



Should the German social protection system be adapted following the Covid-19 crisis?

Kerstin Bruckmeier, Diego d'Andria , Regina Konle-Seidl

Social protection systems play an important role in mitigating the negative social consequences of the Covid-19 crisis. The crisis has clearly revealed gaps in the social protection systems of most European countries – especially regarding the solo-self-employed; persons working in new forms of non-standard employment such as platform workers; and so-called “mini-jobbers” which are specific to Germany. These gaps call for further adjustments which extend beyond the crisis.

As a reaction to the Covid-19 crisis, a number of social benefits have been temporarily expanded to better protect vulnerable groups such as atypical workers, including self-employed workers (see article “[Social protection of atypical workers during the Covid-19 crisis](#)”). In this follow-up article, we highlight the various facets of a further development within the German social protection system, and compare these against developments in other European countries, as well as against the overarching EU-level. We discuss whether social protection needs to become more universal by decoupling social protection from the

Quelle:

<https://www.iab-forum.de/en/should-the-german-social-protection-system-be-adapted-following-the-covid-19-crisis/> | 1

employment relationship.

The crisis has not only highlighted previously known weaknesses in the social protection system, but has exposed growing problems in relation to new forms of employment such as platform work. The design of the social protection system has revealed gaps in protection – particularly for marginally employed workers (“mini-jobbers” – see below), the self-employed, and those carrying out new forms of atypical or flexible work such as platform workers. The need for adjustments in these areas already dominated the policy debates and reforms in many European countries over the past years. This applies, for example, to casual work and to workers on “zero-hours contracts” (who agree to be available for work when required, with no guaranteed hours or times of work); as well as, increasingly, to platform workers.

The self-employed need better protection

Over the past twenty years, the increase in self-employment in Germany and other European countries can be attributed almost entirely to the rise in the number of self-employed persons with no employees, the so-called “solo” self-employed. While employees subject to social insurance contributions receive unemployment benefits and short-time work allowance as insurance benefits, mini-jobbers and solo self-employed workers are not protected by this safety net. In Germany, as in most countries of the European Union, self-employed persons are not covered by a mandatory unemployment insurance. Partly due to restrictive conditions for access, only a small share of those who started a new business took advantage of voluntary unemployment insurance in Germany, as shown in Elke Jahn and Michael Oberfichtner’s 2020 study. This is a major reason for an insufficient income protection during the crisis.

Moreover, the temporary ad-hoc government support for the self-employed was meant – at least in the German case – to cover fixed operating costs but not the living expenses of the self-employed. To compensate for considerable income losses, the German government responded by facilitating the access to the basic income system for jobseekers (Grundsicherung für Arbeitssuchende) until 31 December 2021. To enable rapid and unbureaucratic support, the criteria for benefit eligibility as well as the means-test were significantly relaxed. A “self-declaration” replaced the asset verification by the jobcentres. The exemption amount was extended to more than 60,000 euros and the actual expenses of accommodation were reimbursed without upper limit. Moreover, sanctions were temporarily waived (March – June 2020).

Quelle:

<https://www.iab-forum.de/en/should-the-german-social-protection-system-be-adapted-following-the-covid-19-crisis/> | 2

Platform- and flexible work need better regulation

There are increasing numbers of self-employed persons with employee-like characteristics, to whom employee protection rights often do not (yet) apply and whose social protection is often inadequate. A growing number of workers provide their services via digital labour platforms. While platforms provide new opportunities through their lower entry thresholds to the labour market, as well as improving matching between demand and supply and increasing flexibility, they also involve new challenges for policy makers. In particular, they blur existing legal definitions – for example, the distinction between employed and self-employed work. The traditional statuses of either “employed” or “self-employed” worker are hard to apply to platform workers, whose work may be associated with precarious working conditions, unpredictable contractual arrangements, and inadequate access to social- and health protection. These challenges require new and innovative social protection policies for platform workers as, for example, proposed in the 2019 concept of “Digital Social Security” by Enzo Weber.

