

Now is the future for social security

The Covid-19 crisis shows us again the merits of having a decent social security system in place. It guarantees income stability and support in cases people are facing economic adversities; and by doing so, it safeguards the economy from negative shocks. Avoiding times of hardship, it bears further benefits such as strengthening confidence and career development prospects, reflecting costs of risk protection in market prices, avoiding moral hazard and relieving social assistance schemes in favour of their core tasks.

At the same time, Covid 19 revealed the gaps of social security and the vulnerability of uncovered groups. This is due to an emerging trend of changing labour markets in the last couple of years. The organisation of labour becomes more flexible due to an ever-growing process of digitalisation in our current industries, but also caused by the economic globalisation and various market pressures just as personal preferences. Flexible labour forms, such as casual work, free-lance work, platform work, on-demand work, part-time work and self-employed work (bogus or genuine) are increasingly in demand. New forms of work are growing in size, amounting now to approximately 40% of the workforce in the EU.

Flexible work forms create a number of challenges for the organisation and financing of work related social security schemes that were traditionally designed with the standard worker in mind: a growing number of workers does not work anymore in a nine-to-five job, nor do they always work for only one employer. The workers' income may show over time an irregular pattern, the size of which is more dependent upon the number of work assignments and negotiated tariffs, than upon the hours of work.

As such, the origins of many social security systems stem from the first industrial revolution and thus need to adapt and use their strengths for a changing world of work. Social security systems will need to be reshaped in order to keep the new work forms on board. Applying existing schemes that originally were designed for standard work situations will not suffice. Solutions will need to be more fundamental and will have to go back to the essential fabrics of what social security is standing for: guaranteeing decent income replacement in case a social risk occurs and guaranteeing coverage of serious costs that may afflict individuals or families. Looking at the new ways of work, the system will need to be designed in a more integrated manner, starting from the perspective of the individual professional careers; more than ever these careers may shift professional statuses (wage-earnship, self-employment, working hours) over time or may combine them at one point in time.

Moreover, the element of income (protection) will become more important in the design of the schemes than the length and the composition of professional records. From the perspective of a new paradigm based on income development, every earned euro matters for social security, both for financing and for the accrual of the insurance record. At the same time, this decisively increases the effective coverage of social security and avoids false incentives to create statuses that lack social protection. In the design of the system, the basic idea should be a similar protection for all professional groups, which in its application is adapted to every group as much as necessary to meet their specific needs.

This means for

- the self-employed: Social security should be organised as similarly as possible to that for employees, but create appropriate rules to deal with specifics such as fluctuating income and greater personal freedom of action.
- persons having marginal activities, part-time workers and fixed-term workers: Income and working time thresholds will have to be addressed improve access to social protection. For guaranteeing comprehensive protection, total income should be targeted rather than only activities considered as regular jobs. Social security shall be based on different sources of income over the life course.
- platform workers: While firms are the central agents in conventional labour markets, platforms emerged as central agents in various forms of online labour markets. This opens up opportunities to link the organisation of social security to these new central actors.

The Covid-19 crisis opened a window of opportunity to rethink our social security systems with regard to new needs due to changing labour markets. It is upon the nations to respond; upon Europe to support, inspire and set the regulatory framework within which the states can develop their systems in line with their own needs and traditions; and upon science to diagnose and analyse the challenges, elaborating on policy proposals. After corona, we have a unique opportunity. Now is the future for social security!

Further reading

Schoukens, Paul; Weber, Enzo (2020): Unemployment insurance for the self-employed: a way forward post-corona. [EISS Research Paper](#), European Institute of Social Security.

Weber, Enzo (2019): Digital Social Security: Outline of a concept for the 21st century. [Working paper 138](#), Hans-Boeckler-Foundation. [Commentary](#)

Schoukens, Paul, Barrio, Alberto (2017), The changing concept of work: when does typical work become atypical, *European Labour Law Journal*, 1-28

Schoukens, Paul; Bruynserarede, Charlotte (2021), Access to social protection for self-employed and non-standard workers, Acco, <https://eiss.be/research2.html>