

INSETA Weekly Review

The latest news, off the press, to you

Friday, 18 November 2005



In this week's issue, we cover:

Our Executive Summary of the 2005/6 Sector Skills Plan.

The Editor

INSETA publishes its Executive Summary of the Sector Skills Plan for 2005/6

INSETA published and released its Executive Summary of the Sector Skills Plan for 2005/6 to stakeholders at its year-end functions recently. Issues covered in the Executive Summary include:

- ❑ The profile of the sector
- ❑ Drivers of change in the sector
- ❑ The demand for skills in the sector
- ❑ The supply of skills to the sector
- ❑ Scarce and critical skills
- ❑ Small business and entrepreneurial opportunities
- ❑ INSETA's Annual Strategic Plan



In 2004, INSETA embarked upon an extensive research and broad-based consultative sector skills plan process. This update built upon the work that was done in 2004 and comprised of the revision and updating of all statistical data, an analysis of the Workplace Skills Plans (WSP's) and Annual Training Reports (ATR's) submitted to the SETA for the period 2004/5 as well as a further round of interviews with industry bodies in the sector.

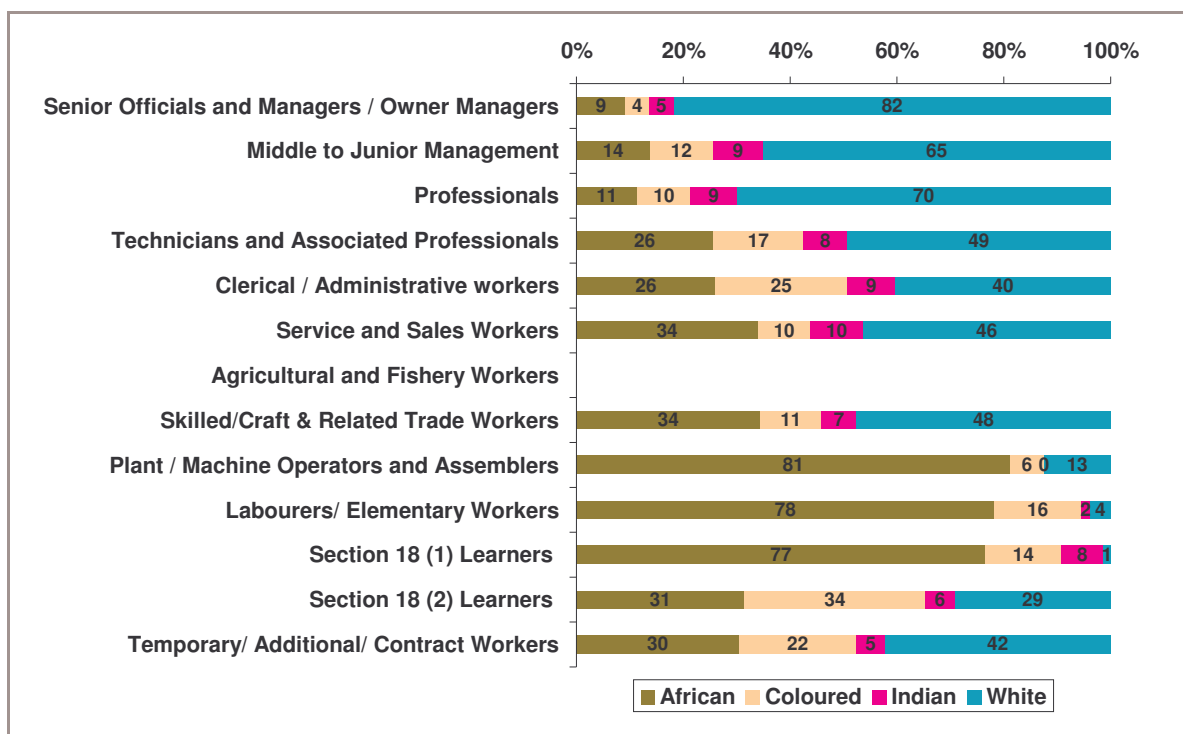
Profile of the Sector

The insurance sector forms a significant part of the large and rapidly growing financial and business services sector in South Africa. Most of the organizations in the sector are based in Gauteng, Western Cape and in Kwazulu Natal. Many of

