



# DOLLARS & SENSE:

INVESTING IN THE INSURANCE  
AND FINANCIAL SERVICES WORKFORCE



May 2008

Dear Friends:

Think back to the last time you visited your doctor's office with a sick child, or your car was dented in a parking lot, or a tree branch broke a window in your home. Think about the last time you applied for a car loan or when you refinanced a mortgage. What you probably remember most are the people who helped you through these experiences. But what you may not have realized is that the same people who supported and guided you during these times are members of a sector that lifts and bolsters the Michigan economy – the insurance and financial services industry.

More than XXXX hard-working citizens are employed at insurance and financial services organizations through Michigan. They are people working at companies such as the Accident Fund Insurance Company of America and Jackson National Life Insurance Company — international companies headquartered right here in Michigan. And they are people working at Lansing's Capitol Bancorp — the largest holder of individual bank charters in the U.S., and the Michigan State University Federal Credit Union — the largest university-based credit union in the world.

We have made a great start in training and supplying the right people for jobs in this growing industry, but we still have more work to do. That's why I created No Worker Left Behind, a program designed to train 100,000 Michiganders for in-demand, family-sustaining jobs in the 21st century knowledge-based economy.

We need to ensure that our citizens are prepared to fill these valuable positions in insurance and financial services. With one of the most highly educated workforces of any industry — where two out of three workers have a bachelor's degree — we need to encourage young people to engage in life-long learning and help our current workforce return-to-learn so Michigan's insurance and financial services sector can continue to thrive and grow.

Sincerely,

Jennifer M. Granholm  
Governor

Dear Colleague:

For decades now, the insurance and financial services industry has been quietly growing into a major economic engine for the Lansing region. As home to several major insurance companies the region is uniquely poised to grow this important industry cluster. With a national bank headquartered in downtown Lansing and a strong network of local credit unions, financial services contributes heartily to the local economy.

With several major expansions and economic development announcements, the sector has recently started drawing the recognition it deserves as an economic base industry. Insurance and financial services jobs are pivotal in helping the capital area economy grow and thrive – opportunities in the sector are bolstered by a multiplier effect. Not only do insurance and financial services institutions bring wealth to the region, they help to support jobs in the service economy such as retail and health care.

But the insurance and financial services sector, like many industries, has workforce challenges on the horizon. As the workforce continues to age and Baby Boomers move toward retirement, less workers are available to fill jobs with ever-increasing skill and education requirements.

Leap Inc. and Capital Area Michigan Works! recognize the significance of the insurance and financial services industry in greater Lansing and commend the members of the Insurance and Financial Services Steering Committee for their focus on strengthening the capital area's workforce. Together, we can ensure the industry has the skilled workers necessary to thrive in mid-Michigan.

Sincerely,

Douglas E. Stites  
Chief Executive Officer  
Capital Area Michigan Works!

Matt Dugener

President & CEO  
Leap Incorporated



## INSURANCE & FINANCIAL SERVICES GROWING, PROVIDES HIGH-PAYING JOBS

Michigan's capital area has quietly grown into a **hub of insurance and financial services activity**, now making it a leading component of the capital area economy. As home to several major insurance carriers and many financial services institutions, it is one of the largest employment sectors of the local labor market and it **generates jobs when overall growth lags or declines**. Similar to state government, university education, and the auto manufacturing sectors, the industry's impact extends far beyond the boundaries of the local area.

### **Insurance and financial services is a job producer and wealth generator for the capital area:**

- The area is home to several major insurance carriers – Accident Fund, Auto-Owners, Blue Cross Blue Shield of Michigan, Delta Dental of Michigan, Farm Bureau Insurance of Michigan, Jackson National Life, Michigan Millers, Citizens Insurance, AP Capital and FinCor Holdings, Inc. (parent of MHA Insurance Company).
- Greater Lansing is the headquarters of several financial services institutions including Capitol Bancorp, Michigan State University Federal Credit Union, NuUnion, LAFUCU (Lansing Area Federal Credit Union), Mercantile Bank and Summitt Bank.
- The industry is the second fastest growing and is one of only four private sector industries adding jobs between 2000 and 2006 as it expanded by nearly 1,600 jobs.
- Among the growth industries, insurance and financial services accounted for nearly one-fifth of the new employment.
- The share of private jobs locally is above average – at approximately 7 percent – above the U.S. and Michigan shares at 5 and 4 percent, respectively, indicating “wealth” is brought into the region by the insurance and financial services sector.
- The payroll impact is even greater than the employment impact; while the employment share is 7 percent, the total private sector wage share is 10 percent.
- Insurance and financial services is considered an economic base industry, meaning it helps support and create jobs in other industries such as retail and health care.

**Local insurance and financial services employment growth has outpaced the state and nation — local insurance and financial services grew 2.5 times faster than statewide and 1.5 times faster than the national growth rate from 2000 to 2006.**

**Average pay in insurance and financial services (\$53,885 annually) in the capital area is nearly 50 percent higher than the average for all private sector industries (\$37,087).**

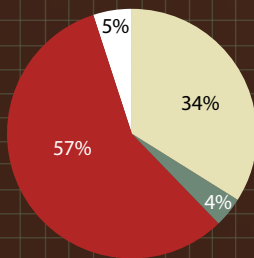
By providing 13,500 payroll jobs in 2006, insurance and financial services ranks as the fifth largest industry sector in terms of private employment. Employment estimates including commissioned sales people place employment at 14,900. Unlike some larger industries — for example retail trade — insurance and financial services brings income into the capital area.

**Employment is to grow to nearly 17,000 jobs by 2014 by growing nearly 50 percent faster than the industry statewide and adding more than 700 openings per year.**

The industry is having difficulty finding workers in several occupations, especially in college-degreed areas, and is concerned about scarcity of workers in the future.

# MAKING SENSE OF THE INSURANCE AND FINANCIAL SERVICES IN THE CAPITAL AREA

## Insurance Companies, Banks and Credit Unions Produce Most Jobs Capital Area 2006



- Funds & Trusts
- Banks & Credit Unions
- Securities & Investments
- Insurance Carriers

Insurance and related companies are principally concerned with protection against financial losses. The finance industry consists of depository institutions such as banks and credit unions whose primary role is to accept deposits and lend money. Included in finance is the securities and investments industry. The sales and management of investments as well as the provision of financial advice are the main activities of this sector. Collectively, these industries comprise the insurance and financial services industry.

### INDUSTRY A MAJOR JOB PROVIDER FOR THE CAPITAL AREA

In 2006, insurance and financial services provided 13,500 jobs in the capital area, or 14,900 when including commissioned salespersons. Insurance provides the bulk of these jobs, accounting for almost 7,800, or nearly 60 percent of the employment in the industry. Of the 5,700 jobs in financial services, most are in banks and credit unions (4,600).

