

Living and Working Tomorrow (2035) Challenges for Social Security (Administrations)



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An independent study by the **Research Unit European Social Security** (Institute for Social Law, Faculty of Law and Criminology, KU Leuven) in collaboration with the **European Institute of Social Security**, commissioned by the **Sociale Verzekeringsbank**.



Executive Summary

Challenges for Social Security (Administrations)

This publication consists of three sections. The insights from contributions from young academics (Section 1) and from interviews with leading personalities in social security (Section 2) allowed to identify 11 challenges for (administrations of) social security (Section 3).

You can find a condensed version of these challenges here. For more, look at the detailed version in Section 3 – for each challenge, the corresponding page numbers are added.

We identify (the need for) evolutions towards:

1. **Increasing Mobility and Changing Work Patterns:** Addressing the challenges of a mobile workforce and remote work, social security administrations must adapt to evolving workplace boundaries, incorporate new procedures to determine competent states and consider an expanded application of coordination rules. (See p125)
2. **Increasing Flexibility in Work Arrangements:** The rise in flexible work arrangements necessitates clear definitions of work activities, the establishment of minimum thresholds to access social security, and new ways to determine essential factors like employers, work hours, and workplaces. (See p126)
3. **Adapting Social Security Financing for the Changing Income Landscape:** The financing of social security needs to take into account the evolving income landscape, with complex wage structures and diversification of income sources, which may cause a need for more collaboration with tax authorities to navigate complexities in income determination and benefit calculations. (See p128)
4. **Changing Social Risks: Navigating Evolving Needs:** Social security administrations can anticipate a renewal of the content within existing social security schemes and an increased diversity in scheme structures, largely driven by changing societal concepts of family and evolving social risks. (See p129)
5. **Harmonized Concepts for Enhanced Cross-Border Coordination:** Working towards harmonized concepts for cross-border coordination within the European

Union is crucial, which requires denationalized approaches to information sharing through an interface to translate social security concepts. (See p130)

6. **New Communication Strategies:** Social security administrations must balance digital communication with traditional human contact and address challenges posed by mass digital communication to maintain trust and credibility. In terms of activation, positive sanctioning can be considered as an incentive toward reintegrating the unemployed in the workforce. (See p132)
7. **More Transparency in Administrative Processes:** Transparency in social security administrative processes is essential, which requires justifiable and comprehensible data sharing, including robust data protection policies and clear communication about data tools, while navigating challenges posed by privacy protection regulations. (See p133)
8. **New Human Resources Strategies to Embrace the Digital Transformation:** Social security administrations must proactively assess job positions, undertake forward-looking workforce planning, and focus on upskilling employees to manage the impact of digital transformations and AI automation effectively. (See p134)
9. **A Stronger Social Europe:** Experts advocate for a more robust European Union in social security matters, with the COVID-19 crisis serving as a model for addressing challenges. As the European dimension needs to grow along with growing mobility and stronger global players, administrations must play an active role in shaping European rules. (See p135)
10. **A Structured Migration Policy for Third Countries:** There is a call for clear definitions of immigration types, adequate accommodation of immigrants, and coordination with third-country systems to avoid precarious situations, enhance social protection, and manage administrative processes effectively. (See p136)
11. **Ensuring Fundamental Protection Against Changes in Social Security Amidst Growing Complexity of Systems:** Fundamental protection against changes in social security systems requires thoughtful implementation, extended transitional periods, and effective communication to navigate change while adhering to legal principles and ensuring fairness in transitions. (See p137)

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Preface

How will we work and live in 2035? And how will this impact social security? These are some of the questions the Dutch Sociale Verzekeringsbank (SVB) has in order to prepare for potential future developments that might influence its work. It is not easy to predict how potential changes will evolve into the future. It might be even harder to map how these changes can impact social security. However, we do notice some societal developments today that will influence the course of social security systems in the near future. That is why the Research Unit European Social Security of KU Leuven's Faculty of Law and Criminology, in collaboration with the European Institute of Social Security (EISS) gladly took on SVB's challenge to provide a projection of future challenges for social security. In order to make sure our projections remained realistic and didn't turn into elusive science fiction, we decided to set a horizon that is not too far away in the future (2035).

In order to carry out this project, we have appealed to a number of experts, colleagues and collaborators, both in the Netherlands, Belgium and (far) beyond. It was extremely fascinating and enriching to discuss future developments with all these people. The interaction between younger and more senior academics during the internal reflection day at SVB (12 May 2023) served as an inspiration to fully develop the main challenges. Additionally, the interviews we have conducted over the past months with both national and European experts in the field of social security – with diverse backgrounds, coming from policy, administration, the judiciary and academia – have proven an enormous added value in reaching our final conclusions. It was encouraging to notice a practically unanimous belief in maintaining the fundamentals of social security, despite the numerous challenges that we are facing. However, many concur that social security will have to reinvent itself, and might need to recalibrate the underlying solidarity given the new types of work and ways to earn an income that are emerging. You can read more about these and other insights throughout this publication.

We are very grateful to all who have taken out the time to share their vision on future developments in social security with us. Their insights have been crucial to the project and especially this publication. A special thank you goes out to SVB, which facilitated this collaboration between experts in the field of social security from both science and public service. While the project is concerned with challenges for social security in general, there were regular hints towards the impact on the implementation, both nationally and across (European) borders. In the end, it is at the public service level that most of these challenges manifest themselves and have a direct impact. How do we get to a social security system that keeps track of and adapts to the constantly

evolving context of working and living in the 21st century? While many procedures can remain, some processes might require some recalibration. We hope to contribute to this with this publication.

This publication marks the temporary closing of an exploratory research on how the future of social security might develop. In this sense, it can also be considered as a starting point that provides direction for new lines of research. We hope to have started a further reflection on how to develop our social security systems, both in the near and further future, around us in Europe but also globally. We gladly convey the core message that many have conveyed to us over the past months: in an ever-changing world, social security will have to reinvent itself as well. At the same time, a social security system that is supported by its citizens should allow us to look towards the future with positivity.

On behalf of the research team

Paul Schoukens – Christmas 2023

Contributors

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project “System failure in the digital welfare state” (under supervision of Prof. Gijsbert Vonk, Prof. Heinrich Winter and Dr. Barbara Brink) revolves around the automated surveillance and enforcement of social security benefits, with special attention for the (mal)functioning of rule of law control mechanisms.

Luka Mišič

Luka Mišič is an Assistant Professor and Vice-Dean at the Faculty of Law at the University of Ljubljana. His main research interests are in the field of social security, free movement and patient rights. He is also Editor-in-Chief of the Ljubljana Law Review.

Introduction

What are future evolutions in the field of social security and which challenges will they generate for the social security system overall and the administration of social security in particular? This is the common thread that is followed in this publication that is developed on behalf of the Dutch Sociale Verzekeringsbank (SVB) by the Research Unit European Social Security (RUESS - KU Leuven) in close cooperation with the European Institute of Social Security (EISS).

As reference for the future the year 2035 has been set, meaning that the horizon for this forecast has been set not too far in the future. Essentially, we ask ourselves how people will live, work, earn income and migrate by then and how a further digitalization may affect the organization of social security (administrations). The reference year 2035 was chosen to prevent forecasts from being unrecognizable in our current society. This way, they still have a link with our society overall and are already starting to manifest themselves in our social security systems today.

The overall question on the future challenges for social security is addressed in two main sections, each section with its own approach. In a first section, five young academics were asked to give their vision on future developments in a short contribution (5,000 words), each approaching this from a certain angle (see below). Their vision has been brought in dialogue with a more senior academic colleague at the occasion of a reflection day organized by the SVB (12 May 2023). This section of the research is thus created by young academics addressing future developments in the field of social security. Five specific subsections have been singled out, addressing major life questions:

- **On the role of income:** “How Do People Make a Living in 2035? The Impact of Income on Social Security”, by Eleni De Becker (Free University Brussels and KU Leuven), developed in dialogue with Sonja Bekker (Utrecht University);
- **On the changing world of work:** “The Demise of Standard Work and the Importance of Labour Neutrality”, by Ane Aranguiz (Tilburg University and University of Antwerp), developed in dialogue with Elisabeth Brameshuber (University of Vienna);
- **On further digitalization:** “Navigating the Digital Horizon: Challenges and Opportunities for Social Security Systems in an Era of Data Transformation”, by Johanna Vallistu (Tallinn University of Technology), developed in dialogue with Yves Jorens (Ghent University);

- **On mobility and migration:** “Safeguarding the Social Security Position of Immigrants: Future Challenges for Policymakers and Social Security Agencies in the (Dutch) Welfare State”, by Maarten Bouwmeester (University of Groningen), developed in dialogue with Anne Pieter van der Mei (Maastricht University);
- **On changing family compositions:** “Should Singlehood Become a New Social Risk? From Families and Couples to the Individual”, by Luka Mišič (University of Ljubljana), developed in dialogue with Gijsbert Vonk (University of Groningen).

These contributions are published consecutively in the first section of this report.

In a second section, the outcome of a series of interviews is provided: leading personalities in the domain of EU law, social security law and constitutional law were interviewed for one hour on their personal views on how social security will be challenged by 2035 by future societal developments. The persons were selected across different fields of social security (i.e. policymaking, administration, academia, judiciary; some of them active on the national level, others on the EU level) from a variety of social security systems, representing the major traditional welfare families (i.e. the Nordic, Atlantic, Continental, Southern and Eastern types of welfare policy regimes).

In the period April – August 2023, the following persons were interviewed:

Name	Organization	Position	Country
Ulrich Becker	Max Planck Institute for Social Law and Social Policy	Director	Germany
Edmund Hair Andreas Heraclides	National Insurance Policy, International and Student Finance	Deputy Director Senior Policy Advisor	United Kingdom
Carsten Herstel	Ministry of Social Affairs and Employment	Director General for Social Security and Integration	The Netherlands
Klaus Kapuy	Pension Insurance Institute	Director Law and Science Division	Austria
Jon Kvist	Roskilde University	Professor	Denmark
Koen Lenaerts	Court of Justice of the European Union	President	EU
Lauri Leppik	Tallinn University	Professor	Estonia
Franz Marhold	Vienna University of Economics and Business European Institute of Social Security	Professor President	Austria

Ana Carla Pereira	Cabinet of Nicolas Schmit, European Commissioner for Jobs and Social Rights	Cabinet Expert	EU
Daniel Pérez del Prado	University Carlos III de Madrid	Professor	Spain
Danny Pieters	KU Leuven Constitutional Court of Belgium	Professor Judge	Belgium
Essi Rentola	Ministry of Social Affairs and Health	Director of Coordination Unit	Finland
Diana Starmans	Sociale Verzekeringsbank	Member of the Board of Directors	The Netherlands
Francisco Borja Suárez Corujo	Ministry of Inclusion, Social Security and Migration	Secretary of State for Social Security and Pensions	Spain
Marleen van Dalen-van Bekkom	Centrale Raad van Beroep	Senior Justice	The Netherlands
Ilka Wölfle Volker Schmitt	German Social Insurance European Representation	Director Policy Advisor	Germany
Valdis Zagorskis Laurent Aujean	EU Commission, DG EMPL, Social Protection Unit	Deputy Head of Unit Policy Officer	EU

The interviews were structured according to a pre-established pattern addressing some predefined items (see below under Section 2). The structure was delivered to the interviewed person before the interview to allow for preparation. During the interview, an open approach was applied, asking the persons their personal view on future developments. In their reply, the interviewed person could follow the pre-established structure, yet this was not mandatory. In this way the interviews were semi-open structured. The main findings of these interviews are reported in Section 2 of the report. The pre-established structure is used in the report. By doing so the outcomes of the interviews are presented with a coherent structure (based upon the pre-established set of topics).

The final section of the report presents overarching conclusions (integrating sections 1 and 2). A selection of eleven challenges was made, as they cross-refer to both sections and come to the foreground in current literature mapping societal evolutions that may affect (the administrations of) social security. These evolutions have been singled out as they are of particular relevance for the administration of social security, either by affecting it directly or due to a possible indirect effect. With this selection, an attempt is made to set the scenery of upcoming challenges for social security institutions administering social security.

Section 1

How Will People Live and Work by 2035?
A Vision from Young Academics

**Eleni De Becker
Ane Aranguiz
Johanna Vallistu
Maarten Bouwmeester
Luka Mišič**

1.

How Do People Make a Living in 2035? The Impact of Income on Social Security

Eleni De Becker

Introduction

Social security schemes are based on the principles of solidarity, social justice and the right to human dignity. Such schemes try to provide coverage in the occurrence of a social risk, namely when an individual faces a loss of income, e.g. in case of sickness or unemployment, or when individuals are confronted with high costs, e.g. in case of sickness (Pieters 2006, 2-3). Via the protection offered, social security schemes try to ensure that individuals can maintain a decent standard of living.

Income plays an important role in social security schemes. Some countries start(ed) from the employment relationship to grant social security protection. In those countries, social security contributions are levied on the income out of labour and social security benefits are calculated on the basis of the previously earned income (e.g. Bismarckian countries). Even in countries with a more universal approach on the basis of citizenship (e.g. Beveridgean or Scandinavian countries), income out of labour plays an important role for financing social security schemes and the protection granted for certain social risks. The challenges posed by globalization, digitalization, a changing world of work, and ageing populations put pressure on the income earned out of labour and pose a threat to the sustainability and effectiveness of national social security schemes. They also make the task of national administrators more difficult, as more and more often income is earned via diverse routes and in different countries. This contribution examines what role income out of labour can or should (still) play in social security schemes in face of these challenges.

This contribution first outlines how social security schemes are currently financed. In a second part, some of the challenges social security systems will have to deal with in the coming years are discussed. In the following sections, the contribution proposes three pathways to recalibrate social security schemes in light of the challenges ahead, building on already existent proposals in literature. A first proposal is to broaden the finance mix, where new income sources to finance social security schemes are sought to make these schemes more financially sustainable in the long term. In this proposal, pathways for new financing sources are explored, but without proposing changes to the benefit-side of social security schemes. Secondly, this contribution recommends

applying a more universal logic in the protection granted in social security schemes, which can be financed by applying a broader income mix. Lastly, the contribution proposes to develop an EU instrument to reach more convergence on how social security schemes are financed to create a more level playing field among EU Member States. This should reduce social dumping and social exclusion.

Why is income relevant from a social security perspective?

Income plays an essential role in social security systems, both in terms of financing social security systems and in terms of social security benefits, in particular for income-replacement benefits (e.g. when the amount is expressed as a percentage of the former wage or when higher benefits are granted to persons/households with a lower income).

Different approaches can be discerned when looking more closely at the different social risks and the method of financing (see e.g. Spasova and Ward 2019, 13-15). In most EU Member States, unemployment and incapacity for work benefits are closely tied to one's (previous) professional activity. Those benefits are primarily financed via social security contributions. For those social risks, income from work (as an employee or in some countries as a self-employed person) remains relevant to calculate social security contributions and the amount of the social security benefit. Old-age benefits are also mainly financed by social security contributions; this is the case for nearly all types of social security systems, even those mainly funded by taxes. A link between the contributions paid and old-age benefits is not always made. A certain tendency towards universalization can be discerned for health care benefits. However, traditionally a distinction can be made between national health services (with a broad personal scope) and insurance-based systems (with a focus on professional status). Family benefits are predominantly funded by taxes in EU Member States, and a tendency towards universalization can be found here as well. Social assistance schemes are financed wholly from general taxation.

Given these different approaches, a dichotomy between income replacement benefits on the one hand and social assistance benefits and schemes of a more universal nature, such as family benefits and health care, on the other, can be discerned. Social security contributions are the main source to finance income-replacement social security schemes in almost all EU Member States (Van de Meerendonk 2021, 137). However, even in those schemes general resources are used to cover deficits, which in some countries account for a significant share of the total budget (Schoukens 2021, 274). The importance of social security contributions has decreased over the years, and consequently the importance of general government resources has increased (Spasova and Ward 2019, 12). For the general government resources, we can distinguish between direct taxes (e.g. personal income tax) and indirect taxes (e.g. VAT), although

the latter only play a minor role in the financing mix of social security schemes in the EU Member States (Spasova and Ward 2019, 44-45).

Future challenges for EU social security schemes

EU social security schemes are confronted with a series of challenges in the coming decades. Ageing populations and a changing world of work are not new trends emerging out of the blue. At this point, the standard employment relationship (i.e. a worker with a full-time employment contract of indefinite duration) remains the most common work form in EU Member States. Nevertheless, non-standard work forms have become increasingly prevalent, e.g. part-time work, temporary employment and self-employment. These non-standard work forms are not only becoming more common (ILO 2015), they have also become more diverse, often occupying a grey zone between employment and self-employment (Goldin 2006). Although not all non-standard workers are more prone to in-work poverty (see also Peña-Casas, Ghailani, Spasova, and Vanhercke 2019, 4; Ratti, Garcia-Muñoz, and Vergnat 2022, 3-7), this could potentially lead to a higher amount of workers and/or self-employed persons who can be considered working poor, and/or who find themselves outside or at the underclass of society.

Looking at the available figures on non-standard work, around 13-14% of the workforce in the EU is self-employed (percentage for quarter 3 of 2021: 13.2%, Eurostat 2022; for a discussion see also Spasova and Wilkens 2018). An important trend is the changed composition of the group of self-employed persons in the EU, with an increase in solo self-employment. Other non-standard work forms have also been on the rise in the last decades (see also for a discussion at EU level: Spasova et al. 2017). Part-time work accounts for 17% of the workforce in the EU (year 2021, Eurostat 2022), with higher numbers in several EU Member States (as an outlier the Netherlands: 36.1%). Globally women are over-represented in part-time work. Over the past decades, part-time work has not only grown in importance, but has diversified in its forms to include 'very short hours' (fewer than 15 hours per week) or arrangements with no established minimum hours at all, such as on-call work, including 'zero-hours' contracts (ILO 2016). Temporary workers constitute around 11.2% of the EU labour market (year 2021, Eurostat 2022), with again important differences between EU countries. High numbers can be found in e.g. Spain (25.1%) and the Netherlands (27.4%) (OECD 2023). A new evolution in non-standard work is the increasing importance of platform work as an aspect of labour flexibility. Platform workers face several of the problems that other non-standard workers such as part-time workers or temporary workers face, but those challenges are even more pronounced (De Becker 2023).

The cited numbers show a more complex web of labour market relations, which is further amplified by new digital evolutions and work patterns leading to less stable careers.¹ Another interrelated question is the role of non-paid care, e.g. for children or other family members, in social security schemes and the extent to which this is taken into account for social security coverage. With an ageing population, there might also be an increase in the additional care tasks mainly women take up. The increased complexity of labour markets and future demographic trends, raises several questions: when is an activity a professional activity, and what kind of work forms receive social security coverage, e.g. in case of old age, unemployment or incapacity for work (Schoukens and Barrio 2017, 327)? If a larger number of employees or self-employed persons work only a limited number of hours a week, do not work during certain periods (e.g. when an employee or a self-employed person is in-between jobs) or combine different jobs by moving between different social security schemes, this will have a negative impact on the social security benefits received by these employees and/or self-employed persons. For example, non-standard workers will receive low benefits in case of limited hours of work as the amount of (an income-replacement) benefit is expressed as a percentage of the former wage, or they will not fulfil the required waiting period to qualify for benefits, while certain marginal work forms are entirely excluded from social security coverage (see for a similar reasoning Spasova and Ward 2019, 15; De Becker 2023). It will also create additional difficulties for national administrations to follow up on the dispersed activities.

The impact that a further digitalization, and especially the evolution of AI, might have on labour and the work performed, is difficult to predict. One could expect that such new trends might further and even more profoundly change the labour market in EU Member States and could also decrease the hours of work performed by employees or self-employed persons (see also Viia et al. 2016, 1; Busemeyer, Kemmerling, Marx, and Van Kersbergen 2022, 1)². Such changes to labour markets will require new answers from social security schemes to grant adequate protection against the financial consequences of under- and unemployment (Busemeyer, Kemmerling, Marx, and Van Kersbergen 2022, 13). As a result, the existing schemes in place will have to reflect on what kind of protection can and should be offered, in combination with training activities. The development of such tailored programmes adapted to the needs of different kinds of workers will constitute an important burden on such schemes.

1 Despite the increased digitalization and the impact it might have on future jobs, several authors state that jobs as such will not disappear completely in the coming decades. However, as jobs might fundamentally change, the necessary attention should also go to training. Moreover, even when jobs partially disappear, such a trend will have a significant impact on EU Member States' social security schemes (see e.g. Petropoulos, Marcus, Moës, and Bergamini 2019, 151-152; Busemeyer, Kemmerling, Marx, and Van Kersbergen 2022, 5).

2 An element not addressed in this contribution, but rather in the contribution of Bouwmeester, will be the challenges imposed on EU Member States through migration and influxes from non-EU citizens and the build-up of social security rights (see also Viia et al. 2016, 1 and 2).

Not only do those new labour market trends have an impact on the overall protection one may (not) receive from social security schemes, they may also have a negative impact on the financial equilibrium of the social security system financed via social security contributions calculated based on the work performed. Overall, employment rates are (still) high in EU countries. Despite high employment, the share of national income going to labour appears to be falling around the world, including in the EU (Petropoulos, Marcus, Moës, and Bergamini 2019, 21).³ When non-standard work forms would increase even more, in combination with workers and self-employed persons working less hours, the necessary attention should also go towards maintaining social security schemes financially sound, with a broad financing basis.

In addition to the increased volatility of the labour market, it is also not always clear how people make a living: if individuals derive income from increasingly diverse (marginal or not) forms of work, but also to a greater extent from other forms such as real estate, stocks, etc., the question arises as to how this new trend should be incorporated into national social security systems (Schoukens and Barrio 2017, 328). Moreover, recent studies also show the high concentration of capital with a small share of the population in a given country, which has increased over the years (see for example Piketty 2014, and for the Netherlands Toussaint, De Vicq, Moatsos, and Van Der Valk 2022). It is interesting to note that, despite the rising share of capital income, capital income revenues have remained constant over the last forty years. Petropoulos, Marcus, Moës, and Bergamini (2019, 21) point out that average and marginal tax rates on capital income have even fallen quite significantly.

Possible pathways – a broader financing mix?

One of the proposals put forward in this contribution is the need to review the revenue mix used to finance national social security systems. This is not an entirely new idea: it has been (re)introduced and discussed on several occasions in EU Member States, the EU and at international level (e.g. OECD and ILO). A review of the income mix seems much-needed due to a possible erosion of the contribution base for social security due to non-standard forms of work and the increasing diversity of ways in which people earn an income, as well as an ageing population, the automation of work, etc. (e.g. Behrendt and Nguyen 2018, 29; O'Reilly 2018, 33). However, agreeing on how this can be achieved is more difficult. Some proposals, put forward in literature, are discussed in more detail below.

³ According to the authors, there is a consensus that labour's share of national income is declining. Labour's income share in the EU-15 is now almost 5 percentage points lower than in 1960.

Extending the reach of social protection to new forms of work

Often, social security systems exclude certain groups from social security coverage for one or more social risks, e.g. the exclusion of self-employed persons and/or marginal forms of employment in some EU Member States.⁴ Similarly, countries often have more favourable schemes for certain social risks and/or certain professions (such as farmers, liberal professions, etc.). Rethinking these (partial) exclusions and/or more advantageous schemes can lead to more social security contributions being available. However, extending social protection to new forms of work would likely require additional revenues, as social security benefits will also be due (see also O'Reilly 2018, 33).

Reviewing the progressivity of the current social security framework

Another pathway to increase revenue for social security would be to review the progressivity⁵ of the current social security framework. Some have argued that tax and social security systems in EU Member States are insufficiently progressive (see Spasova and Ward 2019, 15; High-Level Group 2023, 72). Revising the limits for social security contributions could be an (easier) possible course of action. However, if the aim would be that persons with a higher income contribute more to social security schemes, other steps have to be taken as well. Other income sources, such as capital, play a more important role for higher incomes.

Higher social security contributions for certain types of work

Another suggestion could be to make certain forms of non-standard work, which place a greater burden on the social security system, subject to more stringent rules. Spasova and Ward (2019, 124) refer to the example of Portugal (2018), where employers whose annual use of temporary contracts is higher than the average for their sector had to pay an additional social security contribution. However, such proposals could entail administrative difficulties and a possible discrimination between certain sectors. Moreover, such a rule is of a behavioural nature, and will likely lead to less use of such contracts. It is therefore a rather unstable source of income for social security. More in general, social security schemes should reflect if a contribution should not be asked from consumers or users, e.g. in delivery services, that can be used to finance social security schemes.

4 See also Recommendation on access to social protection for workers and the self-employed (hereafter: the 2019 Recommendation), where Article 12 states that contributions to social protection are proportionate to the contributory capacity of workers and the self-employed. Moreover, in light of national circumstances and where appropriate, Member States are recommended to ensure that any exemptions or reductions in social contributions provided for by national legislation, including those for low-income groups, apply to all types of employment relationship and labour market status. In the impact assessment preceding the adoption of the 2019 Recommendation a wider tax base of income-replacement social security schemes was also explicitly mentioned as a specific aim of the 2019 Recommendation (European Commission Staff Working Document. C(2017) 7773 final, SWD(2017) 281 final, 66).

5 See also Art. 11 (1) ILO Recommendation no. 202: "Members should consider using a variety of different methods to mobilize the necessary resources to ensure financial, fiscal and economic sustainability of national social protection floors, taking into account the contributory capacities of different population groups. Such methods may include, individually or in combination, effective enforcement of tax and contribution obligations, reprioritizing expenditure, or a broader and **sufficiently progressive revenue base**" (emphasis added).

Broadening the financing mix to other income sources

Broadening the financing mix for social security could mean using other (non-labour related) income sources to finance national social security systems. The increased importance of capital in the economy is one reason to broaden the income base (see Spiritus 2019, 215; Van Lancker 2022, 117). As financial resources already available can be reinvested, this could potentially lead to even more wealth. Moreover, as mentioned above, capital is unequally distributed (see also Spiritus 2019 and the references cited). In most countries, capital (e.g. residential property, dividends, bank deposits, etc.) is taxed to a lesser extent and not subject to social security contributions. Overall, there seems to be a lack of a clear and coherent framework.

The increasing importance of capital at the expense of labour in national income means that those who earn their income mainly from capital contribute little or nothing to social protection (Van Lancker 2022, 117). As the importance of capital increases, it will become increasingly difficult to finance national social security systems through taxes and social security contributions that focus heavily (or only) on income from labour (Spasova and Ward 2019, 123). In addition, increasing digitalization and automation of work may mean that capital becomes an even more important source of income for certain groups in society. According to Spiritus (2019, 225), an important side-effect of lower taxes or social security contributions on capital, is also a lower labour market participation, for example among older workers who have already built up a certain capital throughout their professional career.

