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# **Basic Social Security in the 21<sup>st</sup> Century**

**NEW FORMS, MODELS AND CONCEPTS**

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Design:

Andreas Pohancenik  
(wirsindattraktiv.com)

**Basic Social Security in the 21st century**  
**New forms, models and concepts**

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# Basic Social Security in the 21st Century

**NEW FORMS, MODELS  
AND CONCEPTS**

**Author: Christiane Varga**

**Editor: Dieter Feierabend**

# Executive Summary

**An ever-faster changing demographic, varieties in individual lifestyles, multi-ethnic societies, a whole new understanding of the work environment, digitalisation, and new forms of mobility (or meta-mobility) have put pressure on our existing (national) systems. Furthermore, disruptions and crises such as climate change and the coronavirus pandemic add further complexity to an already changing society. Yet, European welfare state models, with established comprehensive benefit schemes in almost all EU member states, appear not to have adapted to these changes. Old social systems were historically based on a less complex, less global, less interconnected and less individualised society. However, these old structures are not adapted to these new parameters, resulting in a number of implications.**

The European pillar of social rights will only be beneficial for citizens, and affordable for societies, if we succeed in developing a common European vision of a modern basic security system. Therefore, we need to change our perspectives: we need to re-think society as a whole, in its holistic form. To create a more “resilient society” (with the pillars of social inclusion, social capital and social mobility), new ideas, models and concepts can be a good starting point to re-design basic social security. Furthermore, society is currently transitioning towards a new form, the network society, which operates in a structurally different and highly complex self-referential way, and requires new political thinking and action.

In light of the above, this study aims to contribute to a scientific debate on how modern basic social security systems may cope with a transforming society and new work-life realities, and thus reflect the complexity and diversity of a European society that is undergoing continuous change. As a result, policymakers on European and national levels should consider the following recommendations when creating new opportunities and legal frameworks for basic social security systems:

- I. Create a common framework for basic social security systems**
- II. Implement a network approach when designing policies**
- III. Conduct more experiments, i.e. experimental politics**
- IV. Create new indicators for a new society**
- V. Strengthen financial resilience**
- VI. Establish participative and transparent politics on a national level**
- VII. Promote an activating welfare state, and thus, empower citizens**

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# 1 Introduction

Our society is undergoing profound change: demographic changes, the effects of digitisation on the work environment, insecure life paths, increased (European) mobility and declining birth rates exert constant pressure on health and social systems in European countries. In an environment of economic uncertainty, financial viability is increasingly becoming a challenge for politicians and administrators. The new challenge of coping with the effects of the COVID-19 pandemic has added more strain and uncertainty. Furthermore, and partly resulting from this, the people's confidence in existing social systems is continuously decreasing.

The result of this decline in confidence, has brought two important questions to the centre of this debate: what does basic social security in the 21<sup>st</sup> century mean, and how can it be re-designed? This study aims to develop a common European understanding of our challenges for the coming years and decades, and the possible solutions, which in a networked world, can most likely only be implemented together. By discussing policy proposals, like basic income theories and experiments, as well as describing new forms of living that are developing within society, we want to show that new, innovative ways are emerging to reform social security systems from a liberal point of view.

Therefore, another aim of this study is to open up spaces of opportunity that will stimulate new ideas within the context of basic social security. The European pillar of social rights can only be beneficial for citizens and affordable for societies if we succeed in developing a common European vision of a modern basic security system. There are already multiple models and international field trials currently underway. Which of these can be reconciled with a liberal view of the world, taking into account a perspective of negative and positive freedom?

In a complex society, the challenge, more than ever, is to keep an eye on the fine line between paternalism and support. This means on the one hand giving people as much scope for action and self-determination in their lives as possible, while on the other hand always ensuring that, in the event of unemployment, they have enough financial resources to actively participate in society as best they can.

Our society is undergoing profound change. This presents an opportunity for bold, experimental social policies, to re-think not only the current basic social security systems, but also to re-think society and our future.

