



SOCIETY OF  
ACTUARIES®

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MEETING  
& EXHIBIT

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## Session 031: Munich Re Session Series Part 1: Voluntary Insurance and the Changing Workplace: A Foundation for Understanding

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# The Evolving Workplace Landscape

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10/28/2019



# SOCIETY OF ACTUARIES

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Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

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- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
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# Agenda

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2017 and 2018 – The End of an Era

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2019 and the Future – Evolution and Demographics

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Looking Ahead

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Impact on Underwriting for Challenges and Growth

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Questions

# 2017 and 2018 – The End of an Era

## The most obvious changes - *The Retail Apocalypse*

- After years of growth – Internet Retailing seen displacing Brick and Mortar Stores
- Famous names began to disappear in earnest:
  - *Sears, Toys R Us, Radio Shack, HH Gregg, Payless Shoes and Macy's*
- Specialty Retailers achieving success during this period including:
  - *Five Below, Burlington Stores, GameStop, Aldi, and TJ Maxx*

*Mensik, H. (2018, July 30). Sears is closing stores. Carson's is going out of business. But discount retailers are expanding and racking up sales. Retrieved from <http://www.chicagotribune.com>*

# 2019 and the Future – Evolution and Demographics

Where we saw tragedy in retail in the past (e.g., Sears, K-Mart), there are pockets that are showing improvements as industries refine and select areas of *specialization*.

These areas seem to align with the preferences of demographic changes. These are most pronounced when we compare *millennial preferences* to historical norms (e.g., more spending on food and drink and less on clothing).

Occupations that typically required manual duties and support tasks are drying up.

*Thompson, D. (2017, April 10). What in the World Is Causing the Retail Meltdown of 2017? Retrieved from <https://www.theatlantic.com>*

# 2019 and the Future – Evolution and Demographics

## Opportunities

- Those occupations requiring increased specialization, including technical expertise and computer programming capabilities are expanding.
- Many occupations have seen substantial growth, including software developers, physician assistants and nurse practitioners.
- While software developers represent a technologically driven need, other occupations anticipate future shortages.

*LaPointe, J. (2019, April 29). Physician Shortage Continues to Grow Reaching Up to 122K by 2032. Retrieved from <https://www.revcycleintelligence.com>*

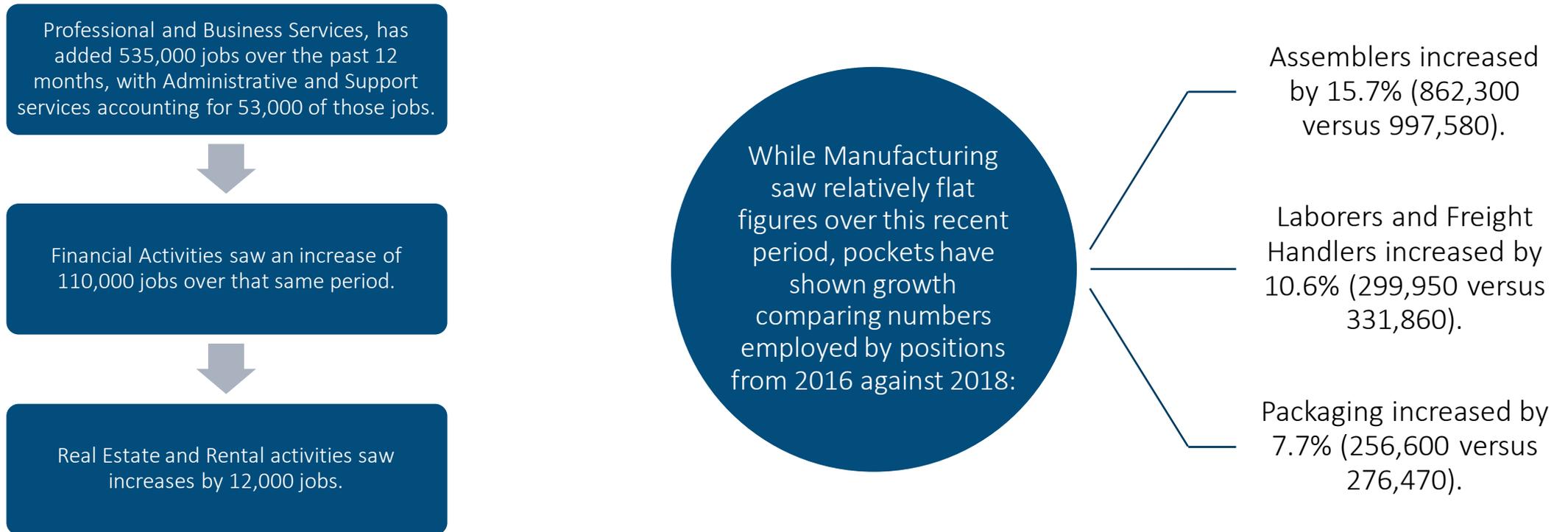
# 2019 and the Future – Evolution and Demographics

## Challenges

- Manufacturing has been growing again in the U.S., however, the number of jobs required to produce the same amount of output has dropped significantly due to automation.
- In the future, manufacturers will continue to look for opportunities to find ways to use AI and automation for the highest paying labor-intensive jobs.
- Higher pressure on wage increases, such as the push for a \$15 minimum wage, has sometimes made technology-related alternatives to employing lower level employees more cost-effective.

