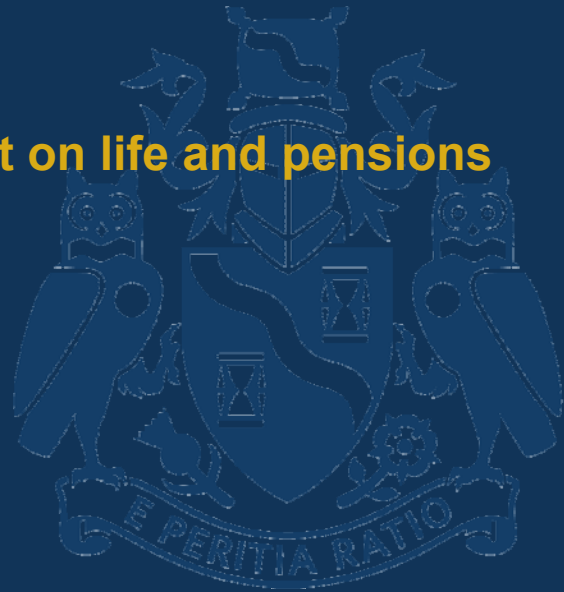




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## Employment trends: impact on life and pensions products

Kuen Chik, Pacific Life Re  
Elena Djarlijeva, Bupa  
Employment trends working party



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### Background to the Employment Trends working party

#### IFoA working party set up to:

- Examine the current provision for pensions and life products
- Against a background of emerging employment trends
- Topics include product portability, simplicity and contract flexibility

**What should the profession or industry do with product design in light of changing employment trends?**



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## Our focus today

- UK employment trends
- The impact of these trends on each product category
- Tackle the issues of engagement and portability
- Multi-national and multi-disciplinary group. Other members:
  - Bradley Shearer, Protagon
  - Sumit Ramani, Actuaria
  - Alison Fisher, Willis Towers Watson
  - Uros Kovac, Deloitte
  - Terry Coulthard, Aviva



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## Employment trends

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## UK labour market has performed strongly

- UK labour market has performed strongly with record high levels of employment

### Employment rate



76.1%

### Unemployment rate



3.8%

### Economically inactive rate



20.8%

- Full-time, permanent work continues to make up the majority of UK employment, **62.9%** (over 65% in 2000)
- Significant shift towards more flexible forms of working.

Source: ONS September 2019



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## Ageing workforce and greater proportion of female workers

- Participation amongst females** has been growing more quickly than males over the last twenty years
- Age profile of the labour market has shifted.** Employment amongst people aged 50+ has grown significantly coupled with a decline in economic activity amongst people aged 16-17.
- Almost 3 in 10 workers are now over 50** (compared to closer to 2 in 10 in 1997). Ageing workforce is reflective of the UK's ageing population, with more people living longer and declining birth rates.

Source: Taylor Report



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## Full time workers

- The dominant form of employment remains full time workers
- Historically around **65%** of workers were full time but this decreased to around **63%** in the last recession and has remained at around this level since around 2010
- Average of 6 different jobs in a lifetime
- Several different careers in a lifetime

Source: ONS Labour Force Survey, September 2019  
 Association of Accounting Technicians  
 The 100-year life, Gratton and Scott



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## Part-time workers

- **26.3%** of total employment
- Self employed more likely to work part time **29.4%** vs **25.4%**
- **12.4%** of those working part time do so because they can't find full time work

Source: ONS Labour Force Survey, September 2019



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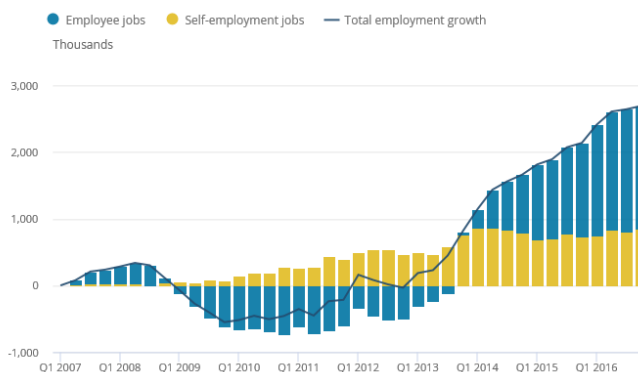
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## Self-employment

- Self-employment reached a high of **15%** of total employment during 2016 from 12% in 2001
- Self-employment was seen to be falling at the end of 1990s, but from around 2001 began to rise again. The rise was particularly rapid in the years post economic recession.
- Joinery, plumbing and construction are the largest sectors for self-employment.