# 2 Relevance and Aim of the Study

Demographic change, individualisation, multi-ethnicity, a changing work environment, digitalisation, and new forms of mobility are putting pressure on existing (national) systems. The current model of the European welfare state, where comprehensive benefits are available to residents living in almost all member states, no longer seems to be valid.

The question regarding the effectiveness of existing systems is becoming increasingly important, and this can be seen, for example, in an increased interest in unconditional basic income concepts. Therefore, this study will rely on current European field trials, best practice solutions and (empirical) research which can be used to address the following key questions:

- What are the most significant changes of our time, and what influence do they have on financing basic social security systems?
- Which parameters would have to be changed to guarantee a functioning social benefit system in the future?
- What models and experiments that deal with new forms of basic social security currently exist?
- How is our society changing as a whole and what opportunities are there in the new social structure that support social systems?
- How does the financial development of social insurances look in the long run under these aspects?
- How can contribution rates be modelled in the future so that the social security system remains stable in the long term?

In particular, this study aims to provide a different, new perspective on the changes in society that are taking place, both globally and nationally. The entire study follows a holistic approach, with the premise that everything is interconnected, and in the 21<sup>st</sup> century, more than ever. Unilateral and isolated solutions no longer offer adequate answers to these questions. Only holistic solutions can generate the greatest impact. That means that society should be seen as a whole, and not just as the sum of its parts.

# 3 Basic Social Security

People in European countries have a very high level of social security protection in comparison to other social security systems around the world. Although there are significant differences in the organisation and effectiveness of welfare systems within the different EU member states, European countries are regarded among the most equal and inclusive in the world.<sup>1</sup> A short, precise and generally valid definition of social security protection within the EU is nearly impossible, due to the different living conditions and systems in the respective countries. Nevertheless, certain parameters can help in clarifying the general concept of basic social security, which is built on the ideal of helping people who are in need as a result of certain events.

## 3.1 DEFINITION AND PREVAILING PRINCIPLES OF BASIC SOCIAL SECURITY

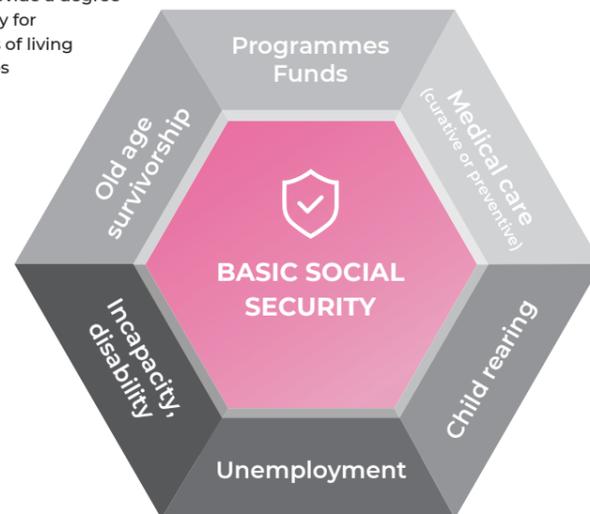
Social security benefits and social services provide protection in cases such as unemployment, illness, dependency of old age, industrial accidents and maternity. It includes any programme of social protection established by legislation or any other mandatory arrangement, in accordance with the rules laid down by a European framework and national laws and practices.<sup>2</sup> The law and coordination of basic social security varies in each European country, which means there are various elements that interlock according to someone's labour market status and situation in life.<sup>3</sup>

Basic social security provides individuals with a degree of income security when faced with one or more of the cases mentioned in the following diagram:

**GRAPH 1: BASIC SOCIAL SECURITY – A PROGRAMME OF SOCIAL PROTECTION**

**PROGRAMMES OF SOCIAL PROTECTION**

established to provide a degree of income security for subsistence/needs of living & basic necessities



<sup>1</sup> ILO, 2017.

<sup>2</sup> European Commission Report, 2020

<sup>3</sup> Overview MISSOC database Comparative tables, General Principles and financing in all EU Countries (Extracts from Missoc, 2020). <https://www.missoc.org/INFORMATIONBASE/informationBase.jsp>

## 3.2 RULES AND COORDINATION OF SOCIAL SECURITY IN THE EUROPEAN UNION

Within the European Union, each country has its own regulations regarding social security. This means that all worker obligations and rights are the same under the laws of that country – whether the worker is local, or from abroad.

