

Recession Affects Training and Development Programs

By Anita Z. Bourke, CPCU

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Bourke

When times are tough, training and development budgets are often the first areas to feel the pressure. During these challenging economic times, companies are looking to reduce expenses and improve the bottom line. Expenses considered nonessential are cut. Some companies have eliminated their entire professional development budgets. Other firms view training and development as one of the last places to cut and instead look for ways to get more results from the training dollars spent. Why is there such a disparity? What do some firms believe that others who cut training do not see?

At the end of 2008, the American Institute for CPCU and Insurance Institute of America (the Institutes) surveyed insurance companies, reinsurance companies, insurance brokers, and independent insurance agencies to establish benchmarks regarding employee education and professional development in the insurance industry. We found that more than half the companies expected spending on training and development to be level in the next few years, and 45 percent of companies expected such spending to increase.

Improving employee skills to better match needed job competencies was the most highly ranked reason for a company's investment in training and development; however, only one in ten companies strongly agreed that their organization effectively aligns employee development plans with company goals. Sixty percent of companies do not require employee development plans, and only one in five companies requires that development plans address needed growth in job competencies. For training and development to have a positive impact, senior management needs to ensure that training is focused on key drivers of the business.

Insurance is a knowledge industry. We need people who know the business and transfer that knowledge to provide value to customers, which in turn increases the bottom line. Agencies need knowledgeable employees to attract more customers and increase revenue.

Business is changing, as evidenced by the recent cataclysmic economic events. Firms need people who are adaptable and knowledgeable and make good business decisions. It takes training and development to focus employees on results the company wants, and the payoff is on the bottom line for the companies who do this right.

Companies are carefully scrutinizing their budgets with an increased push to prove the return on investment (ROI). They are quick to eliminate programs if they are concerned the ROI isn't there; however, many firms do not measure the results of their training, so they do not know the impact. Good training may be cut, diminishing a firm's ability to meet its objectives.

Boomers won't stay in the workforce forever, even though many are staying longer than expected. Our survey found that more than 40 percent of companies were concerned about staffing enough skilled employees in underwriting, claims, marketing and sales, finance, executive management, information technology, and actuarial in the next five years. More than 60 percent of companies were concerned about finding enough risk management staff in the next five years.

The best and brightest Gen Ys coming into business today want to be with an employer who has a plan for developing employees. Training is an important tool to attract and retain the best talent. Training and development affects recruitment, as star performers generally want to work

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for top-notch companies. Their evaluation of a company tends to be multi-faceted and will frequently include consideration of whether the prospective employer is a learning organization. A company's decision to decrease its training and development programs can be a detractor that may cause a candidate to pursue alternate employers.

Training and development are essential for any organization to remain relevant and competitive in the marketplace. As the social and business environments shift over the years, firms need to become learning organizations. By investing in their employees, they ensure skills are up to date to meet the challenges of a changing environment.

Companies that continue to invest in professional development programs fill knowledge gaps, address specific business issues, differentiate themselves and their employees from the competition, demonstrate commitment and excellence in the niches they serve, and recruit and retain top employees. Short-term cuts are a short-term fix that can set a company back in the long run as the economy recovers.

Anita Z. Bourke, CPCU, is executive vice president at the American Institute for CPCU/Insurance Institute of America (the Institutes) in Malvern, Pennsylvania. The Institutes are not-for-profit organizations offering educational programs, professional certification, and research to people who practice or have an interest in risk management and/or property-casualty insurance. Ms. Bourke leads and contributes to the product development process while maintaining a visible presence within the insurance industry. She can be reached at bourke@cpcuiia.org.