### What is the “Capital Area”?

The capital area, or the Lansing-East Lansing Metropolitan Statistical Area (MSA), includes Clinton, Eaton and Ingham Counties. In this report, Livingston County is added because of the strong presence of the insurance and financial services industry in the county and its proximity to the capital area.

The capital area is in the south central portion on Michigan’s Lower Peninsula. In excess of 630,000 people live in the region.

The capital area economy is quite diverse, with state government, education (Michigan State University), and manufacturing (General Motors) providing employment, however, there are significant health care and information technology sectors as well, and as this report indicates, insurance and financial services is one of the largest private employment sectors of the local economy.

## INSURANCE AND FINANCIAL SERVICES A MAJOR EMPLOYER IN THE CAPITAL AREA

The insurance and financial services sector of the capital area economy is a major job producer. Among all private sector industries, the insurance and financial services industry ranks fifth in terms of employment. It provides more jobs than transportation and warehousing and professional and technical services but fewer than manufacturing, retail trade and healthcare and social services.

Unlike retail trade and accommodation and food services, and because the capital area is a “hub” for insurance company headquarters, insurance and financial services adds value to the local economy and creates jobs in other sectors of the economy.

The industry is considered to by experts to be an “economic base industry,” meaning it helps support and create jobs in other industries, such as retail and health care. This multiplier effect makes growth in the insurance and financial services sector particularly valuable to the region.

### Insurance and Financial Services Ranks Fifth in Jobs

Private Sector Industries  
Capital Area 2006

Retail Trade • 30,717

Manufacturing • 29,556

Health Care & Social Services • 28,128

Accommodation & Food Services • 21,071

Insurance & Financial Services • 13,503

Administrative & Support Services • 11,707

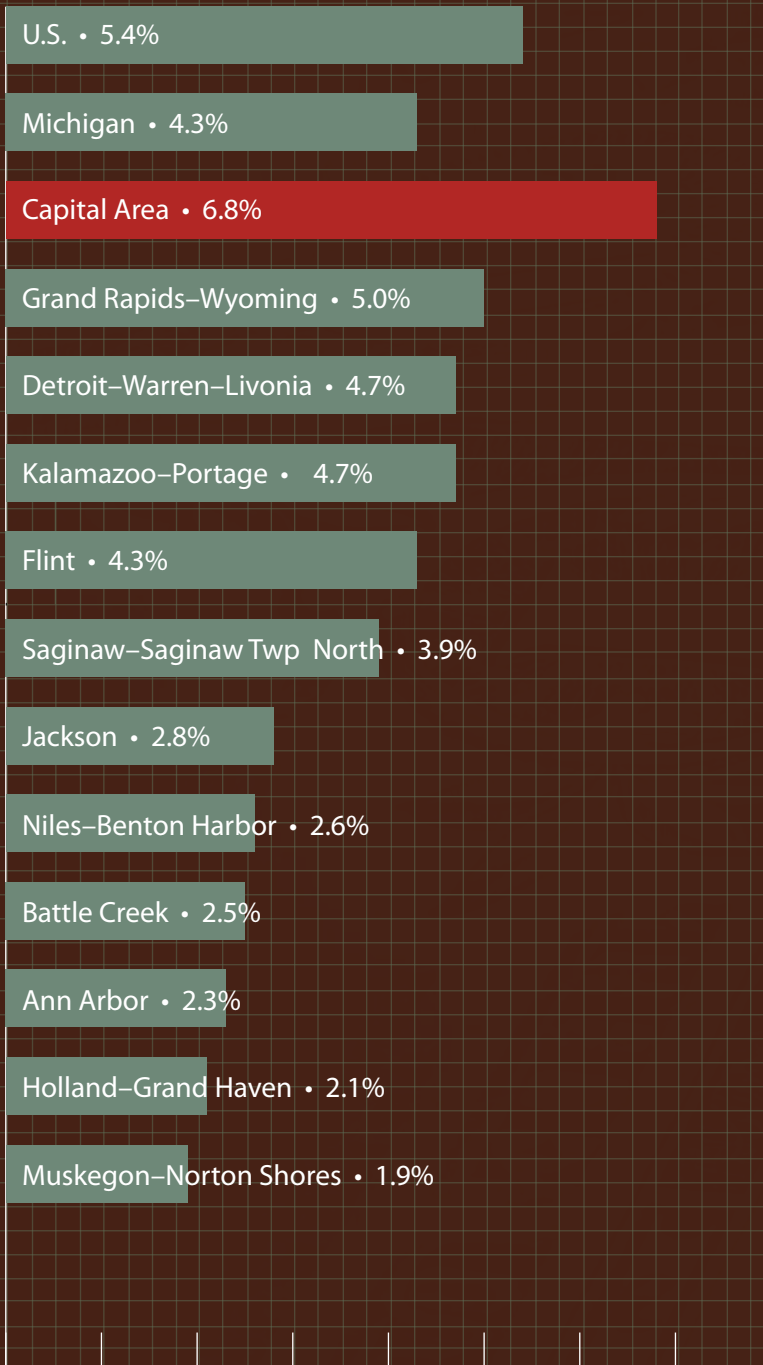
Construction • 11,483

Professional & Technical Services • 11,020

General Services • 10,245

\* Commissioned salespersons excluded

## Insurance and Financial Services Larger Share of Employment in Capital Area 2006



### INSURANCE AND FINANCIAL SERVICES GENERATES WEALTH FOR THE REGION

Insurance and financial services generates wealth for the capital area as an export industry. Its concentration of employment locally indicates it sells its services far beyond the boundaries of the region. **The share of insurance and financial services jobs here is greater than in the United States or Michigan.** The industry accounts for almost seven percent of all private sector employment in the capital area. The U.S. and Michigan economies employ five percent and four percent of their workers, respectively, in the sector.

**The capital area is a clear leader in the share of employment among Michigan metropolitan areas.** The Grand Rapids area, with a share of around five percent, ranks second to the capital area's share of 6.8 percent. Most Michigan metro areas have less than four percent of their private sector jobs in insurance and financial services.