Growing concerns have prompted the European institutions to act. Early in 2021, the European Parliament published a draft proposal on fair working conditions, rights, and social protection for platform workers, and the European Commission launched a public consultation on improving the working conditions in platform work. Individual countries are also considering proposals to address some of the mentioned issues, a noteworthy example being the Spanish government who has recently announced a reform to classify food delivery riders as regular employees. In a similar vein, the UK Supreme Court recently ruled that drivers (e.g. those working on platforms such as Uber) must be treated as employees: thus, they are now entitled to minimum wages, holiday pay, and have access to regular pension schemes. In a single case-decision in February 2021, the Federal Labour Court in Germany also classified platform workers as employees.

The future policy challenges can thus be summarised as follows: first, identifying forms of labour that are formally presented as self-employment but in their substance are actually employment relationships. Second, guaranteeing transparency in relation to how remuneration is calculated, as well as with regard to the rules for suspension and termination imposed by the platform. Third, ensuring that platform workers enjoy protection similar to non-platform workers with respect to health and unemployment insurance and social benefits.

Quelle:

<https://www.iab-forum.de/en/should-the-german-social-protection-system-be-adapted-following-the-covid-19-crisis/> | 3

Mini-jobs have not passed the crisis test

In the European context, mini-jobs are a rather unique form of non-standard employment. Here, monthly earnings are restricted to a certain maximum level (currently: 450 euros), exempting employees (but not employers) from taxes and social insurance contributions. Mini-jobbers are the clear losers of the pandemic. Since they are neither entitled to unemployment benefits nor to a short-time work allowance, they often suffer strong income losses when they lose their jobs. While the crisis made the weakness in social protection for mini-jobbers apparent, this form of employment had been criticised long before the crisis for various reasons. Mini-jobs are problematic not only because of their lack of financial security, but also because of working conditions and equality impacts. Mini-jobs are predominantly low-paid jobs, and in practice, mini-jobbers often do not receive the same rights as regular employed persons. Mini-jobs are often career dead-ends, particularly for (married) women, as they offer hardly any opportunities for career advancement and are unsuitable for providing independent economic security and building up sufficient pension entitlements.

Hence, the reform of mini-jobs was part of the political discussion even before the crisis. Proposals range from abolishing the mini-job scheme by treating marginal employment like regular employment subject to social insurance to further expanding mini-jobs by increasing the mini-job threshold and its dynamic adjustment. While the crisis might have increased the pressure for reform, its direction is still unclear. In a 2021 IAB position paper for the Employment and Social Committee of the German Parliament (Bundestag), the IAB vice director Ulrich Walwei called for the abolition of mini-jobs, except for students and pensioners.

Adaptations in the unemployment insurance system

Often, social protection systems, in particular Bismarckian unemployment insurance systems, are still designed with the archetype of full-time, permanent work for a single employer in mind. Workers in temporary or independent forms of employment often do not meet the eligibility criteria of these unemployment insurance systems. To remove coverage gaps and better protect atypically employed workers, the OECD, for example, recommends making wage-related social protection systems more universal by decoupling social protection from the employment relationship.

Member States of the European Union, however, operate very different social protection regimes, with a varying degree of decoupling social protection from the employment relationship. Across Europe, unemployment insurance systems vary with regard to generosity

Quelle:

<https://www.iab-forum.de/en/should-the-german-social-protection-system-be-adapted-following-the-covid-19-crisis/> | 4

and selectivity. Most countries operate “layered” systems, by combining first-tier unemployment insurance benefits with means-tested but wage-related second-tier unemployment assistance (Arbeitslosenhilfe). This is the case, for example, in Austria or France. Second-tier basic unemployment schemes in Nordic countries such as Finland are not tied to previous employment. The Finnish system provides tax-financed assistance for jobseekers who are unable to find a job when they first enter the labour market or when their entitlement to unemployment insurance benefits is exhausted. In addition, basic unemployment benefits are paid to the unemployed without entitlement to insurance benefits but with an employment record of at least 26 weeks.

