

Scarce & Critical Skills Report 2007/8



inseta
INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY



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ACRONYMS AND ABBREVIATIONS

Acronym	Name
CEO	Chief Executive Officer
DoL	Department of Labour
INSETA	The Sector Education and Training Authority for the Insurance Sector
SSP	Sector Skills Plan
OFO	Organising Framework for Occupations
WSP	Workplace Skills Plan
HRD	Human Resource Development
ICT	Information Communication Technology
NQF	National Qualification Framework



EXECUTIVE SUMMARY

Background and methodology

The study aimed at providing the Sector Education and Training Authority for the Insurance Sector (INSETA) with an updated overview of the scarce skills in the insurance sector. During 2005/2006 the INSETA conducted a thorough analysis of scarce and critical skills needs in the insurance sector but the Department of Labour (DoL) requires an annual update on scarce skills to make adjustments for 2006/2007. The concept *scarce skills* refers to occupational categories for which employers cannot find suitably qualified and/or experienced candidates.

The objectives of the study were to describe the scarce skills needs of the insurance sector in terms of subsector, occupational category, number of vacancies that are difficult to fill, reasons for difficulties to fill vacancies and degree of scarcity. Information on scarce skills in the insurance sector was obtained by analysing Section 3 (scarce and critical skills) of the workplace skills plans (WSPs) submitted for the financial year 2006/2007 and by conducting a survey of a sample of organisations in the sector that had not submitted WSPs. While the majority of organisations that submitted WSPs employed more than 50 people, the survey targeted small companies with less than 50 employees. Scarce skills data from 458 organisations operating in the insurance sector was analysed.

Scarce skills

The total (weighted) employment of the sample was 1 12 726 and 3 354 scarce skills (3.0% of total estimated employment in 2007) were identified. Nearly 17% of organisations in the sector had found it difficult to recruit suitable candidates for certain positions.

The subsectors *Brokerages* and *Life Insurance* reported the highest percentage of scarce skills (hard-to-fill positions) in the sector; while no scarce skills were reported for the *Collective Investment* subsector.

Half (50.2%) of the scarce skills positions were reported by large organisations with annual skills levies of more than R100 000. The hard-to-fill positions constituted only 17.7% of skills levy payers (organisations) with annual skills levy fees of less than R1000.

The highest number of positions (N=1 967) was identified in the professional category. This number represents 58.6% of the total number of positions in the industry that organisations had difficulty filling. More or less a fifth (20.7%) of the hard-to-fill positions were for clerical and administrative workers, 13.8% for sales workers and 6.8% for managers.

Employers reported a total of 229 managerial positions that were not filled due to a scarcity of skills. Many of these managers have extensive experience and technical competence of the insurance environment but not necessarily formal qualifications. According to the results reported in this report, technical-related positions on managerial level were difficult to fill. Among the professional positions that employers found difficult to fill, 43.3% were positions for insurance brokers and financial investment advisors. Skills shortages in the professional category also include other typical line function positions in the industry such as marketing specialists and underwriters. A need for Information technology professionals such as developer programmers and software engineers was identified, as well as skills from other disciplines such as medicine and law for niche markets in insurance.

Skills shortages also occurred among positions for administrative staff specifically dealing with prospective or existing clients such as call centre operators and client services or relations administrators, insurance agents and telemarketers. A fifth (20.4%) of all positions in the industry that organisations had difficulty in filling could be related to product selling either through insurance agents, call centres or telemarketing. Similar to managers, employers found it difficult to recruit professionals for hard-to-fill positions because of a lack of appropriate experience and required qualifications among candidates. Unlike other professional vacancies, the main difficulty involved in filling underwriter positions was linked to an overall shortage of underwriting skills in the market. In the management category most of the hard-to-fill positions required an educational qualification equal to at least NQF level 6. Typical qualifications on this level include first degrees or national diplomas. Most professionals required qualifications at least equal to NQF level 5 (1 year post Grade 12 certificate), while the majority of clerical and sales worker positions that employers found difficult to fill, required at least grade 12.

