saying they will do so. This represents an 11% point increase on the previous year and represents the first time those increasing spend is higher than those with static budgets (46%). What will need to be monitored over the coming years is how the imposition of the apprenticeships levy will change employer behaviour towards training spend. This could be one of the unintended consequences of the government's new policy.

When asked what the insurance sector needs to concentrate on in the future, improving technical capabilities came out on top. This is perhaps not a surprise given the nature of our profession, though tellingly we also saw a big jump (threefold) in those who feel attracting new talent is the number one priority. The message is therefore clear about where we as a profession need to focus our efforts – working to ensure we have the right people with the right skills in place.

Figure 6: Which one of the following do you believe the profession needs to develop/concentrate on to remain competitive in the future?



As well as developing staff, over half of employers (55%) plan to increase their headcount over the coming year. Not only does this indicate the need to act on the shortages employers are facing, it also reflects improving market and economic conditions. The CII's 2015 membership economic survey showed a rise in positivity towards firms' prospects and the economy as a whole. This figure is also in line with the global insurance sector. In its global CEO survey, PWC found that 50% of global insurance CEOs expect to set on more people next year. There was a difference of opinion in relation to cutting headcount: 13% of employers responding to our survey thought they would decrease numbers whereas the figure in the PWC survey was 21%. Perhaps this represents UK economic prospects relative to other nations.

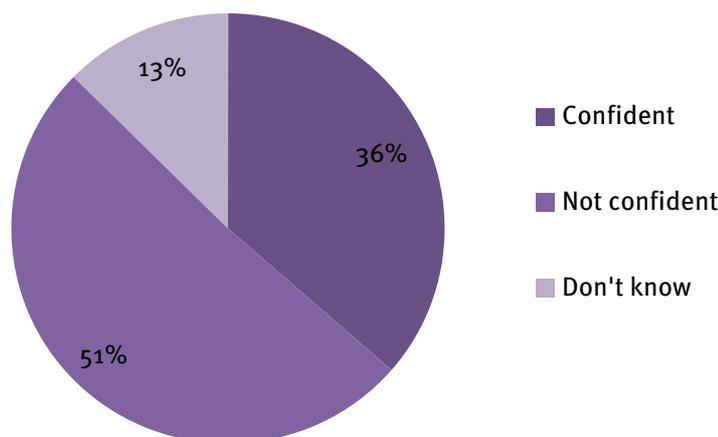
Employers are using a range of methods to attract new and diverse talent. These include well established routes like graduate schemes, up and coming ones like apprenticeships as well as a whole host of return to work programmes covering parents, recently retireds and ex-service personnel. The CII is currently rolling out a series of 'careers portals' aimed at attracting from groups who might, in the past, not have considered working in insurance. Having a broad mix of talent puts a business in a much better position to reach its potential and beyond.

Figure 7: What do you expect to happen to the headcount in your organisation over the next 12 months?

	2012	2013	2014	2015	2015 Change
Increase by more than 5%	22%	27%	28%	34%	Up 6%
Increase by less than 5%	21%	22%	27%	21%	Down 6%
No change	34%	36%	32%	29%	Down 3%
Decrease by less than 5%	12%	8%	5%	10%	Up 5%
Decrease by more than 5%	8%	5%	5%	3%	Down 2%
Don't know	3%	2%	3%	3%	No change

Although employers are looking to take on more people, there is no guarantee that they will find the right people. Over half of employers (51%) are not confident of accessing good quality talent. This is a worry for the sector with so many firms looking to increase headcount. Insurance is not alone in this worry. The CBI's skills report found a similar number of employers not confident in being able to find good people (55%). Perhaps the anxiety of insurance employers is reflected in the preferred method of recruiting people: word of mouth. The personal recommendation remains king, providing a comfort blanket to those recruiting.

Figure 8: As an employer, are you confident of accessing good quality employees in future?



Recruiting from education

Many firms continue to recruit new blood from education, be it from school, college or university. When undertaking this type of recruitment, the quality members look for above all others is a good attitude to work. In their eyes everything else can be taught, including bringing people's basic skills up to scratch.