*"The Okemos-based Jackson National Life Insurance Company claimed \$80 billion in assets last year, did \$10 billion in retail sales and added more than 50 employees to its substantial payroll in a single year."*

– Capital Gains, January 9, 2008

**INSURANCE AND  
FINANCIAL SERVICES  
ONE OF FOUR GROWTH  
INDUSTRIES**

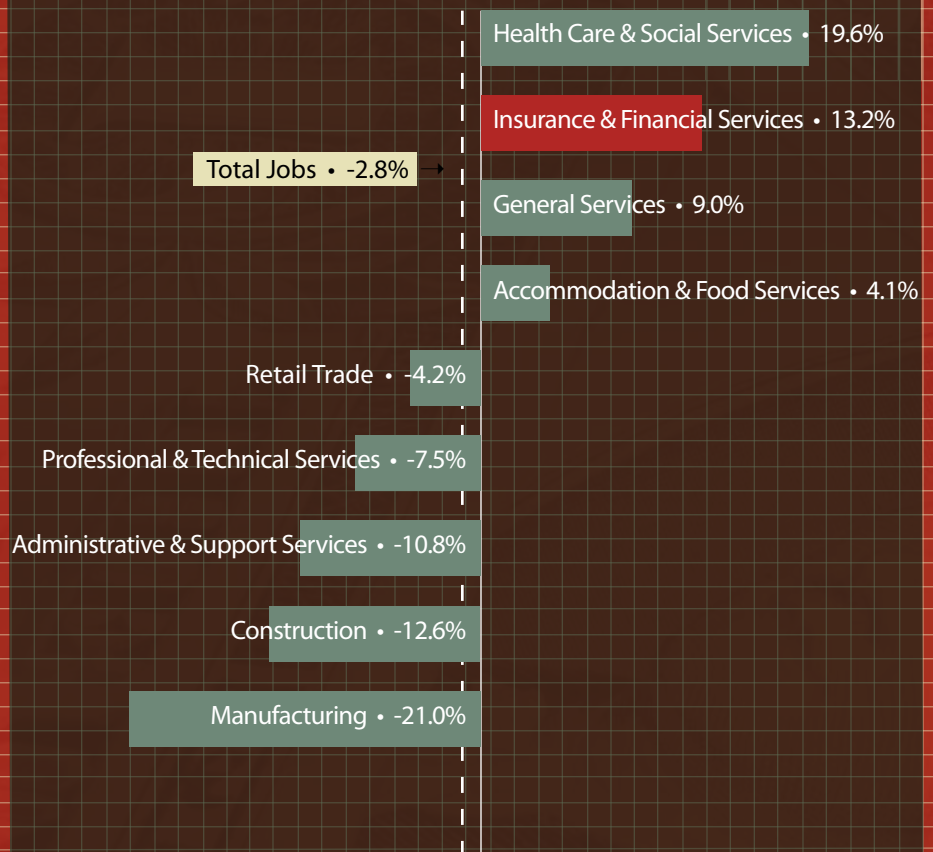
The insurance and financial services industry was a source of strength for the capital area economy between 2000 and 2006. While total private sector jobs declined by almost 3 percent, insurance and financial services grew at a substantial rate of approximately 13 percent. The growth stems from expansion of the insurance hub around Lansing and expansion of financial services in Livingston County. Much of the advance in Livingston is linked to population growth creating more demand by consumers for banks and credit unions although the growth of financial institutions in the East Lansing area is a contributor to growth as well.

Only the health care and social services sector, which grew by nearly 20 percent, exhibited a higher growth rate than insurance and financial services.

*“East Lansing is in the midst of a transformation from a Midwestern college town to home of a major financial corridor.”*

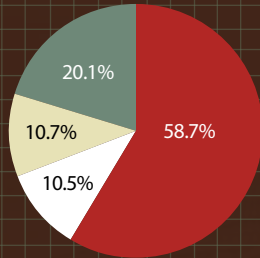
– Capital Gains, January 9, 2008

**Insurance and Financial Services is the Capital Area’s  
Second Fastest Growing Major Industry,  
2000 to 2006**



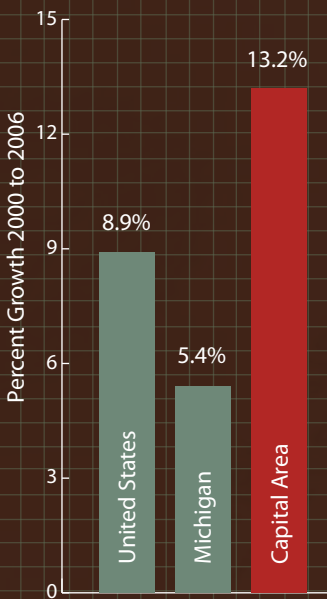
**Twenty Percent of Job Gains from Insurance and Financial Services**

Capital Area - 2000 to 2006



- Health Care & Social Services
- Accommodation & Food Services
- General Services
- Insurance & Financial Services

**Region's Insurance and Financial Services Growth Outpaces Nation, State**  
2000 to 2006



**INSURANCE AND FINANCIAL SERVICES CONTRIBUTES ONE IN FIVE NEW JOBS**

Private sector jobs overall fell by nearly 5,800 from 2000 to 2006. Only four industries offset losses elsewhere in the economy and softened the downturn. The four industries producing job growth during the 2000 and 2006 period accounted for 7,900 new jobs, **with the insurance and financial services sector accounting for one-fifth of the new jobs.** Total job growth in the insurance and financial services sector was almost 1,600.

**Only Four Industries with Growth in Capital Area:**

Industry	2000 Employment	2006 Employment	Change
Health Care & Social Services	23,515	28,128	4,613
Insurance & Financial Services	11,925	13,503	1,578
General Services	9,403	10,245	842
Accommodation & Food Services	20,246	21,071	825
Total Growth			7,858

**LOCAL INSURANCE AND FINANCIAL SERVICES GROWTH MORE RAPID THAN IN U.S., MICHIGAN**

The rapid rate of expansion in the insurance and financial services industry in the capital area is evidence of its growing impact on the local economy. The 13 percent growth rate in this sector locally far exceeds the growth rates for the nation and Michigan. Insurance and financial services in Michigan only expanded by five percent between 2000 and 2006 while the industry nationally grew by nine percent, still lagging the capital area. The local rate is about two and one-half times as great as that for Michigan and approximately one and one-half times greater than the rate for the United States.

*Capitol Bancorp Limited recently became the largest holder of individual bank charters in the U.S., with recent charters in Arizona and Texas bringing its total to 60 community banks in 17 states.*

– Capital Bancorp Figures

## LOCAL INSURANCE AND FINANCIAL SERVICES A LEADER AMONG STATE'S METRO AREAS

Among the eleven most populous metropolitan centers in Michigan, the capital area ranks first in terms of growth in insurance and financial services between 2000 and 2006. Five areas posted employment declines while another five grew at rates ranging from one to eleven percent. Clearly, the insurance and financial services industry in the capital area shows considerable strength relative to other areas in Michigan.