If the research data on scarce skills collected in 2005 are compared with the 2007 data, no significant changes are found and scarce skills as percentage of total sector employment remain stable. The percentage of hard-to-fill positions in the professional group shows a slight decrease since 2005, while the opposite is noted in the clerical and administrative worker and sales workers group.



I BACKGROUND AND METHODOLOGY

1.1 Background

All Sector Education and Training Authorities in South Africa (SETAs) are obliged to develop sector skills plans (SSPs) on an annual basis. SSPs form the basis for the strategic planning of the SETAs and for the service level agreements between SETAs and the Department of Labour (DoL). These plans are essentially research documents that monitor and analyse the labour market situations in their respective sectors and are based, among other things, on a thorough analysis of labour market conditions and skills needs in each sector.

The Sector Education and Training Authority for the Insurance Sector (INSETA) identified the need for research to underpin their strategic planning process. A specific focus required in this research is on scarce skills in the insurance sector. During 2005/2006 the INSETA conducted a thorough analysis of scarce and critical skills needs in the insurance sector. However, the Department of Labour (DoL) requires an annual update on scarce skills figures and empirical work was therefore needed to adjust the 2005/2006 figures. The results of this research will feed into the 2007/2008 SSP update. Please refer to the WSP/ATR source for information.

According to the Department of Labour (DoL)¹ the term **scarce skill** is reserved for those occupations in which there is a scarcity of qualified and experienced people. Scarce skills thus refer to occupational categories in respect of which employers cannot find suitably qualified and/or experienced candidates. Scarcity can arise as a result of factors such as geographical location, employment equity considerations or an overall shortage of a particular skill in the labour market.

1.2 Subsector

The insurance sector consists of a diverse group of organisations. Organisations not only differ vastly in size, but also in terms of the combinations of activities in which they are involved. Very few of the organisations in the sector have a single focus and can be easily categorised into a particular subsector. Organisations were assigned to a subsector on the basis of their own choice of *main* economic activity. The subsectors used in this report are:

- Collective investments
- Life insurance
- Pension funding
- Healthcare benefits
- Short term insurance
- Funeral insurance
- Reinsurance
- Risk Management
- Brokers/Agents
- Activities auxiliary to insurance which includes services rendered to the insurance industry such as human resources services, accounting and other financial services, legal and actuarial services and training and development.

1.3 Objectives of the study

The objectives of the study were to describe the scarce skills needs of the insurance sector in terms of

- occupational categories (industry job titles will be linked to the Organising Framework for Occupations' (OFO) codes used by the DoL)
- subsectors
- geographical regions
- number of positions that are difficult to fill
- reasons for difficulties to fill positions
- degree of scarcity.

1.4 Methodology

Data to update the scarce skills needs of the sector was collected by means of two processes. First, the section on scarce skills needs in the WSPs that were submitted in Year 7 by employers of large organisations (employing more than 50 people) was analysed. Second, a telephonic survey was conducted with a sample of employers in the sector that employed fewer than 50 people to collect information similar to the information on scarce skills submitted by organisations submitted in the Year 7 WSPs.

1.4.1 Analysis of Year 7 WSPs

In the Year 7 WSPs (submitted in June 2006), employers who employed more than 50 people were asked to list the scarce skills or skills shortages that they experienced in their organisations. They were required to list the specific occupations in which shortages occurred, the severity of the needs, the number of positions that they tried to fill and the qualification levels required for these positions. The occupation names of employers were coded to the OFO occupational categories. A total of 254 WSPs were analysed.

¹ Department of Labour 2005. Guide for the Development of Five Year Sector Skills Plans and Annual Updates for 2005 to 2010. Draft document.