Cumulative change in employee and self-employed jobs



Source: ONS Labour Force Survey, various dates



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## Agency workers

- Lack of data on number of agency workers
- Estimates range from **800,000** to **1.2m**
- Recruitment and Employment Confederation suggest number of agency workers have remained fairly stable over the last number of years

Source: Various, REC



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## Temporary workers

- **1.4 million** temporary workers (includes temporary agency workers)
- **29.7%** don't want permanent job
- In contrast **24.2%** can't find permanent work

Source: ONS Labour Force Survey, September 2019



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## Zero hours contracts

- **896,000** workers are on zero hours contracts
- 37% of them are in the 16-24 age group
- 67.8% work part time
- 22% full time education
- This form of employment has grown rapidly in the last few years

Source: ONS Labour Force Survey, September 2019



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## Multi-jobs

- 1.2m (3.6% of working population) have a second job.
- This proportion has fallen from a high of 5% from the mid-90s but has been fairly stable in the last 10 years.

Source: ONS Labour Force Survey, September 2019



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## The gig economy

- Limitations in the ONS's labour force survey mean there is no official data on the number of people engaged in the gig economy
- The Chartered Institute of Personnel and Development estimate 1.3m (4% of all employment) work in gig economy – a high proportion are permanent employees who gig to supplement their income
- This form of employment is forecast to continue to grow

Source: CIPD



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## Summary

- More complex picture than before, with overlapping categories
- More unconventional forms of employment
- Higher proportion of people in work but many of these are part-time or insecure forms of employment
- **Categories are not static**

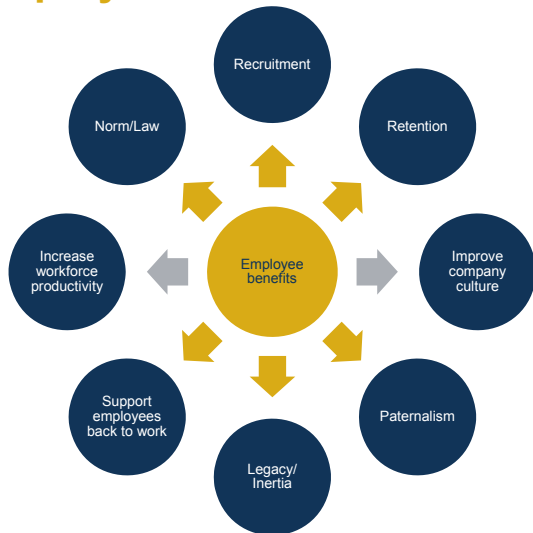


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## Group risk and Group PMI



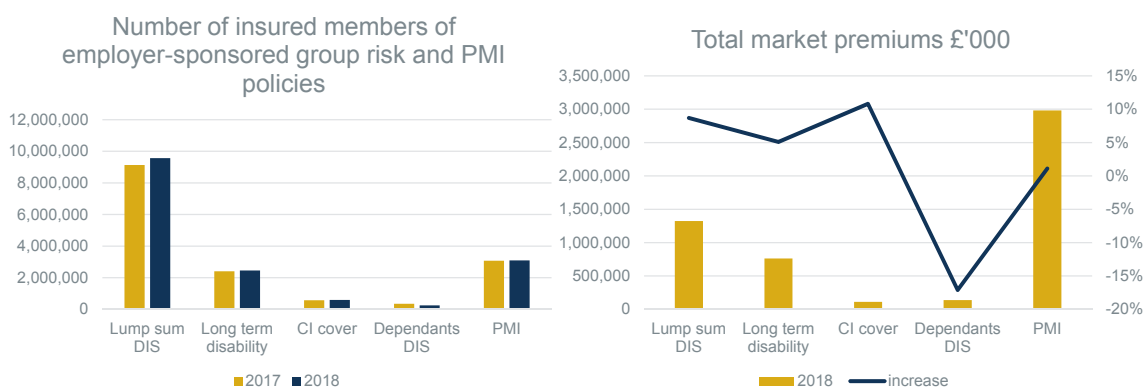
## Why do employers offer benefits?