In terms of the effectiveness of the education system meeting our sector's needs there is a split in opinion of our members with 47% telling us they think education is doing a good job, and 45% thinking the opposite. Not the most ringing endorsement and if we delve a little deeper and just look at employers only we find those saying our sector is served poorly in the ascendancy (Poor 50% vs. Well 42%). This result is consistent with previous years.

“ The education system in the UK is not aligned to the world of work and there is huge variation in how well schools prepare their students for future careers. Employers need to work closer with schools to ensure young people develop the skills for the workplace. ”

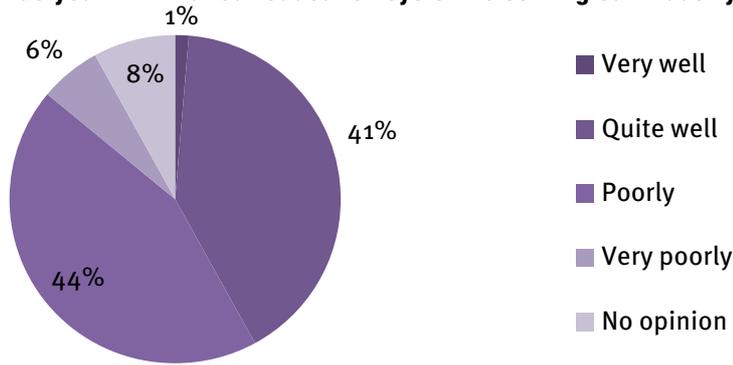
Survey respondent

One of the main reasons for this view of education, apart from grumblings about basic literacy and numeracy skills, is the quality of careers education. 39% of members feel it is poor compared to only 15% who said it is good. Insurance is still regarded as a secret profession, with most people falling into it and a theme from the responses was for more to be done to promote insurance careers. The CII's Discover Risk initiative which showcases the insurance careers to those in education is effective in doing just that (research by ComRes showed that students who had attended a Discover Risk event were three times more likely to consider working in insurance – to find out more see the CII's report, *Bridging the gap: Student attitudes towards careers and the insurance industry*). However, on its own it can only achieve so much. Engaging with local schools is not as difficult as some might expect as they are often on the lookout for practitioners to talk to students about their chosen career. A concerted industry effort to do so at a local level could see more and more young people consider a career in insurance.

“ We need to provide more work experience placements for school leavers/graduates to give them a taste for the industry. If school leavers can recognise the type of industry they would like to enter following university they are more likely to tailor their degree choices. ”

Survey respondent

Figure 9: Thinking of recent school leaver and graduate recruits, how well do you think that our education system is serving our industry?



Apprenticeships

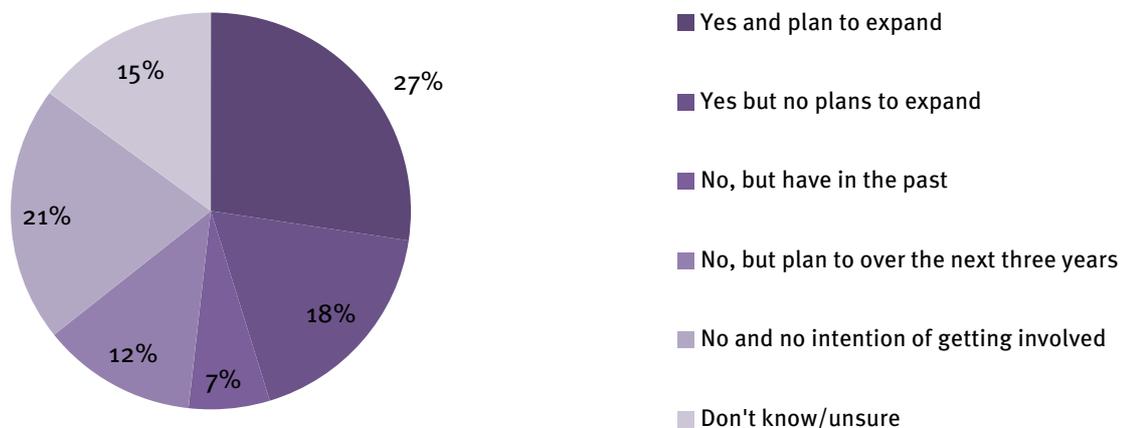
As mentioned earlier, apprenticeships are big news at present with the government viewing them as a key component of their plan to improve creativity and to improve the image of vocational education. There has been a lot of activity over recent years, not least the creation of employer-led trailblazers to create new apprenticeship standards. With this increased interest, which has included insurance apprenticeships, we have once again seen a rise in awareness of insurance apprenticeships to its highest ever level. This is now running at 80% amongst employers. In 2009 the figure was almost half that (46%).