1.4.2 Telephonic survey

The WSP information was augmented with a survey. The INSETA's database of levy-paying organisations (N=3864) was used as sample frame. The analysis of the WSP data showed that most of the organisations that had submitted WSPs paid R10 000 and more in skills development levies. The survey was thus conducted among 204 organisations selected from the organisations in the sector that had paid less than R10 000 in levies in Year 7. These organisations were divided into three groups: those that had paid less than R 500, those that had paid between R 500 and R 999 and those that had paid between R 1 000 and R 9 999. A random disproportionate sample was drawn from these three groups of organisations. A short structured questionnaire that focused on scarce skills was developed. Organisations were contacted telephonically and were asked to participate in the survey. Information was collected by means of short telephonic interviews with the CEOs or owners of very small organisations and in some of the larger organisations with senior members of staff such as the human resources or financial managers. Organisations that refused to participate or that could not be traced (because of incorrect contact information on the database) were replaced.

1.4.3 Sample realisation

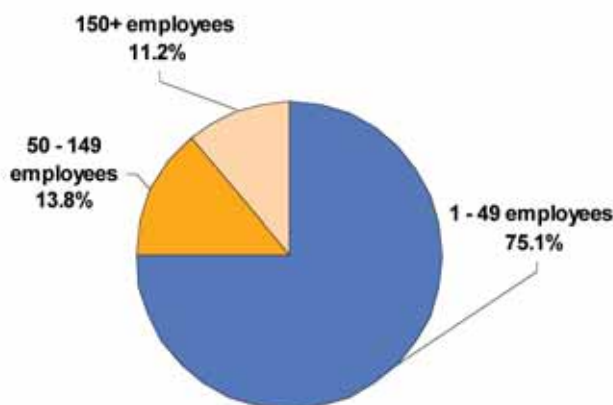
Information from the WSPs and the telephone survey was combined into one dataset. The sample realisation per levy size category can be seen in Table I-1. The survey revealed that many of the organisations on the database no longer existed or were no longer operational. Before weights could be applied to the sample data, it was therefore necessary to make adjustments for the organisations that no longer existed. The number of organisations in the universe (column 2 in Table I-1) was adjusted by the percentage (column 3) of organisations that could not be traced to arrive at an adjusted universe (column 4). Column 5 shows the final number of organisations in the sample by levy category. In the analysis the data were weighed (column 6) to compensate for the disproportionate sampling. The total (weighted) employment of the sample was 112 726 compared to the total sector employment of 102 458 estimated in the 2006 sector survey report.

Table I-1 Sample realisation

1	2	3	4	5	6
Levy category	Original universe	Adjustment factor ²	Adjusted universe	Final sample (WSPs and survey)	Weight
0 – R 499,99	1 170	31.7	799	55	14.52
R 500,00 – R 999,99	695	21.0	549	69	7.96
R 1 000,00 – R 9 999,99	1 295	29.5	913	102	8.95
R 10 000,00 – R 99 999,99	594	0	594	131	4.53
More than R100 000,00	110	0	110	76	1.45
Unknown				25	1.00
Total	3 864			458	

The majority of organisations in the sample (75.1%) employed fewer than 50 people. Many of these organisations were micro organisations i.e. employing less than 10 people or “owner” organisations without any other employees. (Figure I-1)

Figure I-1 Distribution of sample according to organisation size



Brokers/agents constituted 43.7% of the organisations in the sample and short term insurers 19.9%. The other subsectors each constituted less than 10% of the sample.

² The original universe was reduced by the adjustment factor. This factor is based on the percentage of organisations that could not be traced during data collection and was used to calculate the adjusted universe.

