



Social protection in the changing world of work



Social Situation Monitor
Research Seminar

Friday 12 January 2018
13:00 – 16:50

Crowne Plaza Hotel
2nd floor
Rue Gineste 3
1210 Brussels
Belgium

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Employment,
Social Affairs
and Inclusion

About the seminar

The Social Situation Monitor

Each year the Social Situation Monitor (SSM):

- Carries out policy-relevant analysis and research on the current socio-economic situation in the EU on the basis of the most recent available data;
- Examines major issues which are features of the situation or affect it with the aim of providing evidence on which to base policy-making across the EU.

This initiative is directed by the London School of Economics (LSE), in consortium with ICF, on behalf of the European Commission. The team is led by the Academic Director, Dr. Bob Hancké from LSE, and the Project Director, Dr. Simona Milio from ICF. The team is composed of renowned academics and researchers from the consortium organisations reflecting a wide range of expertise.

More information can be found at:

<http://ec.europa.eu/social/main.jsp?catId=1049&>

The SSM seminar series

SSM seminars are research seminars. Their aim is to provide a forum to discuss the theoretical, methodological and policy implications of the latest economic and social research. More specifically, SSM seminars aim to inform:

- The economic and social analysis of the European Commission in general, and the Commission's *Employment and Social Developments in Europe* review in particular*.
- The economic and social analysis of the European Commission's stakeholders.
- The economic and social policies of the European Commission and its stakeholders.

SSM seminars are primarily intended to:

- Economists and analysts working in policy-making organisations;
- Academic researchers;
- Policy officers with an interest in economic and social analysis.

(*) The *Employment and Social Developments in Europe* reviews can be found in the European Commission's publications catalogue:

<http://ec.europa.eu/social/main.jsp?catId=1285&langId=en>

Seminar agenda

12:00 – 13:00 Registration and coffee

- 13:00 – 13:10 Welcome words
By Loukas Stemitsiotis (European Commission)
- 13:10 – 13:20 Introduction to the seminar
By Bob Hancké (LSE)
- 13:20 – 13:30 *The dynamism of the 'new' economy: Non-standard employment and access to social security*
By Sonja Avlijaš (Sciences Po Paris)
- 13:30 – 13:40 Discussion
- 13:40 – 14:00 *New forms of (platform) work and social security?*
By Paul Schoukens (KU Leuven and Tilburg University)
- 14:00 – 14:20 Discussion
- 14:20 – 14:40 *The role of an EMU employment insurance scheme in protecting incomes in case of unemployment*
By Alberto Tumino (JRC Seville)
- 14:40 – 15:00 Discussion
- ### **15:00 – 15:20 Coffee break**
- 15:20 – 15:40 *The future of social protection: What works for non-standard workers?*
By Raphaela Hye (OECD)
- 15:40 – 16:00 Discussion
- 16:00 – 16:20 *Balancing Flexibility and Security in Europe? The impact of unemployment and insecurity on Young People's Subjective Well-being*
By Janine Leschke (Copenhagen Business School)
- 16:20 – 16:40 Discussion
- 16:40 – 16:50 Concluding remarks
By Katarina Jakšić (European Commission)

Summary

The dynamism of the 'new' economy: Non-standard employment and access to social security

By Sonja Avlijaš, Postdoctoral Research Fellow at Sciences Po Paris

In her presentation, Sonja Avlijaš presented the changes in the structure of non-standard employment across EU-28 that have taken place between 2002 and 2016. The presentation focused on temporary and part-time workers, and the self-employed. It provided a detailed analysis of access to unemployment benefits for these three groups of workers and analysed eligibility criteria, adequacy (net income replacement rates) and the risk of getting no or low benefits. Ms Avlijaš concluded that: i) access to unemployment benefits is the most challenging component of welfare state provision for people in non-standard employment (compared to sickness or maternity benefits); ii) multiple sources of "UB disadvantage" for non-standard workers are compounded, but their interactions vary across EU-28; iii) countries with the most supportive social security nets appear to have the least vulnerable structure of non-standard workers, even if the direction of causality remains uncertain.