EU rules coordinate national systems to make sure people moving to other countries within the European Union do not lose their social security coverage. That also means that specific treaties oblige states to avoid double taxation, and the worker is therefore only required to pay contributions for social security in one country at a time, based on existing agreements, and usually in the country of residence. Where residence and country of employment are different, it is important for workers to be aware of the benefits to which they are entitled in their country of employment, or that they will not have to pay back tax when they move back to the country of primary residence to work. Also worth noting, is that special community rules relating to personal taxation and social security exist for so called cross-border workers.<sup>4</sup>

## 3.3 ROOTS AND DEVELOPMENT OF SOCIAL SECURITY PROGRAMMES IN EUROPE

The development of social security programmes and systems is one of the most important and significant social policy achievements of the 20th century. The role of the state is deeply rooted as a welfare state that is committed to reducing poverty, providing equal opportunities in the education system and offering high-quality health care.

The first social security programmes were established in Europe in the late 19th century. Germany introduced compulsory health insurance in 1883, an accident insurance scheme in 1884 and a disability and old age insurance in 1889. After that, most Western European countries passed at least one core social insurance law before the outbreak of World War I.<sup>5</sup> The emergence of social insurance programmes marked the “take-off of the modern welfare state.”<sup>6</sup> The purpose of these contributory or tax-financed programmes is to provide members with benefits during phases of unemployment or in case of retirement or disablement.<sup>7</sup>

During the 20th century, national social security programmes also developed globally, mainly as a result of decolonisation and the institution of new independent states after World War II. In the Universal Declaration of Human Rights from 1948, social security was listed as a basic human right.<sup>8</sup>

The first President of the Main Association of Austrian Social Insurance Institutions, Johann Böhm, underscores the profound impact of this development on society, and even democracy, in the following quotation: “Social security is the most reliable foundation of democracy.”<sup>9</sup> This aspect is essential and allows the further conclusion that the basic principle of social security contributes significantly to a stable society. But if society is changing just as rapidly as it is now, how can such stability still be guaranteed?

<sup>4</sup> European Commission (n.d.) (ec.europa.eu ([https://ec.europa.eu/taxation\\_customs/individuals/personal-taxation/crossborder-workers\\_en](https://ec.europa.eu/taxation_customs/individuals/personal-taxation/crossborder-workers_en)).

<sup>5</sup> Abbott/deViney 1992; Kuhnle/Sander 2010.

<sup>6</sup> Flora, Alber, 1981, p. 48.

<sup>7</sup> Schustereder, 2010.

<sup>8</sup> UDHR, 1948

<sup>9</sup> sozialversicherung.at

### 3.4 THE BIG CHANGES IN SOCIETY AND THE ECONOMY

As the world and society have changed significantly (and continue to change) since social security programmes were initially designed, a reform seems to be increasingly urgent. Although long-term forecasts are difficult to make due to new dynamics and disruptive processes that structurally reshape economies and societies, some long-term trends which already take place today will continue to exist and are therefore highly predictable.

These huge shifts of society are driven by trends that have a large and epochal character. These include demographic changes, the individualisation of lifestyles, globalisation and mobility, as well as economic transformation throughout the increasing level of automation and digitalisation.

The decisive feature that all of these trends have in common, however, is their impact on all areas of our society, an impact that is not only limited to social and political life, but also impacts the economy and culture. These trends are therefore key drivers of a changing understanding of public utility in our societies. Where do we find a new attitude towards public benefit, and what process has influenced it? The debate on these processes is complex and sometimes paradoxical. Understanding them correctly can not only help to anticipate the future, but also help to shape it.

