

July 27, 2018



*Building the future of work together*

## **We need a new social deal that reflects the changing world of work**

By Denis Pennel

**Tag:** #socialprotection #employment #labourmarket #futureofwork

**Levels of social protection and rights differ greatly around the world and only 45% of the global population is effectively covered by at least one social protection benefit**, when they are in place however, we find that these protections and rights have usually been hard won and built over time. The majority of systems reached maturity in the mid-20<sup>th</sup> century and were linked closely to the workplace and employment status.

**So how are these systems holding up against the backdrop of today's changing world of work?** As diversity, individualisation and new forms of work become an established feature of our labour markets, are our social protection systems still fit for purpose? **The World Employment Confederation has been exploring the impact of these new emerging trends and has created a series of policy recommendations designed to guide policymakers in shaping labour markets to meet the new realities of work.** The need for a new social deal to reflect the changing world of work forms one of these recommendations.

**The fact that most social protections are still linked to a person's employer is increasingly outmoded.** The dominant days of full-time, open-ended contracts as defined by the 1960's manufacturing era are over. Today modern labour markets operate with many different work contracts – including fixed term, part time, agency work and dual learning contracts. In countries that have been fast to embrace new working models, such as the Netherlands, less than 50% of people are now working under the 'classic' open-ended contract. The rest enjoy a more hybrid, flexible contractual status ranging from freelance and self-employed contracts to telework and multiple work streams made possible by the emerging gig economy.

For these workers, the attachment of rights and protections to one employer makes no sense. Social benefits such as health, pension, sick pay, holiday pay and training entitlements need to be attached to them as individuals and portable as they navigate their way through the labour market. They also need to be easily transferrable so that people can be sure of their individual security and worker's rights at each stage in their working life – regardless of their work status or employer.

**Portability of rights will enable workers to accrue their own set of protections and entitlements that they can carry with them from job to job and into retirement.** They will stay with them through periods of full employment, part time employment, multiple employment and also periods when they are not working. It will also allow individuals to gain control over their career management and be able to make decisions using their social drawing rights.

**To create such a system effectively governments are going to have to bite the bullet and review the way that social security is funded.** It may no longer be sufficient to cover all social security protections from contributions taken at source from wages. Administrators may need to consider setting aside a portion of general taxes to fund social security systems too. This will require a fundamental rethink of the funding of social protection to reduce non-wage labour costs.

In such a situation, societies are also going to have to recognise the diverse forms of work that exist today and look to create a level playing field between all types of work contract in order to avoid inequality with regard to labour costs, social contributions and access to the labour market.

**This will require us to place labour markets centre stage in the debate. In the changing world of work we will need to acknowledge that the days where direct, full-time, permanent contracts were predominant are gone.** In their place we are seeing the emergence of a far more complex, piecemeal and diverse employment model where people will experience a host of different working contracts throughout their working lives. We are going to have to recognise that at the heart of the debate lies the issue of labour market security, which must be favoured over job security.

**In the new gig economy there is no shortage of work but fewer 'jobs' in the classic sense of the word.** It is indeed becoming easier to find a client than an employer. People are increasingly carving portfolio careers: working as an IT contractor for three days each week and supplementing their income with driving for Uber in the evenings and hiring themselves out as an odd-job man through Task Rabbit to plug the gaps in their time. The new 'slasher generation' as they are often known, appreciate the freedom and flexibility that this type of working life affords. They do not aspire to the linear careers of their grandfather's with a full time job at 18 years old and a gold watch and pension following 40 years of unbroken service. They are seeking new experiences, the ability to take time out to travel or raise families and a greater sense of work/life balance.

**By embracing these new attitudes to life and work and by fostering the diversity that already exists in our labour market, we have the chance to start over.** We must create a whole new Social Deal, adapted to the new labour market realities and which can provide people with support that is both adequate and relevant throughout their working lives.

*Denis Pennel*  
Managing Director, World Employment Confederation  
 @PennelDenis