The German unemployment insurance system is based on a wage-related and standard-work-centred, contribution-financed social insurance system. More than most other European Union countries, the German first-tier unemployment protection system is characterised by the insurance rationale (or equivalence principle), i.e. a close link between contributions and benefits limiting benefit eligibility for non-standard workers with short-term employment spells. Adaptations in the unemployment insurance system, for example by shortening the minimum qualifying period of employment would allow more atypically employed individuals to be eligible for unemployment insurance.

Discussions about expanding the range of the unemployment insurance system were taking place even before the crisis. IAB calculations from Gesine Stephan’s 2019 study show that shorter eligibility periods of 4 months within a qualifying period of 36 months before becoming unemployed (rather than 12 within 30 months currently) would open up access to unemployment insurance benefits to short-term employed people who would otherwise never receive anything in return for their contributions. However, following the equivalence principle, a shorter qualifying period would also result in relatively short entitlement periods. To avoid this, the equivalence between contributions and benefits would have to be weakened. This would imply that persons who are only occasionally employed for a short time would benefit disproportionately from unemployment insurance, which in turn creates a problem of fairness.

In addition to fairness considerations, incentive aspects must be taken into account. Easier access to unemployment insurance benefits through shorter minimum employment requirements might result in higher reservation wages and thus higher unemployment in the longer run as Laura Khoury et al. show in their 2019 study.

Quelle:

<https://www.iab-forum.de/en/should-the-german-social-protection-system-be-adapted-following-the-covid-19-crisis/> | 5

Reform options in the basic income system for jobseekers (“Hartz IV”)

The German social protection system differs from the examples mentioned above insofar as the unemployment insurance system is complemented by a single but comprehensive and rights-based minimum income system protecting those unemployed individuals who are not – or no longer – eligible for insurance benefits. If the unemployment insurance benefits are below the legally defined minimum income of the recipient’s household, they can be topped up by basic income benefits if the household passes the means test.

Since the merging of unemployment and social assistance in 2005, the tax-financed and means-tested basic income system for jobseekers (SGB II – Grundsicherung für Arbeitssuchende, known in the public discourse as “Hartz IV”) acts as the principal instrument for delivering social protection in case of need and unemployment. As a minimum income system, it is less selective than most other minimum income schemes in Europe. Concerning the question of universality, the SGB II system is Janus-faced: as a minimum income system, it is universal but as an unemployment protection system, it is “selective” as eligibility is restricted to the unemployed in households with low income and little wealth.

There is an intensive debate in Germany about the future development of social protection, focusing in particular on the basic income system. So far, political parties’ proposals for reforming the basic income system vary in their emphasis on guaranteeing a basic income on the one hand and activating people and bringing them into employment on the other. Some political parties such as the Greens call for a low-conditional “guaranteed basic security income” by decoupling cash benefits to secure the livelihood and activation policy, as described by Kerstin Bruckmeier and Regina Konle-Seidl in an 2019 IAB-Forum article.

Pre-crisis, the discussion was already heavily influenced by fairness considerations. This relates, for example, to the basic income system’s lack of consideration given to lifelong contribution. Here, it is considered unfair that the amount of SGB II benefits paid out are not based on how long transfer recipients have worked previously. To test future reform options, the crisis-related, temporary readjustment measures in the basic income system can be seen as a “natural experiment”. Reforms might also be directed to make the system less conditional with respect to activation (e.g. sanctions) and means-testing, possibly overcoming some of the criticism directed toward the “Hartz IV” system.

Quelle:

<https://www.iab-forum.de/en/should-the-german-social-protection-system-be-adapted-following-the-covid-19-crisis/> | 6

Conclusion

Previously known weaknesses in the social protection of atypical workers have become apparent during the Covid-19 crisis and have highlighted the need to reform social protection systems in the longer run. In Germany, mini-jobbers and the (solo) self-employed are among the biggest losers of the crisis. Gaps in social protection for these groups increase the pressure to reform these forms of employment. The already existing pre-crisis evidence on the drawbacks associated with mini-jobs justifies a restriction of this form of employment to certain groups, such as pupils, students, and pensioners. In the future, the question of social protection for self-employed persons beyond the basic income support scheme will increase in importance.