Although there is some agreement on the need to include capital in the financing mix of social security, how to do so is a more difficult puzzle to solve.

Some proposals have been made to increase taxation on consumption goods (e.g. tobacco, carbon emissions, etc.) (see also Behrendt and Nguyen 2018, 29). However, consumption taxes seem less suitable as a means of differentiating the financing mix of social security. Low-income earners (but also pensioners) consume a larger share of their income and pay proportionally higher taxes in relation to their income. Moreover, consumption taxes are not very stable and sometimes include a behavioural element, where the intention is to reduce the consumption of certain services or goods (e.g. alcohol) (Van Lancker 2022, 118). Suggestions have also been made to introduce taxes on robots, machinery and other technologies, although the implementation of such measures seems less feasible (Behrendt and Nguyen 2018, 30).

Other proposals are to tax the (fictitious or actual) income from capital (see Spiritus 2019 and the proposal in Spiritus and Broadway 2017 based on Mirrlees' proposal; see also Van Lancker 2022, 118; Spasova and Ward 2019, 123), with some also proposing

that these additional tax income sources should be explicitly earmarked for social security (see the discussion in Spasova and Ward 2019, 123).⁶ In practice, however, such a proposal could be difficult to implement, e.g. for administrative reasons as countries would need to keep a register of the different sources of capital, or due to a lack of political will or the fear for income instability. For this reason, Van Lancker (2022, 118-119) pointed out that income from real estate could be a first step, as real estate assets are less volatile and lead to fewer behavioural effects. Similar to other forms of capital, income from real estate is hardly taken into account from a tax and/or social security perspective (see also Spasova and Ward 2019, 123; Leodolter et al. 2022, 1; High-Level Group 2023, 74). Moreover, the highest incomes are associated with the ownership of property other than one's own home (see also High-Level Group 2023, 74).

Others have stressed the need for an equitable distribution, with both non-work income and other forms of income being taken into account equally in the financing mix; if this were not the case, there would be a shift towards sources of income subject to lower taxes and social security contributions (Spiritus 2019, 230).

Possible pathways – towards more universalization

A recurring idea in discussions on how to address the challenges of digitalization and non-standard work is the universalization of national social security systems. Although various authors have argued for the introduction of a basic income (see e.g. Van Parijs and Vanderborght 2017), this is generally not considered appropriate (see the discussion in Behrendt and Nguyen 2018, 29), as it would imply the complete abolition of national social security systems or a profound change in them (see also the discussion in Stevens and Werbrouck 2019). It seems more feasible in the short term to universalize the personal coverage of certain social risks. Such an exercise can also give impetus to the broader debate on taking into account the role of part-time work and non-paid care activities, mainly performed by women, in social security schemes.

In many countries, certain social risks have already been extended to all employees and self-employed persons or to all citizens, e.g. health care, long-term care or family benefits. In several EU Member States, pension systems are also based on citizenship rather than employment. Even in Bismarckian pension systems there is a tendency towards harmonization, at least for the minimum protection provided (e.g. Belgium) or providing certain top-ups or basic pensions (Spasova and Ward 2019, 118).

⁶ However, when taxing the (real) revenues out of capital, Spiritus (2019, 229) also stresses the need to take into account the possible market disruptive effects this may have (see also Van Lancker 2022, 118-119).

A broader financing mix as discussed higher can be used to provide a more universal social security coverage (e.g. for all citizens or all workers). This will also be necessary to avoid that only (certain types of) workers bear the financial burden, while a larger group receives social security coverage.

A more universal social security scheme would also allow individuals to switch (regularly) between different schemes or to combine different schemes at the same time without losing social security rights. It can lead to a simplification at the level of national administrations, who have to switch less between the different labour statuses and social protection schemes. In the case of short-term income replacement benefits, initiatives can be found in EU Member States to extend protection to all employees and the self-employed, e.g. for unemployment and sickness. However, with increasing digitalization and automation, it will be more difficult to ensure a decent standard of living in the event of under- or unemployment for (certain groups of) employees and/or self-employed persons. In a situation where there is no longer sufficient work available, the question arises as to whether social security systems should provide support. Special care needs to be taken when designing such measures, as they could lead to an inactivity trap.

Possible pathways – an EU instrument to finance social security schemes?

The final suggestion in this contribution is addressed to the EU legislator. Although little has been done to harmonize the financing of national social security systems at EU level, the EU has an important indirect impact on national social security schemes, via the coordination of economic and labour market policies and via EU funding (see also the discussion in De Becker (forthcoming)). Via the European Semester and the Europe 2020 strategy, the EU has issued several Country Specific Recommendations (hereafter: CSRs) touching on several aspects of EU Member States' social security schemes. In the current framework of the EU Semester, the financing of national social security systems is rather seen as a cost, with a potentially negative impact on national budgets, or as a barrier to labour market participation for low-wage earners (EU Member States for instance have been asked to take measures to ensure that the system does not price low-skilled workers out of the labour market)⁷. In some CSRs, EU Member States were also asked to reduce the financing costs of labour in a budget-neutral manner, implying the search for additional or new sources of financing. In other words, there is a call for a tax shift from labour to other sources of income (Schoukens 2016), in line with what has been proposed higher. Recent CSRs put much emphasis on finding new sources of taxation, with a strong focus on eco-fiscal

7 See e.g. CSR 2022, Austria, recital 23; see as well CSR 2022, Belgium, recital 21 stressing the high burden on labour, the high number of exemptions, deductions and reduced rates and low taxes on certain assets (e.g. rents from immovable properties); CSR 2022, Germany, recital 23; CSR 2022, Italy; CSR 2022, Finland, recital 20; and CSR 2022, Sweden, recital 20.

measures as part of the EU Green Deal.⁸ These EU examples show that the close link between social security benefits and social security contributions, traditionally found in the social security systems of EU Member States, seems to be less present at EU level at the moment (see also Schoukens 2021, 269).

In recent years, the EU was heavily criticized for the lack of attention for social considerations and social rights in the EU Semester (Garben 2018, 212-215). To counter this criticism, the European Commission launched the European Pillar of Social Rights in April 2017⁹. This is a non-binding instrument summing up a list of EU principles. Principle 12 contains the right to adequate social protection, which has been further developed by the Recommendation on access to social protection (hereafter: 2019 Recommendation). Interesting for this contribution is that the 2019 Recommendation stresses the need for financially sustainable and balanced social security schemes (recital 37). Moreover, principles like solidarity, equivalence, proportionality and transparency are explicitly taken up in the provisions on adequacy in the 2019 Recommendation. However, more detailed information about how social security schemes should be financed, is not available.¹⁰

The lack of a clear EU view on how national social security systems should be financed can be explained by the fact that EU Member States have traditionally been considered to be in the driver's seat when it comes to developing their social security systems. Moreover, Article 153(4) TFEU explicitly states that EU initiatives should not affect the fundamental principles of a Member State's social security system and must not significantly affect the financial equilibrium thereof. Schoukens and Pieters (2020) have urged the EU to develop an EU instrument to harmonize the way in which national social security systems are financed. They suggested working with a fork, i.e. a range within which EU Member States should organize the financing of their national social security schemes. According to the authors, this proposed EU harmonization instrument is limited to what is strictly necessary and still leaves ample room for states to organize their social security systems (taking into account Article 153 (4) TFEU).

Developing common rules or principles, via an EU legal instrument or as part of the 2019 Recommendation, could ensure fairer competition between EU Member States and reduce social dumping. If income earned out of (multiple) activities also

8 See e.g. CSRs 2022, Austria, Belgium, Germany and Italy.

9 See also State of the Union for the European Parliament of 2015 on the need to develop a European Pillar of Social Rights to strengthen the EU social dimension: J-C Juncker, 'State of the Union 2015: Time for honesty, unity and solidarity', 9 September 2015, available at: <https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_15_5614>. The EPSR became an Interinstitutional Proclamation signed by the European Commission, the European Parliament and the Council in November 2017.

10 See also on financing social security schemes for the self-employed: Art. 14; see as well for more in general on contributions to social security schemes: Arts 12 and 13 2019 Recommendation.

becomes more dispersed among EU Member States, some common agreements also seem much-needed. Whilst a political compromise on an EU legal instrument might be difficult to reach, a non-binding instrument establishing some common principles EU Member States should adhere to when financing their social security schemes can be embedded, together with the 2019 Recommendation, in the European Semester. That way, steps can be taken to reach more convergence between EU Member States, which can be accompanied by support (if needed). Such support can be embedded in existent EU initiatives, such as the Recovery and Resilience Facility, where EU Member States also received support to make their economies and societies more sustainable, resilient and prepared for the green and digital transitions, in line with the EU's priorities or the EU Social Fund Plus (see also the discussion in De Becker (forthcoming)).

Concluding remarks

The aim of this contribution was to address the future role of income in social security schemes. Social security schemes are built upon the principles of solidarity, social justice, and the preservation of human dignity, aiming to provide a safety net for individuals facing income loss or the occurrence of high costs due to various social risks. Income from labour has traditionally been a central factor in both financing and determining social security benefits, but this focus on labour creates important challenges for social security schemes in the coming decades. The growth of non-standard work forms has blurred the traditional distinction between employees and self-employed persons. Moreover, other forms of income play a more important role in the income mix of households. The change in how income is earned will become more outspoken in the coming years, due to digitalization and automation. Another question that social security schemes will have to tackle in the coming years is the role of part-time work, where women are overrepresented. However, such part-time work is often combined with (non-paid) care tasks, such as the upbringing of children or the care for elderly or sick family members. Although not of an economic nature in the strict sense (i.e. work performed for a remuneration), such work is nevertheless an important factor in realising economic growth. The changes outlined in this contribution pose important challenges for the financing of social security schemes. Other problems arise as well for national social security administrations. To give some examples, it will become increasingly difficult to differentiate social protection coverage between different labour statuses, when people take up different labour statuses at the same time or throughout time and/or in different countries. It might also be more difficult to apply means tests, used for certain social benefits, when income is earned via labour, capital, etc. in one or more countries.

This contribution made several suggestions to recalibrate the role income plays in social security schemes, namely 1) a broader financing mix in social security schemes, involving new income sources, 2) a more universal approach in providing social security coverage, and 3) steps at the EU level to agree upon common rules or principles to finance national social security schemes, aimed at promoting fair competition and reducing social dumping among EU Member States. In light of these proposals, it is essential to recognize the complex nature of the challenges ahead. Balancing the financing mix, ensuring a more equitable contribution to social security schemes, and accommodating diverse income sources are intricate tasks that require careful consideration. Universalization needs to be implemented thoughtfully as well, taking into account the differences between labour forms and their specific needs. Both suggestions require a fundamental rethinking on what solidarity entails in social security schemes, and how such solidarity should be given shape. A (binding or non-binding) EU instrument will be difficult to design and to agree upon within EU Member States, taking into account the principle of subsidiarity. A more feasible approach can be to agree on common principles, as part of the 2019 Recommendation and/or the European Semester, to reach some convergence on how EU Member States' social security schemes are financed to reduce social dumping and social exclusion.

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2.

The Demise of Standard Work and the Importance of Labour Neutrality

Ane Aranguiz

Introduction

The Universal Declaration of Human Rights (UDHR) establishes that *everyone*—not only traditional workers— should enjoy the right to "just and favourable working conditions", "protection against unemployment", "the right to equal pay for equal work", "the right to just and favourable [worthy of human dignity] remuneration" and "the right to form and join trade unions to protect [their] interests" (Art. 23 UDHR). Also *everyone* has the right to a "standard of living adequate for the health and well-being of himself and his family, including [...] necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control" (Art. 25 UDHR). In fact, the word 'worker' or 'employee' is not mentioned a single time in the UDHR. Instead, where necessary, the UDHR refers to 'everyone who works'. Similar references can be found in most human rights instruments.¹¹ This makes sense. These instruments are human rights instruments and as such, they adhere to the principle of universality, which is the cornerstone of international human rights law. Human rights are rights we have simply because we exist as human beings. These rights are inherent to everyone regardless of nationality, sex, origin, colour or any other status.

Yet, in most countries and social law instruments—referring here to instruments covering both labour law and social security—, these rights are reserved primarily to 'workers', with the marked counterpart of 'employers' on the other side of the bargaining table. This duality is very common, for example, in the instruments of the International Labour Organization. Most labour law and social security systems (with notorious exemptions, such as residence-based benefits) are designed around the idea of protecting the 'vulnerable' party in this relationship, which was traditionally limited to workers. Nowadays, these systems leave behind, or do not protect sufficiently, an important part of the workforce, with arguably the clearest example being the solo self-employed. It is estimated that 38% of the self-employed in the EU fail to qualify for sickness benefits and that 46% of women are not entitled to maternity protection.

11 Arts 7-9 of the International Covenant of Economic Social and Cultural Rights (1966) with the exception of the first indent which refers to workers; Arts 4 and 11 of the European Convention on Human Rights (1950); Arts 12 and 34 of the Charter of Fundamental Rights of the European Union (note that most rights under the solidarity chapter do refer to 'worker').

For comparison, though also problematic, the same situation is expected to ‘only’ affect around 10-13% of part-time and temporary workers, who are the second most vulnerable (Matsaganis 2022). This calls for a reform of labour and social security systems that can cover, at least to some extent, this part of the workforce.

Responses to this challenge generally create new schemes, or an exception in the ‘general rules’ to grant part of the workforce access to what should be universal rights. Not only is this approach vulnerable to gaps, obstacles in effective access and a delayed response to needs of individuals, but, moreover, they only offer ‘band-aid solutions’. These policy responses are neglecting the root of the problem and tackling the symptoms alone. The reality is that over 40% of the workforce in the EU is currently engaged in non-standard forms of employment (including atypical workers and self-employment, Eurostat 2022) and thus, solutions that maintain the traditional worker as the centre of their design are likely to be ill-suited for the future of the labour market, especially as atypical work becomes more typical. In this vein, work relations will continue to change in the upcoming years, likely becoming more flexible and with an increase of atypical work and work-status combinations. Thus, it is high time to consider the need for and design of more labour neutral approaches to social law. This is precisely the goal of this contribution.

In this contribution, I will first explore the rationale behind limiting certain rights only to workers with the aim of going back to square one of social law protection. In this part, I provide various examples explaining why this operationalization of the protective rationale is failing. I then move on to elaborating on the concept of labour neutrality as a potentially essential feature of resilient welfare states on the basis of a literature review. The next section further elaborates the kind of rights that could be approached from a labour neutrality perspective and for which risks we should consider labour specificity. The goal is to use these remarks as a theoretical starting point for future discussions. The last section concludes by referring to a number of open questions.

Labour categorization and why it is not future-proof

The point of departure of labour law has been to act as a countervailing force to protect individuals from inequality of bargaining power, which is inherent to the employment relationship (Otto Kahn-Freund as studied by Davies and Freedland 1983). Similarly, social security aims at protecting individuals from risks that jeopardize their income acquisition capacity that is often linked to the performance of labour. Traditionally, social law (understood for the purpose of this contribution as labour and social security law) could be defined as the body of rules regulating the rights and duties in labour relations which mediate between individuals, their representatives, employers

and public authorities. Because of its fundamental objective to compensate for the bargaining inequality, much of the edifice of social law has been built around people performing or accepting labour under the direction of someone. Characterized by this state of dependence vis-à-vis the employer, historically, the ones at the weak bargaining end have been workers who are subordinated to their control. Even though some argue that the roots of labour law, following the notion *locatio conductio operis*, did not make a difference on the status of ‘worker’ (Perulli 2022), the status of ‘worker’ is currently the usual entry ticket to the bulk of the social law paradise. Today, this limitation falls short in various fronts. In what follows, I provide some examples.

First, although most jurisdictions have explicitly confirmed that it is the existence of the employment performance under subordination and not the contract in itself that entitles individuals to social law rights and entitlements, the type of contract and the nominal classifications still constitute important obstacles. References to ‘bogus self-employment’ are far from rare in current literature and jurisprudence. Misclassification of labour has led judges and legislators alike to clarify and redefine the blurred lines between workers and the self-employed. At the EU level, for example, the preambles of various instruments of the new generation of social law emphasize that, provided that the basic criteria—known as the *Lawrie-Blum* criteria (Risak and Dullinger 2018)—determining the status of ‘worker’ are fulfilled, a list of non-standard types of work should be covered by the respective directive’s scope. For example, recitals 5 and 8 of the Directive on Transparent and Predictable Working Conditions establish that although Member States enjoy the freedom to define who is a ‘worker’, this definition needs to be in consideration with the broad definition we find in the case law of the Court of Justice of the European Union (CJEU). Recital 8 then lists non-standard forms of labour where those who perform the labour should qualify as workers if the criteria are fulfilled, and it emphasizes that only the genuine self-employed are excluded. It highlights here that “the determination of the existence of an employment relationship should be guided by the facts relating to the actual performance of the work and not by the parties’ description of the relationship”.

This and other new instruments clarify that bogus self-employment should be included in the personal scope. These types of clarifications signal that the dichotomy between traditional workers and the self-employed is failing to protect some, who, while fulfilling the conditions characteristic of an employment relationship, are classified as self-employed in order to avoid certain legal or fiscal obligations. Other instruments, like the proposal on platform workers, aim in particular at installing a presumption of employment when a list of control criteria is fulfilled (European Commission 2022a). These control criteria are linked to the fundamental component of dependency.

These solutions, at best, will assist individuals *ex post*, once the misclassification has occurred. They grant individuals, and under certain circumstances their representatives, the right to challenge their status on the basis of actual performance and protect these workers against adverse treatment in such cases. Challenging this misclassification, however, is likely to bring its own administrative, economic and mental burdens. It assumes, moreover, that there will either be inspections (far more unlikely in the context of the digital economy) or that these workers have precise knowledge of their rights and possibility to challenge their status.

Secondly, a different problem is faced by individuals who, while not subordinated to somebody else in the classic sense of the employment relationship (i.e. they have partial control over their working schedule and material organization), find themselves in a situation of economic dependency *vis-à-vis* a principal client. In this vein, even though they fall in the weak bargaining end of the (economic) relationship, these individuals do not necessarily respond to traditional ideas of subordination. As a consequence, they may have very little say over their working conditions and other entitlements and be vulnerable to exploitation. The CJEU (in *FNV*, C-413/13) indirectly referred to this part of the workforce as being “in a comparable situation” to workers. In an attempt to clarify this idea for the purpose of breaches of competition law, the Commission then created three categories of solo self-employed who can reach collective agreements without breaching Article 101 TFEU. Among these, we find people working in digital platforms, working side-to-side to workers and people who are economically dependent (50% of their earnings come from one employer). This is another acknowledgment that certain rights are unnecessarily restricted to workers (Commission 2022b).

Thirdly, another issue is that labour categorization is not designed around the status of just any worker, but of a ‘traditional worker’. Atypical workers retain access to social protection under the condition that they are classified as workers, but they often do not benefit from the entire bulk of opportunities. Workers’ rights are often tied to one, direct and relatively constant employer on the basis of a full-time job performed at the employer’s premises. The moment that this pattern is broken, the effectiveness of social law protection is more limited. Let’s look at a few examples: minimum wages are far less effective for part-time workers because their *pro rata* is likely to be well below the poverty line; the bulk of dismissal protection does not apply to fixed-term workers; and working hours for people who telework are less likely to be effectively implemented because of the blurred lines between work and private life. Likewise, some atypical workers may face problems satisfying the criteria to enjoy certain rights. For example, some countries require a qualifying period to be able to request certain

benefits. This requirement might be more difficult to satisfy for fixed-term and part-time workers.

With outsourcing, subsidiaries and intermediary agencies or platforms, it is also difficult to establish the lines of employer responsibility. For instance, to date, 15 years after the adoption of the temporary agency work directive, it is unclear—with the exception of health and safety obligations—how the employer's obligations are divided between the temporary agency and the user undertaking. Moreover, this directive (along with the other two atypical work directives) excludes social security from its protective scope.

Labour specific systems also impose additional burdens for people with multiple income sources, such as those combining one or more jobs (Jerg et al. 2021). These obstacles include difficulties in the calculation of rights (concerning a.o. working hours, unemployment, pensions, leaves) and contributions, as well as obstacles in accumulation, especially when different statuses are combined (self-employed and worker). In this vein, it seems that while flexibility for employers is easily granted, the bargaining chip of employment security (as opposed to job security) faces important barriers. All of this comes not only at the expense of the protection of the working population, but imposes important constraints on the contribution building capacity of the state, thus debilitating its resilience.

Labour dichotomy in the current market is creating a need to build different safety nets for people with similar needs. Labour neutrality, instead, could serve to have one common safety net at least for some fundamental rights. The next section elaborates on this idea and how it has been approached in the literature.

Brief account of labour neutrality in the literature

Labour neutrality is not a new concept and it has, on limited occasions, been approached or touched upon in the literature. Most commonly, this has been the case in literature on social security. Early on, Schoukens (2000) referred to the need for a neutral system by design, that applies specific rules in relation to the professional group. This idea has occasionally been used over the years, with references to labour neutrality for the purpose of free movement, and specifically social security coordination. In a recent social security coordination report, Strban (European Commission 2020) argued that:

In order to address the problems related to the delineation of the work concept and in order to be able to continue to differentiate between the working groups (distinction employees and self-employed persons, but also the growing group of in-between work categories) it would be good to examine whether for

example the ‘work neutral’ criteria, such as residence, could be used as a final parameter for determining the applicable legislation. This would mean that the [number] of cases where the legal consequence depends on the nature of the professional activity might be diminished. Alternatively, it can be investigated whether the rules on applicable legislation could be more neutrally formulated as to the kind of professional activity that is performed (e.g. in article 13 Regulation (EC) 883/2004 where one professional activity prevails over the other for determining the competent state in case of simultaneous activities).

More recently, some authors have mentioned the importance of labour neutrality also in the context of more recent initiatives like the Recommendation on access to social protection (2019), which in fact operates from the point of view of labour neutrality (Schoukens and Bruynseraede 2021). An essential aspect of the Recommendation is that the basic rules of social protection are somewhat neutral. These rules can later be adapted to the specific labour form. This idea is well-embodied in paragraph 5 of the “objective and scope” of the Recommendation, which reads:

While it is acknowledged that different rules could be applicable to workers and the self-employed, the principles of formal coverage, effective coverage, adequacy and transparency defined in this Recommendation apply to all workers and to the self-employed.

The distinction between basic rules that have to be neutral with regard to the form of labour application and rules that may be adapted to the specific labour form, is an essential principle guiding many provisions in the Recommendation. Essentially, this means that the fundamental rules of social security are universal, but this does not exclude making certain more concrete aspects subject to labour specificity. The principles are thus equal for “everyone who works” independently from the working activity (Battista 2022).

In social security law, the idea of labour neutrality is not a foreign one, and a limited number of instruments already operate with labour neutral criteria. In Denmark, for example, the unemployment scheme was revised in 2018 to improve the access by the self-employed and various atypical workers (principally part-time workers). This way, unemployment is defined in relation to the activities and not the categorization (self-employed v wage-earner) and entitlement conditions are defined in terms of income rather than work activities (Battista 2022, 30-31).

Labour neutrality has also been explored more from a labour law angle, although the operationalization of this is arguably even trickier. This is because the rights of

individuals and the obligations of the employers are closely linked to the notion of subordination, and the role of the state is less prominent than in social security. Subordination should be approached in a more nuanced way if the intention is to include non-standard forms of work. Nevertheless, it has been discussed in the literature mostly from a theoretical standpoint.

Supiot (with Meadows, 2001) first elaborated on this by creating circles of social protection including a universal circle (for everyone), a circle based on non-professional work, a third circle applicable to professional occupations and a final one pertaining only to subordinated employees. Perulli (2003) similarly suggested to introduce minimum requirements into all personal work contracts for services undertaken by the economically dependent self-employed. He gave the task to policymakers to identify basic social rights that can apply to everyone at work (labour neutral), whether in employment, independent or semi-independent, and then apply this protection from lower to higher depending on the needs (labour specificity). More recently, Perulli (2022) advocated for an understanding of labour law that puts aside the law of the employment relationship in favour of the law of work on the basis of sociological, historical, economic and comparative arguments.

Both Supiot's report and, later, Freedland and Kountouris' (2011 and reaffirmed in 2017; Deakin 2013) reconceptualizations of labour system designs argue in favour of abandoning binary systems that rely on the traditional social law classification between workers and the self-employed. In different ways, by studying commonalities shared by all types of work, they identify basic tenets of work that should give rise to universal rights at work and, by doing so, they link these basic elements to the human rights approach. But these approaches are not applied to normative guidelines. Kocher takes these existing theories further and seeks to find functional ideas that can explain and justify employment categories. In so doing, she identifies some initial ideas that could be used to reappraise existing categories of labour. She does so from the perspective of facing the challenges of the platform economy (Korcher 2022).

All in all, several authors have supported the simplification of labour rules and toyed with the idea of labour neutrality as a way of bringing some minimum level of protection to everyone who works (Buschoff and Schmidt 2009; Spasova et al. 2022). The basic idea, in its various forms, is to detach basic rights and access to coverage from existing statuses which no longer represent what they once did. Accordingly, the rights provided in social law would act as one common safety net for everyone who is active and thus may be protected against labour related risks. Instead of creating boxes of people on the assumption that they comply with certain characteristics depending on status, the basic idea is to get rid of both the initial box and status and stick to the

characteristics or risks. It is only after this initial ‘catch’ that certain types of work, based on their specific trademarks, will receive specific entitlements.

Most of the literature so far, however, has contemplated this idea from either the point of view of the self-employed or for new forms of labour (primarily platform work). Such proposals have dedicated less attention to problems faced by other forms of atypical work like part-time or temporary work, where workers are also vulnerable and only benefit from social law to a limited extent (Hiessl 2021; Houwerzijl and Aranguiz 2021). As mentioned earlier, different problems are also likely to arise among people combining jobs or different sources of income.

If the goal is to have resilient social law designs, they should be able to accommodate changes and not respond ex post to particular challenges.

Rights and risks

One key question is of course what kind of rights can be granted to everyone or, in other words, against which risks should the entire workforce be protected and why. The type of risks that should be protected are those that are likely to be experienced by all working people. This is the case for all common contingencies in social security including sickness and health care benefits, maternity and equivalent paternity benefits, invalidity benefits, old-age benefits and survivors’ benefits, benefits in respect of accidents at work and occupational diseases. The impossibility to make earnings that cater for a living is common, as a general rule, to all parts of the population. Hence, coverage of all working persons is just logical.