#### Changes in these major fields indicate that a re-design should take place

##### → Societal Change

- Aging population in Europe
- Individualisation of lifestyles

Demographic change and an aging society is one of the major trends of the 21<sup>st</sup> century. Its far-reaching consequences concern all areas of society on a worldwide scale, affecting labour and financial markets, the demand for goods and new services in the area of housing, care and transportation, as well as social protection. Another huge shift in society is driven by the force of individualisation, which leads to new lifestyles, a variation of different family structures and, combined with the aging population, to a reorganisation of intergenerational ties. That also means that the “traditional” model of a family is one of many other models of living together and relationships.

##### → Globalisation and Mobility

- European Migration
- Meta-mobility in urban and rural landscapes

An increase in individualisation of lifestyles also means that mobility is an essential cultural principle that changes the routine and rhythm of daily lives. The European society is in motion, with both people and data. A new understanding of mobility is evolving – a “meta-mobility” – which means that location has lost its binding power, “home” has become a relative term and being mobile is becoming a cultural obligation. Of course, for others, a need still exists to find the right opportunity to live a better and wealthier life.

##### → Economic Transformation and Labour Market

- New Forms of work;
- Artificial Intelligence, automation and robotics

Economic transformation describes a new way of working in the global and digital age. One effect is that the lines between work and home, home work and paid work are more blurred than ever. Automation, robotics and artificial intelligence will change many jobs and will also lead to the development of new forms of work. It is no longer the norm to be employed by one employer for many years with a regular 9 to 5 work day. Social security and employee protection regulations are often designed with this “traditional” model in mind, so the pressure on a welfare state in such volatile circumstances will not only be financial, but also functional.

##### → The System of Basic Social Security itself

- Does not fit into the differentiated life and work forms of individuals anymore
- Is too complex, with too much bureaucracy

Social security models are designed for a society in which the demographic structure, and the way people lived and worked, was relatively predictable and therefore measurable. Today this way of life is changing, and therefore the question arises how these models fit into the lifestyle of the 21st century. It is apparent on multiple levels that the current systems are too complicated and no longer fit the bill.

To sum this chapter up, basic social security systems are under pressure because of continuous change of European societies and need to improve to adopt to new forms of work-life cycles. The following chapter explores the changes of European societies in more detail.

## 4 Main Drivers of Change

Our society is undergoing profound change: the demographic change, the effects of digitisation on the world of work, insecure life paths, increased (European) mobility and declining birth rates exert constant pressure on the social and health systems of European countries. In an environment of economic uncertainty, financial viability is increasingly becoming a challenge for politicians and administrators. In addition, there is the new challenge of coping with the effects of the COVID-19 pandemic.

So what would the financial developments of social insurances under these circumstances look like in the long run? How can contribution rates be modelled in the future so that the social security system remains stable in the long-term?

Before possible answers to these questions are outlined, first a brief summary of the biggest and most relevant changes of our time:

### 4.1 INDIVIDUALISATION OF LIFESTYLES

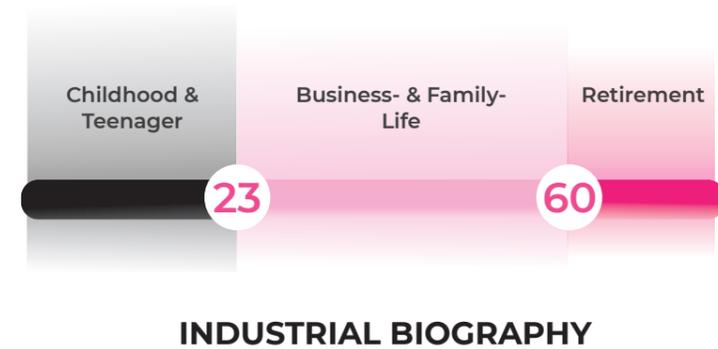
Individualisation is understood as the process of replacing the typical, industrialised forms of life, with post-industrial values of self-determination and self-realisation as a result of an improved standard of living, extensive social security and new kinds of life opportunities. It leads to an enormous expansion of life concepts, careers and market niches. Instead of “normal biographies” in the sense of class-cultural identities and corporative-conventional ways of life, there are individually differentiated life plans, or so-called “elective biographies.”