Table I-2 Distribution of sample according to subsector

Subsector	Organisation	
	N	%
Collective investments	1	0.2
Life insurance	29	6.3
Pension funding	38	8.3
Healthcare benefits	36	7.9
Short term insurance	91	19.9
Funeral insurance	7	1.5
Reinsurance	7	1.5
Risk Management	10	2.2
Brokers/Agents	200	43.7
Activities auxiliary to insurance	38	8.3
Unknown	1	0.2
Total	458	100.0

1.4.4 Data coding and capturing

All occupational information was coded into the OFO, an occupational classification system prescribed by the DoL for all reporting on scarce and critical skills. The data from the telephonic survey and the WSPs were combined into an Access dataset. Quantitative analysis was done in SPSS after data were weighted and extrapolated to the total sector.

1.5 Presentation of information

Section two of this report contains the results and focuses on the specific occupations in which scarce skills occurred in the sector. In section three some conclusions are drawn and recommendations made.



2 SCARCE SKILLS IN THE SECTOR

2.1 Introduction

This section reviews the organisations in the insurance sector that reported difficulties in finding suitable candidates for certain vacant positions for the period April 2006 to April 2007. Scarce skills in the sector are discussed according to subsector and company size. This is followed by a detailed discussion of skills shortages by occupational category. Reasons for difficulties and the degree of scarcity are also discussed.

The severity of skills shortages in a sector can be gauged from the proportion of available positions in the sector that remain vacant because suitable candidates cannot be found. The number of positions in the sector that employers could not fill amounted to 3 354 or 3.0% of total estimated employment in 2007 in the sector. A total of 16.6% of organisations found it difficult to find suitable candidates for certain positions for longer than three months.

2.2 Scarce Skills by Subsector and Skills Levy Category

The profile of organisations that found it difficult to recruit suitable candidates for vacant positions is discussed in terms of the insurance subsectors in which the organisations operated as well as skills levy paid. Table 2-1 provides information on scarce skills reported in each of the subsectors. The subsectors Brokers/Agents (30.4%) and Life Insurance (24.7%) reported the highest percentage of scarce skills (hard-to-fill positions) in the sector - with 30.4% and 24.7% of the positions reported in these two subsectors, while no scarce skills were reported by the Collective Investment subsector.

Table 2-1 Distribution of scarce skills by subsector

Subsector	Hard-to-fill positions	
	N	%
Collective investments		
Life insurance	827	24.7
Pension Funding	547	16.3
Health Care Benefits Administration	207	6.2
Short-term Insurance	340	10.1
Funeral insurance	136	4.1
Reinsurance	17	0.5
Brokers/Agents	1 021	30.4
Activities auxiliary to insurance including risk management	259	7.7
Non-insurance related activities		
Total	3 354	100.0

* Scarce skills as percentage of total employment

Table 2-2 shows that half (50.2%) of the positions registering a shortage of skills were reported by large organisations with annual skills levies of more than R 100 000. Only 17.7% of the hard-to-fill positions occurred in small organisations with annual skills levies of less than R 1 000.

Table 2-2 Distribution of scarce skills by skills levy category

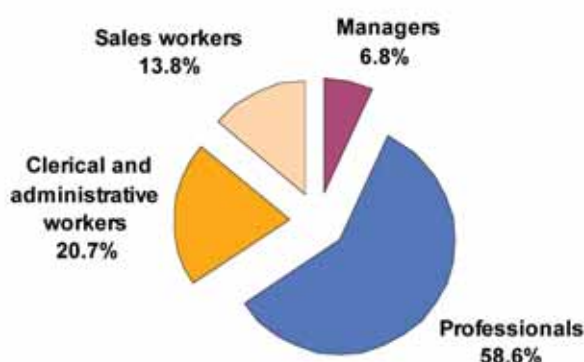
Skills levy category	Hard-to-fill positions	
	N	%
0 - R 499,99	436	13.0
R 500,00 - R 999,99	159	4.7
R 1 000,00 - R 9 999,99	635	18.9
R 10 000,00 - R 99 999,99	439	13.1
More than R100 000,00	1 685	50.2
Total	3 354	100.0