Granted, these risks are not going to be experienced in the same way by some parts of the workforce, with the clearest example being unemployment benefits for the self-employed as opposed to workers. In the case of unemployment, the self-employed are responsible for reporting on their earnings, which can be rather volatile, subject to fluctuations month to month. In this vein, the decision to stop working is to a large extent endogenous for them. Thus, there is a potential risk of moral hazard of the self-employed accessing benefits while they remain active.

However, it can also be argued, like Schmid (2020) does, that by focusing on the possible costs and negative behavioural impacts of any kind of social protection, one disregards the potential positive behavioural response or ‘moral assurance’ to risk exposure (Sen 2009). Certainly, people can respond to rights by misusing these protections, claiming benefits fraudulently or exploitatively by, for example, making no effort to find a new job or ‘quitting’ voluntarily. This surely puts strain on the social protection nets in place. The flip side of this, the moral assurance aspect, is that

working people will be able to use social protection when there is a genuine need for it to cover full, or even part (if the design allows for it) of the income loss. Not only does this protect the working people during a vulnerable stage in their career, but it also prevents them from having to resort primarily to non-contributory systems. Another positive element is that it may remove risk aversion and promote calculated risks, entrepreneurship and overall well-being which can be linked to improved productivity. By overcoming risk aversion, working people could be incentivized to change jobs where displeased and look for a more fitting alternative. This assurance counteracts with the power imbalance in the current market model in which employers can openly benefit from the flexibility offered by atypical contracts with only minimal protections offered to the atypical workers.

A similar argument can be used to remove obstacles to social security benefits to other atypical workers like part-time or temporary workers by, for example, imposing qualifying periods. Schmid (2020) argues, moreover, that one can even think of an insurance that covers not only periods of full unemployment but also of lower work intensity, which could even accommodate the needs of the increasing demand for care. Such universal schemes would provide safe transitions both at work and in the private lives of the workforce.

Limits or conditions in formal or effective access to social rights are often in place for fear of moral hazard, without considering equally the possibility of moral assurance. Moral assurance can enhance social cohesion, productivity and economic prosperity. This is particularly true if negative behavioural risks (moral hazard) are being controlled. In the case of social security benefits, the first way to address this is by ensuring that all parts of the workforce pay contributions, so that the risk of free riding is minimized.

This, in turn, begs the question of who should pay the contributions. In the case of standard workers, contributions are usually levied between the employees and employers. This is also true for traditional forms of atypical employment like part-time or temporary contracts, although contributions will be pro rata. It could be argued that employers who use atypical employment as a flexibility tool could be required to pay a higher percentage of the social security contributions to compensate for the incidence of income loss and/or uncertainty this generates on workers. For example, in its recent labour reform (Real Decreto-ley 32/2021), Spain introduced an additional social security charge for companies hiring temporary workers for less than 30 days. A different alternative is to reduce the contributions of employers who hire workers on a more standard basis.

In the case of the self-employed, however, contributions are usually paid by the self-employed alone, for those cases in which the self-employed have access to social security benefits. Here we come across the problem of potential double contribution in which the self-employed can be expected to pay a quantity equivalent to what the employee and the employer would pay under a standard employment relationship. This is already the case in various countries, like Germany, France and Italy for schemes covering artists or lawyers. Another option is to lower their contributions while expecting full-coverage, but this may put a heavy burden on solidarity and risk-sharing. A solution to this problem could be to implement mandatory provisions on contracts of services, as suggested by Perulli (2003), to cover a significant part of the insurance. This could go together with some minimum labour rights, particularly those linked to health and safety to protect the self-employed from negligence.

The counterargument to this approach is that mandatory minimum standard clauses, or insurance clauses, would interfere with the self-employed's freedom to conduct business, contractual freedom and, in particular, their freedom to delimit (minimum) service costs. From a risk-based perspective, however, this argument is difficult to hold. After all, these clauses would simply act as an insurance protection against the risk of losing labour/income. This being the perspective, however, it should be possible for the self-employed to opt-out from such benefits when they can prove that they have the capacity to absorb such risks by, for instance, presenting a risk-absorption plan. After all, such a plan would show that in this case, the self-employed are truly in a comparable situation to the counterpart and thus the rationale of social security protection becomes less prominent. This could be for example when the self-employed person has people under their charge who can carry out the work in their absence. This approach satisfies the teleological angle of social security (no risk to lose vital income) and risk-based approach (the self-employed person in such case will not become a burden on the public safety nets) while providing room for contractual freedom.

Another way of limiting moral hazard is acknowledging that not all risks affect different parts of the workforce equally and that, as such, such contingencies may have to be implemented differently for some of the working people. Therefore, although social protection systems would be neutral by design, the specific implementation may respond to labour specific elements. Back to the case of unemployment, because the decision to stop working is to a large extent endogenous for the self-employed, it may be difficult to prove when the income loss is genuine or involuntary (Schoukens and De Becker 2023). However, as it is the case in some Member states, unemployment should be possible on the condition of full exit: workers must have closed down their entire business (as self-employed). This 'all or nothing' approach, however, does not provide an answer to low work intensity, which is not only a problem for the

self-employed but also for other atypical workers and is associated with one of the main drivers of in-work poverty. Matsaganis (2022) proposes an income stabilization fund in this regard which smooths earnings on actuarial bases.

Another example is that of sickness benefits where the employer may verify the truthfulness of risk via health insurance agencies or in-house doctors. There is no reason to believe, however, that other health care services would not fill in this gap. It may even be argued that impartial third parties, like public health services, may be beneficial to bring a balance between different interests.

That social security benefits should be universal by design is hardly questionable from a human rights and even risk-based approach. But this logic does not translate to labour rights equally. The risks that most of the body of labour law protects from are inherent to the risk of an employer abusing its power, power that is held over workers. More than in social security, the risks are linked to the ideas of control and subordination. These risks are therefore not faced equally between workers and the genuine self-employed. That being said, it is also not an accurate representation to assume that all self-employed workers enjoy an equal footing with their counterparts (employer/clients/users), as demonstrated by the higher incidence of in-work poverty among the self-employed and backed by a growing amount of literature on this topic (Hiessl 2021; Waas and Hiessl 2021). A potential approach to labour neutrality will have to be assessed right by right. As mentioned above, one can imagine minimum rights regarding health and safety being put in place also in contracts of services, at least as far as the self-employed are concerned who may be working in the company's premises or extraneous terrain (such as construction sites). In this scenario, we can assume the self-employed will not have the power or even capacity to ensure that they work in a healthy and safe environment. Similarly, the self-employed may just as likely be victims of discrimination in the labour market. This is recognised by Article 3(a) Directive 2000/78, which extends the personal protection of the anti-discrimination directive to the self-employed. In its interpretation in *J.K. v TP (C-356/21)*, the CJEU confirmed that the freedom of choice of the contracting parties cannot be used as a justification to not protect the self-employed from discrimination, in this case on the basis of sexual orientation. This is different for most other working conditions such as fair remuneration or working hours where genuine self-employed persons and their clients should enjoy their contractual freedom and autonomy.

A potential approach to this is to identify clusters of (solo) self-employed that are likely to be under the control or dependence of others and thus vulnerable to be raced to the bottom in the context of their service relations. This seems to be the approach taken by some Member States (Waas and Hiessl 2021) and the European Commission

as regards the right to collective bargaining where the (solo) self-employed can, under certain circumstances, fulfil the natural and objective criteria set by the CJEU in Albany (C-67/96) to qualify for an exception for the purposes of EU competition rules (Jaspers and Pisarczyk 2023). In this sense, the rights under freedom of association and collective bargaining can also be seen as instrumental to ensure the protection of some minimum service fees or working conditions guarantees, including social security protection.

Concluding remarks and open questions

Starting from a general critique on occupational fragmentation of social protection, which is designed to protect primarily standard workers, this contribution has explored the idea of labour neutrality and how this approach might be better suited to confront the universalistic aspirations of social rights in a dynamic labour market. This is studied as a way of addressing problematic exclusions of the current legal frameworks that leave behind an important part of the workforce, either formally or effectively. It then has collected literature on the topic of labour neutrality, while the following section advocated for this approach to take on board human rights and risk-based arguments as well as looked at potential counterarguments to the use of more universal designs.

This contribution should be seen as the first theoretical stepping stone in a much more nuanced and complex exercise. Next steps should consider social security and labour rights in isolation, considering potential labour specificities of certain workers (Schoukens, Aceto, and Aranguiz 2022) to determine whether a labour neutral design is not only possible but also logical. In the case of labour rights, moreover, it might be necessary to delineate more clearly the responsibilities of the employer by creating circles of power and the extent to which this intertwines with the rights of the workforce. This line of research could even open doors beyond workers' protection to explore employers' responsibility in a broader context, such as their use of unjustified flexible work arrangements, their role in climate change or their impact on society (in the country of operation and subsidiaries). In other words, it could serve to make some powerful non-state actors 'pay' for their actions. On the flip side, this could also serve to 'reward' companies not solely based on their raw productivity.

Just like one cannot decouple the discussion regarding social security law from that of labour law, one cannot consider such things without taking a look at how this research relates to broader public policies. An important remark here is that extending protection to atypical workers, particularly the self-employed, does not cause a further incentivizing of self-employment. This discussion could be coupled with that of tax advantages offered to the self-employed and possibly companies who decide to con-

tract their services as opposed to hiring employees. This approach is likely to endanger tax collection, particularly because besides important reductions, self-employment is also more prone to increase tax evasion, both on the side of the company and the self-employed (Matsaganis 2022). In this line, it is relevant to note that evidence suggest that, as a general rule, self-employment does not have a real positive impact on job creation. Moreover, an important part of the new self-employed are not driven by their entrepreneurship but by necessity instead.

Lastly, I wonder whether our approach to social law protection in the labour market should shift with the demise of standard work. In the past few years, there has been an enormous focus on delineating the differences between workers and the self-employed in order to identify potential areas of vulnerability that ought to be protected. In other words, the focus has been on identifying who the ‘weaker’ party is in the employment power relation. Perhaps it is time we turn instead to the question of the differences between the employers and the self-employed. Put otherwise, perhaps the question should not be when the self-employed are considered to be in the lower end of the bargaining table, but rather when do they have the upper, or at least equal hand, in their contractual relations.

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3.

Navigating the Digital Horizon: Challenges and Opportunities for Social Security Systems in an Era of Data Transformation¹²

Johanna Vallistu

Introduction

Envisioning the global landscape in the year 2035 and considering the adaptation of social security systems to evolving circumstances poses an intriguing prospect. The emergence of digital technology has undoubtedly been a disruptive phenomenon in the later part of the 20th century, with the full extent of its impact remaining to be fully known. Digitalization is a key megatrend with far-reaching ramifications for society and economy, as well as the future of social security and welfare states (High-Level Group 2023). The trend to digitalization and data-centricity has allowed for more effectively designed services and enhanced identification of fraudulent conduct. Additionally, the advent of the digital revolution has enabled social security systems to improve the customization of benefit offerings, optimize the allocation of resources through data-driven decision-making, and establish efficient communication channels with beneficiaries. This has resulted in increased accessibility and responsiveness to the changing needs of society.

Throughout this process, the social security administrations themselves have had to change to make better use of data and digitalization, for example by investing in advanced analytics and artificial intelligence to predict future trends in benefit claims, streamline administrative processes, and improve decision-making. This transformation has also required upskilling the workforce to ensure workers can effectively navigate the digital landscape and protect sensitive data.

Viewed through this lens, it is conceivable that the future holds significant potential for social security systems to harness the advantages offered by a spectrum of technologies, including real-time services, extensive data exchange, government portals, sensor deployment, automated processes, and artificial intelligence. If nations were to embrace these technologies to their utmost capabilities, future citizens would likely encounter service provisions that are genuinely centred around human needs, characterized by agility and remarkable efficiency. Nevertheless, it is crucial to acknowledge that technological progress does not occur in isolation; rather, it is intricately intertwined with ongoing societal developments (Mazmanian et al. 2014;

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Jasanoff and Kim 2015; Orlikowski 1992; Johnson and Acemoglu 2023). Therefore, understanding the intricate and ever-changing interaction between technology and society is essential, and it might be difficult, if not impossible, to exercise complete control over the long-lasting institutional consequences that these advancements may produce (Bailey and Barley 2020).

Building on this argument, our discussions concerning the future should adopt a more holistic approach, avoiding the compartmentalization of digitalization as a separate facet of analysis. These advancements are intricately intertwined, necessitating a deeper exploration of the welfare state and its transformation influenced by digitalization (van Gerven 2022). In light of numerous societal and economic upheavals, such as the emergence of platform-based employment and the job displacements witnessed during the COVID-19 pandemic, European welfare states are grappling with profound concerns regarding their future roles (Eichhorst et al. 2022). As we confront vast technological and societal transformations, humanity is compelled to contemplate not only the adjustments required to integrate the current system into digital realms but also the potential for more profound and transformative changes that may reshape our societies and redefine the relationships between the state and its citizens.

Discussions about how technology, digitalization and data will further shape the social security systems and administrations are thus not easy as we do not have a crystal ball to tell us the future, and the ongoing changes are marked by turbulence. Nevertheless, insights from the field of future studies offer a valuable approach. This comprises identifying and mapping significant uncertainties, developing different alternative scenarios, and selecting pivotal themes that require immediate proactive preparedness. Dufva and Dufva (2019) point to the need to broaden our views of the future regarding digitalization. For example, a common understanding is that digitalization will continue to be more prevalent. Futures' thinking helps us to disentangle these assumptions, and avoid preparing for outdated or "used" futures (Inayatullah 2008). Acknowledging these pathways and what they may hold is the first crucial step in moving forward and preparing for alternative futures, e.g. by anticipating (Kimbell and Vesnic-Alujevic 2020).

For instance, as the global landscape in 2035 becomes more interconnected and globally integrated, social security systems will likely require adjustments to tackle emerging issues like international employment and the coordination of benefits on an international scale. This adaptation will ensure that individuals can access their entitlements regardless of their work location or place of residence. Conversely, an alternative scenario of technological progress anticipates challenges in digitalization arising from a lack of essential skills, a shift in societal values prioritizing privacy and

face-to-face interactions over digital convenience, growing environmental concerns leading to reduced electronic consumption, and potential regulatory measures aimed at curbing unchecked digital expansion. Currently, both of these potential pathways, along with numerous less extreme ones lying in between, are feasible and plausible.

The purpose of this contribution is to spark a debate regarding visible as well as probable future advances in digitalization and social security systems. The contribution's main focus is on data as the primary ingredient in digitalization, which creates crucial uncertainties for the future of social security. The implications of these for social security systems and administrations are examined. Finally, a discussion on more radical developments for digital social security and welfare states is offered.

Exploring datafication in social security systems: Uncovering key uncertainties for future development

The pervasive integration of technology within social security systems and administrative frameworks has paved the way for innovative conceptualizations of the digital dimension within the context of the welfare state. Firstly, it gives rise to the notion of the “digital welfare state”, denoting a transformation towards social policies that are influenced by data, as articulated by Van Zoonen (2020). Alternatively, it invokes the concept of a “datafied society”, as proposed by Hintz et al. (2018). Furthermore, the concept of the “datafied welfare state”, as examined in critical data studies, refers to the application of data analytics by governmental bodies to classify, assess, and predict outcomes on both an individual and societal scale. This perspective aligns with the concept of a “data imaginary”, explaining the social orderings of contemporary economy and governance based on data analysis (Beer 2019). This section delves into the practical manifestations of digitalization and datafication within social security systems, shedding light on benefits as well as critique towards digital and data-centric social security systems. Consequently, critical uncertainties arise in the context of future developments.

Data-centricity as an enabler of fluid social security systems and services

The ability to leverage technology for the purpose of coordinating social security administration activities and providing more personalized and efficient public services has evolved in tandem with the broader trajectory of technological progress. Rule (1974) initially identified the early stages of digitalization, highlighting the use of databases and individual surveillance as notable examples. For an extended period, the concept of digitalization has primarily been associated with improving efficiency, as characterized by Lee-Archer (2023) in what is termed the “digitization approach”. This approach involves the conversion of paper-based forms into digital formats and the automation of existing processes. However, recognition of the greater potential of

digital technology has existed for some time. As Schoukens and Pieters already noted in 2007, there has been an understanding that the entire social security administration, if not the programmes themselves, should be reformed and adapted to fully harness the possibilities offered by information technology.

The process of digitalization is closely interconnected with the utilization and management of data. The application of digital technology results in the generation of a constant flow of data points, which collect over time to create increasingly extensive data profiles. The utilization of these data profiles allows for the categorization of individuals and the monitoring of their spending patterns, movement, daily routines, and income trends over time. In just over ten years, the annual production of data worldwide has experienced a significant increase, growing from a few zetabytes to exceeding 100 zetabytes by the year 2023. For social security organizations this development has allowed to “record through digital data, a living history of people’s experiences of social risks” (Lee-Archer 2023, 4) and to start building more human-centric digital social security systems. This results in more adapted, tailored and personalized services and interventions. Initially, the focus of digitalization was on automating pre-existing processes and techniques. This focus has now evolved to encompass the design of these processes in a novel manner, with an emphasis on increased use of the digital and data resource. It is also recognised that the advent of developing technologies, specifically artificial intelligence (AI), has the potential to change what we mean by human centricity (Lee-Archer, 2023) as they allow for redesigning social security systems to a new level of personalization.

The developments of digital social security revolve around the ideology of a personal state whereby (big) data could help in tailoring the services and benefits in a way that benefits the recipients in the most useful way, accounting for their personal needs and conditions. Proactive services based on life events are an example of how data can be used to create human-centric services. Instead of providing services through multiple separate interactions with the state, a life-span approach helps in predicting when one has a need for a new service or benefit. A set of actions on the part of the state can be triggered by a primary event. For example, the birth of a child registered by a hospital in Estonia starts a chain of services for the parent without the parent needing to apply for anything. Thus, historically separate services, such as naming the child, applying for parental leave and requesting parental benefits can be done in one go (Sirendi and Taveter 2016). Instead of placing the burden of proof on a person, the state can use its existing data to verify the need for support and pay the benefits automatically. The prerequisites of these types of solutions are the implementation of the ‘once-only’ principle as well as creating ‘one-stop-shop’ portals and the interoperability of data

– e.g. meeting the OECD digital government framework principles (see Peña-López 2020).

In addition to more personal services, governments can use digitalization to come up with entirely novel approaches to social security. In a world where digitalization also majorly affects work organization and the worker status, governments have a chance to “design new disruptive digital systems” as Campbell and Hanschitz put it (2018, 2). For instance, enhanced data-exchange capabilities enable governments to consider the income of non-traditional workers from various sources, paving the way for a shift from employment-based social security to account-based and portable social security systems (Vallistu 2023). Freudenberg (2019) highlights that in the case of non-traditional and platform workers, digitalization can enable governments to monitor digital financial transactions and track income data, ultimately reducing administrative burdens for both self-employed individuals and platform workers, as well as for social security administrations. Casey and Castro (2015) also emphasize that digital record-keeping, such as online tax account systems, can lead to improved tax compliance and a reduction in informal economic activities. Another aspect of datafication involves the implementation of automated decision-making (ADM) practices. ADM has the potential to enhance the agility and efficiency of governmental social security agencies, streamlining bureaucratic processes and reshaping employee roles. This approach often incorporates cutting-edge technologies like artificial intelligence and biometric data recognition systems.

A step further from just providing services and taxes is to pre-emptively shape the behaviour of citizens to keep them from malicious or harmful activities, more costly for the state in the long term, or just encourage favourable behaviour. For example, during the COVID-19 crisis, governments made use of digital connectivity, large datasets, and machine learning advancements to respond to a public health crisis (Whitelaw et al. 2020). All across the world, governments launched contact-tracing applications, text messages encouraging to keep distance, and set up digital testing and vaccine appointment systems. Similarly, social security systems adjusted to targeted assistance, used remote monitoring of vulnerable populations, and digital identity verifications to avoid physical contacts during the COVID-19 crisis. Social security systems can harness data and digital solutions in influencing the behaviour of citizens to prevent unemployment, encourage more responsibility in pension savings, or use gaming to induce healthier behaviour. For example, the personal activity account (*compte personnel d'activité*, CPA) in France combines information about qualifications and skills of citizens to provide them with tailored upskilling opportunities and to prevent unemployment.

***Uncovering challenges in the transition to digital social security:
An analytical examination***

While datafication provides significant opportunities for social security systems, it is critical to pay close attention to the emerging issues that accompany this transformative process. This section undertakes a critical analysis of digital social security, clarifying the challenges that undermine the aspirations of technological efficiency and personalization and which are discussed already now. It includes examining the human-centric perspective within the domain of digital social security and addressing the significant prerequisites that must be fulfilled for its actualization. This inquiry also reveals pivotal uncertainties that are essential for grasping the overarching trajectories of long-term development in the realms of digitalization and social security.

As Lee-Archer (2023, 4) defines it, the human-centric approach of digital social security revolves around the “capability of digital technologies to connect users to the relevant part of operations or services, in real-time, from anywhere, in the most direct possible way, at a low cost, and provided there are alternative communication channels when someone is not able to use them.” Current developments, however, do not confirm that governments would be easily able to ensure these conditions.

One of the key uncertainties when thinking about the future of digital social security, is the uptake of digital solutions by regular citizens. To this day, the digital divide has been attributed to generational differences and the novelty of digital technologies. As the digital solutions mature, however, it is becoming increasingly obvious that there will always be some people for whom the digital solution will still not be a primary option. According to the findings of Welby and Hui Yan Tan (2022), there exists a discrepancy between the anticipated degree of adoption of digital services by citizens and the actual uptake. Additionally, the research conducted by Boston Consulting Group (2021) in 36 countries revealed that a mere 12% of individuals report that digital government services adequately fulfil their requirements. The adequacy of service design may be lacking, or the government may encounter challenges in developing a strategy that is both appealing and comprehensive for its inhabitants. Consequently, the adoption of digital services is becoming more closely linked to the improvement of service quality through the utilization of agility, design thinking, and innovative strategies for service creation, co-design, and prototyping (Mergel 2022). From a governmental standpoint, this entails considering all possible situations of individuals and placing a greater emphasis on case management when developing future social services as well as taking the service design perspective. Finally, governments must take a critical view towards digital channels as primary means of communication, acknowledging the need to provide alternatives.

The second key ambiguity revolves around whether the current technological and legal structures will facilitate the smooth integration of various data sources and the real-time exchange of data. The ongoing lack of coordination and standardization in current digitalization initiatives continues to necessitate reliance on outdated methods, hindering advancements toward a more human-centred approach (Lukersmith et al. 2016; Lee-Archer 2023).

From the user's perspective, the adoption of the 'one-stop-shop' strategy or the 'digital platform approach' is imperative, as it places decision-making authority in the hands of individuals. Simultaneously, the state must prioritize the establishment of interoperability across varied data sources and facilitate the seamless flow of data in real time. According to Yukhno (2022), big data can only be used as a governance instrument once the government has established a unified state digital ecosystem. Nonetheless, the existing landscape is marked by fragmented service delivery, recurring data gathering, and insufficient data interoperability.

In addition to technological capacity, the social security administrations themselves must change to adjust to the transformation towards data-centricity. In order to maintain public value during the process of digital transformation, it is necessary to implement changes that extend beyond organizational processes. These changes encompass revisions in work practices and a use of discretion by public authorities (Lindgren and Veenstra 2018). Although citizens are expected to autonomously navigate digital systems, they frequently require assistance from government officials. This transition has altered interactions between public sector officials and citizens by decreasing the importance of specialized knowledge and emphasizing interpersonal skills when assisting with digital systems (Pors 2015). Thus, consideration of capabilities within social security administrations is crucial, as government technological capacities have evolved with the integration of technology, reshaping roles and even creating new ones (Lember et al. 2018; Giritli Nygren et al. 2013; Pollitt 2011).

An underlying concern lies in the infrastructure and possibilities for data management and sharing. While the European Union (EU) is formulating plans to empower individuals with more control over their data, allowing them to determine with whom and for what purposes their data is shared, considerable work remains to bridge the gap between these aspirations and their effective implementation (Bräutigam et al. 2022). This includes initiatives like the EU Data Act and the Artificial Intelligence Act, which aim to address data-related issues and promote greater control and transparency for individuals in their data interactions, yet substantial legal and technological groundwork is still required to fully realize these objectives.

This leads to the question on the balance of privacy and control. While data-centricity can lead to better-monitored social security systems and less fraud, handling bigger volumes of data puts an increasing burden on the state to ensure privacy and accountability while avoiding data leaks. This is especially true in the case of social security systems, which deal with highly sensitive data and where mistakes can have life-changing effects. With the addition of more efficient yet technically complex automated decision-making procedures, ensuring transparency while maintaining privacy is becoming an increasingly difficult task. However, a growing number of people are sceptical of the current systems of social protection and assistance's reliance on digital data and technologies. Sceptics argue that these technologies are being used to automate, anticipate, identify, monitor, detect, target, and penalize individuals (Alston 2019). Furthermore, it is proposed that, in conjunction with Zuboff's idea of surveillance capitalism (2019), digital public services have the potential to be constructed in a way that imposes new forms of control and limits on citizen activity and movement (Lindgren et al. 2019, 433). Or, as Dencik (2022, 161) puts it:

[...] the epistemological and ontological pillars of the datafied welfare state advance an agenda of responsabilisation that counter values of universal access, social solidarity, and human flourishing, whilst the operations of capital out of which datafication has developed position the datafied welfare state as a tenant of private cloud and service providers that threatens to undermine democratic governance and displace public infrastructure.

The key uncertainty here is trust in technology by both social security bureaucracies and society in general, which can limit technological adoption rapidly. The issue of trust and trustworthiness in digital social security systems raises serious questions about the long-term validity and public acceptance of the expanding use of data-centric solutions. A significant level of public trust in the digital approach is required for the successful implementation of a data-centric social security system, which can be achieved by establishing "human accountability in decision making" (Lee-Archer 2023) and imposing appropriate constraints on the delegation of authority to artificial intelligence and automated procedures.

The ultimate challenge revolves around automated decision-making and algorithmic governance. The topic of automated decision-making has posed significant difficulties due to its tendency to reinforce social biases and discriminatory behaviours. This is primarily because choices made by automated systems are based on pre-existing data, as acknowledged by the European Commission in 2023. The persistent ambiguity surrounding automated decisions in social security systems is inherently linked to the dependability of artificial intelligence. On the one hand, the utilization of artificial

intelligence to enable automated decision-making has significant promise in customizing data-driven social security solutions. However, it also has substantial risks. An illustrative example of the perils associated with artificial-intelligence-driven governance is the cautionary tale of the Dutch child care scandal (Hadwick and Lan 2021). This incident underscored the human rights implications and prompted heightened scrutiny. It led to the Council of Europe and individual nations crafting human rights checklists to mitigate the potential pitfalls of artificial intelligence in governance.