Individualisation may be a global phenomenon, but it takes place in different ways depending on the cultural and sociological-economic context. This results in, amongst others, multi-biographical lives, patchwork families, couples living apart together, an increasing number of singles, and also a higher level of mobility or migration.

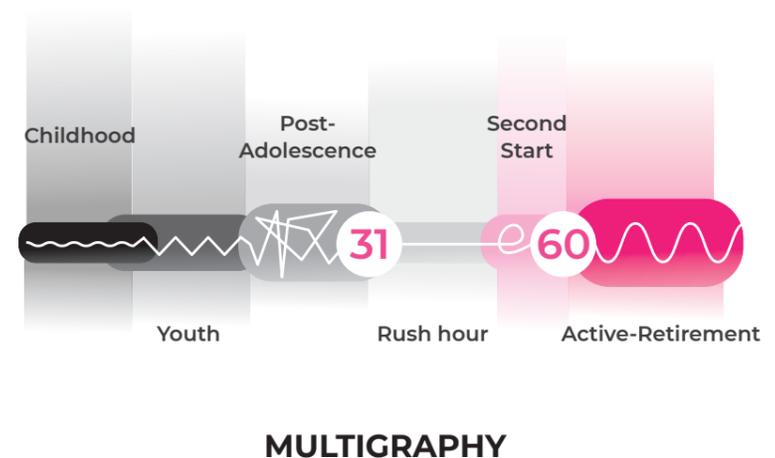
Instead of linear, predictable biographies, a non-linear, fragmented and multi-dimensional biography has become more common.

## Change of Biography

GRAPH 2.1: INDUSTRIAL AGE BIOGRAPHY: LINEAR, PREDICTABLE, MAINLY THREE-PARTED <sup>11</sup>



GRAPH 2.2: 21<sup>ST</sup> CENTURY BIOGRAPHY: NON-LINEAR, FRAGMENTED AND MULTI-DIMENSIONAL <sup>12</sup>



<sup>11</sup> Graph based on the work of the Zukunftsinstitut, official website: [www.zukunftsinstitut.de](http://www.zukunftsinstitut.de).

<sup>12</sup> Graph based on the work of the Zukunftsinstitut, official website: [www.zukunftsinstitut.de](http://www.zukunftsinstitut.de).

Understanding the fundamentals of these major changes in our society begins by looking at the population structure involved in driving change. By analysing the different sections from the Change-of-Biography-model, the following developments are particularly noteworthy:

## 4.2 DEMOGRAPHIC CHANGE AND AN AGING SOCIETY

The aging of the population is one of the most significant trends of the 21<sup>st</sup> century. It has far-reaching consequences for all areas of society, including labour and financial markets, the demand for goods and services, such as housing, transportation and social protection, care, family structures and intergenerational ties.

Ageing takes place in all regions of the world: in 2050, 16 per cent of people in the world will be over the age 65, up from 9 percent in 2019.<sup>13</sup> The population aged 65+ is growing faster than all other age groups globally. At the same time, people are “ageing” much later than previous generations.

Since 1950, all regions have experienced substantial increases in life expectancy. As life expectancy at birth increases, improvements in survival at older ages account for a growing proportion of the overall improvement in longevity. In 2018, life expectancy at birth reached 78.2 years for men and 83.7 years for women. For the cohort born in 2070, life expectancy is projected<sup>14</sup> to reach 86.1 years for men and 90.3 for women.<sup>15</sup>

However, where people live has a major influence on their life expectancy: at birth it ranges from 83.5 in Spain to 75 in Bulgaria, at national level.<sup>16</sup> In 2070, the proportion of EU citizens aged over 65 is expected to reach 30.3% (compared to 20.3% in 2019), and the proportion of those aged 80 or over will increase from 5.8% in 2019 to 13.2%.<sup>17</sup>

This rapid ageing of the EU population is primarily the result of a long-term fall in fertility rates and increased life expectancy (longevity), mainly due to health and medical progress and improved living and working conditions.<sup>18</sup>

People spend a large part of their life vital and in good health. For the EU as a whole, the number of healthy life years at birth in 2018 was 64.2 years for women and 63.7 for men. However, the number of reported *healthy life years* varies by sex and country: a man living in Sweden has on average more than 73 healthy years, compared to 51 healthy years for a man living in Latvia. Almost half of older people have a disability – with this figure increasing as people progress into the older age groups. They are more prone to face challenges of reduced mobility, and their quality of life depends on how inclusive and accessible our societies and environments are.<sup>19</sup> Therefore it is important to take measures that support and strengthen this positive trend.

