



European Economic and Social Committee

SOC/560

Sustainable social security and social protection systems in the digital era

OPINION

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[own-initiative opinion]

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1. Conclusions and recommendations

- 1.1 Digitisation has brought about new forms of employment that are putting great pressure on social security systems. The EESC recommends that the Member States and European courts regulate these new forms of employment, so that the employer and the worker can be clearly identified. To this end, the EESC recommends drawing on European Court of Justice case-law, which has recognised the status of worker in the case of people who, although without a standard contract of employment, were carrying out an activity within a remunerated relationship of dependency.
- 1.2 The individual employment contract underpins the funding of current social security systems in many cases. Many of the new forms of economic activity and employment that have emerged with the development of digital technology seem to fall outside the scope of employment contracts. The EESC feels that this situation is extremely dangerous for workers that are subject to these conditions, as they are no longer protected by the legislation on salaries, working conditions and social security.
- 1.3 The EESC believes that the Member States should consider introducing a requirement into their legislation governing pension schemes making it mandatory to pay contributions for all individuals generating professional income. This is imperative given that, in many situations, workers in the new forms of employment arising from digitisation are not appropriately covered by current legislation on pension systems.
- 1.4 The EESC considers that the Member States should consider linking up the electronic systems of their national pension schemes, or health insurance schemes, with those of their tax administrations. This would enable Member States to quickly identify the people who, although they are receiving income from gainful employment, do not have the status of insured in the public pension system or in the health insurance system.
- 1.5 Member States' national social protection systems also cover other rights that entitle the beneficiaries to receive benefits. These include parental leave, family allowances, child benefits and other types of benefits. Although these entitlements are often non-contributory, the related benefits are granted on the basis of eligibility, which, in many cases, requires that the potential beneficiary has the status of employee. The EESC calls on the Member States to seek solutions that ensure adequate coverage of these benefits among workers in the new forms of employment.
- 1.6 The EESC believes that a comprehensive solution to the problems related to the recognition of social security entitlements for workers in the new forms of employment could be found by overhauling the way in which the system is funded. The EESC calls on the Member States to explore ways of funding social security systems that not only ensure the sustainability of those systems, but also meet the need to provide access to them to people engaged in the new forms of work. To ensure the sustainability of the social security systems in the future and to reduce the burden on the labour force, it should be examined whether part of the digitisation dividend could be used for this purpose.

1.7 The EESC considers it imperative that the debate launched by the European Commission on developing a European Pillar of Social Rights also encompass the situation of workers engaged in the new forms of employment and, above all, look at how to recognise their status and ensure they have adequate access to social security and social protection systems.

2. **Background – Digitisation and its effects on social security and social protection systems**

2.1 Digitisation is creating profound changes in the economy, labour markets and in society at large at national, regional and global levels. While acknowledging its obvious benefits, it is clear that digitisation will challenge many structures of society and the economy and can have a negative impact on certain sectors, if they fail to adapt to the new landscape. One of the sectors in which digitisation could have a negative impact is the social security system.

2.2 Europe's social security systems, as we know them today, were built over a century ago. They are based to a large extent on a direct relationship with the labour market, being largely funded by contributions paid by workers and employers and, to various degrees, through taxation. In many Member States, the essential prerequisite underpinning a worker's insured status as regards the three main pillars of the social security system – pensions, health and unemployment – is the existence of an officially registered individual contract of employment.

2.3 Digitisation has brought about and continues to bring about significant changes in the labour market. These changes can be seen in the heterogeneity of the forms of employment that are distinct from those based on individual permanent employment contracts, which have dominated employment relationships for decades. Indeed, these new forms of employment, hidden under titles such as "independent contractor" or "associate" have been created, in some cases, precisely for the purpose of getting around the traditional concepts of "employee", "entrepreneur" and "self-employed"¹. Social security systems will thus need to adapt if they are to continue to be sustainable and sufficient in the long term.

2.4 As workers from the so-called baby-boom generation leave the labour market and are, to a certain extent, replaced by workers employed on the basis of new forms of work, such as zero-hours contracts, on-call contracts and civil law contracts, social security and social protection systems will come under pressure. This pressure is set to increase as the ageing of Europe's population continues to increase.

2.5 It is thus clear that social security and social protection systems will have to be adapted to the changes that digitisation is already bringing about in the labour market. In some Member States, the social partners have begun the dialogue needed to identify the various policy options and the measures that need to be taken if they are to be implemented, in order to ensure that the welfare system remains viable and sufficient in the new digital era. Guidelines are also needed to clarify any grey areas related to employment status as regards taxation and social security.

¹ EESC-ILO conference on [The future of work we want](#), Brussels, 15-16 November 2016.

2.6 A growing share of the workforce may not be contributing to, or benefiting from, established social security systems such as unemployment, health and pension benefits. This situation needs to be tackled resolutely by the social partners and governments in the Member States. The debate also needs to be extended across the EU and involve local authorities, other civil society players, associations and providers, with a view to framing viable and sustainable policy measures and legislation and complementary measures that ensure sufficient social protection for the entire workforce – including the self-employed.