2.3 Scarce skills by Occupational Category

The organisations that experienced difficulty in recruiting suitable employees/candidates for certain positions had to provide more information on the vacancies that they had to fill such as job title, the number of vacancies, reasons why they felt they had difficulties in finding suitable candidates and their perceptions regarding the degree of scarcity of these skills in the labour market. Figure 2-1 shows the

distribution of scarce skills by main occupational category. The highest number of positions (N=1 967) were identified in the professional category. This number represents 58.6% of the total number of positions in the industry that organisations had difficulty filling. More or less a fifth (20.7%) of the hard-to-fill positions were for clerical and administrative workers, 13.8% for sales workers and 6.8% for managers.

Figure 2-1 Distribution of scarce skills by main occupational category



2.3.1 Managers

Managers in insurance typically include specialist managers such as sales and marketing, operations and claims and customer service managers as well as managers responsible for the total organisation's finance, policy and planning or corporate services. Employers reported a total of 229 managerial positions that were not filled due to a scarcity of skills (Table 2-3). Many of these managerial positions required extensive experience and technical competence in the insurance environment.

Table 2-3 Specific managerial positions that organisations had difficulty filling

OFO Code	Occupation	Number of vacancies
13600	Specialist managers: insurance	53
13112	Specialist managers: sales and marketing	32
11112	Managing director	18
13606	Specialist managers: technical	18
13602	Specialist managers: claims	14
14922	Specialist managers: customer service, relations, care	11
13221	Specialist managers: finance	9
13241	Specialist managers: policy & planning	9
13607	Specialist managers: auditing or forensic auditing	9
13612	Specialist managers: health related	9
13211	Specialist managers: corporate services	7
13231	Specialist managers: human resources	7
13605	Specialist managers: portfolio	7
13511	ICT managers: chief information officer	6
14921	Call or contact centre manager	5
13299	Project/contract manager	3
13512	ICT managers: projects	2
13608	Specialist managers: risk or underwriting	2
13603	Specialist managers: property	2
13610	Specialist managers: schemes or funds	2
13519	ICT managers: general	1
13611	Specialist managers: actuarial services	1
13994	Specialist managers: quality assurance	1
13997	Specialist managers: training or HRD or skills development	1
Total		229

2.3.2 Professionals

At the top of the list of professional positions that employers found difficult to fill, were positions for insurance brokers – a total of 851

positions and financial investment advisors – another 388 positions. Skills shortages in the professional category also included typical line function positions in the industry such as marketing specialists (N= 202) and underwriters (N=135). A need for information technology professionals (N= 96) such as developer programmers and software engineers was identified as well as skills from other disciplines such as medicine and law for niche markets in insurance.

Table 2-4 Specific professional positions that organisations had difficulty filling

OFO Code	Occupation	Number of vacancies
22213	Insurance broker	851
22231	Financial investment advisor	388
22513	Marketing specialist	202
22220	Underwriter	135
22128	Claims assessor	66
22473	Business analyst	48
26133	Software engineer	42
26132	Developer programmer	33
22411	Actuary	32
22124	Internal auditor	26
22432	Financial analyst or researcher	26
22111	Accountant	18
25441	Nurse	15
27132	Compliance officer or consultant	14
22125	Forensic auditor	9
25152	Pharmacist	9
26139	Software & applications programmer	9
22233	Risk analyst adviser or controller	7
22331	Training and development professional	6
26112	Systems analyst	6
27131	Legal advisor	6
22321	ICT trainer	5
25311	Medical practitioner	5
26322	ICT support engineer	4
22532	Client relations or customer services specialist	3
26211	Database administrator	1
26213	Systems administrator	1
Total		1 967

2.3.3 Clerical and Administrative workers

Clerical and administrative workers fulfil a supportive role by handling administrative work relating to typical industry activities such as client services, sales, claims handling and payouts. The results revealed a need for administrative staff specifically dealing with prospective or existing clients such as call centre operators and client services or relations administrators (Table 2-5). Organisations indicated that they found it difficult to fill almost seven hundred clerical and administrative positions.