# 2019 and the Future – Evolution and Demographics

## Employment Summary (Growth Areas)



Bureau of Labor Statistics (2019, April) Current Employment Statistics Highlights. Retrieved from <https://www.bls.gov>

# 2019 and the Future – Evolution and Demographics

Another economic indicator that has impacted jobs is American spending habits, that have changed significantly due to demographic shifts and need to be understood where these changes might impact industries and jobs.



The financial crisis permanently changed the way Americans spend their money.

Clothing spending is down significantly due to millennial trends.

With the increase in remote workers, spending in categories such as Apparel and Transportation, the use of cars and gasoline have declined.

In 2016, for the first time, more money was being spent at food and drink establishments than grocery stores.

# Looking Ahead

Demographic shifts should be a consideration as we underwrite in the future.



LIMRA shared data summarized below based on the Bureau of Labor Statistics data titled, Dynamics of the Changing Workforce, which shows that from 2006 to 2014:

- The number of firms with between < 5 lives to 499 lives, all size categories dropped by 3% to 6%.
- The only segment seeing growth over that period was in the 500+ category by +6%.
- We have seen some evidence of this reduction due to increased merger activity and acquisitions by new media companies emerging over the past decade or so.
- Companies like Google's Alphabet have been regularly making acquisitions, more than one per week since 2010, including Motorola, Android, You Tube, and many others.

*Bureau of Labor Statistics. May 2016 and May 2018. Occupational Employment Statistics. Charts of the largest occupations in each industry. Retrieved from <https://www.bls.gov>*

# Looking Ahead

- It would be prudent for insurers to align resources so that they have the expertise available to properly underwrite large and complex accounts resulting from mergers and acquisitions.
- Ages of the workforce show even more pronounced adjustments for the future. According to the Bureau of Labor Statistics, there will be a sharp increase of older age employees in the workforce by 2024.

*Bureau of Labor Statistics. (2015, December). Monthly Labor Review. Labor force projections to 2024: the labor force is growing, but slowly. Retrieved from <https://www.bls.gov>*

# Looking Ahead

## Employees in the workforce by 2024

Age	2014	2024	Annual growth rate 2014-2024
20 to 24	70.8%	68.2%	-0.4%
25 to 34	81.2%	81.3%	0.0%
35 to 44	82.2%	81.7%	-0.1%
45 to 54	79.6%	81.0%	0.2%
55 to 59	71.4%	74.2%	0.4%
60 to 64	55.8%	58.8%	0.5%
65 to 69	31.6%	36.2%	1.4%
70 to 74	18.9%	22.8%	1.9%
75 to 79	11.3%	14.4%	2.5%

Statista (2019, January). Civilian labor force participation rate in the United States from 1990 to 2018. Retrieved from <https://www.statista.com>

# Impact on Underwriting for Challenges and Growth

As a result of these developments, new opportunities for services and jobs are being created:

Increased need for jobs in Data mining, Tech sciences, Security engineering, and Programming.

“Tele” versions of healthcare have been created for Psychiatrists, Physicians, and Nursing. We have already observed submissions for coverage in this area.

Technically skilled versions have been created for “Blue Collar” occupations such as Electricians, Plumbers, and other “Smart” appliance installers and repair people.

# Impact on Underwriting for Challenges and Growth

As a further result of these developments, new challenges for services and jobs are occurring as well.

Shifts in jobs and services impact geographic areas and communities:

Store and factory closings, or layoffs, perpetuate the reduced spending levels at local businesses.

Anticipated tax revenues become suppressed.

On a positive note, repurposing of former retail sites include grocery stores, churches, and the development of residential communities and office complexes.

# Questions?

## References

1. Mensik, H. (2018, July 30). Sears is closing stores. Carson's is going out of business. But discount retailers are expanding and racking up sales. Retrieved from <http://www.chicagotribune.com>
2. Thompson, D. (2017, April 10). What in the World Is Causing the Retail Meltdown of 2017? Retrieved from <https://www.theatlantic.com>
3. LaPointe, J. (2019, April 29). Physician Shortage Continues to Grow Reaching Up to 122K by 2032. Retrieved from <https://www.revcycleintelligence.com>
4. Bureau of Labor Statistics (2019, April) Current Employment Statistics Highlights. Retrieved from <https://www.bls.gov>
5. Bureau of Labor Statistics. May 2016 and May 2018. Occupational Employment Statistics. Charts of the largest occupations in each industry. Retrieved from <https://www.bls.gov>
6. Bureau of Labor Statistics. (2015, December). Monthly Labor Review. Labor force projections to 2024: the labor force is growing, but slowly. Retrieved from <https://www.bls.gov>
7. Statista (2019, January). Civilian labor force participation rate in the United States from 1990 to 2018. Retrieved from <https://www.statista.com>

# The Gig Economy and Portable Benefits

Jonathan Polon, FSA

October 28, 2019



# Agenda

- The gig economy
- Gig economy workers
- Access to benefits for gig economy workers
- Portable benefits
- Key questions
- Suggested reading