Several participants asked for clarifications during the discussion. For example, it was asked how Ms Avlijaš had calculated the share of at risk workers. Ms Avlijaš responded that this share had been calculated based on the duration of the current contract, as the EU-LFS does not allow to look at the entire work history of the workers. This is why they are referred to as at risk of ineligibility rather than ineligible for benefits. There was another question about the measurement of temporary employment. Ms Avlijaš responded that her paper presents the broad category of workers without permanent contracts, without differentiating between them. These are the workers who belong to either the category "temporary job or work contract of limited duration" or the category "contract with a temporary employment agency". A third participant asked whether Ms Avlijaš had accounted for eligibility for other types of social assistance for those who become unemployed. Ms Avlijaš confirmed that this was the case.

A participant questioned the relevance of a binary distinction between standard vs. non-standard work. Ms Avlijaš agreed and acknowledged that in some of the countries (those with the more flexible labour markets), workers on permanent contracts may also have a vulnerability that the workers on permanent contracts in other countries do not face. However, distinguishing between these categories of workers is still helpful so that we can get a better idea of the different sources of vulnerability for different types of workers

within and across countries when it comes to accessing social benefits. Another key constraint is data availability, which determines how we measure non-standard work.

Lastly, some suggestions were made as well. For example, a participant mentioned a Eurofound study, which differentiates between the five categories/types of the self-employed workers, based on the European Working Conditions Survey.

New forms of (platform) work and social security?

By Paul Schoukens, Professor at KU Leuven and Chair of the Instituut Gak International and European social security law at Tilburg University

In most countries, a standard (or core) model of employment relationship (i.e. full-time work under an open-ended employment contract) typically receives the greatest labour and social security protection, with divergent work arrangements receiving lesser protection in correlation to the magnitude of their differences with it. However, recent developments concerning non-standard forms of work may be questioning this dynamic. In this presentation, Paul Schoukens examined the nature and current evolution of the standard employment relationship, followed by an analysis on how other forms of work deviate from this standard. In order to do so, the conclusions of the numerous studies recently published by scholars and international organisations were drawn. The presentation identified the main challenges that social security systems experience when faced with non-standard forms of work. The conclusion addressed the need of adapting the basic principles of social security to the atypical features of non-standard work.

A participant stressed that it was important to make a distinction between voluntary and involuntary atypical work and that the data could be found in both the LFS and the European Social Survey. She also indicated that social security could be compulsory or optional. Another participant asked whether it was still relevant to keep separate systems for employed and self-employed workers. Mr Schoukens responded that the question was a normative one. Separate systems (e.g. France until recently, Italy) have some advantages: many self-employed workers feel they belong to a homogenous group and there can strong solidarity in that group. The universal system (e.g. in Nordic countries) offers a very similar level of protection across categories of workers.

One participant asked about the motivations of some people to combine self-employment and part-time work and whether it was realistic to believe that those combining were actually transiting from employment to self-employment. Mr Schoukens emphasised this his work was first and foremost legal and that he could only speculate about this motivation. In addition to the

individual motivations mentioned by the participant, Mr Schoukens suggested that the combination of employment and self-employment could be a response to new business models, where projects and products are increasingly decomposed into small tasks, which can be outsourced.

The role of an EMU employment insurance scheme in protecting incomes in case of unemployment

By Alberto Tumino, Economic Analyst at the Joint Research Centre (Seville)

In his presentation, Alberto Tumino explored the potential of an unemployment insurance scheme for the European Monetary Union area (EMU-UI) to improve the income protection available to individuals in case of unemployment. The authors' analysis is based on an illustrative EMU-UI scheme, which has a common design across the 19 EMU member states and can therefore be considered as a benchmark against which gaps in existing national unemployment insurance schemes (national UIs) can be assessed. The analysis is based on EUROMOD, the European tax-benefit micro-simulation model, to simulate entitlement to the 19 national UIs and the EMU-UI and calculate their effect on household disposable income in case individuals enter unemployment. Results show that the EMU-UI would reduce current gaps in coverage where these are sizeable due to stringent eligibility conditions, increase levels of payment where national UIs are low relative to earnings and extend duration where this is shorter than twelve months. The illustrative EMU-UI would reduce the risk of poverty on entry into unemployment and would have a positive effect on household income stabilization. The extent of these effects varies in size across EMU member states for two main reasons: differences in the design of national UIs and differences in labour force characteristics across member states. Mr Tumino also briefly outlined plans for additional simulations focusing on atypical workers (self-employed or low work intensity, at individual level).

Prompted by a participant, Mr Tumino clarified that the definition of work intensity used in his project takes the number of hours worked into account, as well as the number of months worked in a year. The definition of individual who were considered as self-employed is anyone receiving self-employment income according to the EU-SILC micro-data. Individuals receiving both employment and self-employment income were not treated as self-employed, although sensitivity tests can be performed.