New lifestyles are emerging in old age that are reshaping society's image of old age. For example, the “un-retirement” is becoming the cultural counter model to the traditional model of retirement. Another example is “Downageing”, a phenomenon where in every generation, older people behave younger on average than in the generation before.

13 United Nations 2019 (<https://population.un.org/wpp/>).

14 “Population projections are hypothetical ‘what-if’ scenarios based on observed data to help understand population dynamics. Importantly, projections must not be taken as forecasts.” For more information, Eurostat’s population projections: <https://ec.europa.eu/eurostat/web/population-demography-migration-projections/population-projections-data> (note taken from the European Commission Report 2020).

15 European Commission Report, 2020, p. 7.

16 Ibid.

17 European Commission Report, 2020, p. 10.

18 Eurostat 2019.

19 *ibid*, p. 8.

## 4.3 INCREASE OF MOBILITY

Increasing flexibility means that mobility is an essential cultural principle that changes the routine and rhythm of daily lives. The European society is in motion, with both people and data, driven by a new understanding of mobility – a “meta-mobility”. Location loses its binding power, home becomes a relative term, and being mobile becomes a cultural obligation. However, for others there is still a need to get the opportunity to live a better and wealthier life.

Mobility within Europe is high: in 2018, there were 17.6 million EU-28 movers within the EU, of which 12.9 million were of working age (20-64 years). With regard to cross-border work in 2018, the total number of workers residing in one EU Member State and working in another, was 1.475 million. This indicates a 4% increase on 2017, continuing the annual growth rate between 2016 and 2017.<sup>20</sup> In 2017 the return mobility increased, with more than 700,000 people moving back to their home country after a few years.

TABLE 1: COMPOSITION OF INTRA-EU MOBILITY, EU-28 CITIZENS IN THE EU 28, 2018

Type of mobility	2018	2017	Annual change
<b>‘Long-term’ EU-28 movers</b> (all ages) living in EU-28 *	17.6 million	17 million	+3.6%
<b>‘Long-term’ EU-28 movers of working age</b> (20–64 years) living in EU-28 *	12.9 million	12.4 million	+3.4%
<i>as share of the total working-age population in the EU-28</i>	4.2%	4.1%	
EU-28 movers of working age living in EU-28 **	11.7 million	11.5 million	+1.1%
... of which <b>active EU-28 movers</b> (employed or looking for work)	9.7 million	9.5 million	+1.9%
<i>as share of the total labour force in the EU-28</i>	4.1%	4%	
EU-28 movers of working age who were born outside the country of residence **	10.95 million	10.8 million	+1.4%
<b>Cross-border workers</b> (20–64 years) **	1.5 million	1.4 million	+2%
<i>as share of the total employed in the EU-28</i>	0.7%	0.7%	
<b>Number of postings</b> (of employed and self-employed), all ages (no. of PDs A1) ***	3 million	2.8 million	+6%
= approximative number of persons	1.9 million	1.8 million	+6%
<b>Annual return mobility</b> (20–64 years) ****	723,000 (2017)	680,000 (2016)	+6%
<i>as ratio to EU-28 nationals leaving their country of origin in 2017</i>	72%	66%	

