

Terms of Reference

Paper on sustainable social security financing in new forms of employment

Background

The June session of the 2021 International Labour Conference called for a human-centred recovery through actions towards universal, adequate, comprehensive, and sustainable social protection systems that are adapted to developments in the world of work. Globally, the rapid automation of the manufacturing and services industries, the digitalisation of the economy and the rise of the platform economy have resulted in displacement of jobs, and the rise in new forms of employment. These phenomena may affect the sustainability of social security financing.

In many countries, employers' and workers' social contributions are the most important source of funding for social protection systems. But social contribution rates and revenues have stagnated in the recent past as governments have tried to reduce non-wage labour costs to support economic activity. Employers' contributions, which represent the largest part of contributions, have declined most strongly¹. As social contributions declined, general government revenues provide a growing proportion of social security funding. First, general government financing has been called to fill funding gaps in some social insurance schemes with unbalanced demographics (notably in special occupations and in rural areas). Secondly, expenditure has risen on functions that are normally funded from general government revenues namely housing, social exclusion, family/children benefits and health care. The rise of new forms of employment accentuates the risks for sustainable financing of social security mostly because they result in shrinking contributions. When they are non-full-time employees, workers may fail to be covered under compulsory contributory systems, which results in declining numbers of contributing workers to national social security systems. The workforce in new forms of employment may be exempted from contributions due to income threshold requirements. They may be subject to lower contribution rates and contributions may be made based on lower levels of income.

In this environment, the options to bridge fundings needs present some problems. First, governments are not favourable to raise contribution rates due to perceived negative effects on economic competitiveness. Also, to promote social security that is neutral to all forms of labour may

¹ The rationale for revenue neutral tax shifts away from labour (including social contributions) towards more 'growth-friendly' tax bases is that, through the reduction of the tax wedge, both labour supply and labour demand can be boosted See European Commission (2015b), "Tax shifts", Taxation Papers, 59.
https://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_59.pdf

require lower uniform contribution rates across different forms of employment². Secondly, taxes on property and environmental taxes account for a relatively low share of overall tax revenue, potentially limiting their scope. Finally, some countries resort to consumption or sales taxes but distributional considerations may affect the social acceptability desirability of a tax shift such forms of taxation. This also depends on how the overall tax-contribution-benefit system overall is designed to mitigate inequalities.

Therefore, the future of social security funding under new forms of employment lies in considering some trade-offs. For example, balancing the relative merits of contributing through taxes and social security contributions³, the merits and demerits of capital taxation (such as disincentives on innovation), including labour displacing robot taxes. It involves the consideration of taxation of transaction items versus taxes on non-transaction goods (such as property taxes). Finally, the digitisation of tax administration and its potential to appraise effective income from digital platforms and the contribution of different new economic actors to the financing of social security are fundamental elements of a palette of choices. The proposals need to consider the context and departing situation in each country.

In the context of project [EU-China project - Improving China's institutional capacity towards universal social protection](#), the ILO is undertaking a research with the Chinese Confederation of Employers on sustainable financing of social security under new forms of employment and will organize a workshop on that theme. In collaboration with the Ministry of Human Resources and Social Security (MOHRSS) of China and the European Union the ILO is also jointly organizing an International Conference on the Future of Social Security for New Forms of Work: EU and China Perspectives, from 26 to 28 July 2022. The conference will address the question of how the future of social security can be sustained in the context of new forms of employment. This call for expressions of interest seeks to identify international consultants or institutions to contribute to both initiatives.

Objectives

The first objective of this consultancy is to write an article of 4000 words on the future of social security financing in new forms of employment. The second objective is to make two presentations, online, based on the findings of the paper.

² Raising contribution rates may also increase informalization.

³ <https://www.britannica.com/topic/social-security-government-program/Financing-of-social-security>

Deliverables and timeframe

The External collaborator will produce a draft paper by 15 July 2022 and will present her/his knowledge and main findings (up to 20 minutes) in the two events:

At the workshop organized with the China Employers Confederation, to take place in July at a date to be confirmed.

At the International conference “The Future of Social Security for New Forms of Work: EU and China Perspectives”, from 26 to 28 July 2022.

Expertise, application and selection of applicants

Eligibility

Eligible applicants for this call may be qualified individuals, institutions, or nongovernmental organizations registered as not-for-profit organizations.

Qualifications, experience and competencies

- Advanced degree in social security, public administration, or relevant social sciences
- Knowledge of the field of social security, new forms of work, platform economy
- Proven track record of presenting clearly and concisely
- Command of English

Evaluation criteria

Selection of applicants will be based on the following criteria:

- Technical capacity including specific areas of technical expertise
- Level of relevance and depth of actual technical experience
- Clarity and soundness of proposed methodology
- Readiness of taking assignment and on the date
- Language: proficiency in English

- Financial proposal

Final weighting: technical proposal 70% and financial proposal 30%.

※ Only the applicants that pass the technical proposal (at least 60%) will see their financial proposal assessed.

Application

Applicants interested in this consultancy are invited to submit a technical proposal and a financial proposal as per the following details:

1. Technical proposal in English or Chinese not exceeding 2 pages:

- 1) Curriculum Vitae
- 2) Relevant publications

2. 300-word summary of proposed presentation(s) contents

3. A financial proposal specifying daily fee and number of workdays for preparation and delivery of a 20-minute presentation.

Submissions should be sent to frotal@ilo.org no later than 30 May 2022. The ILO will inform the applicants of the selection results no later than 5 June 2022.



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