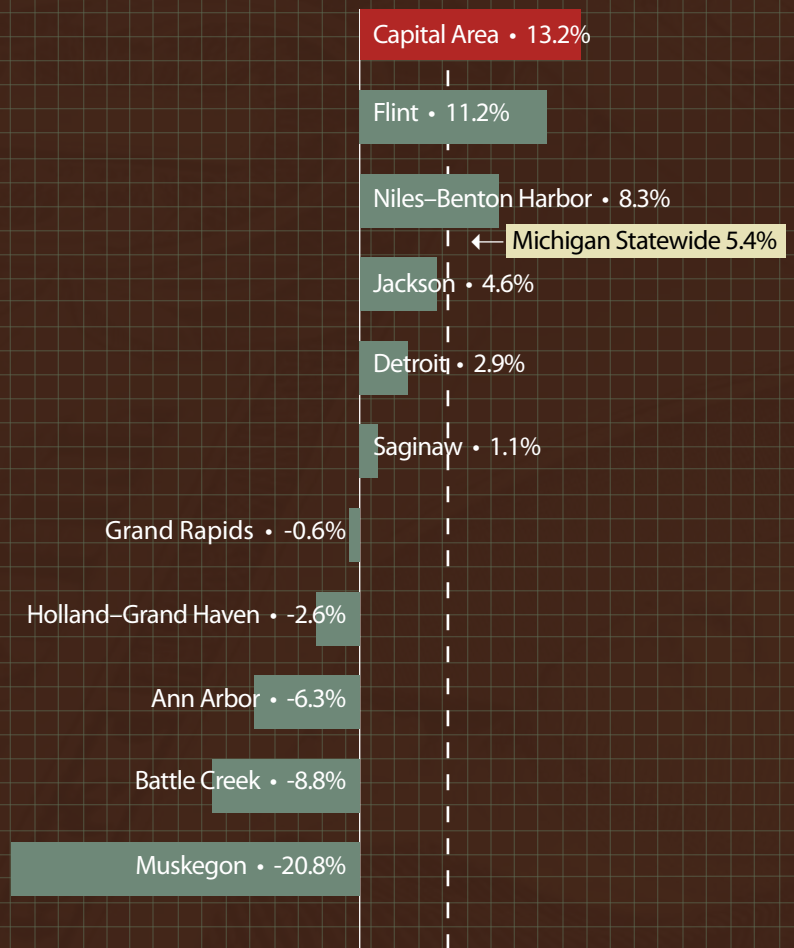
## FINANCIAL SERVICES GROWS FASTER AND ADDS THE MOST JOBS

Within insurance and financial services, the finance component is the job-producing leader. Between 2000 and 2006, finance grew nearly three times as fast (22 percent) as insurance (eight percent). In absolute terms, financial services added more jobs. Finance added just over 1,000 jobs. Employment in insurance grew by about 550 workers, a smaller number but still a significant contribution to the labor force.

Within financial services between 2000 and 2006:

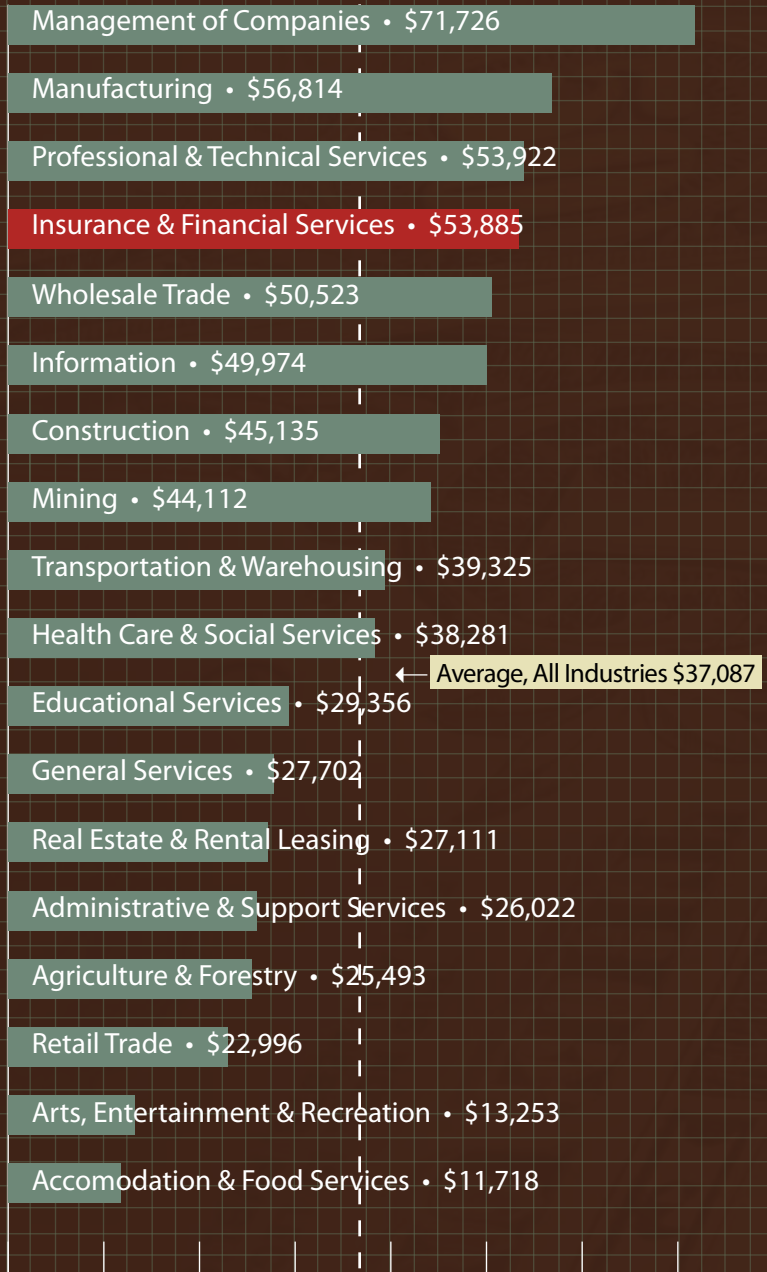
- The banking/credit union area added 894 jobs;
- Funds and trusts increased by 215; and
- Securities and related fell slightly by declining by 90.

## Capital Area Best in Michigan Insurance and Financial Services Growth 2000 to 2006



## Finance and Insurance Pays Nearly 50 Percent More than Average

Capital Area – 2006



### INSURANCE AND FINANCIAL SERVICES PAY NEARLY 50 PERCENT HIGHER THAN AVERAGE

Annual earnings in insurance and financial services are quite high. At \$53,885 per year in 2006, the average wage is 46 percent higher than the overall average for private sector workers (\$37,087). Among all private sector industries, the industry ranks fourth in average annual pay.