these organizations are small businesses with payrolls of R500 000 per annum or less. Employment in the levy-paying component of the sector is estimated at approximately 89, 000. The majority of the workers in the sector are employed in clerical or administrative positions or as technicians and associate professionals. Almost half of the workers in the sector are White. More than 80% of the senior managers and more than 60% of middle and junior managers are White, while African employees are still largely under-represented in all the main occupational categories. The sector employs large numbers of women – 57 % of the workforce is female. However, women are still under-represented in senior managerial positions.

* Figure 1 below illustrates the occupational and racial breakdown of the sector

Figure 1: Population group distribution of employees by occupation



Source: Workplace Skills Plans (WSPs) submitted for 2004/2005.

Drivers of change in the sector

In recent times, a key driver of change was the Financial Advisory and Intermediary Services Act (FAIS) which sets minimum qualification and competency requirements for financial advisors. Although this legislation is expected to support the professionalisation process in the sector and to help to restore consumer confidence, it might also stifle and even reduce employment – especially among brokers or intermediaries.

Black economic empowerment legislation and the Financial Sector Charter drive the transformation of the sector and increase the demand for skilled black

employees in all the main occupational categories, but especially in professional positions and as intermediaries or brokers.

Proposed changes to the structure of commission paid to intermediaries may put this component of the sector under more pressure and may lead to a further decrease in the number of brokers.

The sector is expected to continue to change in order to access and service new and emerging markets, and to reduce inequality and exclusion from financial services of low-income groups.

Other factors that are expected to influence the sector over the next few years are technological advancements, the need to contain and prevent fraud, high levels of crime in South Africa, high unemployment and increases in the life expectancy of certain segments of the population. HIV/AIDS will impact negatively on various sub sectors through increased payouts and an increase in the overall cost of insurance.

The demand for skills in the sector

The demand for labour in the insurance sector is not anticipated to increase substantially over the next five years, and replacement demand is expected to be somewhat higher than new demand. New demand will be stifled by saturation of the traditional market for insurance products, competition from other financial service providers such as banks, technological developments and the replacement of intermediaries by direct selling by insurers.

It is estimated that the sector will need to train approximately 6 000 new employees to meet employment needs. Not all these employees will be new entrants into the labour market. However, most of those in the managerial and professional categories will have to be black in order to meet the sector's transformation objectives.

Overall, the sector is in a process of professionalisation, and higher skills levels are required in all occupational categories. The need for higher levels of skills is specifically created by the regulatory requirements that affect all aspects of the sector.

The supply of skills to the sector

The supply of skills is viewed from three perspectives: the stock of skills that is available in the market, the flow of new skills onto the market and the development of the current workforce.

The stock of skills consists of people who are currently employed and those who are unemployed. The sector tends to employ people with relatively high educational qualifications – senior certificate and higher. An important shortcoming in the current stock of skills is the skewed population group distribution i.e. the low numbers of black people employed in all the main

occupational categories. The sector lags behind in terms of the targets set in the Financial Sector Charter. The racial profile needs to be corrected through an inflow of new skills to the sector. An analysis of the qualifications of unemployed people in South Africa shows that there is little spare capacity for this particular sector in the labour market.

There are many positive aspects to the provision of new skills to the sector.

- Various new sector-specific qualifications have been registered, and existing qualifications (such as BCom degrees) now include specialisations specifically for the insurance industry. The qualifications available to the sector span the whole spectrum from NQF level 2 to NQF level 7. Great interest has been shown in the provision of industry-specific qualifications from public and private training providers.
- The HET sector output in the field of business, commerce and management sciences has been growing rapidly over the past decade and should provide the numbers of skilled graduates needed by the sector. However, sector-specific courses are still new and will start to have an impact only in three to four years' time.
- The racial profile of graduates in business, commerce and management sciences are also changing rapidly. Thus, the number of new black graduates who are potentially available to the sector is increasing.

