

Social security innovation for inclusive worker support during the corona crisis?

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Introduction

Labour market flexibility has increased over the past decades with a growing variety in types of employment relationships. This may be qualified as a transition from segmented to fragmented labour markets which Eurofound ([2015](#)) describes as an 'increase in forms of work and employment which differ from the 'standard employment relationship' of permanent, full-time, socially secure employment'.

Very flexible forms of employment such as marginal employment, zero-hours contracts, casual work and solo self-employment are particularly problematic from the viewpoint of employment stability, earnings and social security.

The sudden shock of the corona crisis emphasizes the coverage gaps many workers face when they lose their jobs or income through self-employment. Such coverage gaps have also been addressed prior to the Corona pandemic ([EC 2019a](#); [EC 2019b](#); [Spasova 2017](#)). The past months, many governments implemented emergency measures in order to provide income support for the different types of fragmented workers who are poorly covered under the current regulations.

We illustrate such measures in Germany and the Netherlands, two affluent countries which are characterized by fragmented employment (Leschke 2015). We ask which lessons may be drawn for inclusive social security after the crisis; are the new types of support comprehensive enough to uphold after the crisis?

We focus on measures which are relevant for fragmented workers, and scrutinize these in view of their inclusiveness. These measures are set in a framework of large government recovery packages enacted in both [Germany](#) and the [Netherlands](#) complemented by social partner measures (see [Eurofound: Covid-19 EU PolicyWatch](#)).

Access to short-time working schemes

Germany has a long history of short-time working measures to safeguard jobs when demand fluctuates. Presently, the demand by employers for short-time working is unprecedented – the request for March and April 2020 alone was three times higher than in the peak year of 2009 ([Gehrke and Weber 2020](#)).

The requirements on firms to use short-time working were eased substantively. It is sufficient if 10% of the employer's workforce are affected by shorter work schedules whereas the threshold normally lies at one third. The general compensation for the hours not worked lies at 60% of the net income and 67% for workers with children (level of unemployment benefits (UB)) with some recent collective agreements stipulating more favorable compensation. Moreover, for workers with at least 50% reduction in hours the rates are temporarily increased in month 4 and 7. The general maximum duration remains 12 months.

Only some groups of fragmented workers enjoy access to short-time working. Generally, workers who are subject to social insurance are eligible, implying that regular part-time and fixed-term

workers are eligible but not mini-jobbers, a substantive share of the German labour force. Also, self-employed, including those who are voluntarily insured against UB, are excluded. Temporary work agencies have temporarily been granted to make use of short-time working (see [Eurofound 2020a](#); [Konle-Seidl 2020](#); [Bundesagentur für Arbeit 2020](#)). Interestingly, a recent collective agreement regulates for the first time short-time working in film production, a sector heavily characterized by fixed-term project work. It includes a top-up of the usual allowance paid by the employer ([Eurofound 2020b](#)).

The **Dutch government** facilitated businesses in retaining employees by installing the Temporary Emergency Measure for the Preservation of Jobs (NOW). It replaced the former short-time working arrangement. NOW runs between March and June 2020, and has been extended up until October yet under different preconditions. All companies with a loss of revenue of at least 20% may get a subsidy to pay for up to 90% of the wage costs. The higher the loss of revenue, the larger the wage cost subsidy. As NOW looks at the loss of revenue (instead of working hours) it covers also workers with fluctuating working hours, including zero-hours contracts and platform workers who are hired as employees. NOW also covers temporary agency workers.