*Of the highest paying occupations in 2004, 13 of the top 25 were in the finance and insurance industry.*

– America's Career InfoNet,  
United States Department of Labor

## INDUSTRY'S PAYROLL IMPACT GREATER THAN ITS EMPLOYMENT SHARE OF LOCAL ECONOMY

Insurance and financial services generates lots of jobs for the capital area and accounts for almost 7 percent of total employment. The payroll impact is even greater, however, accounting for 10 percent of total payrolls (wages). In absolute terms, **the industry paid \$728,000,000 in total wages out of a total of \$7.4 billion in private sector wages in 2006.**

## INDUSTRY PAYROLL GROWTH SUBSTANTIAL - THREE TIMES THE AVERAGE

Reflecting the combination of job expansion and earnings growth, the trend in payrolls, or total wages, in the industry is extremely positive. Total wages in insurance and financial services grew by nearly 37 percent between 2000 and 2006. This was three times as fast as the 12 percent growth in wages paid by all private industries. As a consequence of this rapid growth, **the industry increased its share of total wages from 8 to 10 percent.**

## KEY OCCUPATIONS IN INSURANCE AND FINANCIAL SERVICES BOAST HIGH EARNINGS

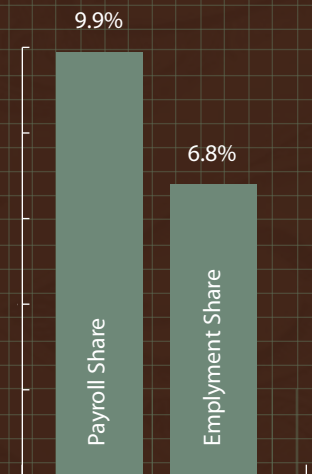
Although there is wide range of earnings in the industry, many occupations in insurance and financial services have earnings well above the average. Personal financial advisors top the earnings list below with **earnings approaching \$100,000 annually.** Several other occupations show above average earnings as well, including financial managers, actuaries and underwriters. The lowest occupations are those with the lowest skill level, including tellers, collectors, and various clerks.

## Earnings of Selected Occupations in the Insurance and Financial Services Industry - Capital Area

Occupation	Annual Earnings 2006
Personal Financial Advisors	\$ 99,600
Financial Managers	\$ 84,850
Actuaries	\$ 80,880
Computer Systems Analysts	\$ 74,440
Computer Software Engineers	\$ 73,150
Computer Programmers	\$ 63,660
Insurance Sales Agents	\$ 62,930
Insurance Underwriters	\$ 60,300
Loan Officers	\$ 60,130
Claims Adjusters/Examiners/Investigators	\$ 57,600
Accountants and Auditors	\$ 54,820
Market Research Analysts	\$ 53,870
Financial Specialists, All Other	\$ 50,380
First-Line Sup/Mgrs: Office/Admin Support	\$ 47,250
Credit Analysts	\$ 44,560
Insurance Claims/Policy Processing Clerks	\$ 36,260
Credit Authorizers, Checkers, & Clerks	\$ 36,260
Insurance Claims and Policy Processing Clerks	\$ 36,260
Credit Authorizers, Checkers, & Clerks	\$ 36,260
Loan Interviewers and Clerks	\$ 35,470
Bookkeeping, Accounting and Auditing Clerks	\$ 32,600
Title Examiners, Abstractors, & Searchers	\$ 32,470
Customer Service Representatives	\$ 32,420
Tellers	\$ 26,740
<b>All Occupations Average</b>	<b>\$ 40,730</b>

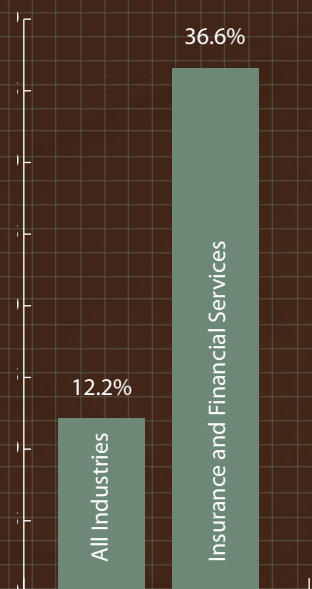
Note: Data for workers in all industries

## Industry's Economic Impact Greater than its Employment Share of Local Economy



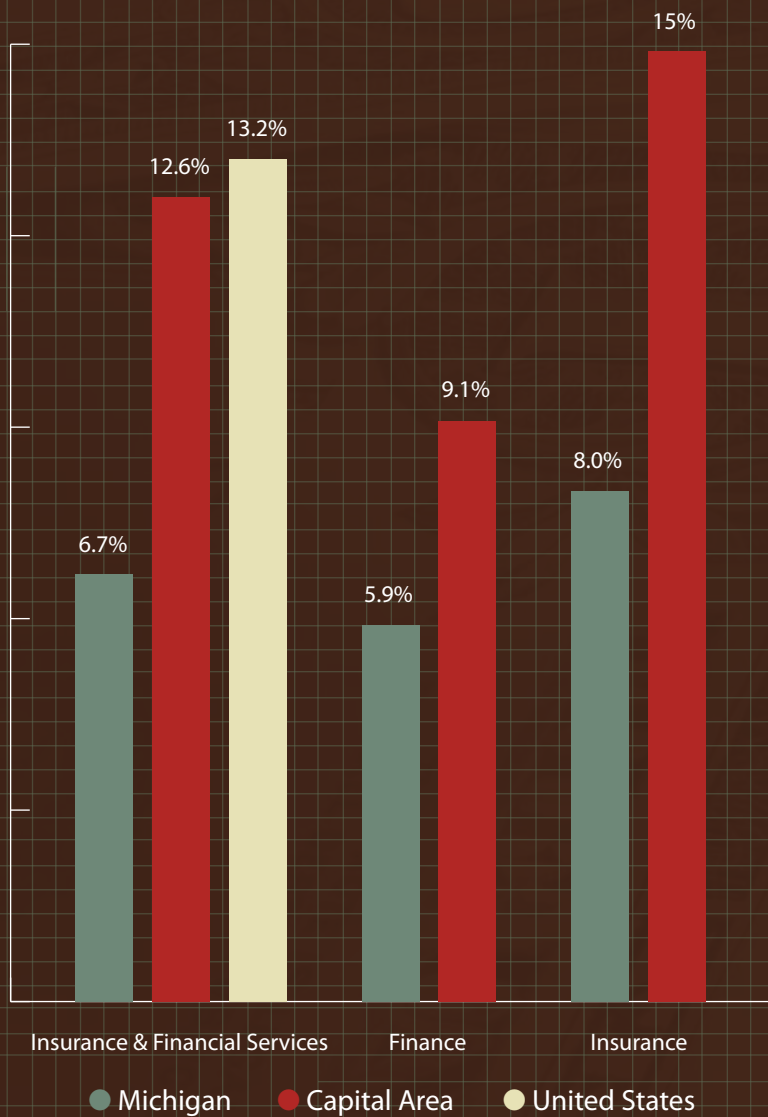
Capital Area Insurance and Financial Services - 2006