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## Size of market still growing



Sources: Group Risk data, GRID 2019  
PMI data © Laing Buisson 2019



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## Are workplace benefits a form of stealth pay?

### Lack of communication of workplace benefits to employees

Response	Total
I wish my employer would communicate more about the benefits and perks available	34%
My employer clearly communicates the benefits and perks available	34%
I received information about the benefits and perks available when I first joined but never again after that	20%
I wouldn't know who to ask about the benefits and perks available	16%
None of the above	14%
I have no idea which, if any, benefits and perks are available to me	9%

Source: Canada Life



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## Which benefits are valued most?

### Workplace benefits that would make employees feel more positive about their employer

Benefit	Total	18-34	35-54	55+
Annual bonus	40%	25%	42%	53%
More than 20 days' holiday (excluding bank holidays)	36%	30%	37%	43%
Private medical insurance	33%	25%	35%	37%
Insurance that covers you in case you get ill/injured and can't work	31%	29%	31%	35%
Death in service payment / life insurance	26%	24%	26%	28%
A policy which pays out a lump sum should you become critically ill	25%	17%	26%	31%
Gym membership	20%	23%	22%	10%

Source: Canada Life



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## How to increase engagement?



## Portability

- Group risk products are not typically portable
- Group PMI products are not portable without individual medical underwriting
- Nature of portability is different from pensions
- A new individual product could be taken out - but with fresh medical underwriting
- In theory: employees could remain covered after leaving the employer – continuation options with an Ex-Group scheme, self-funded, premiums adjusted according to claim rates
- But little incentive for employers and providers to offer this...but what if solution included individual protection

## Employer sponsored individual protection?



- Employee contribution leads to greater engagement
- Employer contribution more visible and therefore more valued
- Portable for employees but the benefit is still useful as a retention tool



- Would require some individual underwriting – but given the employer context, it could be simplified



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## Individual protection

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## Impact on individual products



Life insurance



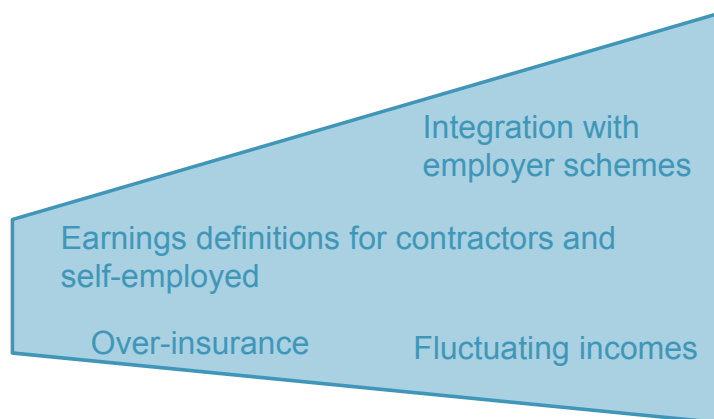
Critical illness



Income protection



Private medical insurance



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## Focus on income protection

...the market has come with its own solutions



Issue

Fluctuating incomes

Continuing income from employer

Earnings made up of dividends and spouse's salary

Sole trader with low profits



Solution

Benefit guarantee

Financial underwriting at point of sale

NHS Doctors

Fixed payments

Inclusion of sole trader expenses or spouse's salary in earnings definition



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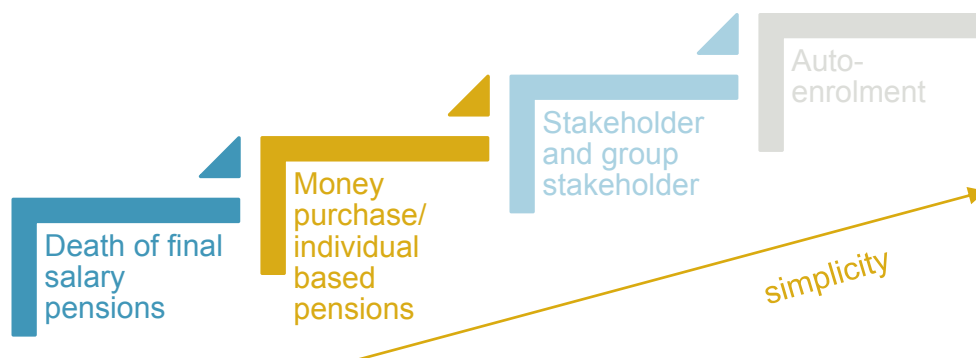