Exploring radical visions: Wild card futures for social security and the welfare state

While the shift towards digitalization and data-centricity in social security has brought to light the uncertainties mentioned earlier, the future of social security in 2035 should also consider the potential for more radical developments that could shape its trajectory. These are the “what if...?” scenarios essential in futures studies, offering plausible, albeit often less probable, future scenarios that inform our current strategic approaches. These wild card futures broaden and redefine our understanding of the subject matter.

The growing frequency of informal and self-employment arrangements is one important trend that influences how these alternate trajectories are realized. The adoption of innovative models for peer-to-peer services, including work on digital platforms, has led to the reclassification of workers as independent contractors (Schor 2015; Kalleberg and Vallas 2018). This shift has diminished the significance of traditional standard employment relationships (SER) and raised concerns about the social protection available to platform workers (Codagnone and Martens 2016). The growing instability in the labour market threatens the credibility of longstanding institutions such as trade unions, occupational communities and educational organizations (Standing 2011) and has prompted consensus among scholars and experts on the need to reorient social security policies (Degryse 2016). Despite theoretical access to social protection for platform workers and the self-employed, practical barriers stemming from eligibility and accessibility requirements persist, as highlighted by Stuart et al. (2017). The European Union’s Bismarckian social protection systems, which link social security access to conventional employment relationships, are under pressure to adapt due to this and other factors, including unfavourable demographic trends in Member States (Petropoulos et al. 2019). It could be asserted that the process of digitalization has indirectly introduced more difficulties than direct opportunities for social security systems.

Simultaneously, digitalization continues to transform service delivery, diminishing the significance of physical locations and pushing citizen-state interactions into virtual

domains. These changes have greatly reduced the traditional constraints tied to the geographical proximity of service recipients. Coupled with the global shift in work dynamics, such as the rise of digital nomadism, the anticipation of receiving services across borders is on the rise. Consequently, the digitalization trend is blurring the lines between the consumption of public sector services and other services, resulting in novel forms of citizen demands (Mattfolk and Emfeldt 2019, 243). A substantial number of individuals globally choosing virtual work, acting as entrepreneurs or self-employed persons, will have distinct social security needs compared to the current 'ordinary' citizen. In a data-driven and globalized world, various digital citizenships may emerge, catering to these novel expectations.

Two prominent current developments that could lead to relevant yet more radical futures for social security systems and the digitalization of social security are thus detailed below.

First, the development whereby the state is not able to take control of the underlying structural changes caused by technological development. In this “wild” future, major technology companies are leveraging their influence and adaptability to enter the realm of state-provided social security, either as supplementary or alternative solutions to current methods—Amazon Health’s provision of virtual clinics and pharmacies serves as an example. The expansion of this trend could potentially sideline or outpace the state in developing innovative social security solutions. Magalhães and Couldry (2020) warn about the risks associated with data colonialism, highlighting that a data-driven welfare system could solidify Big Tech corporations’ position as indispensable institutions for both the state and society’s fundamental operations. In a world where social security offered by multinational corporations is becoming more available to atypical workers or even normal employees, the function of incumbent social security administrations and systems is being called into question. Will there be a class of global citizens that are stateless, and will they marginalize the present state-led structures?

A different potential trajectory for the future entails proactively managing technology-related risks from the outset, departing from the viewpoint that regards technology as the main determinant shaping the future of social security. Recognizing the growing disparities arising from non-standard employment and the increasing challenge of distinguishing between various forms of job security, social security systems will shift their focus toward the fundamental principles of services and strive to promote greater equality of opportunities. In this context, technological advancements do not take the central role in shaping the nature of social security; rather, they serve as tools for establishing a more equitable and inclusive social security system. The ways standard employment is tied to social security would be reviewed in this trajectory and

a more universalist approach adopted. Joyce et al. (2019) argue that policy interventions should address issues with insecure work more broadly rather than focusing on certain atypical types of work, such as platform workers. The recent example of the COVID-19 crisis showed that in addition to long-term structural changes, the universalist approach to social security would serve to ensure against future shocks (Razavi et al. 2022). Interesting alternative pathways have been proposed through time which widen the meaning of work and eligibility to social protection – for example, Beck’s (2000) proposition of rewarding citizens with “civic money” for socially valued activities, thus valuing both paid work as well as civil labour. Similarly, Supiot (with Meadows, 2001) proposed decoupling social protection from the worker status. Relatedly, discussions on the universal basic income fall into this category, even if the roots come from two different ideologies: the neoliberal approach (Van Parijs) or the neoclassical approach (Friedman) (see overview in Balliester and Elsheikhi 2018). The future scenario of a universal social protection tells a story of a stronger state as well as widening the policy action taken to shield its citizens from the harm of digitalization (Razavi et al. 2022). In improving the state capacity, the technology plays a certain role but is not necessarily central or the “panacea” (Grosh et al. 2022, 349).

Finally, a middle path can be observed in light of the more radical futures of giving up power in favour of greater digital social security or guiding the core questions away from digitalization. New approaches to insurance and protection resulting from the convergence of unconventional work arrangements and digitalization do not have to be negative. An obvious example is the formation of cooperatives built exclusively for freelancers, which provide insurance coverage in the event of an accident (Palier 2019). As a result, the digitalized economy, which produces new job opportunities and social vulnerabilities, has the potential to foster the establishment of novel modalities of mutualization and protection. The question is, how will social security institutions position themselves in these new digitally enabled societies?

Concluding remarks

In conclusion, the pervasive influence of digitalization has left no aspect of society untouched, including social security systems. The adoption of digital and data-centric approaches has initiated a transformative journey toward a more human-centric model of social security. This shift has enabled governments to proactively provide services and benefits, leveraging data interoperability as they transition into this new paradigm.

However, to effectively govern the long-term changes in social security, we must anticipate both immediate challenges and more radical future scenarios. Dufva and Dufva (2019) emphasize that our perception and experience of digital realms shape

the possibilities we envision for the future. While it is tempting to view data-centricity solely as a technological question, this narrow perspective limits our understanding of the true potential as well as pitfalls of digitalization.

It is essential to recognize that neither technology nor social security exists in isolation. Our world is a complex web of interconnected facets and evolving trends, with digitalization, the economy, and society influencing one another. Therefore, while addressing the immediate challenges and opportunities posed by digitalization and data-centricity is important, it is equally crucial to adopt a holistic perspective that acknowledges the extensive interdependencies among digitalization, the economy, and society.

To chart the future of digital social security, administrations must engage in ongoing imaginative and visionary exercises. This involves identifying preferred futures and recognizing the inherent constraints and limitations of digitalization that we must consider today. By embracing this holistic approach, we can navigate the intricate landscape of digital social security and work toward a more inclusive, responsive, and equitable future.

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4.

Safeguarding the Social Security Position of Immigrants: Future Challenges for Policymakers and Social Security Agencies in the (Dutch) Welfare State

Maarten Bouwmeester

Introduction

The relationship between social security and immigration has for a long time been viewed as complex (Hammond 2018), and it is a strongly politicised and divisive issue in national politics across the globe (Koning 2019; Slaven et al. 2021). Following this, national governments are confronted with major challenges in shaping the relationship between social security and immigration. It is quite clear that these challenges will become even more complex and demanding in the face of increases in immigration, especially when it comes to the Netherlands as a host welfare state. The future of the Netherlands is that of a “country of immigration” (Jennissen et al. 2022, 17). There has been a positive net migration rate since 2007, and immigration will very likely continue to increase in both the near and far future (Adviesraad Migratie 2022a, 14). This is intrinsically related to current and future labour shortages. In the domain of health and social care alone, the expected labour shortage is estimated at 140,000 by 2031 (Ministry of Health, Welfare and Sport 2022, 2). Labour immigration is seen as one of the main solutions to this challenge, which clearly emerges from policy considerations at both the national level (see e.g. Adviesraad Migratie 2022b) and the EU level (see e.g. European Commission 2022). A total increase in (labour) immigration will likely result in increased irregular immigration and illegal employment rates (cf. Yaroshenko et al. 2022), which further challenges social security agencies in striking the balance between ensuring social protection and restricting access. The legal status of immigrants remains a paradox in social security law, as the system that is responsible for exclusion and restrictions (national positive social security law) at the same time calls for the protection of those excluded (through international human rights law and EU regulations) (Vonk 2013, 123).

In view of these future developments, the Dutch social security system and its policy designers and implementers must anticipate the challenges that will arise on the nexus of migration and social security. While the precise outcome of the future remains uncertain, it is possible to foresee a number of important domains in which challenges will arise. In both academic and political debate, attention has for a long time centred on the burden of immigration on the welfare state, focusing on taxation and social

security contributions (Borjas 1999; Fenwick 2019) as well as on broader questions related to the preservation of social solidarity and welfare state legitimacy (cf. van Oorschot et al. 2017; Slaven et al. 2021). Moreover, national governments have shown much effort to reduce the appeal of their social security system, often based on the assumption that social security benefits would form a “magnet” for immigration - despite limited empirical support for this assumption (Giulietti 2014; de Jong and de Valk 2020). Recent comparative research shows that many welfare states have shown an increased emphasis on “immigrant-excluding welfare reforms”, for example in the form of exclusions based on residence status, benefit reductions based on the duration of stay or integration requirements (Koning 2019, 2022).

This emphasis on exclusion and restricted access to social protection for newcomers is not without risks. For years, it has been quite clear that the social security position of immigrants has been under strain, and that vulnerable groups of newcomers are at risk of poverty and social exclusion across welfare states (Vonk and Van Walsum 2012; Vonk 2002). Since immigration to host welfare states such as the Netherlands continues to increase in the near and far future, it is becoming more and more important to fully understand the persisting challenges in the domain of safeguarding the social security position of immigrants.

Observing the problematic focus on exclusion and restricted access in the domain of immigrants’ social rights, this contribution steers towards a reevaluation of the core objective of social security (cf. Barr 2020; Pennings and Vonk 2015): to protect all people, the non-native born population included, from social risks and income poverty. It does so by mapping some key challenges posed to the (legal) position of immigrants, combining insights that are broadly relevant across host welfare states with specific reflections on the Dutch social security system. Besides pointing out future challenges, it explores what policymakers and social security administrations can do to address these challenges.

The contribution consists of two main sections. The first discusses an overarching issue: political pressures towards the exclusion of immigrants from social security, as a consequence of which vulnerable groups of newcomers are at risk of falling through the cracks of the social safety net. The second section shifts attention to some specific issues with regards to the social security position of different groups of migrants, distinguishing between irregular (undocumented) and regular (labour) migrants. This exploration results in some final conclusions and a two-part overarching message. First, there needs to be a re-establishment of the normative value of a social security system that provides protection to all those in need, including the non-native population. Second, and related to this first point, social security agencies and policymakers should

continue to employ their capacity for evidence-based policymaking and administration in the face of exclusionary political pressures that often lack a scientific underpinning.

Overarching challenge: Political pressures towards exclusion

For a long time, there have been widespread concerns about the feasibility of maintaining an encompassing welfare state in the face of growing immigration. Open borders and generous social security benefits would place a high fiscal pressure on a host country's welfare state because these countries would function as a haven for poor migrants (Fenwick 2019). Another frequently shared concern is that high levels of immigration will result in a heterogeneous (multicultural) society in which people no longer recognize themselves in one another, in turn eroding the social solidarity needed to legitimize an extensive social security system (Kymlicka 2015; Reeskens 2020; Kremer 2013). These concerns lack convincing empirical support, as there is no consistent evidence for the overall assumption that migration burdens or undermines the welfare state (Römer 2023). Nevertheless, the inclusion of immigrants into national social security systems is a sensitive and divisive political topic (Koning 2019; Slaven et al. 2021), and arguments brought forward in debates on (labour) migration are not always based on facts (Van Vliet and Suari Andreu 2022).

Many welfare states have over the years shown a tendency towards limiting the access of immigrants to social security benefits (Koning 2019). The perceived tension between immigration and generous benefit provision - the "immigration-welfare paradox" - has led countries towards both restrictions of newcomers' entrance to the country and restrictions of the access of non-native citizens to welfare state arrangements ("nationalisation of the welfare state") (Kremer 2013). While at times framed as a necessary tool to ensure the financial sustainability of the welfare state, such exclusionary policy changes are more and more driven by the desire to steer migration dynamics (social security as "instrumental immigration policy", Slaven et al. 2021). Social security has increasingly become subordinate to immigration politics and law, a process that has been described as the "immigrationization" of welfare politics (Burgoon and Rooduijn 2021).

While recent research emphasises that the exclusion of immigrants is not an inevitable price to pay for the preservation of an inclusive social security system (Banting 2022), political pressures towards the "welfare exclusion" of different types of immigrants (e.g. both refugees and regular migrants) continue to shape the outcomes of social security law and policy (Koning 2022). The Netherlands is among a number of countries (next to Australia, the United Kingdom and the United States) that has steadily reduced the accessibility of social security schemes to immigrants between 1990 and 2015. While some schemes (active labour market policies and health care) are characterised by a trend towards inclusion and others show little change overall (e.g. tax-paid pensions

and contributory unemployment benefits), immigrant-excluding welfare reforms are especially taken in the domain of (non-contributory) social assistance (Koning 2022, 32).

Perhaps unsurprisingly, such exclusionary tendencies can put vulnerable groups of immigrants at risk of financial insecurity, income poverty or even outright social exclusion. For some time now, it has been clear that irregular migrants, asylum seekers and those who fall outside of the scope of international social security obligations have an especially weak position in social security (Vonk and Van Walsum 2012; Vonk 2002). However, recent studies show that EU migrants (Union citizens) have also been increasingly restricted from national social security schemes by Western European host welfare states, with lawful residence becoming the ‘linchpin’ for benefit entitlement (Kramer and Heindlmaier 2021). It is important for Dutch social security policymakers and administrators to realize that this is especially relevant for the Netherlands’ social security system, which is characterised by a distinctly exclusionary policy trend in recent years. While such reforms may have valid reasons, it is vital to critically assess such initiatives and their possibly negative consequences with the core objective of social security in mind: to protect those in need, including the immigrant population.

A final consideration relates to the interaction between political pressures and legal constraints that shapes the social security position of immigrants (cf. Banting and Koning 2017). The Netherlands is characterised by a combination of high political pressures to restrict the access of immigrants to social security, but also strong legal constraints on such restrictive measures. This means that initiatives to restrict immigrants’ access to social security are counteracted rather strongly by the courts and other institutional constraints (Banting and Koning 2017). This interaction of political pressures and institutional constraints has for example been clearly reflected in Belgium in recent years. For example, on 23 January 2019 (judgement 6/2019), the Belgian Constitutional Court annulled an eligibility condition related to minimum duration of stay that was implemented within the Income guarantee for the elderly (*Inkomensgarantie voor ouderen*) in 2017. And in line with this precedent, on 20 July 2023 (judgement 112/2023) the same court annulled a government decree that added a new duration of stay-condition for a specific benefit (*Zorgbudget*), and the increase (from 5 to 10 years) for another (*Sociaal gecorrigeerde zorgpremie*) for being in violation of the constitutional right to social security laid down in Article 23 of the Constitution. These developments should be seen as a lesson for policymakers in social security to understand and respect the normative value and scope of legal (and constitutional) safeguards when they are confronted with political pressures towards exclusion; not only to ensure the protection of all those in need, but also to prevent

wasted effort in the form of restrictive measures that are likely to end up annulled by the judicial branch.

Specific challenges related to the social security position of irregular and regular migrants

As has become somewhat clear already in the previous section, policymakers and social security agencies are importantly challenged in the domain of shaping the social security position of immigrants, both with regards to safeguarding welfare and with regards to legal complexity. This section provides a more detailed exploration of some specifically challenging aspects, based on a distinction between irregular (undocumented) and regular migrants. While this difference is far from clear-cut and does not do justice to the complex reality of migration situations (Ambrosini and Hajer 2023), it is a logical typology to navigate issues in the social security position of immigrants (cf. Vonk and Van Walsum 2012). The first subsection discusses the exclusion of irregular migrants from social security (besides urgent medical care), with specific attention for the ‘linkage principle’ in Dutch social security law. The second subsection has a broader focus and identifies some future challenges that flow from the expected increases in labour immigration, while also touching upon the growing phenomenon of ‘transnationalism’.

Irregular migrants: Legal residence as the absolute border?

How do we determine the boundaries of the national welfare state? This is one of the most fundamental questions in social security law. A first thing to note is that the concept of the welfare state is inextricably linked to the national state. This follows not only from the deep-rooted concerns about welfare state solidarity discussed, but relates also to a more practical reason: welfare states require an “administrative infrastructure” (to levy contributions, verify conditions and pay out benefits) to realize international and constitutional social security obligations, and this infrastructure happens to be organised on the level of national jurisdictions (Vonc 2023).

Following this, national citizenship would be the core criterion on the basis of which people are included in and excluded from social security. However, this is not - or at least no longer - the case in most developed social security systems. Since the end of the Second World War, countries have replaced conditions of nationality with the ‘notion of territoriality’. This notion was especially established through the *Gaygusuz v Austria* judgment of the European Court of Human Rights in 1996, in which the Court ruled that unequal treatment in social security on grounds of nationality forms a violation of Article 14 ECHR, unless justified by “very weighty reasons” (Vonc 2023). Moreover, most developed welfare states have the prohibition of discrimina-

tion based on nationality laid down in their national constitutions (Vonk and Van Walsum 2012).

By consequence, the legal-residence test is the core measure by which immigrants without legal residence (undocumented migrants) are excluded from practically all social services besides urgent medical care (Vonk and Van Walsum 2012). In the Netherlands, this practice was established by way of the ‘Linkage Act’ (*Koppelingswet*) of 1998, which linked the access to all social benefits and services to residence status. This was done with the dual objective of preventing unlawfully residing people from being able to continue their residence and facilitating a better process of removing them from Dutch territory, all in all to prevent undesirable interferences of social security with immigration law (Minderhoud 2012).

While a fundamental part of the social security system, the linkage principle is not without problems. For a long time, it has been clear that it causes tensions in the legal domain, predominantly in terms of friction with international human rights law, as well as problems in intergovernmental organization (the relationship between the national government and local authorities) (ACVZ 2012). Due to the linkage principle, the threshold for undocumented migrants to seek help remains high to this day, which causes poverty and vulnerability to remain out of sight and unaddressed. Moreover, the linkage principle has been extended in specific social security schemes. One consequence is that Dutch nationals and legal residents who live together with a person without legal residence are also excluded from a number of important income-related allowances in the domain of health care, housing, family benefits and childcare costs (under the framework of the *Algemene wet inkomensafhankelijke regelingen*). As a consequence, not only irregular migrants but also the people around them with legal residence end up in precarious situations, with specifically distressing consequences for children (Minderhoud 2022; Kinderombudsman 2017).

Following this, the strict adherence to legal residence in the form of the linkage principle causes serious poverty risks. This should spark a critical question among policymakers in the Netherlands: can we continue to adhere to this approach in the coming years, or should we aim for legislative changes aimed at reducing the negative consequences of this social exclusion? It appears to be clear that something should be done to reduce the disproportionately negative consequences of the linkage principle, at least to combat child poverty. There have first of all been calls, recent and less recent, to stop the application of the linkage principle on those under the age of 18 years old (ACVZ 2012; Kinderombudsman 2017) and to remove the “extended linkage principle” in the domain of income-related allowances (Minderhoud 2022). A more fundamental approach would be to individualize the right to social security benefits

(predominantly in relation to social assistance and income-related allowances). In addition, a more active role of the judiciary to counteract the exclusionary tendencies of the government may help to prevent and alleviate distressing situations and durably safeguard fundamental human rights (Minderhoud 2022).

The question of which path to walk towards alleviating the rigidity of the linkage principle is a question of its own, and this contribution cannot provide a full answer to it. It appears that executive agencies (such as the Dutch Social Insurance Bank (SVB)) see little to no room to abandon the linkage principle, as they perceive that it remains a necessary tool to ensure legal certainty and administrative feasibility. The most plausible way forward on the short- to middle term thus seems to be to hold on to the linkage principle, while it is important for the implementers and enforcers of social security legislation (municipalities, SVB and benefits department of the Ministry of Finance) to remember that there are options to apply a more generous treatment when they encounter exceptional circumstances of hardship (see Kinderombudsman 2017, 36).

Finally, it must be acknowledged that there are also options for a more fundamental rethinking of the tight-knit relationship between legal residence and social security. As long as social rights continue to be granted on the basis of citizenship (e.g. national or EU) or legal residence, there will always be people who “fall between the stools of social state jurisdiction” (Vonk 2023, 1). Following this, it may be time for a new, parallel notion of universal social citizenship as a logical construct on the basis of which the protection of those excluded from social security systems can be legally established. The response of the EU and Member States to the Ukrainian refugee crisis demonstrates that it is indeed possible to provide a more favourable treatment to those generally excluded from social security, and this approach can serve as an example of granting social protection to other “wayfarer citizens” who have nowhere else to turn to (Vonk 2023).

Regular migrants: Stronger protection but persisting vulnerabilities

Taking the social security position of regular (documented) migrants into consideration, it must first of all be said that there are many different possible situations - e.g. family reunification, student migration, labour migration and migration for humanitarian reasons - that cannot all be covered here. Following the future outlook that is central to this project, this section focuses on one future development of specific importance: the expected increases in labour migrants coming to the Netherlands. As already mentioned briefly in the introduction, the Netherlands is expected to experience sharp increases in immigration to accommodate drastic labour shortages. In the domain of long-term health care alone, the labour shortage may increase to 85,000 workers in 2031. Following this, the Dutch Advisory Council on Migration has advised the government to reconsider its existing stance and place more emphasis on extra-EU

labour migration (rather than only seeing it as a last-resort option) (Adviesraad Migratie 2022b). This is in line with measures taken at the EU level, such as the recent Pact on Migration and Asylum (27 April 2022) that intends to attract medium and lower-skilled labour migrants (for the long-term care sector specifically) from outside the European Union to deal with growing labour shortages (European Commission 2022).

A first remark to be made is that this development is also relevant for the discussion in the previous paragraph: with a total increase in immigration figures, we can also expect increases in irregular migration and illegal employment rates (cf. Yaroshenko et al. 2022). However, also when labour migration takes the regular (legal) route, there are a range of important issues. At first glance, labour migrants are well-positioned in terms of accessing social security. The social security legislation of most countries does not distinguish between nationals and foreign residents with legal residence and/or (legal) employment within the country (ILO 2021). Intra-EU migrants have an especially strong position through their Union citizenship and the principle of free movement (see e.g. Banting and Koning 2017), while at the same time the legal position of third-country migrants has been fortified due to a number of EU Migration Directives (European Migration Network 2014). This equivalence between native-born citizens and newcomers is clearly reflected in the Dutch social security system, as legal residence grants access to the national insurance schemes (AOW, Anw, AKW, Wlz and ZvW) and social assistance (*Participatiewet*), and a status as employee in the Netherlands grants access to occupational social insurance (ZvW, Wet WIA and WW) (Klosse and Vonk 2022).

However, there is a substantial degree of divergence between the legal framework and social reality. The social security position of labour migrants is often not equal to that of native-born citizens who have always worked in their country of origin (see e.g. Amelina 2019). This is caused by a number of factors. First, the international legal framework does not ensure full equal treatment and leaves room for additional eligibility criteria. This relates for example to the legal definition of labour migrants, permit systems, and the length of stay. Full equality of treatment is often only granted to those with permanent residence, causing temporary migrants to have to rely on special provisions and international agreements (ILO 2021). Second, international social security coordination (the division of jurisdictional responsibilities across countries) is still far from perfect, due to which it remains challenging to ensure fair treatment and fully effectuate benefit exportability (payment across borders). As recognized recently by the ILO, despite all international legal safeguards and bilateral agreements in place, labour migrants may in a worst-case scenario be “required to contribute to both their home and their host country’s system without reaping the benefits of either” (ILO

2021, 27). Finally, it is often challenging for migrants to overcome administrative hurdles in the complex system of (transnational) social security institutions. These hurdles are not only exacerbated by language barriers (Scheibelhofer and Holzinger 2018), but have also become more pronounced since the increasing digitalization of government services and communication in application procedures for social security benefits (the ‘digital welfare state’). Current approaches in digital government amplify deep-rooted socio-economic inequalities (Ranchordás 2022; Robinson et al. 2015; Van Dijk 2020), and vulnerable immigrants with a lower socio-economic status are among the groups that are especially at risk of ending up disadvantaged in automated government processes (see for example Safarov 2023).

Of course, these issues are especially relevant for some labour migrants and less challenging for others. Earlier research has pointed out that labour migrants from outside of the EU (third-country nationals) tend to be in a more vulnerable position than EU migrants (Verschuere 2016). This is especially the case for lower-skilled and lower-income labour migrants, who often have weaker ties to the host country and end up in the precarious parts of the labour market (with less protection from their employment relation) (Banting and Koning 2017). These vulnerabilities are especially sharp when labour migration takes a temporary form. Temporary labour migrants have a relatively high risk of being confronted with precarious labour and living conditions while they at the same time face particular barriers to accessing social protection. Following this, researchers recognize a “temporality-precarity nexus” on the intersection of migration, labour and welfare regimes (Withers and Piper 2022, 280). Short-term migrants with only a limited period of access to a host country’s labour market often have a weak legal position compared to those with permanent legal residence, especially in the domain of unemployment insurance and family benefits. While some may be in a better position due to bilateral agreements, others for a long time remain excluded until they meet additional conditions related to the duration of employment and residence. Following this, it has been argued that there must be a more fundamental legal discussion on the deficient realization of the principle of equal treatment of labour migrants, both at the EU and national level (Verschuere 2016). Recent research shows that the Dutch welfare state is no exception. Posted workers from third countries often have to rely on a “hybrid package” of obligations and entitlements in the domain of labour conditions and social security, which causes substantial barriers in the way of invoking their rights (Kramer, Van Gardingen, and Boonstra 2022).

To summarize the above, (lower-skilled) third-country labour migrants with temporary residence and occupation have a relatively high risk of ending up in precarious conditions - while also being confronted with barriers to social protection. As it can be expected that the number of (temporary) third-country labour migrants will increase,

it is becoming of growing importance for policymakers to think about how to secure the well-being of this vulnerable group. However, this does not mean that the social security position of EU labour migrants is without problems. Previous research has shown that there are tensions between the free movement rights of Union citizens and the boundaries of national welfare states, especially with regards to entering social assistance schemes where access must often still be ‘earned’ by meeting additional requirements related to duration of stay and integration (Kramer 2016). Like other groups of immigrants, EU labour migrants are not immune to exclusionary political narratives and policy reforms, and it has been remarked that “while physical borders have been removed within the EU [...] the presence of borders is felt everywhere in the daily lives of poor immigrants who are in need of support from the welfare state” (Lafleur and Mescoli 2018, 483).

