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# The Growing World of “Off-Balance Sheet” Talent and Workforce Modeling

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There are a growing number of options for organizations to engage with talent in the global workforce, including the United States. As new generations enter the workforce, there are changes in preferred ways of working, shifts in priorities and demand for more flexibility and independence. Continued trends in working across time zones, along with enhancements in technology, such as improved remote meeting spaces, are helping to enable this shift.

- In the United Kingdom, 50 percent of the working population will be self-employed within the next five years.<sup>1</sup>
- In the United States, more than 40 percent of employees are employed under alternative staffing arrangements, and this number is steadily rising.<sup>2</sup>
- Across the United States, Europe and India, approximately 77 million members of the workforce already identify as freelancers.<sup>3</sup>

There is a spectrum and range to these new groups of talent and workforce options available to companies. These include traditional off-balance sheet options, such as consultants and contractors, but also include emerging options such as gig workers—think Uber drivers or talent assigned to a specific task and also an option to crowdsource talent.

These new options for talent present an opportunity for companies to create a competitive advantage and an opportunity to tap into new ideas and ways of working like never before. As a result, the impacts of this change are not confined to only these new sources of talent but also will impact the roles and responsibilities of employees already within organizations, because the nature of their work will change as well. In this new future of work, all of these resources—both on- and off-balance sheet—will come together to form a new optimal and, if done right, more effective and efficient talent model.

## IMPLICATIONS FOR ORGANIZATIONS AND ACTUARIAL FUNCTIONS

The implications of this transition on organizations and their actuarial functions are multidimensional, and the way professional work will be distributed will be different. This fundamentally redefines how work can be organized and accomplished. Instead of limiting the development of work product to only within an organization or an internal team, one can access the global brain and a much wider range of talent by using a variety of available options.

### Implication Example 1

Organizations across the globe, insurance companies and the actuarial profession included have started to experiment with crowdsourcing and platforms such as Kaggle (a predictive modeling and analytics crowdsourcing competition platform). Actuarial teams have participated in numerous Kaggle competitions. For example, the 2017 Data Science Bowl, which asked participants if they could improve lung cancer detection, offered a \$1,000,000 prize, and several teams with actuaries placed in the top 25 percent.<sup>4</sup> The Society of Actuaries (SOA) has launched a Kaggle Involvement Program, which is described by the SOA as “an opportunity for actuaries to showcase their predictive modeling skills through data science competitions. Competitors are challenged to produce the best models for predicting and describing the datasets uploaded by companies and users.”

### Implication Example 2

Busy financial reporting time periods, such as year-end and quarter-end, can provide a strain on the on-balance sheet talent model for insurance companies. Plus, regulatory and compliance activities may not be the work activity where companies want to focus their actuarial time. A growing opportunity has been for companies to use talented off-balance sheet actuarial gig workers during these traditionally busy times, allowing more-experienced on-balance sheet workers to focus on results and decision-making.

### Implication Example 3

A third implication and trend has taken a different format and structure than implication examples 1 or 2. An increasing option has been for companies to assemble cross-functional teams and/or task forces to work together in new, cross-functional ways, enabled by changes in the talent mix. A cross-functional team can bring together resources such as actuaries, business unit representatives, IT and data scientists to create an optimal combination of talent to solve business problems. This type of structure is different than the crowdsourcing option in implication example 1, which typically offers a prize of sorts and is more temporary in nature. For example, perhaps an organization needs a new predictive modeling solution to solve a key business challenge, such as how to better predict staffing



fluctuations based on sales fluctuations. The company could strategically tap into this cross-functional team to generate a solution.

These broad changes and implications create opportunities to reimagine how the on-balance sheet team can be structured and utilized. As the distribution of work changes, current resources will likely have more flexibility to move around within the organization, develop new skills and shift priorities to more strategic parts of the actuarial function. This presents an exciting opportunity for the actuarial workforce to provide even more value to employers.

## BENEFITS

There are many benefits to this emerging optimal workforce, and in this article, we discuss three possible benefits.

### **Benefit 1: Diversity of Thought**

A more dynamic workforce can allow companies to attract different types of talent. Organizations will have access to a wider pool of talent to address their most complex problems. This represents a fundamental change from the past, where options

were possibly more limited when a new problem arises, either due to time and resource constraints or alike thinking due to echo chamber effects. Under the changing model, companies would have access to the global brain to tackle their challenges and ideas.

### **Benefit 2: Improved Employee Satisfaction and a Better Work Product**

Another advantage of a more flexible talent model is the ability to perform work more cheaply and more quickly. Crowdsourcing and other talent levers present a potentially cheaper option than traditional options. An award offered through a competition can be less than what a full-time resource would cost but is enough to attract talent. Additionally, those same resources are typically not bogged down by business-as-usual activities, leaving them with more time to dedicate to the more important and interesting aspects of a specific task.

### **Benefit 3: Independence of Thought**

Not only do gig workers and off-balance sheet talent provide a more diverse perspective, but they also can provide more objective and independent thinking. These resources are

not constrained by any engrained company culture or echo chambers.

## CHALLENGES

The complexity of these various talent levers and timing elevates the importance of workforce planning. Here, predictive modeling can be used to model staffing needs, with inputs including sales, pipeline and seasonality of work. This presents another opportunity for actuaries.

Confidentiality and privacy of data becomes harder to control, but there are measures to mitigate this risk, including the use of nondisclosure agreements to legally protect the organization.

There is also a more tactical, operational challenge of tapping into these new markets. It represents a shift in how organizations plan for workforce need. Because this new set of resources is new to the human resource function as well, it may present challenges in the form of the mechanics of where to start, who to contact and how to identify which types of workers are a best fit for a task.

## CLOSING

Even with the challenges presented, when these new types of resources are used optimally, organizations can better meet their business objectives and demands than they can with their current, possibly overburdened, resources. Organizations around the globe recognize this, with 70 percent of companies believing a different mix of talent will be required in the future.<sup>5</sup> However, this is still new to many organizations, with only 16 percent of organizations having a well-defined strategy to deal with a hybrid workforce.<sup>6</sup> Therefore, a large gap will exist, as companies start defining the talent strategy for the future and the optimal talent models, including off-balance sheet talent such as gig workers and the crowd. The time to start planning is now, because the next generation of talent is here. ■



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## ENDNOTES

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