3. **Policies for ensuring sustainable social security and social protection systems in the digital era**

3.1 Digitisation has brought about and continues to bring about major changes in the labour market. There are now many forms of employment which do not fall within the framework of traditional employer-worker relationship, such as platform workers, who are often considered to be self-employed. This phenomenon is putting great pressure on social security systems. The EESC recommends that the Member States address and, if necessary, regulate these phenomena when reforming labour market and social security systems.

3.2 Labour law across most Member States has established that the basis of the employment relationship lies in the individual employment contract. Many of the new forms of employment that have emerged with the development of digital technology no longer use employment contracts. The EESC feels that the situation of these workers should be clarified so that they can be granted adequate coverage, in line with the fundamental principles of national systems, as regards the labour market and social security. Losing their job would plunge those workers directly into poverty, as they would not be protected by the social protection system.

3.3 Public pension systems in the Member States are based on the principle of solidarity between generations. However, the amount of the career-based pension is calculated, as a general rule, on the basis of the amount of the contributions paid by the worker and their employer throughout the period of active employment. This means that workers that engage in non-standard work, which is not based on a regular employment contract, will, in many cases, struggle to accumulate adequate pension rights for the periods concerned. If people engage in such non-contract-based work for prolonged periods, this will greatly reduce the level of their pension entitlement, and there is a danger that they will fall below the poverty line. The EESC believes that the Member States should introduce a requirement into their legislation governing pension schemes making it mandatory to pay contributions for all individuals generating professional income.

3.4 Most Member States' pension legislation obliges self-employed workers to pay pension contributions. The definitions of self-employed and employed work are governed by tax law or labour law. However, in many cases, the authorities find it difficult to establish the nature of the work, especially where workers are engaged in the new forms of employment. The EESC recommends that the Member States clarify their legislation, where necessary, to ensure that forms of employed work can be identified more easily. In this way, online workers and workers in other new forms of work can be identified more easily, and Member States will be better able to safeguard their accumulation of pension rights.

- 3.5 In order to be able to identify more easily those workers who, due to the fact that at a given time they were engaged in a new form of employment, do not have the status of insured under the public pension system, the EESC considers that the Member States should consider linking up the electronic systems of their national pension schemes with those of their tax administrations. This would enable Member States to quickly identify the people who, although they are receiving income from gainful employment, do not have the status of insured in the public pension system. They could thus be quickly included among the ranks of the insured.
- 3.6 With regard to unemployment insurance, the EESC recommends further examining the current proposal that an insurance scheme be established at EU level², if such an insurance scheme would be funded by a contribution paid by all companies in the EU. Moreover, the possibility should also be examined of setting EU-wide minimum standards for national unemployment schemes, in part to ensure that any person seeking employment can benefit from financial support, including those that have engaged in new forms of employment.
- 3.7 National health insurance systems in the EU provide almost universal coverage. Self-employed workers often have a legal obligation to pay a contribution to the public health insurance system and thereby attain the status of insured or beneficiary. However, some of the workers engaged in one of the new forms of employment, who do not officially declare their professional income, are at risk of not being deemed insured under the public health insurance system. The EESC calls on the Member States to take the necessary measures to ensure the coverage of people in this situation.
- 3.8 In addition to social security entitlements based on the payment of contributions by the employee and their employer, some Member States' national social protection systems also cover other rights that entitle the beneficiaries to receive benefits. These include parental leave, family allowances, child benefit and other types of benefit. Although these entitlements are non-contributory, the related benefits are granted on the basis of eligibility, which, in some Member States and in some cases, requires that the potential beneficiary has the status of employee. This de facto excludes workers engaged in new forms of work, who cannot benefit from the recognition of these entitlements.
- 3.9 The EESC believes that the EU institutions and the Member States should make efforts to find solutions as regards the recognition of worker status for people engaged in professional activities within the new world of work arising from the digital era. To this end, the EESC recommends drawing on European Court of Justice case-law, which has recognised the status of worker in the case of people who, although without a standard contract of employment, were carrying out an activity within a remunerated relationship of dependency. Recognition of the status of worker for such persons could hold the key as regards their ability to access benefits under the social security and social protection system in the same way as traditional workers.
- 3.10 The EESC has welcomed the debate launched by the European Commission on developing a European Pillar of Social Rights. It is imperative that this debate also encompass the situation of

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[OJ C 230, 14.7.2015, p. 24.](#)

workers engaged in the new forms of employment and, above all, look at how to recognise their status and ensure that they can access adequate benefits provided by social security and social protection systems.

- 3.11 The EESC recommends that the Member States set up platforms involving the social partners and civil society organisations to draw up proposals with regard to adapting the labour market to the digital era. In order to address the challenges brought about by the digital era, the EESC is of the view that the labour market needs to adapt to the new situation, and ensure both the free movement of labour and coverage for workers by social security schemes and legislation on working conditions.
- 3.12 Given the complexity of the situation pertaining to workers in the new forms of employment specific to the digital era, the EESC believes that a comprehensive solution to the problems related to the recognition of social security entitlements for these people could be found by overhauling the way in which the system is funded. The EESC therefore calls on the Member States to explore ways of funding social security systems that not only ensure the sustainability of those systems, but also meet the need to provide access to them to people engaged in the new forms of work. To ensure the sustainability of the social security systems in the future and to reduce the burden on the labour force, it should be examined whether part of the digitisation dividend could be used for this purpose.

Brussels, 6 December 2017

Georges DASSIS

The president of the European Economic and Social Committee