# The gig economy

# What is The Gig Economy?

- *Gig Economy* is a new term for an old concept: Independent Work
- Independent Work has three defining features
  - A high degree of autonomy
  - Payment by task
  - Short-term relationship between worker and client
- The emergence of online marketplaces has transformed the nature of independent work

# Online Marketplaces

- Each marketplace has a Marketplace Operator
- The role of the marketplace operator often includes:
  - Matching independent workers to consumers
  - Setting prices/wages
  - Processing the financial transactions
  - Providing implicit and explicit guarantees of services provided

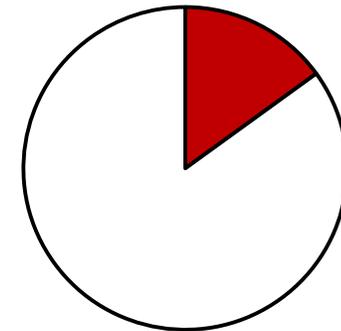
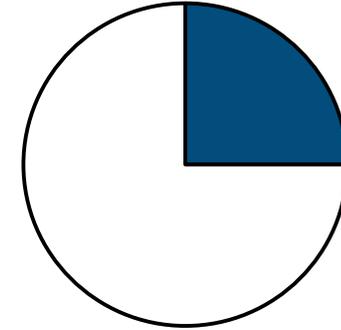
# Marketplaces and Independent Work

- How do Online Marketplaces impact the defining features of independent work?
  1. A high degree of autonomy ✓
  2. Payment by task ✓
  3. Short-term relationship between worker and client ?
    - If *client* refers to the consumer, then yes
    - Could *client* refer to the Marketplace Operator? What would this mean for independence?

# Gig economy workers

# Independent Workers

- About 25% of working age adults in US work independently (~ 60MM ppl)
- About 15% of independent workers have used an online marketplace
  - This is what the phrase “gig workers” commonly references