However, the sector competes with the rest of the economy for high-level financial skills. Other participants in the financial services sector will also be competing for skilled black employees. The flow of skills into the labour market is also somewhat inhibited by the low numbers of learners who matriculate with mathematics as a subject and new entrants' lack of numeracy and English language skills.

From the data presented it is clear that employers in the sector are actively involved in the provision of in-service training to all levels of staff. They have also developed sophisticated training infrastructures, which provide sufficient capacity for training. Furthermore, professional bodies play a key role in the provision and stimulation of continuing professional education (CPE) and in the upgrading of the skills of the workforce.

Scarce and critical skills

"Scarce skills" or "skills shortages" refer to specific occupations that lack sufficient people trained to fill positions available in the labour market. The occupational categories that are mostly affected by skills shortages are the senior and middle management and professional categories. These occupational categories are specifically affected by a shortage of qualified and experienced black managers and professionals.

The concepts “critical skills” or “skills gap” refer to the qualitative deficiencies that may occur in the skills of people who are already employed in the sector. These deficiencies are normally very specific to a particular job and occur as a result of changes in the work environment, for example changes in technology used by a certain employer, changes in legislation (e.g. the FAIS Act) and so on.

The most important critical skills for the insurance sector are management skills, advanced financial skills (including all aspects of the insurance business), advanced computer skills, customer relation skills and knowledge of the legislative and regulatory requirements and the skills to ensure compliance with these requirements.

Figure 2: Scarce skills identified by professional bodies

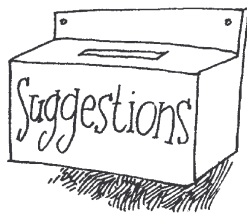
Occupational level	Skills in short supply	Sub sector
<ul style="list-style-type: none"> • Senior management • Middle management • Professional 	Suitably qualified black insurance professionals	<ul style="list-style-type: none"> • In all sub sectors and across entire insurance value chain. • Most critical needs are at higher technical levels and at senior and executive management levels across entire industry.
<ul style="list-style-type: none"> • Senior management • Middle management • Professional • Technical and associate professional 	Skilled black intermediaries including fully qualified financial planners	<ul style="list-style-type: none"> • Life and long-term sub sectors to help consumers overcome cultural barriers and ignorance about the need for long-term savings, pensions and other retirement provision. • Short-term sub sectors to help consumers overcome cultural barriers and ignorance about the need for risk cover and risk transfer. • Intermediaries to service clients in emerging market with effective communication, multi-lingual and cultural awareness skills. • Collective investments to serve emerging market.
Senior professional	High-level analytical, actuarial and financial skills New job incumbents must be black High level of specialisation indicated	<ul style="list-style-type: none"> • Life and long-term sub sectors to manage risks in life business and to design appropriate products for changed demographic patterns (extended life expectancy and HIV/AIDS). • Reinsurance sub sector to design, recompose and manage insurance portfolios according to changing risks and trends. • Collective investments for asset management. • Short-term and long-term insurers to manage companies’ capital structures because of cost increases occasioned by regulatory changes. • Short-term and long-term insurers to manage companies’ capital exposure to risk and extent of their reinsurance cover.

Technical and associate professional	Skilled “para-planners” with a sound knowledge of the industry	<ul style="list-style-type: none"> Semi professional support staff in intermediary or broker organisations.
Clerical and administrative	Backroom staff with thorough knowledge of the industry and of products	<ul style="list-style-type: none"> Support staff in intermediary or broker organisations.

Copies of the Executive Summary are available from INSETA’s offices, please contact William Fisher on (011) 544-2000 or email williamf@inseta.org.za to order your copy.

Quote for the week:

“When people talk, listen completely. Most people never listen.” – Ernest Hemingway



We welcome your suggestions, feedback or comments, please contact:

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