Figure 10: Are you aware that apprenticeships for insurance and financial services containing professional qualifications exist?

	2009	2012	2013	2014	2015
Yes	46%	58%	67%	74%	80%
No	54%	42%	33%	26%	20%

This increased awareness is now manifesting itself in more firms offering apprenticeships. Almost half (45%) of surveyed firms now run their own schemes, with the majority of them planning to expand their programmes. However, this question was asked of employers before the announcement of the mandatory levy and so this could radically change firms' plans. This year's survey will act as a baseline to gauge the impact of the government's policy.

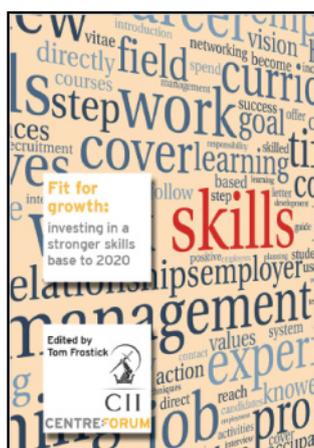
Figure 11: Does your company run a technical apprenticeship programme (i.e. including a CII qualification)?



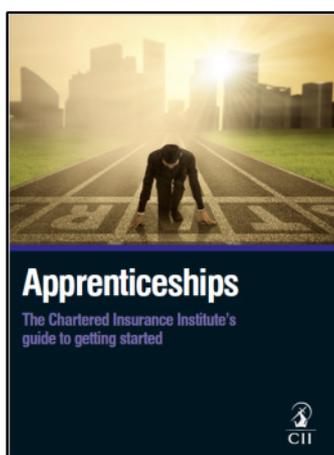
Once again our survey has provided us with an interesting set of results. A number of clear trends have emerged; ones which left unchecked could have a detrimental impact on our profession. However, employers are aware of these threats and are working to head them off through more training and development and increasing headcount.

It appears insurance is not alone in the problems it faces and so the competition for new talent will be fierce. In addition is the 'known unknown', the forthcoming apprenticeships levy. Insurance has a long and strong track record of developing its people, not just apprentices. It remains to be seen the impact that this new policy will have. The CII, as the professional body for insurance, is committed to supporting the industry through such a change. We are creating a new CII Apprenticeships Unit to lead our work in this area. Alongside this new initiative we will continue to provide guidance and information to employers and to attract new and diverse talent into our sector, through Discover Risk and our forthcoming careers portal.

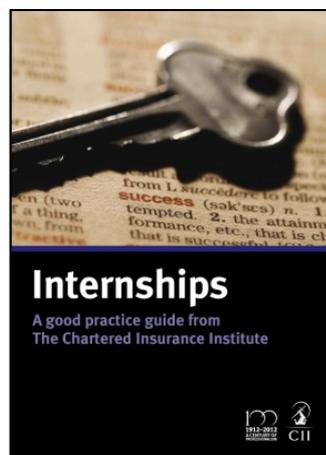
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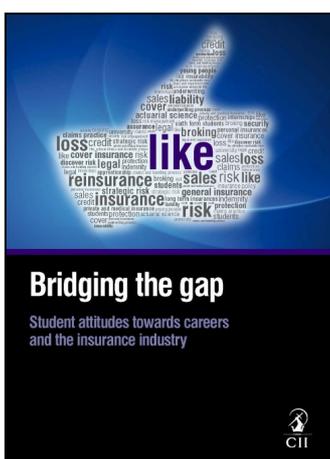
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For more information contact: daniel.pedley@cii.co.uk

The Chartered Insurance Institute
42–48 High Road, South Woodford,
London E18 2JP

tel: +44 (0)20 8989 8464

fax: +44 (0)20 8530 3052

customer.serv@cii.co.uk

www.cii.co.uk

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