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# Pensions

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## Evolution of Pensions



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## Portability and pensions

Pot follows member



Pensions dashboard

	<b>Standard Life</b> Personal Pension Policy: 0122172598	£634,389.05	£2,865
	<b>Giant Glazing Ltd</b> Company scheme Policy: 225249494	£28,357.44	£131
	<b>Route B Ltd</b> Company scheme Policy: 20202422101	£680.80	N/A
	<b>McTavish Ramsay &amp; Co Ltd</b> Company scheme Policy: 4K221122558	£52,782.00	£248
	<b>Wycome Wine Sellers</b> Company scheme Policy: 147020404812125	£900.21	N/A

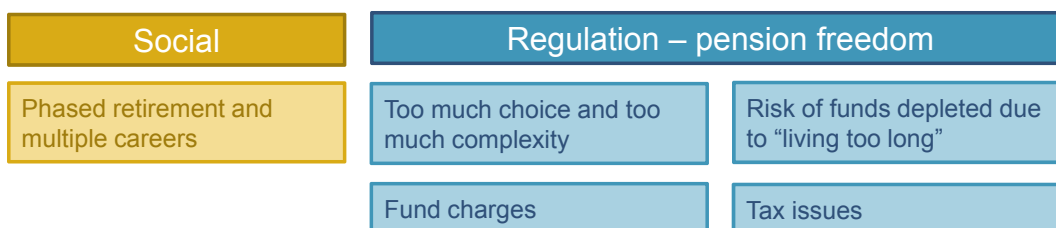
Pension vs other forms of saving eg ISA or property

Is portability/flexibility even a good thing when it comes to pensions?



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## Pensions decumulation



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## Investment related products

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### Death of the endowment

#### The endowment

- Fixed regular premium
- Guaranteed sum assured on death
- With profit/ no profit/ unit linked



#### Fund platforms/ ISAs

- Fully flexible and portable
- No insurance, guarantees or surrender penalties

But is this a good thing?





## Endowments now replaced by an app



Round up your everyday purchases to the nearest pound and set aside the spare change.

Invest in cash savings or long term investment products.



## Bringing it all together

## Summary



### Employment trends

- More unconventional forms of employment (Contractors, gig economy, self-employed disguised employment).
- More complex picture than before, with overlapping categories.
- Higher proportion of people in work but many of these are part-time or insecure forms of employment.
- Several different careers in a lifetime.
- **Categories are not static**



### Product trends

- Employer based group risk and PMI still going strong but it would be great if they continued when you left employment
- Individual income protection has enjoyed a wave of innovation
- Pensions dashboard should reduce the need for pension transfers
- Insurance based savings and investment has wilted and replaced by funds
- Gap in the area of pensions for those not covered by auto-enrolment



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## Conclusion

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## Conclusion and final thoughts

What should the profession or industry do with product design in light of changing employment trends?

1. The industry is already coming up with it's own solutions
2. Other ideas worth exploring such as employer sponsored individual protection, auto-enrolled protection and extending auto-enrolment for pensions to gig workers
3. The industry and profession need to lobby government more



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## Role of government

- Industry/ profession cannot act alone
- Social obligations: government or private sector
- Impact of taxation and incentives
  - Tax relief for employers
  - Tax position for employees
- Providers created by Government



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## Government policy and moral hazard

### State pensions



Moral hazard  
decreased

The need for Pension credit means testing was removed with the new state pension in April 2016

### Universal credit



Moral hazard  
increased

Income from insurance policies (eg income protection policies) is deducted pound for pound

Should the industry and profession be lobbying more?



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Questions

Comments

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