Source: McKinsey Global Institute

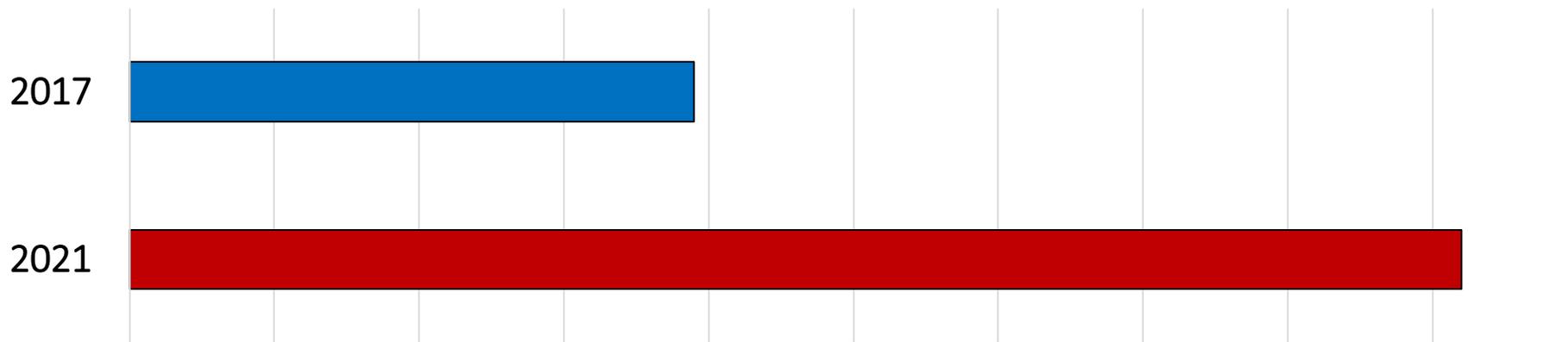
# Financial Motivation

	Primary Income	Supplemental Income
Preferred Choice	30%	40%
By Necessity	14%	16%

Source: McKinsey Global Institute

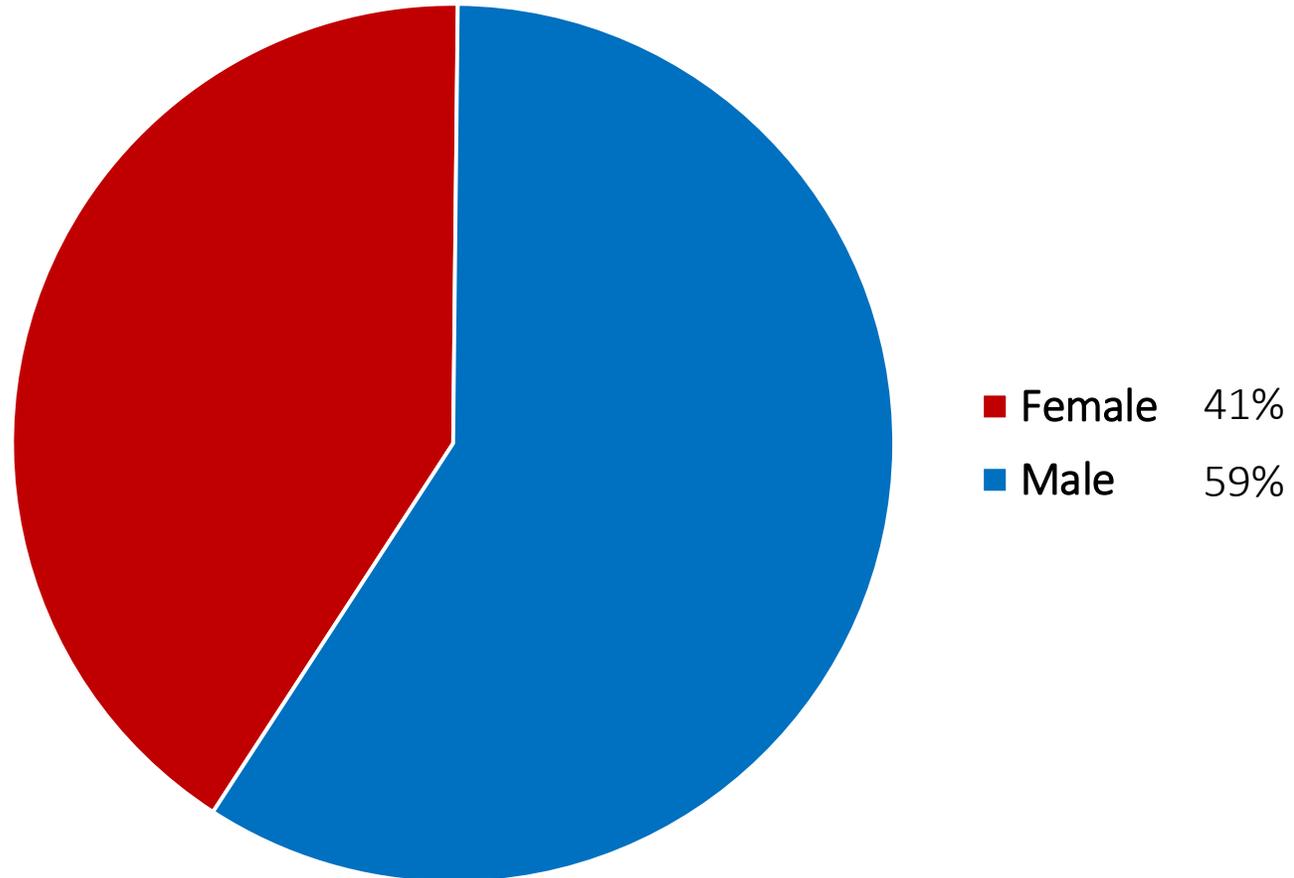
# Platform Workers

- Number of Americans working platform jobs is increasing from 3.9MM in 2017 to 9.2MM in 2021