So all in all, despite a wide array of legal safeguards to secure equal treatment with native-born nationals and ensure fair treatment, many vulnerabilities continue to exist in the social security position of regular migrants. This is inherently linked to the legal and administrative complexity that arises from the exclusionary logic of national welfare states, which hinders social security agencies in their efforts to resolve these vulnerabilities. A final issue that deserves attention is the fact that the future does not only include increased immigration to host countries such as the Netherlands, but also a further diversification of (labour) migrants’ living and working conditions. Labour migration more and more often does not take its ‘classical’ shape (permanent or at least long-term residence in the host country), as there is a growing trend of ‘transnationalism’. This term refers to people who live and work in separate countries, or more broadly “individuals who are involved in transnational mobility while maintaining ties to the countries between which they are mobile” (Talleraas 2019, 152). In these situations, there is a substantial discrepancy between the legal framework and factual circumstances, which means that traditional legal norms and definitions to establish legal residence and/or work are generally not readily applicable. Simply put, transnational relations in the domain of residence and employment pose similar challenges to social security agencies as those they are confronted with in the domain of ‘traditional’ migration, but these challenges become even more complex (cf. Boccagni 2017). For example, transnational relations challenge social security agencies to ensure that individuals receive the benefits they are entitled to, while at the same time there is a higher risk of charging more taxes and social contributions than people are required to pay. Recent research into the legal position of ‘semigrants’ - people who factually live in more than one country at the same time (Van Everdingen 2022, 229) - in the Dutch social security system has pointed out that social security agencies are confronted with a range of complexities in this domain. Existing legal definitions and norms that are used to determine (primary) residence, such as registration in the

civil registry, household situation or minimum duration of stay, cannot simply be applied but require further clarification or tailoring by executive agencies. The result is a highly complex situation, in which it is difficult to find a healthy balance between effective (individual) social protection, legal consistency and administrative feasibility. Following this, it seems that a simplification of the legal framework is necessary to make it future-proof in the face of transnational living and working. Plausible ways forward seem to be to focus on a “select number of unequivocally formulated criteria” (including residence status, duration of stay, employment, and availability of a permanent home), combined with a “safety valve” (e.g. hardship clauses) to prevent undesirable effects (Van Everdingen 2022, 364). There are also more innovative options, for example allowing applicants (under specific conditions) to determine themselves in which country they are to be registered; a policy that is already applied by the Dutch Employee Insurance Agency (UWV) in an attempt to be “transnationally responsive” to the needs and preferences of semigrants (Van Everdingen 2022, 273). However, it must not be forgotten that first of all a more fundamental (political) consideration is needed to reach agreement regarding the desired level of income protection for people with dual residence (both across borders and within one country), as only then the pros and cons of different legal solutions can be properly evaluated (Van Everdingen 2022).

Concluding remarks

The relationship between immigration and social security remains one that is under strain in various ways, and it will continue to form a highly politicised topic in the future. The Netherlands is confronted with a political climate that is geared towards limiting entry to national social security for newcomers, while at the same time we can expect sharp increases in (labour) immigration in the coming decades. The future of the Netherlands is that of a “country of immigration” (Jennissen et al. 2022), despite the reluctance of many people in politics and government to acknowledge this. In the face of political pressures that often lack a robust scientific underpinning, it is crucial for policymakers and social security agencies to continue to effectively monitor the well-being of all those in need and to uphold the value of an inclusive social security system.

Among a range of issues, the exclusion of irregular migrants from the social security system will remain one of the most controversial. Any national social security system requires a border, and in the Netherlands this is realised through the linkage principle. It appears the linkage principle will remain a necessary tool for executive agencies to administer social security schemes. At the same time it must be acknowledged that the (extended) linkage principle contributes to distressing situations, especially in the form of child poverty. This is a pressing example of a general challenge in law and

policy: to strike the balance between effective social protection and responsiveness to individual needs (*maatwerk*) on the one hand, while safeguarding legal certainty, consistency and administrative feasibility on the other. The current situation is far from optimal and we can only move forward with innovative thinking, whereby fundamental alternatives - such as those based on universal instead of national social citizenship - should receive more serious consideration than they have received so far. Until then, social security agencies will have an important role to play in the domain of monitoring and providing feedback to politicians and policymakers, by signalling distressing outcomes and helping to develop solutions within the prevailing system logic of the linkage principle.

Following the future expectation of increased labour immigration, this contribution also directed attention towards the position of (regular) labour migrants. While the legal framework delivers a substantial degree of equivalence between labour migrants and native-born citizens, there is an accumulation of problem factors in social reality that impedes the effective realization of this equivalence. These relate not only to the inherent complexity of cross-border social security provision (e.g. ensuring fair benefit allocation and preventing excessive payment of social contributions), but also to obstacles in the process of applying for benefits (e.g. language barriers). Policymakers and social security agencies must especially keep a close eye on labour migrants with temporary residence in lower-skilled and low-income jobs, as they are in an especially precarious situation with regards to both poverty risks and barriers to exercising their social rights. At the same time, continuous innovation is needed to adapt to the increasingly transnational nature of living and labour circumstances, which poses challenges related to both administrative feasibility and responsiveness to applicants' needs.

While this contribution has mainly pointed to future challenges, it can end on an optimistic note. Policymakers and administrators in social security have for a long time displayed their innovative capabilities and their commitment to protecting the livelihoods of all those in need, and the future has ample opportunities to demonstrate continuous effort in this domain. There are for example opportunities to develop more transnationally responsive policies (e.g. allowing benefit recipients to choose their registered country of residence), while at the same time social security agencies could aim for better cooperation with 'sister agencies' from other countries to streamline cross-border social security provision. Finally, it must be acknowledged that the best way of anticipating and adapting to the changing nature of immigration and (transnational) labour may be to fundamentally depart from the prevailing exclusionary logic of the national welfare state. While social security agencies can serve an important role in these debates, this is most of all a job for politicians.

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5.

Should Singlehood Become a New Social Risk? From Families and Couples to the Individual

Luka Mišič

Introduction

Modern-day social security systems are generally designed to provide persons with income-replacement and cost-reducing social security benefits in cases of old age, sickness, parenthood, or other contingencies, alongside income-support benefits that are aimed at preventing poverty and social exclusion. On the one hand, social security represents a form of public income protection that is standardized, with beneficiaries' wants, wishes or desires (see Mišič 2018, 286) covered by private income protection schemes like additional pension insurance, life insurance, etc. On the other hand, social security institutions tend to look closely at the overall socio-economic situation of the beneficiary, considering the *needs* of their family (household or other legally relevant community) as well. From this perspective, persons' family status can have an important impact not only on the number but also on the level of benefits, especially concerning means-tested and targeted benefits. These statuses may also affect the amount of their disposable income through a variety of tax measures.

However, the special attention afforded to family status can lead to a disregard for the individual or, even more so, the single person in the field of social security. Commonly, the state has no special interest in passing legislative measures that would concern single persons, unlike families, nor is singlehood itself generally recognized as a special legal status, even if, unlike economically active couples, economically active single persons may more often struggle to save and/or invest their disposable income to, for example, enjoy a higher level of income protection in old age, cases of disability, or when long-term care is needed. The same applies to housing, mobility, and the basic goods that enable persons to lead autonomous and self-fulfilling lives. Single persons also experience a lack of a social buffer in the form of even the most basic informal care (e.g. the collection of prescription drugs, health care-related transport, meal preparation) and other everyday and private income support that is commonly available to family members. Even if 32.5% of households in the European Union were occupied by one person only in 2016,¹³ modern-day social security systems still sometimes stem from the presumption of offering social security benefits to a married

13 See <https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:People_in_the_EU_-_statistics_on_household_and_family_structures> (accessed 7 NOV 2023).

couple with children. The relative share of single-person households increased by 2.5 percentage points from 2007, whilst only around 16% of households were composed of three persons and less than 14% of four persons by late 2016. Less than 5% were composed of more than four persons. Around 32% of households were composed of two persons.¹⁴ From 1964 to 2014, the crude marriage rate in the EU-28 fell from 7.9 to 4.2 per 1.000 inhabitants. According to Eurostat, there have been considerable changes in the household composition and living arrangements of Europeans. This is particularly true in relation to patterns of family formation, with traditional boundaries becoming increasingly blurred and different types of family nuclei becoming more common. The average age at which people get married has risen, as an increasing proportion of young people begin their adult lives by living alone or cohabiting, rather than leaving the parental home when they are ready to marry.¹⁵ From 2006 to 2016, the relative share of single-person households composed of persons younger than 65 years has risen by 2 percentage points. The proportion of households made up of people living alone in the EU-28 is split geographically insofar as more people in the northern and western EU Member States tend to live alone, while lower shares of single-person households are recorded in most of the southern and eastern Member States. In 2016, for example, more than 50% of households in Sweden, Denmark and Lithuania were composed of people living alone.¹⁶

On the one hand, this contribution looks at the theoretical background of the community v the individual divide found in social security law. On the other hand, it explores the potential effects of this divide in modern-day social security systems. It does not focus on family membership alone, but also takes into consideration the comparison between average economically active couples and average economically active single persons, since social security, as mentioned, stems from the basic idea of offering social security benefits that meet the demands of the average person, thus furthering their equal opportunities in different spheres of life. It argues that singlehood should be considered a special type of contingency or at least a legally relevant factor whenever social security benefits are granted, going past its relevance in the field of social assistance.

Singlehood increases persons' per capita living costs (just like the costs of raising a child or offering elderly care), especially compared to the divided living costs of couples. With less disposable income at their hand, average economically active single persons do not enjoy equal opportunities within market economies, unless their needs as well as rational wants (wishes or desires) are met by relying on public services alone,

14 Ibid.

15 Ibid.

16 Ibid.

e.g. social housing, public transport, public health care. Even then, economically active couples who have a similar understanding of the good life profit more from such arrangements and have a better chance of leading autonomous and self-fulfilling lives. Modern-day social insurance systems should transgress their origins and further liberty and equality of all persons, regardless of their family status.

State-interest and the traditional role of family in social security

The family, which represents one of the most important communities in any society, has a multifaceted role in the field of social security. Following the cultural norm of partnership and family life, it appears as if the notion of family largely determines the understanding of an average adult individual as a member of a community. Such understanding, that departs from a liberal understanding of the *self*, can lead to the aforementioned community v the individual divide, commonly present in social security. On the one hand, the family represents a community in which informal care like long-term care or personal assistance and private income protection are often guaranteed. On the other hand, several traditional contingencies like maternity, paternity or death commonly have a direct link with the formal notion of family and the legal status of a family member. Specific rights and obligations, e.g. in the field of health care, social assistance, free movement and residence, also stem from this legal status. Furthermore, family benefits represent an individual social security scheme in most national social security systems, whilst coordinated and exported from one Member State to another under EU law (see, for example, Marhold and Ludvik 2020; Strban 2016).

According to the traditional classification of welfare state models, the strongest reliance on the family is associated with the southern type of the European welfare state, for example, the Italian one (see Bonoli 1997, 362). The so-called familialistic types of welfare regimes assign a maximum of welfare obligations to the nuclear or even the extended family (Arts and Gelissen 2001, 286). Next, the traditional concept of the family, predetermined by the presence of children and/or the elderly within a given community, also has a close link to the Bismarckian social insurance model.

Historically, cash benefits and benefits in kind were provided for the economically active male worker and his wife and children as dependent family members. Modern social security systems in Europe, that were fully developed in the wake of the Second World War, became adjusted to the industrial society of the time and thus rest on the key assumption of full and steady employment of socially insured male workers with family responsibilities. Rooted in this assumption is the idea that social security benefits should guarantee the sustenance of both the socially insured worker and his family (Strban 2016, 776). The Bismarckian social insurance model has also traditionally

penalised women, since it assumes continuous careers without interruption, commonly available to male workers only due to their different family obligations. Schemes in which entitlement to social security benefits is not dependent on work, i.e. universal tax-financed social security schemes, thus generally discriminate less against women (see Bonoli 1997, 363). However, the level of indirect discrimination of female insured persons or beneficiaries depends, on the one hand, on the set of rights or positive measures available for them, e.g. higher calculation percentages in pension and disability insurance, insurance coverage of child-rearing periods, and, on the other hand, the level of their full-time participation in the labour market, with the gender employment gap varying significantly across the EU Member States. In 2021, the lowest gaps were reported in Lithuania, Finland and Estonia. The gap was highest in Czechia, Malta, Italy, Greece and, scoring worst in the EU, Romania. According to the gender pay gap, women's gross hourly earnings were on average 14.4% below those of men in the EU five years ago (Eurostat). From this perspective, we could very well talk of a singles' gap in the amount of their disposable income, that has a negative (long-term) effect on their socio-economic position.

Any contemporary debate on the role of the family (as the main legally relevant community of dependents) in social security should also acknowledge but at the same time go beyond traditional family notions that today vary from one Member State to another and often transgress their historical understanding found, for example, in the ILO Convention No. 102 from 1952. According to the Convention, the term 'wife' means a woman who is maintained by her husband. In its Communication No. 549 from 1993, the Human Rights Committee determined that the term 'family' should be given a broad interpretation to include all those comprising the family as understood in a given society. Furthermore, it follows from the Communication that cultural traditions should be considered when defining the term in a specific situation.

In social security law, it is however not just important who may legally belong to or form a new family or other lawful community between persons and thus becomes a holder of a new legal status (one similar to, for example, citizenship or permanent resident status), but also how a family and its members or partners live, e.g. residing (and working, studying) in different countries. Different competence rules apply to cross-border workers, frontier workers or, for example, posted workers, which may also affect the legal status of their dependent family members in the field of social security. Family members are covered by the personal scope of application of Regulation (EC) No. 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems. Nevertheless, it is up to the applicable national legislation to decide on the definition of who is a family member. Additionally, family members cannot rely on the Regulation as a whole, with some

rules, like the provisions on unemployment benefits, applicable to workers only (see Holm 2020, 196). In this sense, even adult economically inactive family members may, compared to economically active single persons, enjoy a number of entitlements that stem from their special legal status alone.

The community *v* the individual divide, which could, following this introduction, also be described as the family *v* the individual divide in social security, is supported by governments not only because it is expected that persons live within close-knit communities, but also because such lifestyles can lead to a decrease in public expenditure, triggering a shift from social to familial solidarity. The principle of solidarity, a key feature of all redistributive social security schemes, is commonly supported because persons who uphold it, share a particular link, e.g. national or cultural identity, territorial or occupational affiliation, or legal status, e.g. citizenship, that separates them from the others and establishes a special sense of belonging, limited only to a certain group of persons (see Mišič 2018, 274). The notion of solidarity – which also has a sinister side to it, a side that can lead members to act against non-members (Nagel 1991, 119), e.g. concerning social assistance and residence rights – is generally strongest in close-knit communities. The members of such communities are, at least to an important extent, bound by a common understanding of the good life. Examples of such communities are families, neighbourhoods, and professional groups (Brinkman 2010, 100).

Conversely, the atomistic understanding of society as composed of individuals not bound by predetermined connective elements, requires the normative principle of solidarity to be imposed upon a certain group of persons, e.g. citizens, permanent residents, workers, by the force of law. In this sense, the principle coincides with the compulsory notion of solidarity, understood as a legally constituted community for the fulfilment of state-assumed responsibilities in the field of social security (see Becker 2007, 1).

We may presuppose that the most autonomous forms of solidarity are found, as mentioned, in communities just like the family. From this point of view, however, care or, for example, income support provided within any form of family structure cannot be considered as a form of social security, i.e. a statutorily prescribed, organized, and exercised system of public income protection, but rather as a form of private income protection. The costs of a particular contingency, e.g. disability or sickness, are namely shifted from the insurance or other formally organized public or private group of persons to a formally recognized but private and rather exclusive group of persons. In this sense, the special attention paid by legislators to the family rather than to the individual or the single person can also have negative effects on this type of community.

Many social and political actors want the family, perceived as the basic unit of social life, to reassume a leading role to help grow the hidden economy linked to kinship; for obvious political and demographic reasons, the question of family solidarity is being reviewed (Bawin-Legros and Stassen 2002, 243). If intragenerational and other transfers remain at the micro-level of the family, not reaching the macro-level of the society (see Bawin-Legros and Stassen 2002, 244), costs of child-rearing, long-term care, palliative care, etc., remain, at least in part, private. Public expenditure, however, may grow in the long run if persons now acting as informal carers leave the labour market or work part-time only, which may expose them to the risk of poverty and social exclusion in old age, with a potentially higher risk factor concerning sickness, injury, or reliance on the care of another due to physical and mental strain. Paradoxically, the socio-economic position of single persons, free of any dependent family members, can, at least in this context, be more favourable than the position of family members who have a culturally predetermined, moral, or even legal obligation to act as a financial or other type of social buffer in respect to their dependents.

Throughout history, the extended family and close-knit local communities, with their social norm of mutual help, offered informal insurance, protecting its members against the economic consequences of individual misfortune (Nentjes and Woerdman 2010, 35). The more successful and lucky ones had a capital buffer of their own, built up through saving or acquired through inheritance, whilst persons without financial buffers could try to take up private insurance. As a last resort, one could appeal, historically, to individual or organized charity (Nentjes and Woerdman 2010, 35).

Similar is the libertarian understanding of public income protection or, better still, a lack thereof. Persons acting as rational economic agents should either conclude private insurances or pay for the contingency-related costs directly, whilst those without sufficient resources may, as mentioned, rely either on charity or family and other potential voluntary economic transactions. The socio-economic position of the individual, theoretically freed from predetermined community affiliation and free to enter into private legal relationships on the grounds of a contract, thus depends, among others, on their family as a financial buffer or even an informal insurance scheme, without the need of introducing additional contributory or tax obligations upon the free, market-based democratic society.

In practice, however, the interventionist state's interest in the family and the private sphere commonly lies elsewhere, making the individual or the single person irrelevant and undeserving concerning the notion of the common good, thus also concerning a variety of social and tax advantages as part of the so-called hidden welfare state (a term coined by Howard in 1997). According to the International Social Security Associa-

tion report from 2019, population ageing is expected to increase the costs of social security over the next few decades, with regional variations present in terms of scale, timing and impact. This mostly relates to long-term, income-dependent cash benefits like (old-age) pensions, social services, or social insurance benefits in kind provided concerning sickness and long-term care. EU-14 countries are expected to overtake the dependency threshold, a critical point in the cross-section of the age distribution of the population beyond which tax revenue from direct taxation can no longer sustain the planned level of transfer to retirees (Heer et al. 2020, 1) well before the year 2100, due to more generous pension systems and older societies with higher dependency ratios, for example compared to the United States of America (Heer et al. 2020, 2). Asian countries will, on median projections, reach the age structure comparable to the OECD countries by the year 2050, like Southeast Asian countries or China, which are projected to reach Australian and North American levels of age-dependency within the next 30 years (Chomik and Piggot 2015, 200).

From a financial sustainability point of view, national legislators may, as mentioned, become eager to re-establish the conventional form of family as the basic unit of social life, whilst interfering strongly in the private sphere of its members. From this perspective, the textbook role of social security law, first and foremost regulating the provision of income-replacement benefits and benefits in kind in times of an occurred contingency, may become blurred by active social policy measures in the field of family and demographics. In this event, the single person, free from any family obligations, may experience an even further marginalization in the field of social protection.

The comparison between traditional families, composed of two economically active persons and dependent family members like children or the elderly, and single persons may appear very much misplaced at first sight. However, there may be more similarities between the two situations than meet the eye. On the one hand, the costs of raising a family imply an important increase in the overall cost of living, while, on the other hand, single persons, who are not dependent on family members themselves, bear all the fixed living costs themselves. Both can have a similar effect on the amount of their disposable income. Additionally, single persons cannot rely on the family as a form of social buffer. The need of treating singlehood as an independent contingency, and not as a status that is generally relevant in the field of social assistance,¹⁷ becomes even more apparent when a single, economically active person, is compared to an economi-

17 An overview of the MISSOC database reveals that the majority of EU Member States recognize singlehood as a special legal status in the field of social assistance, next to families or households composed of dependents, where the levels of benefits, thresholds, etc., vary according to the number of beneficiaries. Often, single persons are treated more favourably than couples or other legally relevant communities in respect to income, capital, savings, or other thresholds. Several Member States grant special benefits to single persons above a certain age, whilst offering special attention to single parents. See <<https://www.missoc.org/missoc-database/comparative-tables/results/>> (accessed 21 AUG 2023).

cally active couple with no dependent family members. In the following paragraphs, a shift from the family to the economically active couple is made, as to highlight the unequal economic position of single persons.

The social (in)security of single persons: From a lack of income and financial buffers to housing and mobility

In this discussion, the term ‘single person’ refers to economically active individuals who are not dependent family members, nor do they have dependent family members of their own, like children, elderly parents, etc. Additionally, it refers only to individuals who are not recipients of old age, death, or other social security benefits (e.g. elderly women, commonly at greater risk of poverty and social exclusion), whilst living in a single household. The contribution also does not address the common issue of social and economic hardship of single-parent and single-female-parent families (see, for example, Szelewa 2013 or Marchal 2020) generally remedied by social assistance benefits and social public services. Due to the limited scope, data from Slovenia is mostly used in the following paragraphs in which the contribution tries to determine whether single persons should be entitled to positive measures in the field of social security due to their higher per capita living costs, or, for example, receive special social security benefits in cash or kind following the recognition of a new social risk. Straightaway, however, the key question of whether this challenge should even be approached from the perspective of social security law, going beyond minimum income protection, arises justifiably. Perhaps it should be viewed as a social policy (e.g. in terms of housing, public services) or tax law issue at best. Nevertheless, this contribution argues, for the reasons set out in the introduction, that singlehood should be considered a special type of social risk or, as mentioned, at least a legally relevant factor whenever social security benefits are granted. After all, singlehood, just like marital or other similar status, is based upon free choice, and it represents a more than average way of life that should be recognized and facilitated by modern-day social security systems.

From 2009 to 2022, the number of single-person households without children in the EU increased by 30.7%. The most numerous types of households in the EU in 2022 were single adult households without children, amounting to 71.9 million, followed by couples without children representing 48.2 million, and couples with children numbering 30.6 million.¹⁸

As mentioned, single persons, which make up the most numerous type of household in the EU, are the sole bearers of fixed living costs (e.g. housing, mobility, food consumption expenditure) and unable to rely on informal care and family-based

18 See <https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Household_composition_statistics#Increasing_> (accessed 21 AUG 2023).

income support as an important financial or social buffer in society.¹⁹ Additionally, due to a disproportionately limited disposable income, they cannot save their money as effectively as economically active couples or even families when all are acting as rational economic agents. Even if they earn an (above) average professional income, they may struggle, for example, to own real estate, which is often considered as the fourth pension pillar, or to conclude voluntary additional pension insurance in order to guarantee an additional level of income protection in old age which is commonly supported by income-tax reliefs during the working period and more likely available to economically active couples, who already enjoy a higher level of income protection.

On the one hand, this may have a negative effect on their equal (economic) opportunities, on the other hand, it may expose single persons to a greater risk of poverty or social exclusion, not only in old age but also during a short-term contingency, like sickness, injury or unemployment. With no additional income, the amount of social security benefits may not even cover their fixed living expenses that could have been split between two persons, with one generally remaining economically active.

Unemployment cash benefits are, for example, limited in almost every EU Member State and decrease during the course of unemployment. In Slovenia, the maximum amount of these benefits is set at 892,5 EUR gross or around 700 EUR net, regardless of the amount of one's wage or professional income, meaning that a single unemployed person, who received an (above) average Slovenian wage, can barely cover housing costs. In such cases, singlehood, which would have to be officially recognized within an administrative procedure, could be considered a relevant factor that would entitle beneficiaries to receive significantly higher social security benefits in order to safeguard them from poverty and social exclusion. A special non-contributory cash benefit can however only be granted whenever a risk of poverty and social exclusion follows the realization of a traditional social risk, which brings the discussion back closer to the realm of income support and singlehood as a means-test-relevant factor only.

However, the discussion on the abovementioned housing and other living expenses should receive greater attention in the field of social security, since accommodation-related expenses significantly limit the amount of single persons' disposable income and may crucially determine their socio-economic situation, even if not leading to a risk of poverty and social exclusion.

¹⁹ This is a simplification since persons may live in single households but still have the option of falling back on the support of the (extended) family.

According to Eurostat, almost a third of the EU population resided in rental households in 2021.²⁰ Two years ago, the average rent paid in Ljubljana, the Slovenian capital, reached 640 EUR before costs for an average single-bedroom apartment measuring from 40 to 60 square meters. According to the Slovenian Statistical Office, the average net wage in Ljubljana reached 1.442,29 EUR in 2021, meaning that an average single person was left with approximately 800 EUR of disposable income after paying rent but before covering any other fixed and variable living expenses, like electricity, water, gas, internet, food, supplementary health insurance and costs of consumer goods. Due to an underdeveloped public transport system, 85% of travel in Slovenia was made by car in 2021, with an average of 1,5 commuters travelling per vehicle. 27% of travels were work-related. Public transport is used (46%) predominantly for education-related travel, i.e. travels of economically non-active students. In 2023, approximately every second person in Slovenia owned a car, which statistically contributes to a further disposable income reduction of roughly 25% of the average salary. According to the Automobile and Motorcycle Association of Slovenia, a car owner will spend an average of 398,5 EUR per month on an average, 20.000 EUR retail-priced vehicle in its 12-year lifespan. Adding up the living costs for an average economically active and fully mobile single person from the Slovenian capital shows that they cannot save any of their monthly disposable income, mostly due to fixed living costs which could have been split in-between spouses, saving around 520 EUR on rent and car ownership per person alone, not considering any unforeseen expenses which may, if necessary, be covered by extraordinary monetary social assistance. This is even more problematic for younger singles who generally earn a below-average salary whilst experiencing a lower level of job security following the common chain of fixed-term employment contracts. Statistics also reveal that around 92% of apartments in Slovenia are owned by natural persons. However, even if large numbers of the population reside in non-rental residences, the statistics do not reveal the number of natural persons who own several apartments and how many own none, with only 36.400 apartments built in-between 2011 and 2021. In 2021, real-estate prices grew by almost 17% with a steady increase in the following years. According to Deloitte Property Index, buyers in Slovenia have to put aside in-between 8 and 10 gross annual salaries to purchase a new apartment, which amounts to around 190.000 to 235.000 EUR and is the overall country average, with real-estate prices significantly higher in Ljubljana, the governmentally, economically and culturally centralized capital. For comparison, in Denmark, Portugal, Belgium and Norway, citizens need to put aside only 4 to 6 gross annual salaries. According to the Slovenian Statistical Office, in April of 2022, several leading Slovenian banks sparked their interest rates on mortgage loans, with rates on some 30-year, fixed mortgages climbing to as high as 3%, with rents in Ljubljana growing by 10%, in Maribor by 11%, and in Celje, the third largest city, by 5% from 2021 to 2022. Needless to say, interest rates are even

20 See <<https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-1a.html?lang=en>> (accessed 7 NOV 2023).

higher in 2023, reaching almost 6% with some creditors in case of a 30-year loan period with a variable interest rate.

