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NOTE

From: Presidency
To: Delegations

Subject: Fostering digital transformation while safeguarding social protection
- Presidency steering note

Delegations will find attached the Presidency note on the above subject, with a view to steering the lunch debate at the EPSCO Council on 7 December 2017.

Fostering digital transformation while safeguarding social protection

EPSCO Lunch debate

7 November 2017

I - Scene setter

The digital transformation has brought new ways of communicating, collaborating and creating content that are shaping the society. The acceleration of technological developments in the last decades and its impact on the world of work call for societies to anticipate and adapt to current and future evolutions.

Careers are becoming less linear, with people transiting between different employment statuses and/or combining salaried employment and self-employment. Labour markets are evolving quickly, with a new dynamism brought by matching through job portals or new contractual relations.

New forms of employment are spreading with digital technology: employee sharing, job sharing, interim management, casual work (including intermittent work and on-demand work), crowd employment, and collaborative employment.¹ While still emerging, they add up to more established non-standard forms of work such as part-time work and fixed-term contracts. In 2016, non-standard employment and self-employment constituted around 39% of total employment.

Social protection systems were historically built on the foundation of stable employment contracts with a single employer. As non-standard forms of work become ever more prevalent, reforms are needed to ensure all people, regardless of their employment status, continue to contribute to the system and be protected against social risks, such as sickness, old age or unemployment. Social protection should act to prevent and alleviate poverty, to allow individuals to change career tracks throughout the lifecycle.

¹ Eurofound (2015), *New forms of employment*, Publications Office of the European Union, Luxembourg.

II - Challenges to the social protection systems

The increase of new patterns of employment and the rise of atypical forms of work creates a situation where more and more workers are not equally covered by social protection. They may have difficulties to accrue entitlements to benefits and to access benefits even if they contributed. In some Member States the self-employed may be excluded from insurance-based schemes.

The evolution of different forms of employment might require better tailoring of the social protection systems, adapting them to become more flexible to allow access to social protection, where needed. For now, opportunities for the level playing field between different forms of work are not ensured.

On the other side, digitalisation could improve the preservation, accumulation, transfer, and transparency of social protection rights entitlements. It can also give better possibilities to target services to needs and to ensure a more complete and fairer collection of contributions.²

The administration and communication of social protection systems also face new challenges and opportunities brought by digitalisation. For example, a self-employed worker doing consultancy for several companies located in different countries might have multiple sources of income administered in different languages. The increased complexity of working situations could be facilitated by using digital tools for both communication, including translation, and administration.

One of the major challenges posed by digitalisation to social protection relates to its sustainable and adequate financing. When financing is based on the taxation of labour, the increase of atypical forms of work bears the potential of reducing social contributions. It is increasingly difficult to track work-related income, to ascertain an employee's status and to distinguish between employment contracts and contracts for services, between personal assets and business assets, between active versus passive income, or to pinpoint location of working or doing business.

² Presentation of Dmitri Jegorov, Deputy Secretary General, Ministry of Finance of Estonia, e-Solutions in the future tax-benefit system, in conference Future of Work: Making It e-Easy.

In the light of this, financing of social protection is shifting from social contributions towards general taxes. The share of general taxation (and other sources) increased in the latest decades and is now close to 45% of total resources (against 40% in 2000 and 35% in 1995), while the share of employers and employees' contributions has declined³.

The current legislative framework is not designed for geographical and occupational mobility either. In the new world of work, the acquisition of social protection rights should depend less on the country and form of work, whereas their preservation throughout the life and opportunities for transfers should be ensured.

Overall, improving access to social protection requires schemes that are better tailored to the situation of the self-employed and of the non-standard workers. This would increase the sustainability of the social protection systems and become a source of economic and social resilience.

Considering these challenges, Ministers are invited to address the following questions:

- *How to address the main challenges that the digital age brings to social protection systems? In particular, in order to ensure the adequate financing of social protection systems, how to cope with a potential decrease of revenue from the taxation of labour?*
- *What steps is your country taking, or intending to take, to adapt social protection systems to the new forms of work?*

³ European Commission's Staff Working Document accompanying the second stage consultation of social partners on an initiative on Access to social protection.