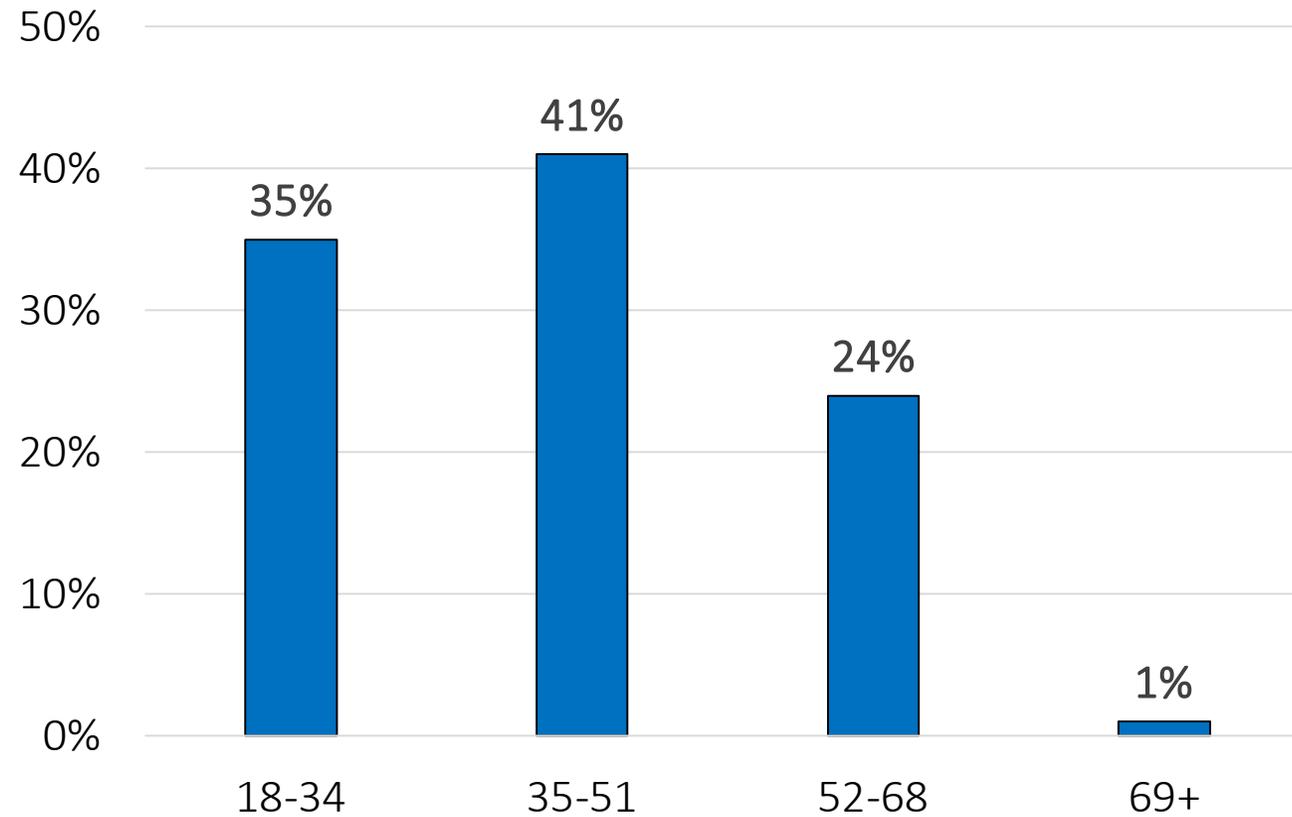
Source: Intuit / Emergent Research

# Demographics - Gender



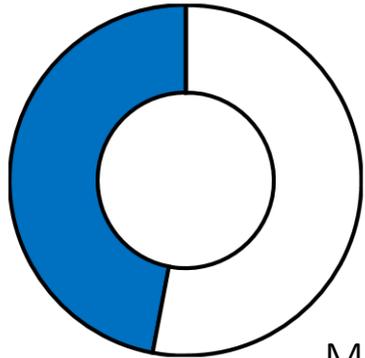
Source: Intuit / Emergent Research

# Demographics - Age

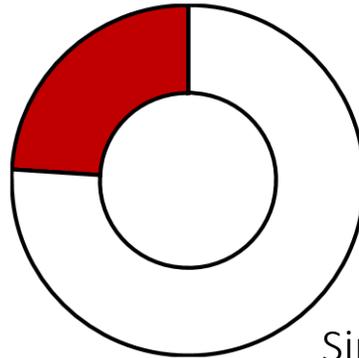


Source: Intuit / Emergent Research

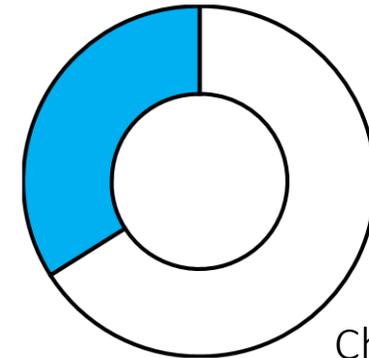
# Demographics – Family Status



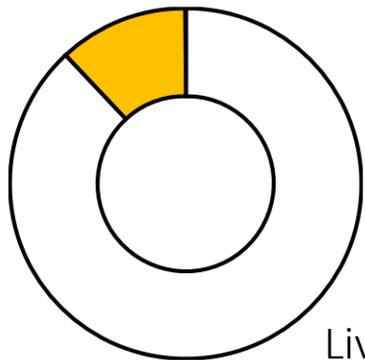
Married 47%



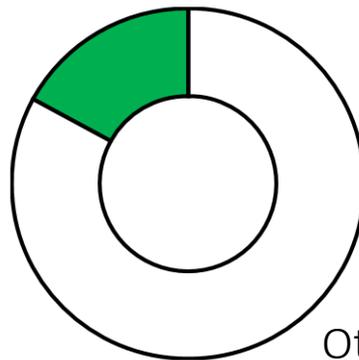
Single 24%



Children in Household 34%



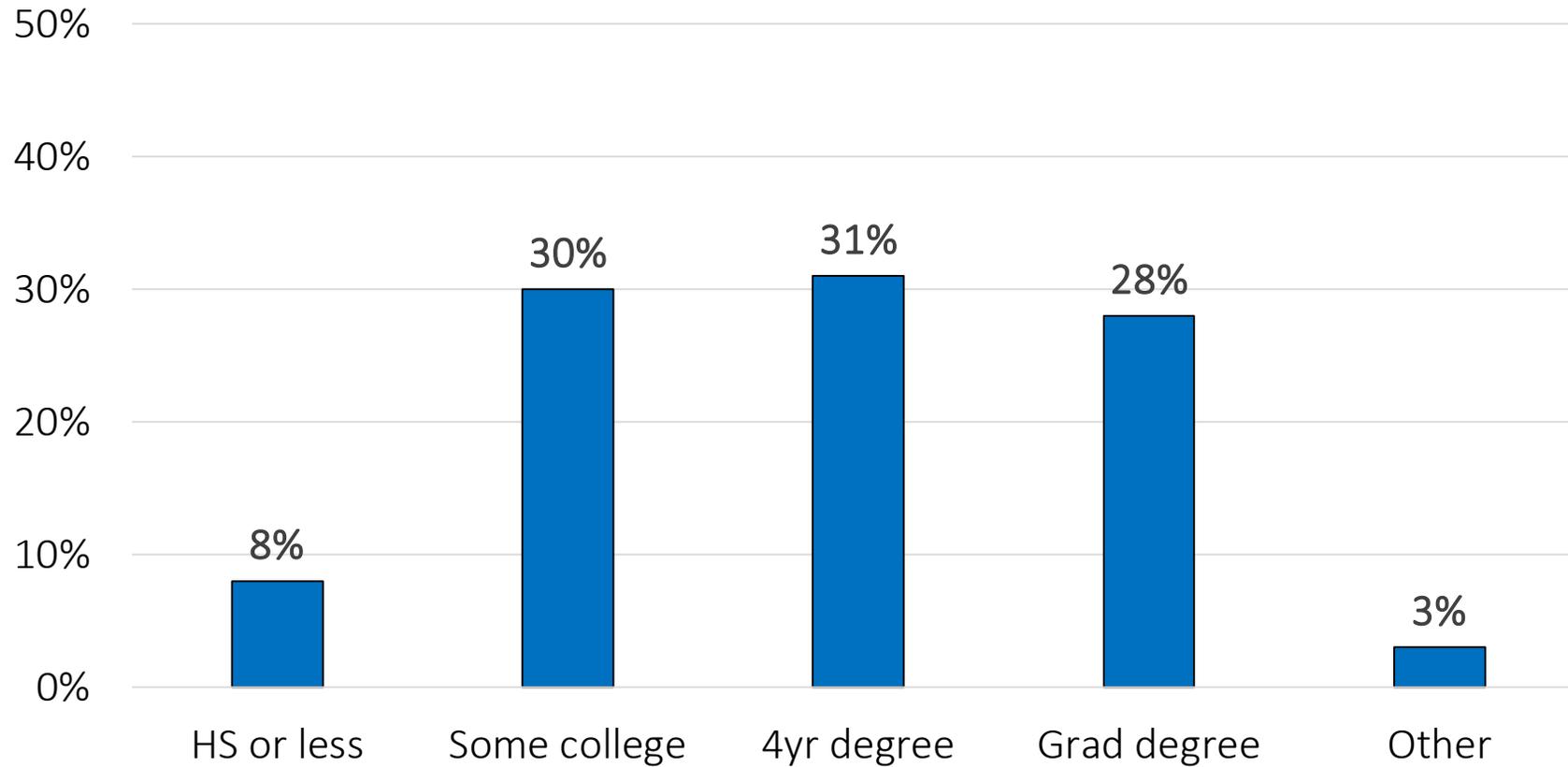
Live-in partner 12%



Other 17%

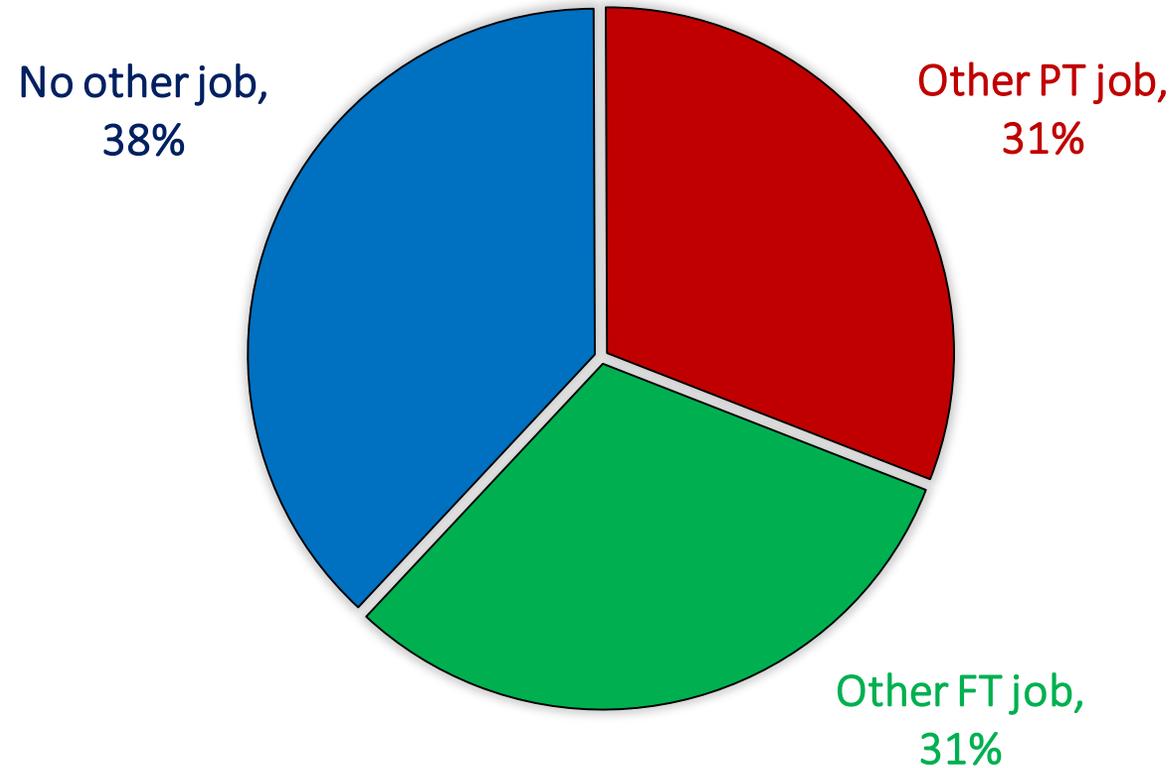
Source: Intuit / Emergent Research

# Demographics - Education



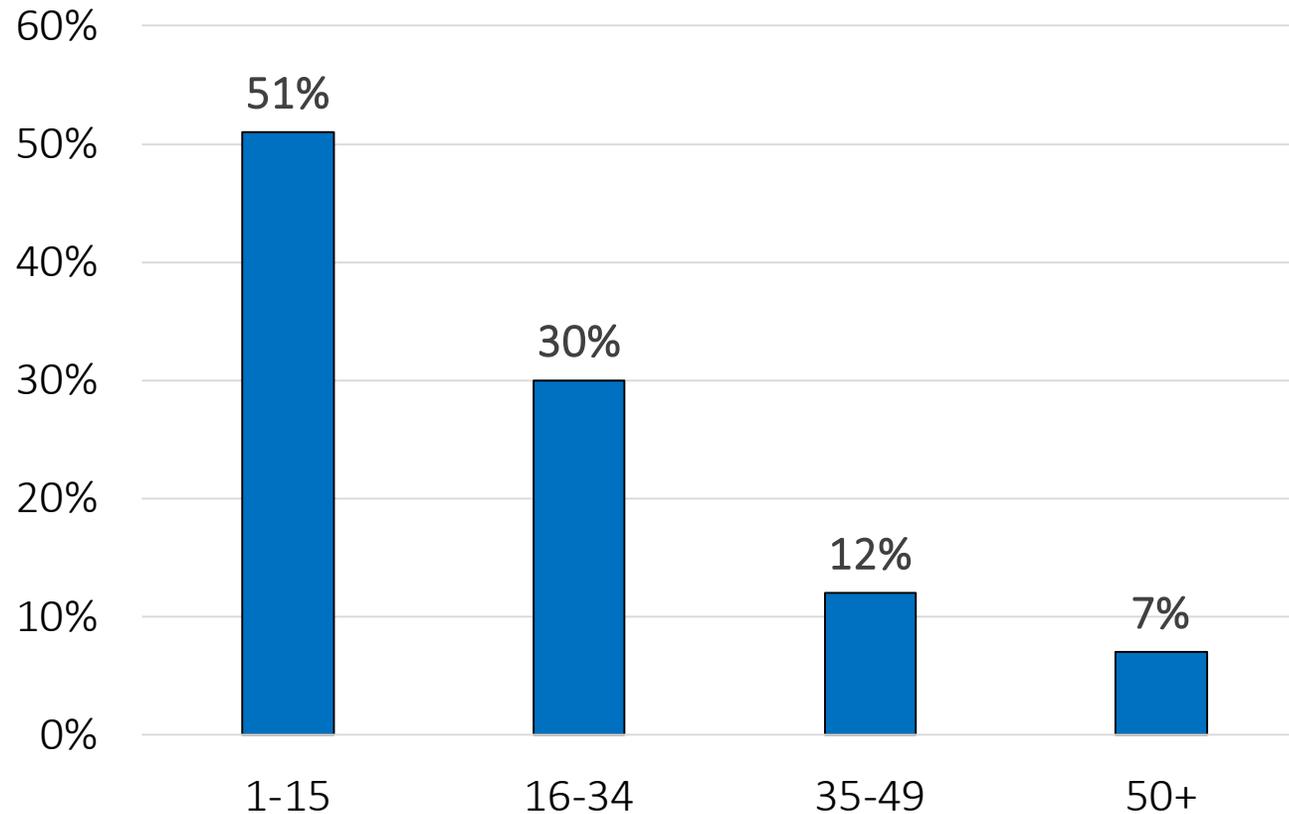
Source: Intuit / Emergent Research

# Demographics – Other Employment



Source: Jonathan Hall and Alan Krueger

# Weekly Hours Worked in Online Marketplaces



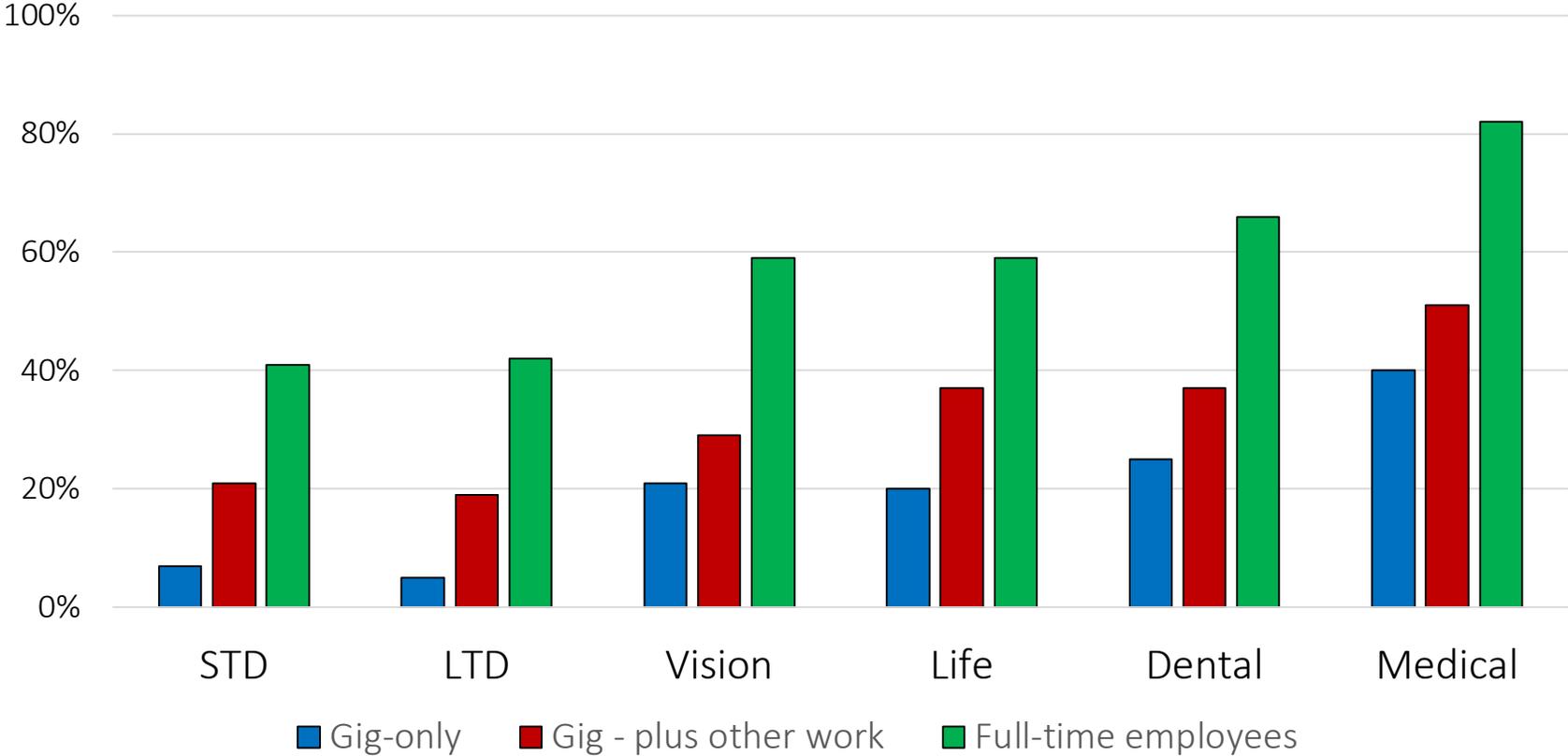
Source: Jonathan Hall and Alan Krueger

# Access to benefits

# Access to Benefits

- Workers in the on-demand economy may have access to benefits through:
  - Other part-time or full-time employment