As mentioned, persons younger than 35 earn a below-average net wage, whilst persons older than 64, who commonly already own real estate, earn more than 1,5 times the average. Economically active persons aged from 15 to 24 earn an average of 878 EUR net, persons aged from 25 to 34 earn an average of 1.080 EUR net, whilst only persons aged from 35 to 44 almost reach the Slovenian average. If effective saving is only possible after 35 or even after 44 years of age, economically active persons then have around 35 to 45 years²¹ to save in-between 190.000 to 235.000 EUR with no market nor wage growth and, importantly, no interest payment considered. This means that they have to save in-between 350 and 560 EUR net monthly before interest, on a roughly 1.300 EUR Slovenian net wage or a slightly higher net wage in Ljubljana, however, only after they were able to secure a loan using a down payment or loan guarantor, commonly in the form of an affluent family member. Due to the ever-increasing role of down payments, the monthly costs should be lower. However, in this respect, persons ought to save in-between 38.000 to around 50.000 EUR in the years leading up to the average buying age, in a period when their wages are commonly significantly lower than the average wage.

As discussed, singles who earn an average Slovenian wage can save little if any professional income monthly when living in a single household, especially in Ljubljana or another major city, and/or owning an average car, with the average wage first obtained by persons older than 35. Living with an economically active partner increases the disposable income of the household dramatically, whilst the chances of having an affluent family member, who is either an owner of more than one real estate property or who has enough capital or savings in order to act as a loan guarantor, also increase.

Arguably, this paints more of a social policy issue rather than a social security – let alone a social security law – issue. This may singlehandedly defeat the purpose of this contribution, just like the fact that singlehood was quickly recognized as a factor leading to the provision of special non-contributory cash benefits rather than a fully-fledged contingency, also since no loss of income following an unforeseen event occurs. Singlehood is, after all, one's personal status and should thus first and foremost be recognized as a special legal status or relevant legal factor, as it is in the field of social assistance.

²¹ This is an approximation stemming from the average life expectancy of persons, born in 2021 (78 years for men and 84 years for women; see <<https://www.stat.si/obcine/sl/Theme/Index/PrebivalstvoStarost>> (accessed 14 NOV 2023)). It does not consider that persons born between the late 1970s and mid-1980s generally have a lower life expectancy than those born in 2021, nor does it consider different earning opportunities (e.g. the gender pay gap) or the life expectancy per amount of income (e.g. healthier lifestyles of high earners).

However, social security law cannot exist in a legislative vacuum and should be (re) shaped by social policy issues just like the one discussed in this contribution. Even if national legislators commonly enjoy a broad margin of appreciation when administering the mandatory redistribution of income or wealth, they must dynamically adapt the legislation to relevant societal changes and consider a variety of factors. The inability of single persons to effectively save and/or invest a part of their income may severely affect their social security in old age, as well as in times of any short-term contingency, like sickness or unemployment, making them, on the one hand, more prone to (in-work) poverty before even reaching old age and, on the other hand, less likely to lead fully autonomous lives due to unequal economic opportunities throughout their working lives and after reaching retirement age.

A person born in 1999, who began working in 2023 at the age of 24 and who will work for an average Slovenian wage throughout their career will be entitled – with no wage and price growth, indexation, prolongment of the insurance period, etc. considered – to an 845 EUR net pension in 2064, thus barely able to afford rent for a single bedroom apartment, let alone lead a free and self-fulfilling life in retirement. With no financial or social buffer in the form of a family, they will become, as a general rule, dependent on income-support since they were unable to conclude a voluntary additional pension insurance due to a lack of income or, for example, (co) pay for long-term or social care services when benefits in kind are not fully covered by the social insurance carrier, the state, or another public entity.

Kuivalainen (2003, 130), when analysing the importance of housing costs in cross-national comparisons of social assistance (i.e. the amount of social assistance granted concerning the type of disposable income considered, e.g. before or after housing costs), discussed seven different model families: young persons, single adults, elderly single persons, single parents with one and with two children, couples without children and couples with two children. A similar model could be used for an analysis of purchasing power and the ability to buy real estate in-between, for example, the age of 18 and 24 or 65 and 67, and the correlation between the inability to buy and own real estate and the risk of poverty and social exclusion in different stages of life. A similar analysis could be conducted in the field of health care and long-term care, following the level of out-of-pocket payments or other types of expenses across the different models and within different age groups, comparatively focusing on the single person.

Again, the question is whether these challenges should be addressed by social security law or rather by tax and other social policy measures. Additionally, it is fully in line with the competences of the general legislator that no positive measures are passed with respect to single persons in the field of social security, taxation, housing, etc., as

long as appropriate social assistance benefits are available for those in need. However, such an approach clearly does not further the idea of a free life-plan development and may be deemed illiberal.

Concluding remarks: Is a singles-friendly social security scheme even possible?

Legislators and policymakers should not only be concerned with single persons' dependence on income support, where different thresholds and/or amounts are already in place for singles and different forms of families or joint households, but also with the potential insufficiency of social insurance benefits afforded to individuals who do not belong to a particular close-knit community. If, on the one hand, benefits in kind like health- or long-term care are not economically, timely and regionally accessible, this puts the single person in a worse position compared to a family member or couple who may rely, at least temporarily, on their social or financial buffers. If, on the other hand, cash benefits are provided in amounts that are too low according to the person's disposable income or per (single) capita living costs, this defeats their purpose even if not breaching the insurance principle but only the redistributive principle of vertical solidarity.

Social security cash benefits should allow the individual, regardless of their family or marital status, to lead a lifestyle proportionate to the one they had before the occurrence of a particular social risk following the principle of reciprocity, with redistributive elements of the insurance scheme favouring the worst-off members of the insurance community (see Mišič 2018, 283). Cash benefits afforded to single persons do mirror the amount of their income appropriately, following the key principles of fair (re) distribution, whilst the amount of income itself is not sufficient to sustain a freely developed lifestyle of an average economically active single person. Nevertheless, legislators and policymakers should consider granting special non-contributory cash benefits at least to single average-earners, e.g. in cases of unemployment, sickness, etc., even if there is no evident risk of poverty or social exclusion yet present, so as to enhance their equal (economic) opportunities in respect to average-earner couples who may rely on additional income in times of an occurred contingency as a financial buffer and on informal care as a social one.

In respect to the social buffer, special benefits in kind could be provided for single persons (e.g. at-home delivery of prescription drugs, healthcare-related transport). Similarly, single persons could, just like female insured persons in some European pension and disability insurance schemes, enjoy higher calculation percentages in respect to cash benefits paid from the social insurance system or have their calculation basis increased by means of positive tax measures. In respect to tax measures, only briefly discussed in this contribution, a special singlehood tax allowance could also

be introduced, alongside tax breaks or exemptions on basic goods and services or, for example, additional tax breaks following the conclusion of an additional pension insurance. Any form of targeting, either in the field of social security or in the field of taxation, similar to means-tested income support, could importantly further the socio-economic situation of single persons generally or when receiving social insurance benefits provided in proportion to their income.

Nonetheless, a comparison with the social assistance scheme and associated income support measures may be somewhat controversial. It is namely in the greatest interest of the state that an economically inactive individual, who as a single person would have been entitled to monetary social assistance, actually belongs to a family, joint household or another type of formally recognized community. In such communities, maintenance obligations of its economically active members apply in respect to dependent members, who in this way potentially no longer pass the means-test associated with a given income-sensitive or income-dependent cash benefit since they are economically supported by others. In this context, a “singles-friendly” social security scheme does not seem likely.

On the one hand, states have an interest in promoting and financially supporting traditional families and heterosexual couples from a demographic point of view, on the other hand, it is in the greatest short-term financial interest of state- and other public budgets that intragenerational and other social transfers remain at the micro-level of the family or other formally recognized communities in which maintenance and caring family law obligations apply. It is not surprising that both social security law and social policies compel the individual to live in a community like family or marriage, albeit in a way that is incompatible with their chosen life plan. Such “man-made prisons” (Kramer in Seinfeld, 1995, S7E1) are, however, cheapest both for the state as well as municipalities that could, on the contrary, also introduce special social subsidies or advantages for single residents, just like for families or, for example, young couples.

A short overview of the MISSOC database reveals that there exist almost no single-person-specific social security provisions apart from, as mentioned, specific amounts and thresholds in the field of social assistance. This begs the question: should single persons be allowed to opt out from all or at least some social insurance schemes, for example in the field of parental care, and use part of the increased disposable personal income to conclude tailor-made private insurance? Alternatively, should continental European legislators make a move towards universal social security systems in which, at least theoretically, the status of an individual becomes more important?

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Section 2

How Will People Live and Work by 2035?
A Vision from Established Personalities in
the Field of Social Security

Paul Schoukens

In this section, we report on the outcomes of interviews that were conducted with leading personalities in the field of social security. Although these interviews were conducted according to an open approach (asking their personal view on future developments), a pre-established structure was used to prepare for and to report on the interviews. The structure was delivered to the interviewed person before the interview and used to report on the outcomes of the interview.

The structure addresses topics relevant to the specific country of the interviewed person as well as topics within a larger European and global context, and finally topics within the context of the social security administration.

In the interviews, we addressed the major challenges and possible short- and long-term reforms for social security in general (Part 1) and for the administration of social security in particular (Part 2).

The following items were addressed in both parts:

1. Determining life factors
2. Determining legal, political and ideological factors
3. Covered population
4. Financing
5. Benefits
6. Activation and proactive labour market policies
7. Position of the beneficiaries
8. Administration

In Part 3, we focused on possible external factors that may influence social security, such as the international and European environment, the internal environment, and policies outside social security which may perturb reflections from Parts 1 and 2, such as overall political factors:

9. External elements

In the last part (Part 4), we left some space for a personal message the interviewee would like to get across to the broader world of social security:

10. Message

1. Determining Life Factors Shaping the Future of Social Security

Under this item, we delve into the critical life factors influencing the future of social security. Our discussions during the interviews have revealed several dimensions, including demographic shifts, the maturation of social security systems, issues related to non-payment of required contributions, and the increasing number of individuals exempted from social security.

1.1. Demographics and the active v passive ratio

The demographic challenge is primarily characterized by an ageing population and an imbalance between active contributors and social security beneficiaries. Given the pay-as-you-go nature of most social security systems (including old-age pension schemes), concerns arise as the ratio of (active) contributors declines while (passive) beneficiaries steadily grow.

The evolution of worsening demographics has been underway for several decades, but is still perceived as a major problem for the future by the interviewed persons. While compared to thirty years ago remedies are now known and even implemented by (some) countries, some experts still maintain that ageing does not receive the necessary attention from governments. Moreover, this demographic challenge is exacerbated by factors such as persistent long-term unemployment, a reduced willingness to work full-time among younger generations, low fertility rates – despite policies that address low birth rates – and immigration policies that fail to involve new immigrants in the labour market.

Most social security systems are aiming to counter this trend by increasing employment (e.g. activating the unemployed or persons on work incapacity benefits) for a longer period of time (e.g. raising the retirement age). These strategies will introduce new complexities in human resources management, as such activation policies will necessitate a more flexible workplace organization to accommodate individuals with reduced work capacities.

Additionally, a greater emphasis on prevention, rehabilitation, and retraining is crucial to maintain a skilled and available workforce to answer the employment needs. This will include the development of strategies to keep older generations active in the face of evolving job requirements, such as training programmes to keep up with a more digital work environment as well as to help workers (beyond their 50s) to transition from physically or psychologically demanding work to different forms of work (see also *6. Activation and Proactive Labour Market Policies*). Activation policies must be well-prepared to implement these necessary retraining and transformation programmes.

The ageing population also exerts financial pressure on the system. Most of the interviewed persons advocated exploring new financial sources beyond labour-related funding, as existing financing methods tend to overburden the cost of labour. EU Member States will have to shift towards more tax-based financing and incorporate wealth and capital (growth) as additional financial foundations (see also 4. *Financing*).

1.2. The ‘maturity’ of social security systems: Growing complexity

Social security systems have reached their full development since their introduction after the Second World War. However, they have become increasingly complex, making them less comprehensible to the general population. This complexity arises from various special measures introduced for specific groups or situations, resulting in preferential treatment in benefits (more advantageous benefits) or financing (exemptions of payments). This complexity jeopardizes not only the understanding of the system, but as a consequence also the core principles that underlie it – redistribution, equivalence, and proportionality – especially in relation to social insurances, where a link is made between what people pay in and what they receive. The balanced interplay between rights and duties is at risk, as the interviewed persons note a ‘decline of social ethics’: people are less willing to contribute to a solidarity system without a clear understanding of the solidarity logic. Simplification and increased transparency are essential to ensure that citizens grasp the fundamental principles of social security, emphasizing solidarity and rights, but also responsibilities.

Some interviewed persons sketched a potential demise of social security systems if they cannot be broadly understood and supported. They discussed the potential reduction of social security into a more crisis-oriented, instant protection system, focused on addressing sudden crises, like the COVID-19 pandemic. The response during the pandemic is easily understood as a protection system due to the clear and instant link between the problem (crisis) and the solution (income protection), and may be considered easier to run politically speaking. Such crisis situations may become more likely in the future due to climate change, resulting in a watered down instant protection system providing relief to people hit by calamities (see also 2.2 *Emergence of new social risks*). However, the majority of the interviewed persons do not believe it will come to this – at most climate change may lead to the emergence of new social risks and/or adaptations in existing schemes.

Regardless of the future direction, all interviewed persons emphasized the value of social security as a societal asset based on principles of solidarity. However, there is a pressing need to reiterate these principles to the wider population, particularly younger generations and those from diverse cultural backgrounds, as well as to foster realistic expectations and promote active participation in the system. There is a need

for simplification and transparent logics underpinning a fair redistribution of means to move away from a developing consumerist approach towards social security.

1.3. Non-payment of social security contributions and challenges to equivalence

Many of the interviewed persons raised concerns regarding the increasing number of individuals exempted from participating in the social security system. This evolution manifests itself in several scenarios.

One such scenario pertains to life situations that are equated with professional activities for the application of social security, even when no professional work is being conducted. These often involve career breaks considered as equivalent to work periods. Consequently, individuals do not lose out on their insurance records and continue to accrue social security benefits.

Another scenario involves various groups of workers who are excluded from social security either fully, partially, or asymmetrically. In some cases, they are exempted from both financing and benefits ('fully'), while in other cases, they are exempted from financing (partially or fully) but not from benefits, sometimes receiving only a reduced or "mini" level of protection ('partially'). Finally, some are exempted from financing but not from benefits ('asymmetrically'). These situations can be due to their marginal involvement in professional activities or their low income from such activities. It can also extend to foreign workers who are exempted from social insurance due to their status as posted workers, presumably insured abroad.

It is essential not to conflate this issue with moonlighting (deliberate and fraudulent avoidance of system affiliation) or grey work (underreporting of income to reduce contribution obligations). Instead, this issue concerns governments deliberately exempting certain insured individuals from financing requirements while retaining their access to some level of benefits.

The deliberate exemption of people from mandatory insurance is on the rise and is often associated with policies promoting flexible jobs, resulting in a growing number of low-income workers, including self-employed persons. In some cases, these individuals earn incomes below the minimum wage or even below the minimum subsistence level. The interviewees noted that a growing number of countries struggles with the relation of these workers to social security, often deciding to (partially) exempt them from social security. There are policies that focus only on financing by lowering contribution payments, but this does not result in an equivalent lower social protection (in order to guarantee basic social protection). While this approach can be

justified from a social perspective to prevent workers from falling into poverty, it may pose long-term sustainability challenges.

This approach to reduce financing (and protection) is not without risks, as highlighted by the interviewed persons. When applied extensively or without strict monitoring, it can create an uneven playing field in the labour market. Marginal work categories might become attractive for employers seeking cheap labour, potentially displacing other comparable groups. Moreover, sustainability concerns may arise if the minimum protection levels guaranteed for these groups are relatively high compared to their contribution basis. Some interviewees expressed the view that the application of special schemes for flexible and/or marginal contribution payments is becoming unmanageable, especially when similarly flexible rules are applied in terms of labour law (protection).

In addition to this evolution, states are struggling with the issue of non-economic work – work performed without remuneration. This includes activities such as traineeships, internships, and caregiving for family or relatives. The challenge lies in determining to what extent these activities should be included for social protection, considering that they have not contributed to the system's financing. While some non-economic activities are exempted from social protection financing due to their societal relevance, the boundaries of this approach are not always clearly defined. What is relevant (non-remunerated) work for society and how should this be integrated in social security? Most interviewed persons agreed that a clear policy with regards to these activities should be developed, also to justify it to other participants actively paying into the system.

The widespread exemption policies, while sometimes justified, can become problematic when applied on a large scale. This is detrimental to the affected workers, who may lack sufficient income replacement when facing social risks. Additionally, it poses challenges for states and social security systems as these individuals often continue to benefit from health care coverage and social assistance, creating additional costs for the system when alternative financing options are not explored.

2. Determining Legal, Political, and Ideological Factors

Under this item, we explore the legal, political, and ideological factors shaping the future landscape of social security. Our discussions with the interviewed persons highlighted several dimensions, including the increasing targeting of benefits to those in need, the adaptation of new social risks aligned with societal changes, the growing

need to address (gender) discrimination within social security systems, the emergence of more individualized protection schemes (tailored around individual wishes, with less solidarity), and the growing polarization of ideological perspectives within society.

2.1. Enhanced targeting of benefits and means testing

In contemporary society, there is a growing demand to optimize social security by directing it more effectively toward individuals in genuine need, while reducing (or even abolishing) benefits for those with higher incomes. This approach to target the needy aims to provide better protection for segments of the population in ‘genuine need’. Notable areas of concern include family benefits, where low-income families may require increased support, while those in more affluent circumstances might see their benefits reduced or eliminated. A similar idea applies to unemployment protection schemes, with e.g. reductions in benefit provisions for individuals who do not meet certain criteria of need. In general, social insurance schemes could be reduced to improve social assistance benefits, or could use means/income testing to target those in genuine need.

Several of the interviewed persons pinpointed the challenges that the organization of a proper means test brings along. Some emphasized the need to streamline means tests across social security schemes and even more across social security and tax systems to safeguard coherence in its application. Others expressed reservations regarding the administrative complexities and associated costs of managing means-tested schemes and the marginal impact they might have on improving benefit delivery to the intended beneficiaries at the end of the day. Additionally, questions were raised about the redistributive effects of means testing, as it might not consistently direct benefits to the most “needy” recipients, given the difficulty to control declared income (referring in particular to the challenge to assess income of the self-employed properly). Consequently, there were concerns about the legitimacy of means-tested schemes, where individuals who contribute significantly to the social security system (social insurance in particular) may receive minimal or no benefits in return. There is a potential danger that middle and high income classes no longer feel connected to social security and will have less interest in contributing to the system, which in turn would put financial pressure on the benefit levels. Finally, endless policy discussions may ensue on defining the eventual minimum (subsistence) level that leads to protection.

In short, the interviewed persons noticed an overall tendency toward more targeted benefit provision, yet this may cause quite some application problems in practice as well as fundamental discussions on the level of the eventual protection and required redistribution underpinning the system. How to define “better targeting” and translate

it into a coherent policy remains a complex challenge, with varying interpretations among stakeholders, according to the interviewed persons.

2.2. Emergence of new social risks (while others disappear)

Many of the interviewed persons believed that social risks will develop in response to changing societal dynamics. This is often linked to climate change and the consequent need for restructuring society. While the fundamental structure of social security systems is expected to remain largely intact, the specific definition and contents of social risks may necessitate adaptation.

For instance, due to changes in working patterns such as telecommuting and remote work, there is a need to reconsider the definition of labour accidents and workplace safety measures, acknowledging that workspaces extend beyond traditional office environments. Climate change is also expected to generate adaptations in the design of social risks: in social assistance schemes, e.g. energy and housing support may become more important. In general, demographic disparities between urban and rural areas may require differential benefit structures to account for varying living and transportation costs.

A subset of opinions goes further, suggesting that climate change and its associated costs could necessitate the development of entirely new social risk schemes, focusing on addressing the expenses and challenges arising from these global shifts. Such schemes may prioritize providing financial support to individuals and families to make housing, energy and transportation more climate friendly. Some even argue that social security systems will move away from traditional income replacement and cost compensation models to systems of (ad hoc) crisis support in the face of increasingly occurring disasters. They argue that the current complexity of social security systems, coupled with a lack of understanding of the underlying redistribution among both the general populace and politicians (see also 1.2 *The 'maturity' of social security systems*), may lead toward a more straightforward approach that provides substantial support during crises. This kind of 'social security 2.0' is more easy to explain, which may lead to it gaining more support in the coming decades.

In any case, most interviewed persons concurred that the successful implementation of any such adaptations requires widespread societal support, necessitating consensus among political parties, social partners, and civil society. In effect, for these changes to be sustainable over time, they should not be determined through a simple majority voting process. Moreover, many interviewees underscored the importance of, whatever change in risk development climate change may bring along, making sure that the middle (and even higher income) class takes an interest in these new schemes, as its

participation is essential for ensuring the financial sustainability of the social security system.

2.3. Addressing gender discrimination

Surprisingly, some of the interviewed persons still highlighted the need for social security to more proactively address issues related to gender discrimination as a future challenge, despite the European Union's early efforts in this area (e.g. EU equal treatment directives in the late 1970s). These opinions were grounded in the perception that the existing regulatory framework addressing gender discrimination, particularly Directives 79/7 and 86/378, contains exceptions that warrant reconsideration. These exceptions pertain to specific risks (survivorship, general social assistance and family benefits), the personal scope of coverage (exclusively for professionally active individuals), and certain conditions (e.g. pensionable age and the potential justification of indirect discrimination).

While these exceptions may have been justifiable when these directives were launched in the 1970s, this may no longer be the case, especially in light of recent European legislation, in which the principle of non-discrimination became a more fundamental principle, as evidenced by the principles of EU Citizenship and the fundamental rights established in the EU Charter. It is believed that national realities have surpassed the EU regulations set forth several decades ago, and that a recalibration is necessary to rethink these exceptions.

Some of the interviewed persons also believed that social security systems must address historical discriminations that occurred prior to the establishment of equal treatment directives. Especially with discrimination that took place before the regulatory framework of the 1970s/1980s, unequal situations persist for future entitlements – particularly in pension schemes, which rely on long insurance records. It is a growing question to what extent schemes need to correct these discriminations dating back 40 or more years. This is a complex debate, as ideas of work division and family structures have evolved.

2.4. Individualized protection

A recurring challenge identified by the interviewed persons is the need for greater individualization in social security benefit provision. This shift toward individualization can take several forms, including the desire for more personalized, private arrangements to cater to an individual's specific needs and preferences. However, it can also entail individualization in the design of benefits (hence reducing or even abolishing family benefits reflecting the different family situations when setting the benefit levels).

The first form of individualization involves the growing demand among citizens for more flexibility in pension and health care schemes, allowing individuals greater autonomy in choosing protection plans that align with their unique requirements. Typically, this is the case when there is a standard or basic level of protection, while individuals would like to select private coverage that complements their social security provisions. In essence, this perspective does not challenge the basic protection but seeks to expand it with additional private protection schemes that can offer more freedom of choice, more individualized protection plans and/or opting out possibilities.

The second form of individualization concerns the revision of benefit structures based on family situation. While benefits are typically granted on an individual basis, traditional social security systems have employed varying benefit levels contingent on one's family situation, reflecting different support requirements for individuals versus families. Growing individualization (with more people living on their own) and concerns of discrimination of individuals compared to families (as they receive lower benefit levels and do not qualify for all kinds of social supplements) may lead to a re-evaluation of these distinctions. On the other hand, if e.g. two persons constitute a family and both receive benefits, they receive less than if both would be considered individuals. A major justification for this diversification of benefit levels was originally that living together allows the pooling of costs. This idea is also increasingly being challenged, both in principle (is this actually true?) and in relation to the cost reduction (how should the benefit then be adapted?). In essence, some argue that the basic benefit for individuals may be set too low.

In the end, the family unit has become more difficult to define – in legal terms – due to the diversification of family forms (marriage, registered partnerships, cohabitation) along with higher numbers of separation/divorce as well as blended families (where children are tied to multiple 'families'). These evolutions generate problems for the delineation of the concept of family-based benefits, creating in turn problems of application.

Moreover, social security is confronted with a growing number of family units that are deconstructed for the purpose of benefit allocation. This phenomenon arises from various factors, including the dissolution of families, increased economic activity of children which jeopardizes the entitlement to (family-based) benefits, and conflicts between the rights of children and parents, especially in the context of migration law. Such scenarios pose administrative challenges and complicate judicial treatment.

With migration law, a particular challenge emerges regarding the immigration status of children compared to their parents. In many social security systems,

undocumented minors may receive more favourable treatment regarding access to health care and minimum subsistence, in contrast to adults who often receive only minimal protection. This discrepancy creates complexities in benefit distribution, as benefits are traditionally granted to the head of the family, who may lack the necessary immigration status, necessitating alternative means to provide benefits to the child within the family. When legal interests within a family unit start to oppose, granting benefits can become problematic. This leads to more complex decision-making, which conflicts with the need for simple and transparent decisions.

2.5. Intensified ideological polarization and its impact on policy

An overarching concern relates to the growing polarization within society, extending to political and ideological discussions. This issue extends beyond a mere divergence of opinions; it signifies an environment where individuals are less inclined to consider opposing viewpoints or accept arguments from those with differing perspectives. In the context of social security policy development, this poses a significant challenge, especially when major reforms are required.

Historically, the success of implementing major changes in social security systems has relied on broad societal consensus, necessitating compromises from opposing sides. Many of the interviewed persons emphasized that ensuring support from a majority of the society is essential for the sustainability of these changes. In other words, the dynamics of a simple majority voting are insufficient for such complex reforms. Such reforms require support across the political spectrum, from government and opposition in parliament to social partners and various intermediary organizations.

In order to make social security systems resilient against major future challenges, reforms will have to be accepted that are supported by a large majority in society. In a climate of growing polarization, the task of forging these broad and lasting reforms becomes increasingly challenging.