(Basic) income support for flexible workers

UB in Germany and the Netherlands are still strongly geared to standard workers, also last-tier schemes are not in all cases accessible. In **the Netherlands** debate sparked regarding redundant students, temporary agency workers, and on-call workers who are neither eligible to UB nor to social assistance (e.g. due to short work histories or their household having too much financial assets). A rough estimation is that about one third of on-call/zero hours workers do not qualify for UB ([Dutch Ministry Social Affairs and Employment 2020](#)). It led to an additional temporary scheme, yet for a very short period and with a low income replacement level: the Temporary Arrangement for flexible workers. A similarly difficult position of the German mini-jobs, who recently experienced strong job losses in particular in hotels and restaurants ([Minijobzentrale 2020](#)), has not led to specific additional measures. However, due to the temporary relaxation of means-testing in the German basic benefit scheme, redundant workers who are not eligible for UB have easier access to flat-rate basic benefits which will temporarily cushion their income fluctuations somewhat.

(Basic) income support for solo self-employed

Solo self-employed are generally poorly covered by **German** social insurance. They can voluntarily join the unemployment insurance but only if they have been insured before based on dependent employment. Most solo self-employed who lose their business only have access to basic income support, a means-tested, flat-rate benefit. Yet, the rules have temporarily been eased. Usually basic income support is only paid to persons in need who are looking for work. Currently, eligibility extends to persons who are only temporarily out of business and therefore not looking for a new job. Importantly, a transitional rule stipulates that solo self-employed (and also other groups) applying for basic income will not have to tap their financial assets as a prerequisite for getting access during the first six months of benefit receipt; also housing costs are currently covered in full ([Eurofound 2020d](#)).

This measure is part of a larger rescue package to solo self-employed, freelancers and micro-entrepreneurs. They can for example be granted non-repayable one-off payments to help covering

their costs for commercial rent, loans, leasing payments or severe liquidity shortfalls. Several of the German Länder provide additional one-off payments on top of the federal support for groups of self-employed (see [Bundesagentur für Arbeit 22.4.2020](#)).

In **the Netherlands** the Temporary Subsidy for Self-Employed (Tozo) ran between March and June 2020 and has been prolonged until October, yet with different eligibility conditions. The scheme is based on social assistance and aims to supplement the income of self-employed if this has fallen below the social minimum. In contrast to ordinary social assistance, Tozo is temporary and not means-tested. The extended Tozo subsidy tightens eligibility by taking into account the spouse's income, and increases the maximum duration from three to four months. Like the German scheme, Tozo is combined with measures such as additional loan facilities, and the right to delay tax payments ([Eurofound 2020e](#)).

Conclusions and outlook

In the current Corona crisis the European Commission recommended short-time working schemes with the so-called SURE scheme ([Müller 2020](#)). Short-time working had proven to be an effective measure already during the economic crisis where many countries made short-time working more accessible for flexible workers ([Arpaia et al. 2010](#)). The examples of Germany and the Netherlands show that even in affluent countries, and in spite of their opening-up to new groups of workers, some flexible workers remain excluded.

As regards protection against unemployment or income loss, the Corona crisis uncovered coverage gaps. In both Germany and the Netherlands existing schemes were deemed insufficient and subsequently temporarily extended or complemented by very temporary new schemes to provide a basic level of security. This parallels developments during the economic crisis, where many measures enacted then to help fragmented workers were of a temporary nature ([Leschke & Finn 2019](#)).

Rather than temporary quick-fix solutions when crises hit, it would be beneficial to create permanent support structures that provide more encompassing and reliable income security for all types of fragmented workers. This would make these measures more "crisis-proof" and moreover enable meeting the needs for securities of vulnerable workers beyond a crisis context.

Moreover, the use of certain employment forms needs to be questioned as done with reference to the mini-jobs for example by the [German trade union confederation](#), or the limitation of the use of zero-hours contracts in the new Dutch Balanced Labour Market Act ([Bekker & Pop 2020](#)). A recent example of re-regulation induced by the Corona crisis can be found in the butchering and processing of meat industry in Germany where from 1 January 2021 contract workers and the leasing of temporary workers will in most cases no longer be permitted ([Eurofound 2020f](#)).

Innovative social security should aim to systematically include fragmented workers, yet also question how much fragmentation societies can legitimize.

References

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