The digitalisation in the labour market will continue to catalyse a further spread of employment forms such as platform work, where it is increasingly difficult to draw a clear line between dependent work and self-employment. One solution could be to include the (solo) self-employed in the unemployment insurance system. This could be achieved by defining unemployment as the loss of paid work rather than a loss of a specific legal labour status as Paul Schoukens and Enzo Weber propose in their 2020 study on the design of an unemployment insurance scheme for the self-employed. In addition, they discuss the adjustments necessary to cope with the specific needs of the self-employed, e.g. having higher income fluctuations, without giving up the basic principles of an insurance-based system.

Bernd Fitzenberger et al., however, argue in a 2020 study against the inclusion of the self-employed in compulsory unemployment insurance, since in addition to the political implementation difficulties, self-employed people with low incomes would often receive insurance benefits that would not be higher than basic income benefits. Also, a more far-reaching extension of access to unemployment insurance for atypically employed persons may also lead to the abolishment of the deeply rooted equivalence principle.

As an alternative or in addition to an expansion of unemployment insurance, it would be conceivable to reform the means-tested basic income system. For example, the lifetime contribution of persons who have been working for many years could be considered through a higher exemption of assets when calculating benefit entitlement. In contrast, protection through an unconditional basic income is expensive and, in view of potentially reduced fiscal scope in future, more difficult than ever to finance. Moreover, an unconditional basic income also contradicts the idea of activation. The goal should be to get more people into jobs that will secure their livelihoods instead of financing unemployment through a basic provision

Quelle:

<https://www.iab-forum.de/en/should-the-german-social-protection-system-be-adapted-following-the-covid-19-crisis/> | 7

without any precondition. In this context, it might be a good idea to study the consequences of the temporary, crisis-related changes in the “Hartz IV” system, which as a natural experiment provides a practical test ground for further reforms.

Literature

Bruckmeier, Kerstin; Konle-Seidl, Regina (2019): [Reforming the German basic income system in international perspective: yes to new avenues, no to a fundamental change](#). IAB-Forum,

12 December 2019.

Fitzenberger, Bernd; Jahn, Elke; Oberfichtner, Michael (2020): Bessere Absicherung für Gründer!, Gastbeitrag. In: Die Welt, 04.08.2020, p. 10.

Jahn, Elke; Oberfichtner, Michael (2020): [Freiwillige Arbeitslosenversicherung: Nur wenige Selbstständige versichern sich gegen die Folgen von Arbeitslosigkeit](#). IAB-Kurzbericht, No. 11.

Khoury, Laura; Brébion, Clément; Briole, Simon (2019): [Entitled to Leave: the Impact of Unemployment Insurance Eligibility on Employment Duration and Job Quality](#), HAL archives-ouvertes: halshs-02393383f, accessed on 1 July 2021.

Schoukens, Paul; Weber, Enzo (2020): [Unemployment insurance for the self-employed: a way forward post-corona](#). IAB-Discussion Paper, No. 32.

Stephan, Gesine (2019): [Anspruchsvoraussetzungen beim Arbeitslosengeld: Längere Rahmenfrist hat überschaubare Auswirkungen](#). IAB-Kurzbericht, No. 9.

Walwei, Ulrich (2021): [Geringfügige Beschäftigung: Ausweiten oder Abschaffen?](#), Stellungnahme des IAB zur öffentlichen Anhörung im Ausschuss für Arbeit und Soziales des Deutschen Bundestags am 22.2.2021. IAB-Stellungnahme, No. 1.

Weber, Enzo (2019): [Digital social security: Outline of a concept for the 21st century](#). Hans-Böckler-Stiftung. Working paper Forschungsförderung, No. 138, Düsseldorf, 25 pp., accessed on 1 July 2021.

Quelle:

<https://www.iab-forum.de/en/should-the-german-social-protection-system-be-adapted-following-the-covid-19-crisis/> | 8