3. Covered Population

Under this item, we delve into the evolving challenges related to the covered population within social security systems. The dynamics of the modern labour market, coupled with the intricacies of defining work and employment, pose significant challenges. Additionally, issues surrounding irregular migrants and the persisting concerns about un(der)declared work, often referred to as moonlighting and the grey economy, continue to impact social security systems.

3.1. Flex work and its implications

The ongoing flexibilization of labour relations already now represents a challenge for social security, a challenge that the interviewed persons predict will persist in the years ahead. With the emergence of platform work, the proliferation of self-employment (especially solo self-employed individuals and freelancers), and a myriad of employment arrangements (through fixed-term contracts and part-time contracts), the diversity of work forms is expanding significantly. The core challenge remains ensuring that social security systems remain adaptable enough to accommodate this diversification.

This ongoing transformation in labour arrangements has been unfolding for some years, yet concerns persist regarding the adaptability of systems. Consequently, protection levels diverge depending on the type of work, and there is a growing risk that, for cost-related reasons, flexible work arrangements may be offered to groups of workers who receive minimal protection, leaving them exceptionally vulnerable.

Particularly vulnerable are groups characterized by intermittent work arrangements, including those with multiple fixed-term contracts, zero-hours contracts, on-call work, freelance work, and platform work. The challenge lies in providing these workers with a decent level of protection when their income basis is inherently meagre and unstable. When the number of low-income earners in these precarious work forms grows significantly, they can strain social security financing. This is especially true for work-related arrangements and traditional Bismarckian schemes, but also for Beveridgean schemes, as the financing still relies heavily on work-related income. As a result, some interviewees anticipated that states may resort to introducing or strengthening minimum income thresholds for social security participation. However, this approach may lead to the exclusion of marginal work forms from traditional social protection schemes.

Another challenge arises in distinguishing genuine work activities: when is something considered a work activity? Related to this, there are also non-economic activities, such as volunteer work, household work, and caregiving within families, that also require protection. As these forms of work are often unremunerated, how to incorporate them into social security systems is a challenge pressing the social policy agenda. Defining the point at which an activity is considered work and determining how to protect non-economic activities will be key questions in the coming period (see also *1.3 Non-payment of social security contributions and challenges to equivalence*).

Furthermore, some interviewed persons expressed concern about the growing difficulty in distinguishing between wage-earning and self-employment. Legal delineations be-

tween these two categories become increasingly challenging due to the ever-expanding flexibility in the labour market and the multitude of work forms (with also 'hybrid work categories' in between traditional work forms, creating new delineation problems). Moreover, the criteria used for differentiation may vary across legal fields and even within social security schemes, making it complicated to apply them in practice. Such criteria may also differ significantly between countries: some strictly follow the legal subordination philosophy, while others rely on the economic (dependency) relation between the worker and their contractor. This leads to considerable challenges in a highly mobile European society. To mitigate these complexities, some interviewees advocated for providing equal levels of protection to all worker groups, irrespective of their labour status (labour neutrality), and reducing labour specific rules typical to the working situation of the respective groups of workers (namely employees and the self-employed) as much as possible. However, in the application of these rules, differentiation will have to be made, particularly regarding the organization of protection tailored to specific work forms. This in turn means that some complexity in administering these specific rules will remain for the future.

3.2. Challenges posed by irregular migrants

The integration of migrants into social protection will remain a persistent challenge into the future, especially for irregular migrants. While most social security systems have established clear policies, mostly excluding these groups from comprehensive protection, numerous exceptions have been introduced for specific categories of irregular migrants (e.g. tolerated irregular migrants, irregular migrants who for the time being cannot be returned). This has led to a complex implementation.

Despite policies of exclusion, irregular migrants will eventually be entitled to basic social benefits, notably in the areas of health care, family allowances, and emergency social assistance. As their stay on the territory lengthens or when they enjoy a tolerated status, their entitlements may expand. However, while the costs for the social security systems rise, irregular migrants typically do not contribute to social protection financing through social contributions or direct taxes. Many of the interviewed persons contended that this situation is unsustainable and likely to undergo major revisions in the future. A coherent approach is needed to address the integration of these irregular migrants if they continue to live (even in an irregular way) within our societies. In the long run, the current approach poses challenges for social security systems and overall societal cohesion.

3.3. Moonlighting and the grey economy

Un(der)declared work must be addressed seriously, even if the number of fraudulent workers is relatively low. While they may be restricted in amount, cases of undeclared

work do traditionally receive significant public and political attention. These activities can gradually erode the foundations of our systems, much like cancer that starts small but can become uncontrollable. Combating un(der)declared work has been a persistent challenge for years, and it is expected to remain a challenge for generations to come.

Yet, as some of the interviewed remarked, society changes: while there may have been overall support for a strong redistribution and hence a far-reaching control system at the outset of our social security systems, the current views on this may diverge. As societies become more individualized, there is a decline in the high degree of social control that has not yet been replaced by a developed public anti-fraud system.

The phenomenon of un(der)declared work often intersects with the challenges faced by small and medium-sized enterprises, which may resort to such practices to reduce labour costs and remain competitive. Moonlighting and underdeclared work have posed challenges for decades and are expected to remain high on the policy agenda.

4. Financing

The financing of social security systems is a critical aspect that underpins their sustainability and effectiveness. During discussions with the interviewed persons, it became evident that the interaction between social security and economics is fundamental. While social security systems require a sustainable financial and economic basis to survive, they can also act as positive economic factors. This interplay is a key feature of any social security system, and it needs to be understood and communicated to the population. In this part, we explore some emerging challenges related to financing, particularly the need to broaden the financial basis which at the moment is too narrowly based on labour (income), and the evolving relationship with tax authorities in generating social security financial resources.

4.1. Exploring new financial sources

The interviewed persons pointed to two significant developments that underscore the need to broaden the scope of social security financing. First, within the realm of employment, labour is increasingly financed in alternative ways, yet most systems still rely primarily on traditional wages as the main financial basis. Second, people today draw income from a multitude of sources beyond traditional wages, including capital gains and rental income. This shift in income sources necessitates consideration of whether these supplementary sources should be incorporated into the financing of social security (possibly also as the basis for benefit calculations once risks occur).

Both of these developments point to the same overarching issue: more wealth is being generated in society, but this is not necessarily derived from labour income. Nevertheless, most social security systems, including universal systems, predominantly rely on labour income as the primary financial basis. To ensure greater financial sustainability (e.g. to finance old-age pensions or for the growing expansion of many social security schemes to cover all residents and not only professional groups), there is a need to broaden the financial basis. Hence some plead to go beyond income from professional activities (wages and self-employed income) and consider alternative financing avenues, particularly capital gains.

A critical aspect that emerged during discussions was the concept of income itself. Social security relies too strongly on traditional income sources such as wages, which constituted the main income for families in the 1950s. This has evolved: people today derive income from various sources, including self-employment, freelance income, platform-generated income, capital gains and rental income. Even within the traditional concept of wage, there are evolutions. The wage employees gain is more diverse than a set monthly wage, including alternative forms of remuneration sometimes developed to avoid social security levies. The diversification of income sources needs to be addressed. Comparable to questions about what constitutes “work” in the modern context (what is work?), these evolutions raise the fundamental question of how these varied income sources should be integrated into social security financing and whether the concept of “income” in social security should be redefined to account for these changes (what is income?).

This broader consideration of income sources differs from the longstanding debate on alternative financing sources that do not rely on labour income. This debate has been ongoing for decades and involves finding new financing avenues to curb or lower labour costs, such as taxes on consumption, machines and IT technology rather than social security contributions and taxes on labour income. The need for additional financing sources which do not burden labour costs is still pertinent, but distinct from the evolving nature of income sources on an individual level.

4.2. Relationship with tax authorities

Some interviewed persons expressed concerns about the growing dependence of social security systems on tax authorities, particularly when (part of) the financing has been outsourced to taxation. While it makes sense to involve tax authorities in raising financial resources as raising financial means is their core function, there are concerns about the potential consequences. Tax systems operate differently from social security systems and have different underlying objectives. In social security, there is a stronger

relationship with future individual benefits, and the primary objective is to protect individuals in need.

Outsourcing financing tasks to tax authorities should be done in a way that ensures that the distinct features and goals of social security are maintained. Tax systems and social security systems may not fully align in their objectives, which could potentially lead to the suboptimal achievement of social security policy goals. Some interviewees referenced the Dutch “Toeslagenaffaire” as an example, while similar concerns were voiced from other countries.

The overarching message from the interviewed persons was that while cooperation with tax authorities to collect financing or to grant support to needy families is a viable pathway, social security systems must ensure that their own objectives and specificities are preserved within this cooperation. This may involve adaptations by tax authorities in their administrative relations with individuals or families to align more closely with the principles and goals of traditional social security systems.

5. Benefits

5.1. Shifting risks or system changes

The future development of social risks presents a complex landscape with no clear-cut path. While there is a consensus that benefit schemes will undergo transformation (e.g. due to climate change, see also 2.2 *Emergence of new social risks*), the direction of this change remains uncertain. Some anticipate greater individualization in benefit structures (particularly interviewees from universal social security systems). Conversely, others believe that schemes may become more universalized, offering standardized protection for all workers, irrespective of their employment status. Some (especially from Bismarckian systems) believe it may go further and that Bismarckian systems will develop into universal systems with standard benefits (flat rate, basic protection). In the most extreme scenario, this shift could lead to the development of a basic income, especially if the prevalence of atypical work arrangements continues to rise. It would be too big of a challenge to adapt work-related social insurances based on standard labour to the specific work circumstances of atypical workers; in this scenario a development toward universal social protection is more likely.

Some stakeholders argue that current systems have grown excessively complex, eroding public support for the underlying redistribution due to the lack of transparency and numerous exceptions (see also 1.2 *The ‘maturity’ of social security systems*). There is no belief among the people that a redistribution toward the weaker segments of society

actually takes place. As a result, there is a growing sentiment among these people that social security as we know it is in its final years. Some of the interviewed persons suggested that systems might have to be drastically simplified to their core function, focusing primarily on providing support during crises, as demonstrated during the COVID-19 pandemic. While this kind of approach is far removed from traditional social security (which often invests in support for the future), some believe this evolution might take place as society is now more open to a direct link between need and support, resonating with a more interventionist approach to income support where people immediately see the relevance of the system. In some political circles, this evolution toward a social security of direct intervention is finding growing support. However, not everyone believes that direct interventional support will fully replace traditional social security systems. They claim that while this evolution may indeed grow in importance, at most it might lead to adjustments in the design and content of existing schemes (see also 2.2. *Emergence of new social risks*).

Additionally, there is another line of thought that income replacement schemes (e.g. for old age, work incapacity and unemployment) must adopt a broader income concept than traditionally used in social security, transitioning from wage-based models to overall income-based schemes, aligning with the evolving income landscape in modern societies (see also 4. *Financing*).

Finally, there is a call for an increased emphasis on prevention and repair within social security systems, instead of on income replacement. While this call is already present since the early days of social security, the shortage of labour resources could push the integration of reemployment as a structural component of social security schemes next to traditional income replacement. The focus on labour welfare will also become more diverse, extending beyond physical welfare to address psychological well-being and social safety through prevention policies.

5.2. Tax benefits (fiscal welfare)

Many of the interviewed persons believe that tax systems will play a more significant role in the future in delivering traditional social security tasks, beyond their existing financing role. This evolution could see tax systems not only facilitating indirect benefit provision through tax deductions or exemptions but also directly disbursing benefits, even to individuals who do not typically pay taxes. Techniques such as negative income tax may see broader application as they can be more effective than traditional social security techniques and more universal in design. Taking into account the growing number of (working) poor families, tax systems are also sometimes better placed to support low incomes.

This trend is unsurprising given the shared characteristics of tax and social security systems in collecting and redistributing funds. However, it calls for more comprehensive understanding and coordination between these systems to avoid unintended policy conflicts. Interactions between tax and social security policies can undermine the intended effects of each (e.g. effects of social benefits undermined by taxes, or the other way around). Therefore, it is essential to bring these conflicting interactions to light.

Some interviewees argued that as tax-driven social security systems gain prominence, traditional diversified benefits may become more flat rate and basic in nature. However, not all interviewees concur, as tax systems can still diversify based on income if necessary.

Finally, the growing role of tax systems could streamline benefit delivery by automating processes, reducing the need for individuals to actively claim benefits and thus addressing problems such as non-take-up. Conversely, concerns arise that this evolution might undermine the understanding of social security as a balanced system of rights and duties, potentially eroding public trust and understanding (see also *1.2 The 'maturity' of social security systems*).

6. Activation and Proactive Labour Market Policies

The relationship between social security and the labour market remains a focal point for the future, according to the interviewed persons. The activation of individuals, particularly those receiving benefits, will remain crucial in coming years. This activation serves dual purposes: ensuring the financial sustainability of systems and addressing labour market deficits. This will not profoundly change in the coming years, but some interesting evolutions in the discourse on labour market activation are emerging. This applies in part to the need for more diversification in activation policies and in part to the sanctioning in case the individuals concerned do not follow up on the activation.

6.1. Diversification and improved follow-up

The interviewed persons argued that activation policies must diversify to accommodate a more heterogeneous array of target groups. A one-size-fits-all approach is no longer feasible, as policies now target not only the unemployed, but also those with work incapacity and elderly individuals, each facing unique challenges as they may face health issues and/or can only be activated on a part-time basis. Within the unemployed group, differentiation between short-term and long-term unemployment is necessary, each demanding tailored strategies. Some persistent long-term unemployed individuals

can pose significant challenges for activation, necessitating more refined approaches. Approaches need to be adaptable to address the specific characteristics of some of the groups concerned. Factors like age, health, education, and language proficiency may require specific considerations.

In addition, interviewees emphasized the need for enhanced monitoring and evaluation of existing activation policies to gauge their effectiveness. Evaluations should ascertain whether policies achieve their intended objectives and whether they should be adapted or tailored to various groups' needs.

6.2. Positive sanctioning

Another development relates to the use of sanctioning tools in activation policies. Human decision-making is complex: individual choices are not always driven solely by rational economic factors. Psychological elements can significantly influence behaviour, especially within intricate systems where the underlying logic of measures and sanctions is not understood by the population. To some extent, this psychological lens extends beyond labour market activation policies and could be applied to social security systems more broadly. Some of the interviewees noted that whatever sanctioning measures are in place, systems remain confronted with a persistent group of individuals who struggle to engage in activation. The reasons for this are not clear-cut, but may be related to the complexity of the system and a lack of understanding of the applied sanctions. This complexity can be due to e.g. income traps, where people can be worse off due to their renewed professional activity. This can discourage individuals from participating in employment, as they perceive negative consequences such as benefit deductions. Often this deduction works in a rather complicated or indirect way due to the interplay between systems (e.g. the positive return from the work incentive in the social security system is negatively sanctioned by the tax system). Addressing these complexities requires greater cooperation between different systems and comprehensive policy design. A more coordinated approach between systems is needed to mitigate such issues (see also *5.2 Tax benefits*).

In light of this view, some interviewees suggested increasing the focus on positive sanctioning, where individuals perceive a net gain from participating in employment or complying with activation measures. They argued that the design of benefit schemes and labour activation measures should consider psychological factors that influence decision-making, especially among hard-to-activate groups. A deeper understanding of these psychological elements may lead to more effective policy design and implementation.

7. Position of Beneficiaries

Social security is intimately intertwined with broader societal trends and public attitudes, influencing the dynamics between social security (administrations) and citizens. One prominent call is for the simplification of complex systems, although paradoxically, these systems have grown increasingly complex due to tailored solutions for specific cases. Simultaneously, younger generations demand more personalized information but seem less willing to make an effort to understand the intricacies of complex social security systems.

Citizens increasingly expect value for money. Rightly so, especially concerning the way social security administrations operate. Perhaps even more than the contents of social security schemes, the manner in which administrations treat individuals has come under scrutiny from the socially insured, the employers, and benefit recipients. Many countries have made strides in improving service quality, but continuous efforts are necessary. Social security administrations are expected to provide services comparable to or even surpassing those of private institutions like insurance companies or banks.

7.1. Changing attitudes towards society, work, and economics, and unrealistic expectations

One notable trend observed by the interviewed persons is the evolving attitude of citizens toward society, work, and economics. Unrealistic expectations about the role of social security pose a challenge for how social security administrations interact with the public.

There is a growing societal concern that economic development must shift course due to ecological, psychological, and health considerations. Simultaneously, there is a heightened emphasis on recognizing the value of non-economic activities, such as childcare, caregiving, and volunteer work, which play crucial roles in society. Despite their significance, these non-remunerative activities are often overlooked in social security systems, sometimes seen as cost factors rather than valuable contributions to societal well-being. A comprehensive approach is lacking; addressing this oversight will be crucial in the future.

There is also a desire for more part-time work and a better work-life balance; in other words a reduction in work intensity. However, there is a simultaneous desire for better benefits and services, higher pensions, and more support for families with caregiving responsibilities. These expectations may not be entirely realistic, as it is challenging to provide enhanced benefits while simultaneously reducing workloads (and thus contributory capacity). It will have to be made clear that due to the intrinsic

link between economic development and social welfare, society must make choices. Communicating these choices to the public will be essential, both in political discourse and in administrative application. This is challenging, since people tend to focus on immediate concerns, making it difficult to address long-term issues effectively.

7.2. Growing communication and distrust (litigation challenges)

According to the interviewed persons, modern administrations must also pay attention to the intensifying communication among socially protected citizens, partly driven by social media. Messages posted on social media accounts can rapidly gain immense numbers of views and be widely shared. Individual stories, e.g. related to social security issues, can quickly reach a vast audience. Unfortunately, some of these stories may be underpinned by narratives that are not entirely accurate, oversimplified, or emphasize aspects that social security administrations do not consider relevant. In the worst cases, these stories may be entirely false.

To address this, social security administrations must be well-prepared, as the spread of incorrect or false information can lead to significant challenges in daily management. In this digital age, more than ever, administrations must develop strategies to respond to or counteract the rapid sharing of stories that may be oversimplified or entirely false and that can reach thousands of people in no time. Failing to do so may cause a growing distrust in the social security system, which, in the long run, can undermine the public's faith in the system. Solidarity within society requires a high level of trust in the social security system.

Furthermore, when developing information tools, administrations must exercise caution to avoid creating false expectations regarding future entitlements. Digital applications providing instant information and forecasts for future benefits are considered essential in modern information strategies. However, over time they may inadvertently lead to false expectations regarding entitlements, which may create distrust toward the system. Administrations must consider that unforeseen situations, such as economic shifts or societal changes, may necessitate adaptations in the social security system. These adaptations could potentially lead to benefits being reduced or even abolished in the future, contrary to the 'promises' once made by the digital information tools. To avoid the perception of unreliable administrative policy, careful explanations regarding the reasons for system adjustments and adaptations will be critical to secure the acceptance of these policy changes by society at large.

An additional consequence of a more informed and (legally) literate generation of socially insured individuals is the increase in challenges of administrative decisions brought before the courts. Many of the interviewed persons anticipated a rise in

complaints and litigation in the years to come. This rise may lead to digitally applied decision-making processes, even in relation to court litigations.

8. Administration

The ongoing digitalization of administrative processes in the context of social security presents both opportunities and challenges for the future. These opportunities and challenges are particularly relevant concerning the interaction between social security administrations and beneficiaries, the fight against fraud, and cost containment.

8.1. E-Government and digitalization

Most of the interviewed persons believed that the nature of communication will change significantly. A growing number of people prefer digital communication and expect responses through digital channels. Consequently, traditional communication tools will lose relevance. The future, especially in the context of transnational communication within a European setting, will witness a shift toward digital communication tools, replacing the traditional (E-)forms used by administrations. For some, this digitalization should extend beyond the mere conversion of forms into electronic formats, since IT applications offer opportunities to enhance administration, including better control of mobility flows and social insurance statuses.

However, administrations must remain aware that not all citizens are digitally literate. Older generations, in particular, may still require communication through traditional means. Strategies that disregard these groups should not be tolerated in social security, which inherently aims for social integration.

Administrative processes will change as automation becomes more prevalent. Automation can enhance the efficiency of social security administration, but it comes with challenges. While a future featuring automated decisions and benefit delivery may seem promising, it can create problems. Automated decisions tend to be less flexible, often failing to account for the broader context in which individuals or families find themselves or to understand the underlying factors that have led to their current circumstances. Although automation will likely increase, most interviewees considered that a “human touch” will remain necessary in administrative processes, especially when making decisions about benefit entitlements. They argue that human resources will remain necessary in the administration, but the competences and skills required of administrative staff may evolve, presenting a challenge in transitioning the workforce toward the skills needed in a digitalized administration.

8.2. Combating fraud

Digitalization and data analytics can greatly enhance efforts to combat fraudulent behaviour. Expectations are high, but according to the interviewed persons, there are obstacles to overcome. The primary challenge is striking a balance between fraud detection and privacy protection. Far too often privacy concerns have hindered the adoption of new approaches in fraud detection, as the protection of data and data transfers is often believed to be absolute. However, data can be used effectively while respecting privacy guarantees. Developing a sound methodology for using data in fraud detection is crucial for success. Transparent communication regarding the methodologies applied to use data in fraud detection systems is essential to get support from the public.

8.3. Cost containment

Expectations for containing costs are high, but it is important not to overestimate the potential for cost reduction. Next to digital tools, traditional communication tools will remain relevant, incurring additional costs. Moreover, the increasing complexity of working and living situations will necessitate the development of more expensive tools to effectively keep track. Administrative systems will become more data-driven, requiring techniques to validate data for use. In other words, administrative systems will remain complex and costly due to the growing complexity of society itself.

9. External Elements

9.1. A stronger EU presence in social security

The consensus among the interviewed persons was that a stronger EU presence in the field of social security is essential. This does not necessarily mean an increase in the number of initiatives; rather, when the EU does intervene, it should make a meaningful impact. There is a call for greater EU involvement in various fields, both in terms of coordination and harmonization.

Many of the interviewed persons argued that the EU can play a pivotal role in areas that are extremely costly or complex to address only on the national level. For instance, reference was made to the COVID-19 crisis, when European initiatives such as the collective purchase of vaccines and masks demonstrated the potential benefits of coordinated action that individual countries might struggle to achieve. Similar cooperation could be set up for the development and acquisition of medicines or medical applications, especially in the case of rare diseases. Also beyond the medical sphere and within the realm of social insurance, the EU could assume a leading role. This includes addressing the administrative challenges posed by highly mobile work,

such as platform work, often characterized by a virtual and transnational nature. A European-coordinated approach can ensure a well-organized transnational social protection framework for such highly mobile workers.

In a similar vein, there is a strong push to modernize the coordination rules in response to the evolving mobility of workers. The existing coordination rules primarily reflect the traditional scenario of workers relocating for a single job in another Member State, often staying there for their entire professional life before possibly returning to their country of origin. However, contemporary mobility is marked by an increasing number of highly mobile workers. Additionally, advancements in digital applications allow work to be performed virtually, detaching the geographical workplace from the employer's physical premises. Consequently, mobility has expanded to the extent that both workers and workplaces have become highly mobile. Some interviewees doubted whether the fundamental rule of *lex loci laboris*, which places paramount importance on the geographical location where people work, can adequately address this new dimension of work mobility. Moreover, residence-based criteria are considered insufficient as well, as some people tend to live in different places across Europe. It has become increasingly challenging to distinguish between the main residence and secondary places of stay, especially as some families live 'decomposed' across various places. The call from some interviewed persons is for radical, modern alternatives to designate the competent state in social security coordination. Some even uttered the radical alternative of Europe itself providing protection for all mobile workers, an idea reminiscent of the "13th state" concept introduced by Pieters in the late 1980s.

Simultaneously, some of the interviewees advocated reinitiating the harmonization debate in the field of social security. While they acknowledged that the Open Method of Coordination has had its merits in streamlining social policies and influencing one another's policies to achieve common social policy objectives, they also emphasized its limitations due to its non-legal nature. There is a growing recognition that stronger measures are needed to prevent a race to the bottom in social security. Some interviewees noted that the wave of neoliberalism that emerged in the 1980s had a negative impact on Europe's social acquis, and that it is time for the EU to clearly articulate the core elements of its social model. They argued that Europe, with the social democratic welfare state – distinguished by its social correction of the market's excesses – as a typical feature, should codify its principles into enforceable legal standards. Moreover, Europe could demonstrate its true social value by systematically implementing shock-absorbing measures when Member States face asymmetric crises. The debate about a stronger social Europe, which slowed down from a legal perspective in the 1990s, is considered by some of the interviewed persons as a matter that needs to be rekindled urgently.

9.2. Modernizing global social standards

Some of the interviewed persons advocated for the review and modernization of international social standards, which date back to the 1950s and often reflect outdated concepts (e.g. single-breadwinner family, no standards in the field of social assistance). They argued for the need to develop concrete and enforceable common social standards in a globalized world. Failing to do so could lead to social security becoming a competitive element in the global market, with countries reducing investments in social security systems to cut costs, potentially triggering a race to the bottom and practices such as social dumping and outsourcing to lower-cost countries.

9.3. Clarifying migration policies

The interviewed persons highlighted the necessity of clear policies and legal frameworks to regulate international migration. In regions of the industrialized world where there is a growing demand for immigrants, it is important to articulate clearly the desired profiles and the conditions under which new immigrants can be attracted and integrated into our societies.

The messages conveyed about future labour market prospects are often ambiguous and contradictory. On the one hand, there is a concern that the advent of digitalization and automation threatens future employment opportunities. Simultaneously, there is a worrying forecast of labour shortages. In this light, there is a significant call for increased immigration, both to address the projected labour market shortages and to sustain future pension payments. Yet, structural unemployment issues persist and remain unresolved.

The interviewees advocated for a coherent and well-coordinated initiative in this regard, emphasizing the importance of not randomly attracting migrant groups. This effort extends beyond defining the profiles of desired immigrants; it also necessitates the development of clear accompanying conditions. Ideally, these conditions should be established at the European level and should encompass social security coordination.

Moreover, there should be a growing focus on genuine and effective integration efforts. The societal costs of having a substantial number of immigrants who do not feel welcome and are not effectively integrated can be high. For some, this means that a robust international social security coordination system should be developed that establishes clear rules regarding what individuals can expect concerning social security when they return to their home countries. This should also outline the entitlements of family members who remain in the country of origin.

10. Message

At the conclusion of each interview, participants had the opportunity to convey a personal message to the wider social security community. While these messages varied, two recurring themes emerged consistently.