## Payrolls in Insurance and Financial Services Grow Three Times the Average



### Capital Area Insurance and Financial Services Projected Growth Overshadows State

2004 – 2014



### STRONG INDUSTRY GROWTH TO CONTINUE LOCALLY— NEARLY 50 PERCENT FASTER THAN STATEWIDE

Insurance and financial services is expected to remain a significant source of job growth in the capital area to 2014. Official forecasts from the Michigan Department of Labor and Economic Growth show the local industry outperforming the industry statewide. **Insurance and financial services locally is expected to grow at nearly 13 percent to 2014, nearly 50 percent higher than the nearly seven percent growth rate projected statewide.** The forecast for insurance and financial services nationally is approximately 13 percent growth (2006-2016) or about the same as the capital area.

This general pattern of growth exceeding the statewide trend applies to both finance as well as insurance. Especially noteworthy is the growth anticipated for insurance, where the local projection is nearly 15 percent compared with 8 percent statewide. This projected growth is linked to expansion by several insurance companies headquartered in the capital area. Finance locally (9.1%) will grow faster than statewide (5.9%) although the magnitude of the difference is not as great as that for insurance.

**INSURANCE AND FINANCIAL SERVICES TO ADD 1,900 JOBS BY 2014**

Fueled by growth in the insurance industry, about 1,900 jobs are forecast to be created by 2014 in insurance and financial services. Overall, the sector will employ nearly 17,000 people by 2014. In terms of the needs for new workers, 700+ openings will be created each year, 189 from growth and 525 from the need to replace workers who retire and otherwise withdraw from the industry.

The stimulus for growth in the sector comes largely from the insurance sector and its 15 percent growth rate. The growth here translates into 1,400 new jobs and employment reaching almost 10,500. Finance will grow too, adding more than 500 jobs. Its projected growth rate will push employment to over 6,400. The forecast growth rate for finance is 9.1 percent.

**LOCAL INSURANCE AND FINANCIAL SERVICES TO EXPAND AT ABOVE AVERAGE RATE TO 2014**

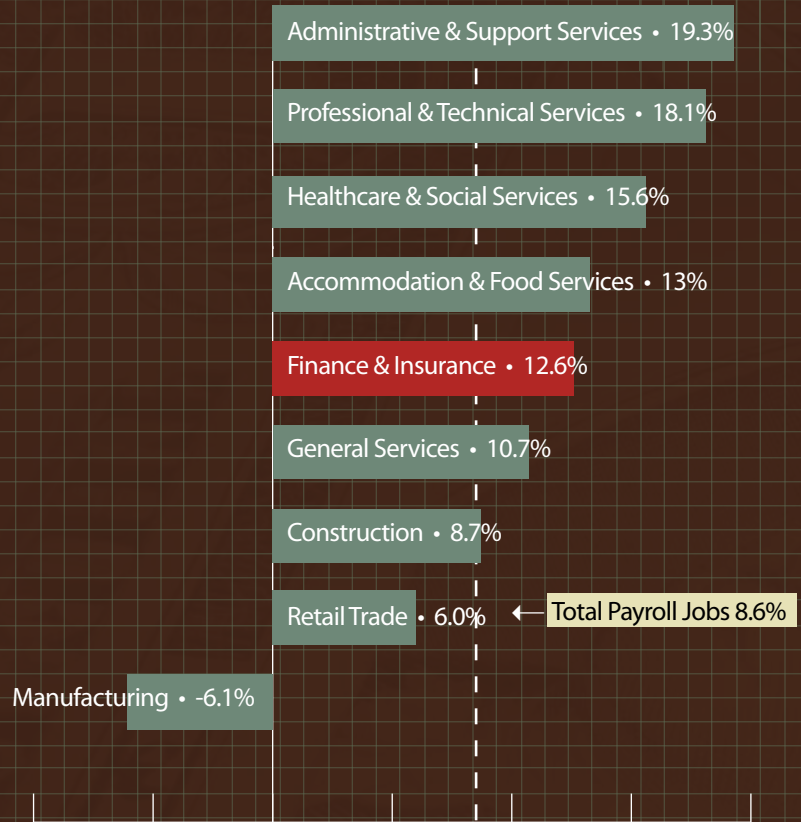
A positive outlook for insurance and financial services exists when compared to other local industries. While all private jobs are to expand by about 9 percent to 2014, insurance and financial services will grow nearly 50 percent faster at almost 13 percent. This is the fourth highest growth rate among the major local private employment sectors.

**Industry Projections for Insurance and Financial Services - Capital Area**

Industry	Employment 2004	Employment 2014	Projected Employment Change	Projected Growth Rate
Insurance and financial services	15,011	16,912	1,901	12.6%
Finance	5,901	6,439	539	9.1%
Insurance	9,110	10,472	1,362	15.0%

*Note: Employment data includes commissioned sales persons.*

**Finance and Insurance Expected to Grow Almost 50% Faster Than Total Jobs**



## OPPORTUNITIES AROUND IN INSURANCE AND FINANCIAL SERVICES OCCUPATIONS

The following table shows occupations accounting for above-average concentrations of employment in insurance and financial services and projected to grow at or above average rates to 2014. Many of these occupations are expected to grow above the “all occupation” rate of about 8 percent. Some are to expand at very significant rates ranging from 15 to 50 percent. Occupations expanding rapidly most often pose recruitment problems because worker training is challenged to keep pace with demand and there is usually inter-industry competition for workers. This is especially true for information technology-related occupations, a key employment category in insurance and financial services.