  - Professional affiliations
  - Spouse's employment
  - Parent's employment
  - Government programs
- But, access is much less than for people that are full-time employees

# Access to Benefits



Source: Prudential

# Benefits for Gig Workers

- Increasing pressure on hiring companies to provide benefits to gig economy workers:
- Pressure is coming from multiple sources
  - Workers
  - Organized labor
  - State governments

# Portable benefits

# Why Portable Benefits?

- Existing benefit plan structures have not kept pace with today's workforce
- Portable Benefits have been commonly proposed as a means to provide employee-style benefits to gig workers, for example:
  - The Aspen Institute, Future of Work Initiative
  - Brookings Institute
  - Public Policy Forum
  - Uber
  - SEIU 775

# What are Portable Benefits?

- A benefit system that is tied to the worker, rather than to the employer
- Allows an individual to maintain continuity of coverage, even as they change the nature, structure or intensity of their work: For example:
  - Work for multiple companies at a time or over time
  - Variation over time in the quantity of work performed – measured by earnings, hours, tasks completed, etc

# Features of a Portable Benefits Plan

- A recently published paper by the Aspen Institute's Future of Work Initiative listed three defining characteristics of a Portable Benefits plan:
  - Portable
  - Prorated
  - Universal

Source: *Designing Portable Benefits – A Resource Guide for Policymakers*, Reder, Steward and Foster, June 2019

# 1. Portable

- Benefits are connected to an individual, rather than a single employer
- Thus, benefits can be taken from job to job without interruption in coverage or loss of funding
- Portability of benefits is critical:
  - Many people switch jobs frequently
  - Many people hold multiple jobs simultaneously

## 2. Prorated

- Benefits can be funded by contributions from a variety of sources (eg, employers, workers, gov't)
- Contributions can be allocated in proportion to hours worked or other relevant units of labor
- If a worker has multiple employers, they can each contribute to benefits
  - Allows workers to accrue benefits across multiple work arrangements

## 3. Universal

- Benefits are accessible to all workers, regardless of hours worked or type of work arrangement

# Key questions

# Key Questions

- What will be the catalyst to implement?
- Who will be eligible to participate?
- What benefits will be provided?
- How will the benefits be funded?
- Who will administer the program?

# Suggested reading

# Suggested Reading

- *Designing Portable Benefits: A Resource Guide for Policymakers*, The Aspen Institute Future of Work Initiative, June 2019
- *An Analysis of the Labor Market for Uber's Driver-Partners in the United States*, Hall and Krueger, January 2015
- *Independent Work: Choice, Necessity and the Gig Economy*, McKinsey Global Institute, October 2016
- *Uber and the Labor Market*, Economic Policy Institute, May 2018
- *Building a portable benefits system for today's world: An open letter to leaders in business, labor and government*, SEIU 775, Uber and Civic Ventures, January 2018
- *Gig Workers in America*, Prudential Insurance Company of America, 2017

# Questions? Contact me!

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# The Gig Economy and Portable Benefits