10.1. Safeguarding the collective belief in social security

A prevalent message was a deep belief in the importance of social security. Interviewees stressed that to maintain the system, we need to preserve the collective aspect of social security and maintain society's trust in the system of redistribution. To achieve this, many interviewees emphasized the importance of simplification and transparency. They argued that if social security systems become overly complex and difficult to understand, people may lose faith in them and may not fulfil their obligations, thereby jeopardizing the principle of redistribution.

10.2. Strong leadership and communication

Another recurring message was the need for strong leadership to drive necessary changes in social security. The interviewees stressed that political leaders should be willing to communicate openly with society about the principles and requirements of social security, which involves engagement, rules and duties. They called for political leaders to have a deep understanding of social security systems and, in some cases, suggested that training in the fundamentals of these systems might be beneficial. Effective leadership involves conveying messages, even if they are challenging or unpopular, to ensure the long-term sustainability of social security.

Section 3

Concluding Observations:
Eleven Challenges for
(Administrations of) Social Security

In this final section, we present some final observations that reflect the main tendencies that were discussed in the contributions of the young academics and in the interviews. The observations have been selected in particular for their relevance for the administration of social security, either directly, as the challenge takes place within the administration itself, or indirectly, as the evolution is more of a general nature but might impact the organization of the daily administrative tasks in its development. The observations will be developed around eleven challenges for (administrations of) social security.

We can see (the need for) evolutions towards:

1. Increasing Mobility and Changing Work Patterns
2. Increasing Flexibility in Work Arrangements
3. Adapting Social Security Financing for the Changing Income Landscape
4. Changing Social Risks: Navigating Evolving Needs
5. Harmonized Concepts for Enhanced Cross-border Coordination
6. New Communication Strategies
7. More Transparency in Administrative Processes
8. New Human Resources Strategies to Embrace the Digital Transformation
9. A Stronger Social Europe
10. A Structured Migration Policy for Third Countries
11. Ensuring Fundamental Protection Against Changes in Social Security Amidst Growing Complexity of Systems

1. Increasing Mobility and Changing Work Patterns

In recent years, there has been a noticeable surge in workforce mobility, driven by factors such as the principle of free movement within the European Union and global trends. The traditional understanding of workplace boundaries is evolving due to advancements in information technology. Work can now be performed remotely, whether from home, a client's premises, a coffee shop, or abroad during travel. This transformation has accelerated significantly in the wake of the COVID-19 pandemic, leading to a 'new normal' where an increasing number of workers engage in remote or hybrid work arrangements. This shift poses unique challenges for social security administrations, where the determination of the applicable schemes often relies on the physical location of work.

Beyond the growing number of workers operating across EU Member States, we are witnessing a new development—workers who can perform their tasks from anywhere as long as they have access to their employer's network. The geographical link between the workplace and the employer's premises is diminishing in relevance. However, for social security purposes, we still determine the applicable system based on the location where the work is performed. This principle applies to traditional work-related social security schemes, which typically require work activities to occur within a specific country's territory. In some cases, it is also necessary for the employer to be located within that same territory. Even in the domain of European and international social security coordination arrangements, the main criterion to determine the competent state remains the place where the person works (*lex loci laboris*), as defined in Article 11 of Regulation 883/04. While exceptions like posting exist to accommodate short-term mobility without frequent changes in competent states, they are less compatible with the evolving nature of workplace mobility, where the location can change continuously, making it challenging to regulate the conditions governing these exceptions. With the proliferation of remote work possibilities, workers are more mobile than ever before, pushing the traditional rules on determining the competent state to their limits.

The trend toward greater mobility is further amplified by the increasing flexibility in individuals' places of residence. People more frequently change their place of residence due to various factors, including changes in family composition (e.g. after divorce or when forming blended families) and increased travel between multiple places of stay. At its extreme, this trend is referred to as 'digital nomadism'. Determining a person's residence is crucial for applying national and European social security rules to determine the competent system. When combined with a flexible workplace, ever-changing places of residence create additional challenges in applying the rules for determining the competent state.

To accurately assess where people work and reside, new procedures and strategies must be developed to account for this growing mobility. Furthermore, should new European or international coordination rules be considered to address remote work, new application procedures will need to be devised as well. The high degree of flexibility in remote work poses challenges in establishing robust and trustworthy verification techniques. For example, in the new EU coordination arrangements for telecommuting, there is a need to monitor the proportion of work time spent at home versus at the employer's workplace. In practice, this may not always be straightforward to determine, especially considering the need to respect privacy and transparency regulations (as discussed further below in *7. More Transparency*).

In addition to the intensification of mobility observed thus far, we anticipate that new mobility flows will emerge in the coming years. This includes the mobility of non-economically active individuals (as elaborated in *9. Stronger Social Europe*) and a rise in immigration from third-country nationals (as explored in *10. Structured Migration*). These evolving trends will necessitate the development of new administrative processes, including the verification of migrant residence and financial means, as well as expanded application of coordination rules such as benefit exports and the oversight of foreign insurance records.

2. Increasing Flexibility in Work Arrangements

In recent decades, there has been a notable rise in flexible work arrangements, with approximately 40% of professionally active individuals in the European Union engaged in various forms of flexible work, including part-time work, fixed-term contracts, and self-employment. While it is commonly believed that the flexibility of work has reached its limits, a closer examination reveals a growing complexity in flex work, primarily driven by the combination of various forms of flexible employment. Individuals are e.g. engaging in part-time work while also juggling multiple fixed-term contracts, and the number of workers combining self-employment with short-term wage-earning arrangements may increase in the future. Notably, the emergence of platform work, characterized by the disintegration of work tasks into micro-level assignments or “gigs” outsourced to a multitude of potential workers, represents a new dimension of flexibility in work arrangements. These developments pose unique challenges for social security administrations.

Firstly, there is a need to define the minimalistic nature of some activities that are performed in the context of fixed-term work contracts, especially when such activities are mediated through platforms. Can these activities be classified as work activities

and, if so, at what point should they be considered as such for social security purposes? Rules and definitions for determining when an activity qualifies as work are often ambiguous. Similarly, establishing the minimum threshold for work to be considered for social security purposes presents challenges. There is a growing trend of setting minimum income levels as prerequisites for the accrual of social security rights. At the European level, there is a call to encompass as many activities as possible for social security consideration, even if they are of marginal significance, so workers don't lose out on future entitlements (as per the 2019 Recommendation on access to social protection). Achieving this will necessitate a meticulous monitoring of activities by administrations.

Secondly, there is a growing group of individuals engaged in multiple professional (micro) activities, at times concurrently maintaining different employment statuses, such as self-employment and traditional employment. Concerns arise that individuals may forfeit their entitlement to social security benefits if overly stringent conditions are imposed on these so-called minor or "mini" jobs. The EU Council Recommendation on access to social protection advocates for the implementation of rules that aggregate various activities for social security purposes to prevent individuals from losing out on their eventual benefits. Rather than exempting side activities from social security, internal coordination rules must be established to combine insurance records from various activities. This, however, imposes an additional burden on social security administrations, which must diligently track insurance periods, especially considering that these activities may not always maintain a stable schedule (often part-time and dispersed across various time intervals), further complicating administrative tasks.

A third challenge pertains to increased difficulties to determine certain essential factors for social security, such as the presence of an employer, work hours, and the workplace. For instance, in the context of contributions and entitlement conditions related to sickness and unemployment benefits, individuals may now concurrently engage in multiple activities, each involving a distinct employer. This complexity becomes pronounced when administering schemes related to work incapacity. Questions arise regarding which entity is responsible for paying sickness benefits or assessing the involuntary nature of unemployment. In cases involving part-time unemployment combined with other minor activities, determining work availability poses challenges. The issue is not solely the proliferation of employers but also the difficulty in determining the responsible employer, especially in situations involving temporary labour, platform work, and economically dependent self-employment.

3. Adapting Social Security Financing for the Changing Income Landscape

The landscape of income generation is undergoing a profound transformation. This transformation spans both traditional income sources, such as wages, and less standardized forms of income, such as income streams for self-employed individuals. For traditional income sources, a noticeable trend is the increasing complexity of wage composition. Conventional wage structures, characterized by fixed weekly or monthly payments, are evolving to encompass more variable components linked to individual or even overall company performance, including profit-sharing arrangements. Additionally, wages are increasingly supplemented with in-kind benefits, where workers gain access to various goods or services provided by their employers, such as company cars or mobile phones. Beyond this, individuals are diversifying their income streams by incorporating additional sources, such as returns from capital investments and rental income. This diversification can lead to situations where individuals become less reliant on their primary professional activities to sustain their livelihoods, as they combine wages from part-time jobs with revenues from other sources, such as capital or real estate.

With the growing number of self-employed persons entering or being considered for inclusion in social security systems, the question of financing becomes even more pertinent. Determining and assessing professional income derived from self-employment can be challenging, with the risk of underreporting as a genuine concern. Moreover, this form of income often blurs the lines between income earned from professional activities and returns on investment capital, which are challenging to distinguish in practice. While the first type of income is traditionally used to determine the income, the latter type of income often sparks controversy when it is suggested that it should be subject to social security financing. The increasing prevalence and diversity of self-employed work and income sources only serve to intensify these debates.

Social security systems are gradually beginning to incorporate these emerging income dynamics into their financing frameworks or considering to do so in the future. This evolution will bring additional challenges in determining income for social security purposes, particularly as income components continue to diversify. Enhanced collaboration with tax authorities will become imperative to navigate this complexity effectively. However, even beyond income determination, the broadening of the concept of income can pose challenges in calculating benefits. What constitutes the income basis for benefit calculations becomes a pivotal question, especially in traditional income-related social security schemes of Bismarckian nature. It is not

straightforward to determine this when an array of income components contributes to workers' earnings.

On a macroeconomic level, the diversification of income sources is expected to expand further. Although this has been a topic of discussion for many years, the development of alternative financing sources not reliant on income derived from work is likely to gain momentum in the coming years. This, in turn, will present challenges in collecting these alternative financing sources when undertaken by social security institutions, especially in cases of earmarked levies. Past experiences indicate that direct collection of alternative sources by social security institutions may not always be the most efficient option, as these institutions may lack the necessary infrastructure or expertise. Contributions have traditionally been collected through employers, but alternative financing levies often transcend the realm of work and employer-related income. Collaboration with tax authorities becomes more likely, albeit introducing a different set of administrative challenges, as tax administrations may not always be attuned to the social considerations that underpin social security initiatives for insured individuals.

4. Changing Social Risks: Navigating Evolving Needs

Social security systems are designed to mirror and respond to the dynamics of the societies they serve, and thus have evolved continuously over time. Throughout history, societal shifts have invariably influenced the structure and composition of social security schemes. This adaptability has led to the introduction of 'new' schemes, such as social assistance programmes in the 1960s and care benefits from the 1990s onwards. Simultaneously, some social risks that were previously addressed by these systems have diminished in significance, such as survivorship benefits, given the increasing prevalence of two-earner families.

In the interviews with experts, the subject of changing social risks was often broached, with some envisioning the possibility of entirely new schemes emerging in response to emerging challenges. For instance, discussions on climate change have raised the prospect of introducing schemes to offset the growing costs families incur in making their lifestyles more environmentally sustainable. There have even been conjectures about a complete reset of social security systems towards the instant provision of emergency support during extreme crises or natural disasters.

While radical transformations remain uncertain, the predominant trend suggests that existing social security schemes will undergo significant adaptations in response to

evolving social dynamics. Climate change, for instance, may reshape the way work incapacity schemes, notably labour accident schemes, are organized. Workers will increasingly find themselves working under extreme temperatures or adverse weather conditions. Extremely warm summers may provoke another type of professional diseases which are e.g. related to heat and/or to high UV-radiation, such as skin cancers. Schemes will have to adapt to these changing weather conditions and their potential implications.

The growing digitalization of the workplace and the rise of teleworking from home will similarly impact the organization of labour accident and professional disease schemes. Definitions of what constitutes a labour accident or professional disease must be reevaluated to accommodate the changing work environment, including remote work from home offices. This transformation may also give rise to new safety conditions applicable to home workplaces.

Furthermore, evolving family structures will inevitably affect the determination of rights and benefits within social security schemes. This extends not only to family benefit programmes but also to schemes that differentiate benefits based on family composition (e.g. head of the family, dependent family members, and individuals living independently). Many existing social security schemes, including old-age pensions, unemployment benefits, and work incapacity schemes, still rely on family-based differentiation. Family structures have grown more intricate due to increased family breakups and the formation of blended families, often comprising members from several original families. Consequently, family members may simultaneously belong to multiple families, leading to potential conflicts of interest when it comes to social security applications, particularly concerning benefits or minimum guarantees for children within the family unit. Some advocate for a shift towards greater individualization of benefits, reducing the relevance of family-based distinctions.

In summary, administrators can anticipate a renewal of the content within existing social security schemes and an increased diversity in scheme structures, largely driven by changing societal concepts of family and evolving social risks.

5. Harmonized Concepts for Enhanced Cross-border Coordination

In the context of transnational arrangements, particularly the European Union's coordination rules, the establishment of a common understanding of concepts plays a pivotal role. However, achieving such a common understanding presents a formidable

challenge, given that national interpretations of these concepts can vary significantly from one country to another. The definitions of terms like 'family', 'worker', or even 'social security' may diverge markedly across borders.

Nevertheless, the interviews with experts and the reports from the young academics have highlighted a pressing need for greater convergence or “harmonization” of the concepts employed in transnational instruments. This need becomes even more apparent when considering the evolving dynamics previously outlined, including changes in workplace mobility, the definition of the place of work, the rise of flexible work arrangements, the evolving landscape of self-employment, and the shifting concept of family. Concepts may take on different meanings within the social security systems of different nations. Without achieving some level of common understanding, there exists a substantial risk that different interpretations of these concepts will lead to incorrect applications of national social security systems.

Defining common, harmonized concepts is not without controversy. Perhaps the most effective approach is to focus on describing the underlying situations for which data or information is required. The process of deconstructing the European concepts into factual descriptions that underpin them can be useful in this regard. Such an interface of abstract factual descriptions can then be flexibly linked to the corresponding national realities.

Back in 1992, Pieters already suggested to denationalize concepts when sharing information within the framework of social security coordination, particularly in the context of the then applicable Regulation 1408/71 and the emerging digital information exchange in light of this instrument. He emphasized the necessity for organizing information transfers in a denationalized context, creating a European interface where national concepts would be translated. This approach aims to prevent persons from interpreting information based solely on their own national context.

Pieters acknowledged that developing such interfaces would be time-consuming and would entail substantial comparative legal work. However, he was optimistic that the emerging IT opportunities would streamline this effort. At that time, the Belgian Crossroads Bank was in its early stages of development, requiring "system-neutral" interfaces to transfer information between different social security schemes, especially when these schemes defined the same concept (e.g. 'wage') differently. To function as an IT-driven interface, legal situations needed to be transformed into pre-legal concepts to enable schemes to communicate based on homonymous notions with varying meanings.

6. New Communication Strategies

The dynamics of interactions between social security administrations and the socially insured have been shifting for some time, reflecting an ongoing trend. Today, the socially insured are increasingly demanding and more prone to challenge administrative decisions. This trend is influenced by higher levels of education, improved access to information about their rights, and the relatively low costs associated with litigation in social matters. Looking ahead, many anticipate further changes in communication channels in the years to come. The standard mode of communication will become increasingly digital, aligning with administrations' investments in digitalization and the population's growing preference for digital channels as their primary means of communication.

However, some concerns are put forward by both the young academics and the interviewed persons in this context. Foremost among these concerns is the need to balance the rise of digital communication with the retention of traditional human contact. This is especially vital for segments of society that still lack proficiency in IT applications. Older generations, in particular, fall into this category, but other demographic groups may also prefer human-based communication. These groups, which are traditionally reliant on social security benefits and services, are vulnerable to social exclusion when digital communication becomes the sole mode of interaction. Beyond specific demographic groups, some advocate for the preservation of human interaction in the communication process due to the inherent complexity of certain cases. Consider, for instance, migrant workers with intricate insurance records over time. In such cases, the presence of a human interface may be deemed essential. It is likely that a hybrid approach, combining both digital tools and human communication, will persist as the optimal strategy.

An intriguing development in some countries involves a shift from a negative sanctioning approach to a positive one when assessing entitlement conditions. This shift reflects an emphasis on the psychology of the socially insured, moving beyond the perception of the individual as a mere 'homo economicus' when decisions are made. Complex systems with numerous conditions have sometimes left individuals bewildered: these individuals cannot comply with the rules because they simply do not understand them, causing them to lose faith in the system. In response, some administrations are transitioning to a system of positive sanctioning, allowing individuals to cumulatively earn income alongside their benefits. Rather than diminishing the benefits for every euro earned, the maximum level of cumulative income is curbed gradually. This gradual approach mitigates the immediate sense of being penalized when engaging in part-time employment. Additionally, more time is invested in understanding the rea-

sons behind missteps or misapplications of conditions. Although this approach may prove beneficial in the long run by reintegrating previously hard-to-reach unemployed segments into the workforce, it necessitates a greater administrative commitment.

Furthermore, many of the interviewed persons have warned against negative trends observed in mass digital communication, mirroring issues witnessed in social media on a larger scale. Digital channels enable the rapid dissemination of news and stories, including those related to social security, such as negative experiences and perceived injustices. Consequently, there is a need for communication management capable of swiftly addressing the mass spread of such news, employing an open and transparent approach. Society as a whole can no longer accept authoritative arguments alone; understanding the rationale behind the application of rules holds paramount importance.

In addition to these considerations, social security administrations may face the challenge of countering the spread of false information or fake news. Developing strategies to combat the dissemination of misinformation will be crucial in maintaining trust and credibility.

7. More Transparency in Administrative Processes

In the evolving landscape of social security administration, transparency in administrative processes emerges as a critical element. Furthermore, decision-making processes must be not only transparent but also comprehensible, enabling straightforward explanations. Digitalization has unlocked numerous possibilities for administrative enhancements. It facilitates data linkage, can streamline the transfer of information so as to simplify the granting of benefits, and in some cases even allows for automation. Simultaneously, it offers opportunities to identify and address fraudulent activities more effectively. It is worth noting that many of the interviewed persons raised concerns about the limitations imposed by privacy protection regulations. They contend that privacy safeguards, at times, hinder justified actions related to data sharing and cross-institutional data transfers. Privacy considerations are frequently invoked to obstruct digital applications that could expedite administrative processes, to the detriment of both the administration and the beneficiaries of social security in the long run.

To address these challenges, there is a pressing need to foster transparency within administrative processes. An open approach to data mining, particularly in the context of tracking fraudulent behaviour, can be adopted. Administrations can openly

communicate the data tools they employ in combating fraud. Likewise, a robust data protection policy should be developed, clearly articulating when and why data sharing occurs. Providing justifications for data sharing, even to the interest of the socially insured individuals, is essential. When the general population is made aware of the circumstances under which data can be shared and the rationale behind such sharing, they are more likely to accept it.

8. New Human Resources Strategies to Embrace the Digital Transformation

As the digital transformation sweeps across all sectors of the labour market, including social security administrations, a pertinent question arises: will all workers become redundant due to the proliferation of digital applications and the utilization of Artificial Intelligence (AI)? The answer is most likely negative: new digital applications may reshape the nature of work and introduce new human functions within the production chain. However, AI may indeed help to automate certain tasks traditionally performed by human workers. Consequently, it is foreseeable that some human resources within social security administrations may become superfluous, but this does not necessarily apply to all roles.

As previously mentioned in the context of communication (*6. New Communication Strategies*), while digitalization will indeed play a dominant role, there will remain a continued need for human interaction, albeit in different forms. This shift in the nature of human interaction necessitates a reimagining of the current job descriptions for roles involving communication. The prevailing message conveyed by the interviewed experts underscores the need for administrations, like all other employers, to proactively assess existing job positions regarding their future evolution. This assessment should encompass not only identifying new positions that will emerge but also exploring opportunities for lower-skilled workers to engage in more complex processes made accessible through digitalization.

In parallel, administrations should undertake forward-looking workforce planning. This entails forecasting how the current workforce aligns with future needs and considering tools to manage this transition effectively. Such tools may encompass targeted training programmes to upskill employees, measures to facilitate retirement or workforce transition, and potentially outsourcing to other administrations.

9. A Stronger Social Europe

Both in the interviews with experts and in the contributions from the young academics, there was a strong call for a more robust European Union in matters related to social security, often termed as “more social Europe”. The extent of this call varies, ranging from a plea for increased harmonization—some even advocate for the necessity of standard setting—to the proposal of an intra-communitarian social security system for migrant workers, particularly for highly mobile workers. Some advocate for the development of a second solidarity circle under the residence directive, ensuring a minimum protection for non-economically active individuals alongside clearly defined coordination rules designating the competent state to guarantee such basic protection. Others advocate for closer cooperation at the level of social security coordination, emphasizing the need for common definitions of concepts, enhanced collaboration, and the possibility of outsourcing certain tasks, such as contribution levy in cases involving platform work or highly mobile work. It is notable that no one advocated for a reduction in the importance of Europe.

In this context, the COVID-19 crisis emerges as a relevant reference point. The European Union’s collective procurement of vaccines showcased the added value of European cooperation. This cooperative approach serves as a potential model for addressing other challenges within the domain of social security, such as ensuring access to treatments for rare diseases or orphan drugs. Additionally, the creation of a common support programmes for temporary unemployment, adopted by some Member States, led to the establishment of more comprehensive unemployment protection systems for atypical workers, with a particular focus on the self-employed.

Increasing levels of mobility, including virtual mobility (see *1. Increasing Mobility and Changing Work Patterns*), pose challenges to national administrations and led many interviewed persons to comment on the need for cooperation and social security coordination. Moreover, the emergence of powerful global players that can dictate employment practices and locations necessitates a stronger counterpart. Smaller Member States, in particular, face difficulties in enforcing their regulations and may succumb to economic and financial pressures exerted by these global entities, including the risk of losing investments. Many argue that the European Union should assume this role as counterpart to safeguard the interests of Member States.

Regardless of the direction taken, it is almost certain that social security rules in the coming years will be increasingly influenced by European action. This influence will be reflected in the proliferation of European rules to be implemented by national administrations. Moreover, many social security cases will have a European or

international dimension. Consequently, national administrations must play an active role in shaping European rules and processes. It is probable that the proportion of complex cases, characterized by the presence of foreign elements, will further expand in the future.

10. A Structured Migration Policy for Third Countries

Migration will likely increase in the future, while migration types will also become more diversified (work-related migration, ecological migration, war refugees, and so on). The call for a more structured and transparent migration policy for third countries resonates loudly among the interviewed experts and the young academics. It is widely acknowledged that a laissez-faire approach to immigration undermines social cohesion and often forces immigrants into precarious positions, including illegality. Consequently, there is a growing consensus that states as well as the European Union at large must establish a clear and comprehensive migration policy. This policy should not only define desired migration types but also develop processes for the swift integration of new migrants into European societies. Many argue that granting access to social security benefits is an integral part of this coherent immigration policy. In some cases, this should be accompanied by well-defined arrangements with third countries to ensure coordination with their respective systems.

The prevailing sentiment is that the types of immigration should be clearly defined, and to sustain such a policy, immigrants must be accommodated adequately. This accommodation includes ensuring access to decent social protection on par with other workers. Clear arrangements with countries of origin are seen as imperative, particularly when social security systems are in place in those countries. Presently, the profile of desired immigrants remains unclear, contributing to a situation where many immigrants embark on perilous journeys without any guarantee of acceptance. This leads to a reliance on people smugglers, life-threatening journeys abroad, and ultimately, engagement in undeclared work and a concealed existence. Addressing this issue requires social security arrangements for immigrant integration, including coordination with third-country systems. This is expected to lead to an expansion of administrative processes related to third-country system coordination.

Given that these systems often differ significantly from their European counterparts, tailored coordination may be necessary, and this may not always align seamlessly with routine coordination practices. Consequently, these developments are likely to impact the daily administrative activities related to coordination.

11. Ensuring Fundamental Protection Against Changes in Social Security Amidst Growing Complexity of Systems

Many of the interviewed persons referred to the growing complexity of social security systems. Central to this complexity are fundamental social rights designed to shield these systems against major changes. Although debates persist on the legal validity of these rights, it is clear that they have legal impact on how changes are made within social security systems (see De Becker 2019). A notable example are changes to pension schemes. These changes, guided by principles such as legitimate expectations and property protection, necessitate extended transitional periods.

Similarly, the “standstill” clause, invoked by certain Constitutional Courts in relation to protecting the fundamental right to social security (e.g. in Belgium in relation to Article 23 of the Constitution), demands for a thoughtful implementation of system changes to social security systems. Adaptations require robust justifications as well as an implementation on the basis of transitional periods so as to ensure a fair transition for all groups in society.

Fundamental protection against social security changes has led to a growing number of exceptions and specific rules. While these mechanisms protect individual rights and promote equity, they also contribute to system complexity. Administratively, this complexity requires a comprehensive approach. Enhanced procedures and effective communication are essential to clarify and navigate a complex system.

Reference list

In addition to the texts of the young academics included in this publication and the input from the experts interviewed for this publication, the challenges identified in Section 3 draw from the following publications:

- Commissie Regulering van Werk. 2020. "In wat voor land willen wij werken? Naar een nieuw ontwerp voor de regulering van werk." Eindrapport van de Commissie Regulering van Werk, 23 januari 2020.
- Council Recommendation of 8 November 2019 on access to social protection for workers and the self-employed (2019/C 387/01). 2019. OJ C 387.
- De Becker, E. 2019. *Het recht op sociale zekerheid in de Europese Unie: Een rechtsvergelijkende analyse op basis van het Europees Sociaal Handvest, het Europees Verdrag voor de Rechten van de Mens en de constitutionele tradities gemeen aan de lidstaten*. Brugge: Die Keure.
- High-Level Group on the Future of Social Protection and of the Welfare State in the EU. European Commission, Directorate-General for Employment, Social Affairs and Inclusion. 2023. *The Future of Social Protection and of the Welfare State in the EU*. Luxembourg: Publications Office of the European Union.
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How will we live and work in 2035? And how will this impact social security? These are some of the questions the Dutch Sociale Verzekeringsbank (SVB) has in order to prepare for potential future developments that might influence its work. It is not easy to predict how potential changes will evolve into the future. It might be even harder to map how these changes can impact social security. However, one can notice some societal developments today that will influence the course of social security systems in the near future. KU Leuven in collaboration with EISS gladly took on the challenge to provide a projection of future challenges for social security.

This publication marks the temporary closing of an exploratory research on how the future of social security might develop. It aims to contribute to further reflection on how to develop our social security systems, both in the near and further future, around us in Europe but also globally. It also hopes to provide a starting point and inspiring direction for new lines of research.