### Occupations Common to the Insurance and Financial Services Industry Capital Area

Occupation	2004 Employment	2014 Employment	Change	Percent Change	Average Annual Openings
Network Systems & Data Comm Analysts	245	375	130	52.4	16
Computer Software Engineers	530	725	195	36.8	25
Database Administrators	110	150	40	33.0	5
Network & Computer Systems Administrators	345	460	115	32.7	15
Personal Financial Advisors	85	110	25	26.4	3
Bill and Account Collectors	660	815	155	23.8	28
Market Research Analysts	235	285	50	20.9	11
Claims Adjusters/Examiners/Investigators	1,175	1,415	240	20.4	39
Customer Service Representatives	3,320	3,995	675	20.3	117
Actuaries	30	35	5	19.4	2
Computer Support Specialists	730	870	140	19.2	23
Brokerage Clerks	25	30	5	18.5	1
Computer Systems Analysts	1,855	2,130	275	14.9	49
Insurance Underwriters	335	385	50	14.0	11
Financial Managers	530	605	75	13.9	15
Financial Specialists, All Other	410	470	60	13.9	13
New Accounts Clerks	30	30	0	10.7	1
Loan Counselors	30	30	0	10.3	1
Operations Research Analysts	70	75	5	10.1	2
Sales Representatives, Services	1,860	2,035	175	9.4	55
Statistical Assistants	25	25	0	8.7	1
General and Operations Managers	3,275	3,550	275	8.4	89
Total, All Occupations Rate				8.4	

Note: Includes workers employed in other industries

## INSURANCE AND FINANCIAL SERVICES INDUSTRY CONCERNED ABOUT WORKER SCARCITY

Representatives from the insurance and financial services industry provided an assessment of workforce development in the industry in the capital area. In terms of the industry's ability to find entry-level and front-line staff, the representatives are in agreement that the quality and quantity of the local workforce has been generally sufficient for its needs. Despite rapid employment growth during the 2000-2006 period, insurance and financial services encountered no serious workforce recruitment problems for front-line and support workers from the pool of available workers, however, they are also in agreement that **higher-level talent is increasingly difficult to recruit** and that demographic trends and the likely impact on companies' ability to find workers in the future is a concern.

Company executives already express difficulty in finding executive and managerial talent to support their companies' operations. The problem appears to span a wide range of professional specialty occupations and in general occupations requiring college degrees. Consistent with the findings of the 2007 report on the information technology (IT) industry in the capital area, computer and IT related workers are very difficult to find. These hard-to-find employees force the industry to recruit workers more broadly geographically and results in costly worker recruitment programs. Below are challenging hiring areas identified by the industry.

### SHORTAGE/PRIORITY HIRING AREAS

Accountants - CPAs	IT business analysts
Actuaries	Java programmers
Bank managers	Loan officers
Claims representatives	Mortgage managers
Computer programmers	Network administrators
Database administrators	Underwriters

Insurance and financial services industry representatives also describe a knowledge deficit many workers have upon entry to the industry. This area is "familiarity with the industry." For example, most of the IT workers hired by the industry are very skilled and good at what they do, however, their IT skills must be applied to the finance or insurance industry. Knowledge of the industry at some level of detail is required to take full advantage of workers' specialized skills. This deficit could perhaps be easily overcome with educational programs focused on the industry.

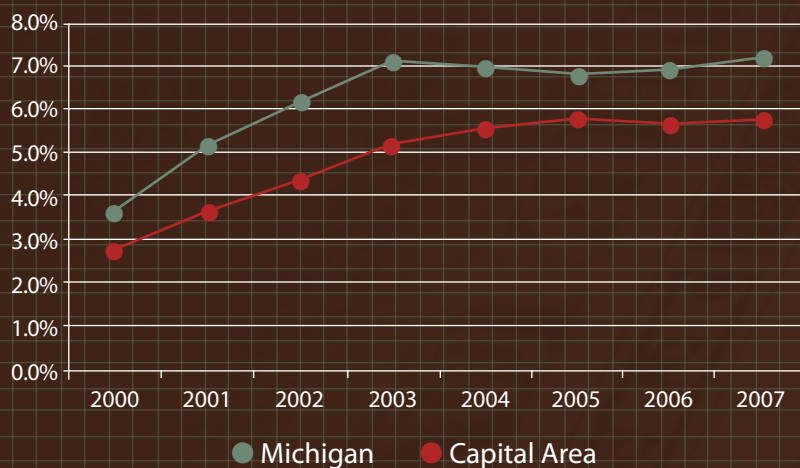
*"Attracting talent from other parts of the country is necessary now, but a challenge. The capital area needs to package itself and find new ways to market this area as a very desirable place to live."*

– Richard Znidarsic, Accident Fund Insurance Company of America

*The securities, commodities and other investments industry has one of the most highly educated workforces of any industry. About 2 of 3 workers have a bachelor's degree or higher.*

– Career Guide to Industries, United States Department of Labor

**Capital Area Jobless Rate Below State Average**



**INDUSTRY REPRESENTATIVES IDENTIFY OTHER RECENT TRENDS:**

- Skill requirements are rising, and many current high school graduates do not possess all of the skills required by the industry. The industry only recently has begun to hire front-line staff that has at least some postsecondary training over those with just a high school diploma.
- Some of the companies with headquarters locally are expanding into geographic areas with significant Spanish-speaking populations and bilingual employees are increasingly needed.
- Insurance and financial services has an image problem with young people and students. Not many students have a career in the industry on their “radar.” It is not high on the list of their career preferences.

Demographic trends portend a more difficult recruitment problem in the future and could be a growth-inhibiting factor for the industry. First wave Baby Boomers are in their early sixties and so the retirement tidal wave from this large age cohort is in its early stages. The simple fact is there are many fewer workers in the age cohorts behind them. The retirement wave will continue for nearly 20 years. With even modest economic growth locally, workers will be scarcer in all categories of work when these large-scale labor force withdrawals gradually build and fully impact the workforce in the capital area.

Worker scarcity may not be that far off into the future. Consider recent trends in the unemployment rate. The numbers supporting the assessment that we are in a “bad” labor market are the employment figures. Between 2000 and 2006, wage and salary employment declined by 5,800 jobs and so employment is below where it was six years earlier. Rising from 2.8 percent in 2000, a period of extreme worker scarcity, the jobless rate rose but never exceeded six percent since then. Most experts place full employment between four and six percent in terms of the unemployment percentage. The labor market here stabilized at between 5.6 and 5.8 percent unemployment for the past four years (2004-2007), at the upper end of the full-employment level. The four capital area counties separately are ranked among the lowest in terms of jobless rates in 2007: Eaton is third lowest, Clinton ninth, Livingston eleventh, and Ingham seventeenth out of 83 Michigan counties. As a consequence, workers are already hard to find in some instances.

The capital area labor force grew only marginally from 2000 to 2007, from 337,300 to 345,800. This 8,500 (+2.5%) increase translates into about 1,200 people per year. From 2000 to 2006, the insurance and financial services industry added about 400 jobs per year. Therefore, the capital area labor force is expanding at a pace where one-third of the labor force growth is equal to the employment needs of just job growth in the insurance and financial services industry. The industry cannot grow if workers with the required skills are not available.