\* Eurostat demography figures

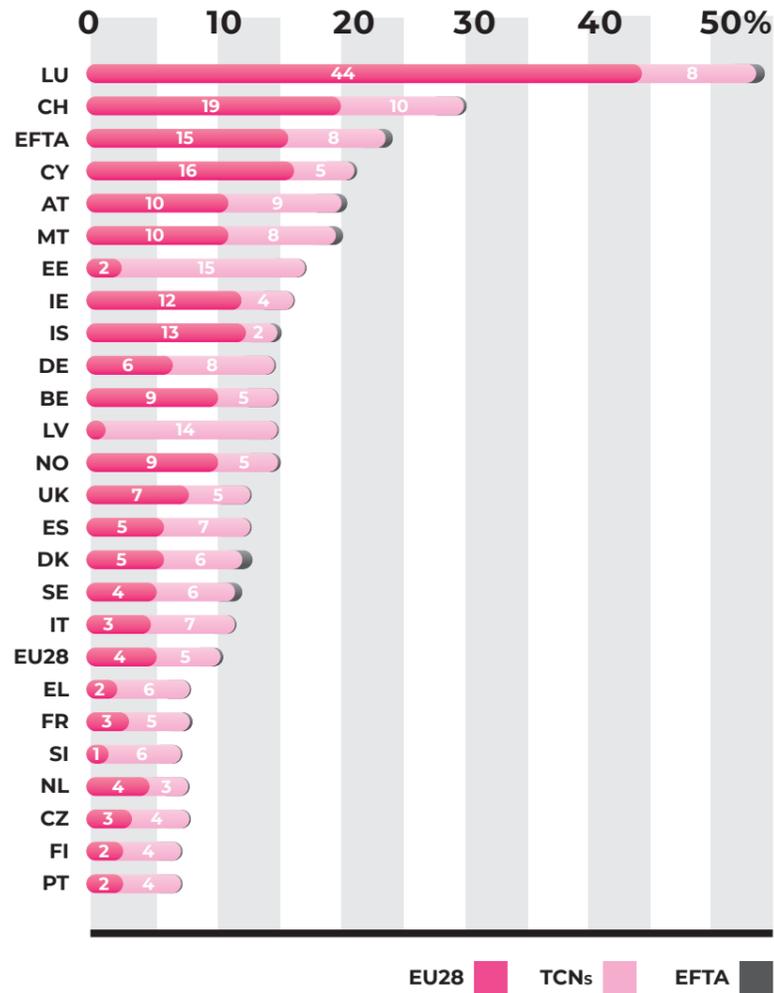
\*\* EU-LFS figures

\*\*\* HIVA-KU Leuven

\*\*\*\* Eurostat data on mobility flows

Interestingly, at EU level there was a slightly larger share of female movers than male movers (51% to 49%). However, in Greece, Portugal and Italy, 60% or more of EU-28 movers were female, whereas in the Czech Republic and Germany there were significantly more male movers (58% and 54%).<sup>21</sup>

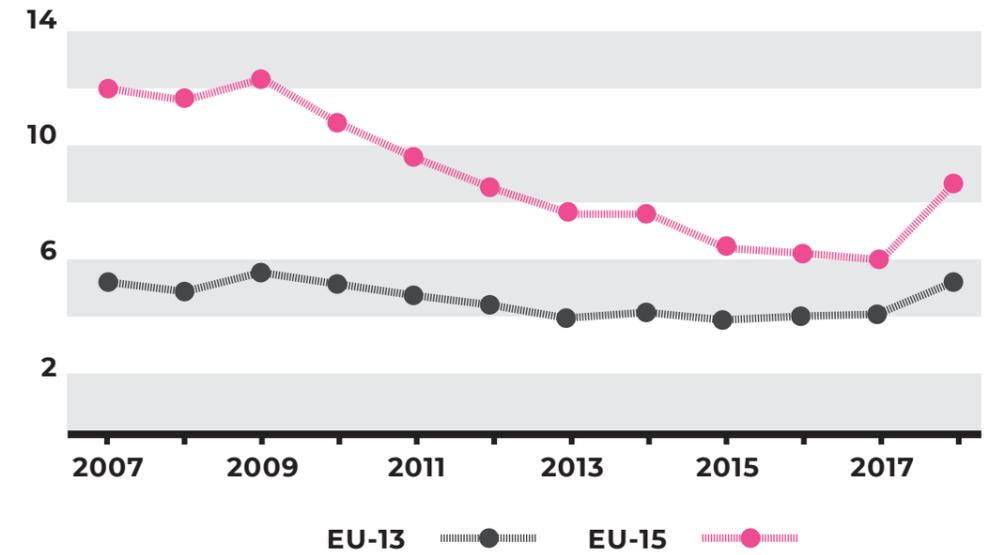
GRAPH 3: SHARE OF WORKING AGE (20-64) EU-28 AND EFTA CITIZENS AND TCNS IN THE TOTAL POPULATION OF EU-28 AND EFA COUNTRIES, 2018



