

## Is the professional gig economy an opportunity or a threat for the claims industry?

### What does this mean for your business?

The term gig economy has entered the lexicon relatively recently, but the concept has already made its mark on the structure of the UK labour market. It's clear that freelancing, consulting and self-employment at all levels are creating a seismic shift in how we work, and the claims management sector is no different.

The government has been reacting to the change in the nature of employment. For example, recent reform of workplace legislation, primarily aimed at protecting zero-hours workers in low-paid jobs, and the expected IR35 tax changes targeting long term, single employment, contractors.

Nonetheless, it is estimated that there are now 5m self-employed people in the UK and the professional services sector is a major driver of this growth. Within this, independent consultants are said to account for around £2bn of the £9.75bn consultancy industry. While politicians and trades unions wrestle with the legislative detail, it's clear that the freelance trend will continue to grow. So, what are the implications for businesses?

### Uncertainty breeds flexibility

If the ups and downs of the economy in the past decade have taught us anything, it's that uncertainty is the new normal. Businesses must be prepared for the unexpected, which means that the more flexibility they have, the better and quicker they are able to react. Employing people takes time and is expensive – especially when unemployment is at record low levels – so businesses need fast ways to fill gaps and upskill, without taking on long-term cost or commitment.

At the same time, businesses continue to cut overheads to remain competitive in a global marketplace, which is fuelling the move from employed to freelance status among the workforce; of the approximately 100,000 people made redundant each quarter, many will re-evaluate their working life and choose to go freelance.

According to one study, 64% of UK businesses already rely on freelancers to some degree and 39% of business owners expect to hire more freelancers than



permanent staff over the next five years. Thus, a virtuous circle is being established for freelancers - and in the claims industry this often means consultants - where a growing supply of flexible expertise is being created and the demand grows for experienced, non-permanent staff.

### Skills divergence

The need for expertise is another driver of the growth of specialist consultancy. As [levels of automation increase](#) for low-skilled jobs (even in the professional services sector), so the demand for high level capability grows at the other end of the scale. The more nuanced, high value tasks become critical success factors when differentiating from competitors.

While this capability can be provided by highly paid employees, we are increasingly seeing such expertise being brought in from outside as companies seek a broader world view from independent consultants who are specialists in their field. This enables businesses to benefit from their experience without ongoing cost or commitment.

### Continuity compromise?

However, the rise in consultant utilisation could be seen as a threat to continuity, with stuttering progress and variances in output quality thanks to a revolving door of different consultants, but this need not be the case. Some argue that only a permanently employed workforce can provide stability, but in a fluid job market where many workers - particularly millennials - change employers every year or two, it is often a retained relationship with external consultants which better stands the test of time.

It is our experience that specialist consultancy services can offer the best of both worlds: the continuity of the same people working with a client over several years, while also bringing with them an objectivity and broader viewpoint which can be hard to find in a long-standing employee.

### Benefits for business

Among the many benefits to claims organisations of working with consultants, here are a few examples of how SX3 has been able to help:



## 1. Cost effective access to expertise

With the rise in the number of consultants on the market, there are more opportunities for employers to utilise mentors in the form of experienced claims managers. They can, for instance, support a general management development programme for up and coming claims professionals, or provide invaluable input for a specific task, such as a review of strategy or claims practices, SX3 already provides this service by way of 1-1s in-house, off-site or remotely via phone or Skype.

## 2. Filling a short-term gap

Unplanned or temporary gaps can occur in any business, for instance when awaiting budget approval for a replacement Head, dealing with surge or the additional demands of a project. In such instances, a reliable consultant can be a Godsend.

### Example 1

One of our consultants was working with SX3 for a limited time while they searched for permanent employment. Through one of the various consultancy engagements they performed for us, they were recognised by the client as having the right technical knowledge to plug a gap in their resource.

Furthermore, as a result of already working together, it was clear that there was an excellent personality and cultural fit. Thanks to this 'try before you buy' scenario, the client was able to quickly recruit a skilled resource, and with more confidence that the personality fitted with their business.

### Example 2

A claims handling organisation was recruiting for a replacement claims operations manager, after the sudden departure of the previous role holder. SX3 was able to supply, at short notice, a claims manager with the relevant operational experience required for this role for an agreed period of seven weeks. Prior to the end of the contract, the permanent replacement arrived and the SX3 consultant worked alongside the new recruit to provide an orderly hand over.

We have also seen examples where, following a short-term placement service such as this, our consultant has been contacted again and offered a permanent role within the client organisation.



### Example 3

A motor broker outsources its non-fault claims to a service provider. The broker doesn't have any dedicated in-house claims resource but needs support to oversee technical performance of the service provider. Rather than employ someone, SX3 is able to contract a consultant to perform the role on its behalf for an agreed number of days per month saving overheads without affecting the quality of management oversight.

### Flexible future?

In today's fast-changing economy and volatile political landscape, we're not able to make dogmatic predictions of the future but, if the current employment trend continues, there is a strong possibility that freelancers could outnumber employees within a generation. Far from being a situation to be feared, based on our experience to date, we see enormous opportunity for our industry and the consultants working within in.

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Adrian Gilbert is managing director of SX3, a leading provider of consultancy, audit & review and resourcing services designed to meet the needs of the insurance claims processing industry. Adrian has a successful track record in managing claims operations, strategy, customer relations, people, supply chain and technical, across multiple lines of business (motor, property, casualty, product protection and legal expenses).

If you would like to more information on how freelancers could help your business, please [get in touch](#) with Adrian Gilbert.