Finally, industry representatives indicate:

- Absent locally grown talent, there are concerns about the capital area’s ability to grow the insurance and financial services industry: Is the capital area sufficiently appealing to motivate young people and highly skilled workers to move here?
- The industry has been somewhat unnoticed as an important component of the local economy. For a long time, its presence here was overshadowed by other industries: state government, Michigan State University and auto manufacturing, however, more recently the industry has received much attention because of the spate of large-scale expansions announced by the industry. Nevertheless, the important job-providing role of the industry warrants attention to the industry by policymakers, economic developers and education and training service providers so that potential industry growth may be supported by local services.
- Because the industry is now a prominent sector of the local economic base, there may be opportunities for industry-focused educational and training programs and enhanced relationships with education and training institutions. For example, the insurance-industry-focused program at Olivet College is deemed exemplary and graduates are in high demand. Similar opportunities for locally based education and training programs to help train area residents for jobs in the region might be possible and, thereby, help the industry grow their own talent.

*“There is a popular notion work in insurance is boring. A job is what you make of it. Our individual passion for what we do is what makes the difference.”*

– Lisa Wills, Accident Fund Insurance Company of America

## CONCLUSIONS AND RECOMMENDATIONS

*"The U.S. insurance industry is at a crossroads. The majority of the industry's underwriters, adjusters and sales agents are age 40 or older and the younger pipeline of replacements is diminishing steadily."*

– Generational Talent Management for Insurers Report, 2007

Insurance and financial services has become an important component of the capital area economy, ranking fifth in terms of private sector industries providing jobs. Like manufacturing, state government and university education, whose impact extends beyond the local region, the industry is now a part of our economic base. It is a key job-producing sector, accounting for one-fifth of all new jobs among industries that grew between 2000 and 2006 and offsetting total job losses of 5,800 during the period. Its contribution to the wealth of the area is significant as average annual earnings is about 50 percent higher than average. Finally, total wages in insurance and financial services grew significantly - three times faster than total wages for all private sector jobs. This is an impressive performance in a period when the Michigan economy was not exactly robust.

Although there is increasing awareness of the industry, for a long time its true importance to the local economy has been "under the radar." As a consequence, the institutions focused on workforce development and job expansion may not be fully "geared up" to nurture the industry forward. This study asked specifically about workforce development concerns and the industry identified several worthy of attention, ranging from workers difficult-to-find right now to potential long-term labor force shortfalls.

Industry representatives identify several concerns about the status of their industry in the capital area. Among them are workforce development challenges, image issues, better alignment of education and training programs to the skills needed by the industry and shortages of IT workers and candidates possessing college degrees. None of these challenges are insurmountable. Although difficult on an individual company basis, work by the industry collectively with workforce agencies, educational and training providers and economic developers could allow major progress on industry issues.

The Regional Skill Alliance (RSA) model is one approach to consider, especially if patterned after the Capital Area IT Council. This RSA has put talent recruitment, relationships with postsecondary education and capital area image enhancement front and center. An alliance with the IT Council for joint work on the IT-related skill shortage could also benefit the insurance and financial services industry. Additionally, the industry also could work together to increase awareness of the importance it plays in the local economy as well as the job opportunities it offers. Multi-company recruitment efforts are possible for scarce workers. Regardless of the model employed, the industry and the community must work together to:

- Understand the needs of the industry and fully identify them; and
- Develop an action plan to support the growth of the insurance and financial services industry in the capital area.

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## NOTES

1. For the purpose of this report, and because of the presence of Citizens Insurance Company, Livingston County was added to the counties of Clinton, Eaton, and Ingham to form the capital area. Livingston County is part of the Detroit-Warren-Livonia Metropolitan Statistical Area (MSA). All employment by industry data in the report includes Livingston County with the local tri-county region. The same is true for average pay by industry and total payrolls (wages). The occupational earnings data and occupational forecasts for the 2004-2014 period include only the tri-county region. See related note (#5) on the industry forecasts to 2014.
2. The employment data covering the 2000-2006 period for Michigan and sub-state areas provided by staff from the Michigan Department of Labor & Economic Growth (MDLEG), Bureau of Labor Market Information & Strategic Initiatives from the Quarterly Census of Employment & Wages (QCEW - ES202). For the insurance and financial services industry, these data exclude commissioned salespersons, which are included in the regularly published Current Employment Statistics (CES) industry data series. National employment data from the QCEW obtained from the web site of the Bureau of Labor Statistics (BLS), U.S. Department of Labor. Annual earnings by industry for 2006 as well as total payrolls come from the same QCEW data source. The QCEW data series used excludes government employment.
3. Occupational earnings for 2006 obtained from the Occupational Employment Statistics (OES) survey, Michigan Department of Labor & Economic Growth, Bureau of Labor Market Information & Strategic Initiatives.
4. Occupational and Industry projections to 2014 for the capital area and Michigan provided by staff at the Michigan Department of Labor & Economic Growth (MDLEG), Bureau of Labor Market Information & Strategic Initiatives. U.S. data come from the BLS and cover the 2006-2016 period. The occupational and industry forecasts include commissioned salespersons.
5. Regarding the industry forecasts to 2014, Livingston County is included. Basic data provided by MDLEG staff and base year data for 2004 compiled by Capital Area Michigan Works staff. To generate a forecast employment level for 2014 for the four-county area, the tri-county growth rate was used. Commissioned salespersons for Livingston County were added to the industry employment estimates for 2004 based on the additive factor for the tri-county region.
6. Regarding the need for new workers annually, the 700+ openings per year (2004-2014) estimates were produced to provide an “order of magnitude,” or “need to know” number for the industry. While usually only produced for occupational forecasts, these statistics here are based on industry data. Annual growth openings are obtained by dividing the projected ten-year growth total by 10. Replacement needs (525 per year) for the industry were derived from the use of the tri-county replacement needs factor for all occupations and applied to the four-county industry employment data.
7. References to “major industries” for charts on industry employment for the capital area – both for the 2000-2006 and 2004-2014 time periods – means an industry accounting for less than a 5% share of employment is excluded.
8. The section on worker scarcity compiled from input by the Insurance and Financial Services Steering Committee.
9. Unemployment rates and labor force data obtained from the labor market information web site – [www.michigan.gov/lmi](http://www.michigan.gov/lmi).
10. Readers of our report entitled “Growing IT: Opportunities for the Capital Area” of April 2007 are reminded that the “IT industry” is not a standard industry category under the North American Industry Classification System (NAICS) and, therefore, IT does not appear as an industry in the statistics in this report. A definition developed by the U.S. Department of Commerce was adopted to produce the “Growing IT” report.



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