Table 2-5 Specific clerical and administrative positions that organisations had difficulty filling

OFO Code	Occupation	Number of vacancies
54112	Call/contact centre operator	219
54113	Client services or relations administrator	180
55237	Claims clerk	92
55232	Insurance clerk	54
53111	General clerks or administrator	41
54211	Receptionist	38
51113	Insurance administrator	30
52111	Personal assistant	12
55121	Bookkeeper	6

OFO Code	Occupation	Number of vacancies
59962	Insurance loss adjustor	6
53213	Word processing operator	5
59961	Insurance investigator	4
55251	Financial clerk	3
59912	Legal executive	2
59931	Debt collector	1
59941	Human resources clerk	1
Total		694

2.3.4 Sales workers

Nowadays insurance products are marketed and sold without direct personal contact through call centres. Besides technical knowledge these agents or marketers need to communicate effectively with clients if they want to properly attend to their information needs. Table 2-6 shows the need for insurance agents and telemarketers in the industry. A fifth (20.4%) of all positions in the industry that organisations had difficulty in filling could be related to product selling either through insurance agents, call centres or telemarketing.

Table 2-6 Specific sales positions that organisations had difficulty filling

OFO Code	Occupation	Number of vacancies
61121	Insurance agent or sales consultant	432
63931	Telemarketer	32
Total		464

2.3.5 Reasons for difficulties

- Only organisations that participated in the telephonic survey reported on the reasons why they had difficulties in finding suitable candidates.

In the managerial category the main problem identified was to find people with appropriate experience and the required qualifications. In the past, expertise in the insurance industry was usually gained by moving through the ranks and learning on-the-job. However, new legislation such as FAIS prescribes formal qualifications for people who perform certain functions in the industry, while employment equity legislation necessitates the fast tracking of black managers to address race and gender imbalances in employment. New entrants may have the necessary qualifications but not the experience, while experienced people may not have formal qualifications.

Similar to managers, employers found it difficult to recruit professionals for hard-to-fill positions because of a lack of appropriate experience and required qualifications among candidates. Unlike other professional vacancies, the main difficulty involved in filling underwriter positions was linked to an overall shortage of underwriting skills in the market.

In the clerical and administrative worker category difficulties in filling vacancies were mainly related to a lack of experience, qualifications and unrealistic salary demands, while the main problems given in the sales worker category were a lack of experience and too few black candidates.

2.3.6 Degree of scarcity

The degree of scarcity of the skills needed for hard-to-fill positions in insurance were received for all organisations in the study. Employers had to indicate if they perceived the scarcity of a particular skill as moderate, serious or extremely serious.

The scarcity of almost half of the skills was regarded as serious while the scarcity of approximately a third of skills needed was regarded as extremely serious.

An extremely serious scarcity of skills was reported for more than a third of hard-to-fill management positions and for roughly half of the hard-to-fill positions in sales.

2.3.7 NQF level of qualifications

Only organisations that submitted WSPs provided information on the level of qualifications needed by applicants for hard-to-fill positions. In the management category most of the hard-to-fill positions required an educational qualification equal to at least NQF level 6. Typical qualifications on this level include first degrees or national diplomas. Most professionals required qualifications at least equal to NQF level 5 (Grade 12 and certificate), while the majority of clerical and sales worker positions that employers found difficult to fill, required at least grade 12 (NQF level 4 qualifications).

2.4 Comparison of 2005 Scarce Skills Data with Scarce Skills Data in 2007

In 2005 the INSETA commissioned a research project³ on employment, scarce- and critical skills in the insurance sector. This project included the development of baseline information (detailed information about each employee) about employment in the sector. At that stage total employment in the sector was estimated at 102 458.

