

PRESS RELEASE

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The Federation of International Employers ([FedEE](#)) writes at 10:35 am BST

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The great conventional employment and social security rip-off

Growing pressures in the labour market are giving rise to the need for a new form of working relationship and a fresh deal for social welfare.

Many workers in the construction, press and IT sectors have long operated on a freelance basis, but they have usually made contributions to social security through funds especially established for them. However, a new wave of flexible employment is rapidly emerging in the form of "Gig jobs". Such workers find themselves in pseudo-employment relationships, where they operate as if they were employees, wear company uniforms, drive company badged vehicles, take work instructions from managers in the business they work for - but are actually contractors without any form of welfare, or employment protection - and usually without any guaranteed working time.

The answer of many governments to the Gig economy is to legislate to close it down and force companies to treat such workers in exactly the same way as conventional employees. But is that the best way forwards? Are we going to develop an energetic, free enterprise economy if everyone has to be treated as if they lacked initiative, needed an employer to act in a maternal way and as if they could not be trusted to fend for themselves without many layers of legislative protection? Why does the future model for good working style and practice have to be the culture of entitlement, non-accountability and low productivity found in the public sector?

At the heart of the problem with all forms of work - whether through direct employment or its more liberal cousins - is the question about what level and type of basic welfare protection is necessary in any civilized society. Nobody doubts the need for every worker to have financial support when they are sick, injured, unemployed or old. However, as things stand, such schemes would often seem to provide extremely poor value for money.

New Approach

FedEE is developing a new approach to work which will address a number of key and closely linked issues that are too often neglected by employers, unions, politicians and labour economists alike. At the heart of our proposals will be a new category of worker who enjoys the security of welfare insurance, but only to the extent that it is affordable, generates a fair return and produces a good investment for the risks that it covers.

Therefore change cannot come until we achieve a clear understanding, for instance, about what an adequate level of sickpay or permanent disability insurance should cost and how to ensure that social security contributions only go to funds dedicated for their use and not into the endless pot of general taxation. Welfare insurance, as currently administered in most countries, has to cover the massive overhead of an overcostly, inefficient and wasteful public sector delivery system. Whereas, if undertaken by the private sector, and just overseen by public officials, competition would help to ensure that costs are minimised and profits are reasonable.

Therefore, FedEE is calling for:

1. A new category of independent worker entitled to welfare insurance and a measure of notice - but not other types of employment protection.
2. The conduct of a study into value for money in social security insurance systems.
3. The imposition of a cap on the total contributions to social security (by employers and employees) and a requirement that social security is not treated as a general tax. As this cannot be imposed by the EU under its existing treaty powers, it will have to rely on pressures from public opinion and professional bodies.
4. An exploration of the greater role that could be played by private insurers in handling all state social security schemes.

Future press releases will explore each of these proposals in greater detail.

According to The Secretary-General of the Federation of International Employers ([FedEE](#)), Robin Chater, *"There is an important link between employment status and level of tax imposed on both employees and employers in the form of social security. In fact, the wider picture also needs to take into account income tax itself. Currently too many workers have to work for Monday and Tuesday of each week for free because the tax and social security take is so huge that it takes up all their income for two out of five days they work. This is a form of slavery that no worker should tolerate. What we are proposing is that at least the more justifiable element of the tax take - social security - is better managed. If it is allowed to be administered by the public sector then, even if it is not considered part of general taxation, almost half of all contributions will go into the pockets of civil servants and not be a nest egg for tougher times for the hard working private sector worker."*

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What is FedEE?

The Federation of International Employers ([FedEE](#)) is a leading corporate membership organisation for multinational companies. It was founded in 1998, with financial assistance from the European Commission. Today it is an independent body with corporate members all around the globe.