A participant asked whether the model could be tested in the context of an enlarged EMU. Mr Tumino responded that various types of EU-wide unemployment insurance schemes were tested a part of the a comprehensive project on the Feasibility and Added Value of a European Unemployment Benefits Scheme, initiated by the European Parliament and commissioned by

the European Commission, Directorate-General for Employment, Social Affairs and Inclusion. The project was conducted by a consortium led by CEPS.

The future of social protection: What works for non-standard workers?

By Raphaela Hye, Economist at the OECD (Directorate for Employment, Labour and Social Affairs)

Non-standard work is not a marginal phenomenon: almost one-in-three worker is either self-employed or working on a temporary contract across the OECD on average. The number of platform workers (the so-called “gig economy”), while still small, is growing rapidly. But the social protection of non-standard workers is often patchy – this threatens not only the affected workers, but also the contribution base of social protection systems. Independent and contingent workers do not easily fit into the framework of contributory social protection systems. Who should be liable for their employer contributions (double contribution issue)? How should contributions and benefit entitlements be calculated with highly fluctuating earnings? Providing unemployment insurance for the self-employed, in particular, also raises significant moral hazard problems. This presentation looked at policy examples from a few OECD countries, analysing schemes such as the publicly subsidised “artists’ insurance system” in Germany or the French RSI, the soon-to-be-abolished social security programme for the self-employed. It analysed the practical implementation of these programmes, and proposed a methodology to identify what does and what does not work in the social protection of non-standard workers.

Much of the following discussion centred on the German artists’ insurance scheme. It was brought up that the one problem with the German insurance scheme was that which occupations are “artistic” enough to be eligible for the scheme has to be determined by the courts, which causes considerable administrative costs: after all, since the scheme is publicly subsidised and therefore a cheap way to obtain insurance, many want to be included in the list of artists who qualify. Defining special entitlements such as subsidised insurance for some subgroups of self-employed, but not others, always has the potential of creating a lot of work for the courts who have to decide on a case-by-case basis. Ms Hye replied that what interests her in the scheme is the fact that it collects contributions from the customers of self-employed artists, and therefore is a model to solve the “double contribution issue”.

It was also mentioned that “the double contribution issue” is a theoretic construct in a sense, because employer social contributions are a part of labour costs. Hence, if the self-employed cannot afford to pay the two contributions, they may charge less for their services than firms with dependent employees who provide the same services. Ms Hye agreed that labour costs have to be

factored in to pricing, but that one cannot expect a priori that the incidence of taxes and contributions is exclusively on the employee.

Balancing Flexibility and Security in Europe? The impact of unemployment and insecurity on Young People's Subjective Well-being

By Janine Leschke, Associate Professor at the Copenhagen Business School

In her presentation, Janine Leschke examined the relationship between so-called "flexicurity" systems and outcomes on subjective well-being for young people in Europe. A key tenet of the flexicurity approach is that greater flexibility of labour supply is underpinned by a welfare system providing income support for the unemployed and active labour market policies that ease transitions back to employment. In principle, increased employability reduces the costs of job movement for individuals, so that longer-term employment stability is traded for short-term job instability. However, Ms Leschke pointed out that there is a risk that young people experience greater job insecurity without the benefit of income security or employment security. Ms Leschke's analysis, which draws of data from the European Social Survey is concerned whether and how flexibility and security policies arrangements can moderate the effect of unemployment and insecurity on well-being among young people. Using multi-level models, she tested if flexibility-security arrangements moderate the effect of unemployment and insecurity on the well-being of young people.

A rich discussion followed the presentation. First, it was pointed out that institutional datasets have many caveats when it comes to measuring young people's unemployment. Indeed, many of them are not covered.

It was also suggested to:

- Include unemployment benefit coverage rates in particular if they are included as an additional measure;
- Include transitions – from temporary to permanent (available in the LFS aggregate data) – as the possibilities to move out of temporary jobs could have an important impact on well-being.
- Include some institutional information on public services – these might be important in particular for youth (e.g. more restricted access to health care and housing for example).
- Include unemployment duration
- Use a different dependent variable as a sensitivity test; possibly a variable capturing the labour market situation more directly (e.g. job security). as well-being may be influenced by many other (personal) factors.

A participant highlighted that there is a small gap only in wellbeing between unemployed and employed and thought that this may affect the interpretation of Ms Leschke's results.