“Scarce skills” or “skills shortages” were traced by asking employers to identify the specific occupations for which they could not find appropriate candidates. The results showed that 13% of organisations had found it difficult to recruit suitable candidates for hard-to-fill positions. In total 3 178 posts (3.1% of sector employment) across various occupational categories were identified (Table 2-7). The majority of these positions (69.5%) were for professional positions, 12.1% for clerical and administrative workers and 5.6% for managers.

In 2007, hard-to-fill vacant positions were reported by 16.6% of organisations in insurance. Table 2-7 shows that 3 354 hard-to-fill positions (3.0% of sector employment) were identified in this study. Most of these (58.6%) positions were in the professional occupational group, 20.7% in the clerical and administrative group and 6.8% in management.

If the research data on scarce skills collected in 2005 are compared with the 2007 data, no significant changes are found and scarce skills as percentage of total sector employment remain the same. The percentage of hard-to-fill positions in the professional group shows a slight decrease since 2005, while the opposite is noted in the clerical and administrative worker and sales workers groups.

Table 2-7 Number of positions that organisations had difficulties to fill in 2005 and 2007

Occupational group	Scarce skills					
	2005			2007		
	N	%	% of employment in the sector	N	%	% of employment in the sector*
Managers	178	5.6	1.3	229	6.8	
Professionals	2209	69.5	8.0	1967	58.6	
Technicians and trade workers	4	0.1	0.3			
Clerical and administrative workers	384	12.1	0.9	694	20.7	
Sales workers	362	11.4	3.2	464	13.8	
Machinery operators and drivers	13	0.4	1.1			
Learners/trainees/students	3	0.1	0.3			
Not classifiable	26	0.8				
Total	3178	100.0	3.1	3354	100.0	3.0

³ INSETA .2006. Survey of Employment, Scarce and Critical Skills in the Insurance Sector.



3 CONCLUSIONS

The current study revealed that organisations in the insurance industry still experience difficulties in finding suitable candidates for certain positions. The study, which was based on an analysis of scarce skills information from the Year 7 WSP submissions by organisations employing 50 or more people and on an industry survey of organisations with less than 50 employees, showed that employers had difficulty to fill 3 354 vacant positions (3.0% of total employment in the sector). Most of these vacancies were for professionals, but hard-to-fill positions were also identified for clerical and administrative workers, sales workers and managers. The majority of the vacancies were due to a serious degree of scarcity of certain skills in the sector; especially in the management and sales worker categories. The major obstacle in filling vacancies was a lack of people with appropriate experience *and* the required qualifications. Too few black sales workers were available for employment in the sector.

The need for the sector to change its racial profile, legislative changes e.g. FAIS legislation, the penetration of new markets and changes in the way products are distributed impact on the skills needs in the sector: Skills shortages in the professional category reflected a need for typical line function positions such as insurance brokers, financial investment advisors, marketing specialists and underwriters. A need also existed for administrative staff to deal successfully with new or existing clients directly or indirectly through call- and client service centres. Managerial positions which require technical expertise that are mainly gained through experience were difficult to fill. A need for effective and successful product sellers, either directly (insurance agents) or through call centres or telemarketing was also identified.

The subsector Pension Funding reported the highest percentage of scarce skills in the sector; while no scarce skills were reported by the Collective Investment subsector. The scarcity of certain skills impacts more on larger organisations as most hard-to-fill positions were reported by organisations with annual skills levies amounting to more than R 100 000.

A career path in the insurance sector is seldom planned in advance. Historically many employees (mostly white) started at entry level in large organisations and gradually worked their way up over time. In the process they gained expertise by being exposed to different aspects of insurance. Some set up small businesses while others specialised in particular fields and proceeded to managerial level. Consequently many specialists in senior positions have extensive experience and expertise but not necessarily formal qualifications. However, new legislation sets qualification standards for professionals in the sector; while employment equity legislation demands changes to the racial profile of the sector. These factors seemed mainly responsible for the skills needs currently experienced in the sector.

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