Share of EU-28 and TCNs within the total population, only the countries with 5% or more foreign population are presented in the graph.  
 The percentages indicate the share of each group from the total population.  
 Provisional data for FR and PL (2018). Estimated numbers for PL (2018).  
 Source: Eurostat data on population by citizenship and age group, online data code: MIGT\_POP1CTZ (extracted March 2019), milieu calculations

21 Eurostat 2019

GRAPH 4: AVERAGE LENGTH OF STAY\* AMONG EU-15 AND EU-13 MOVERS (ALL AGES) WHO LEFT GERMANY IN THE REFERENCE YEAR, 2007-2018



Data refers to the number of EU-13 and EU-15 (excl. German) citizens who left Germany in the reference year; Data includes all age groups.  
 \* The absolute numbers of years of the average length of stay are not precise, because the category '40 years or more' includes a larger time span than the other categories; therefore this indicator should only be interpreted regarding the change in scale, not in absolute terms.  
 Data comes from the German Register of Foreigners and total outflows therefore deviate from the outflows presented on Eurostat which are based on another register (the Human Population Updating - Bevölkerungsfortschreibung)  
 Source: DESTATIS, Table 12521-0011 Foreign citizens: Germany, years, sex, length of stay, registry outflows, country groups/nationality (Ausländer: Desutschland, Jahre, Geschlecht, Aufenthaltsdauer, Registerabgänge (Bund), Ländergruppierungen/Staatsangehörigkeit), available at: <https://www-genesis.destatis.de/genesis/online/data?operation=table&code=12521->

However there are strong local differences: in rural regions the population dropped by 0.8 million between 2014 and 2019. In some European Union Member States these regions grew by more than 0.2% per year while in others they decreased by the same amount. Research by the OECD shows that regions close to cities tend to grow while the more remote regions tend to lose population numbers.<sup>22</sup>

In the future it will be crucial to ensure that no region and no individual is left behind. Investments in infrastructure and services, also through cohesion policies and new concepts of housing and living, are essential – both in rural and urban areas.

22 See also OECD library for more detailed data: [https://www.oecd-ilibrary.org/urban-rural-and-regional-development/classifying-small-tl3-regions-based-on-metropolitan-population-low-density-and-remoteness\\_b902cc00-en](https://www.oecd-ilibrary.org/urban-rural-and-regional-development/classifying-small-tl3-regions-based-on-metropolitan-population-low-density-and-remoteness_b902cc00-en).

## 4.4 ECONOMIC TRANSFORMATION AND LABOUR MARKET

Economic transformation describes the new way of working within the global and digital age, for the societies of today and future. The lines between work and home, home work and paid work are more blurred than ever. The pressure on a welfare state in such volatile circumstances will not only be financial, but also functional. Sustainability will not only be a question of resources, but also of whether its design is capable of delivering what people need in an era of fundamentally changed economies, where the prospect of regular technological disruptions is becoming increasingly common. Since no one knows with certainty what the consequences of the so-called “fourth industrial revolution” will be, the future welfare state needs to have the flexibility to respond to the unexpected.

One major challenge is that the EU-27’s working-age population has been shrinking over the past decade, and is projected to fall by 18% by 2070. Again, the situation differs significantly between member states and regions.<sup>23</sup>

Being in full-time employment with one employer for many years is no longer considered the norm. However, social security and employee protection regulations are often designed according to this “traditional” model. Furthermore, the change in the working world towards digitisation, flexibilisation, and a majority of employers or contract providers on platforms such as Uber, means that the current legal basis no longer meets the needs of all employment relationships. These newly developed forms of work lead to many challenges.

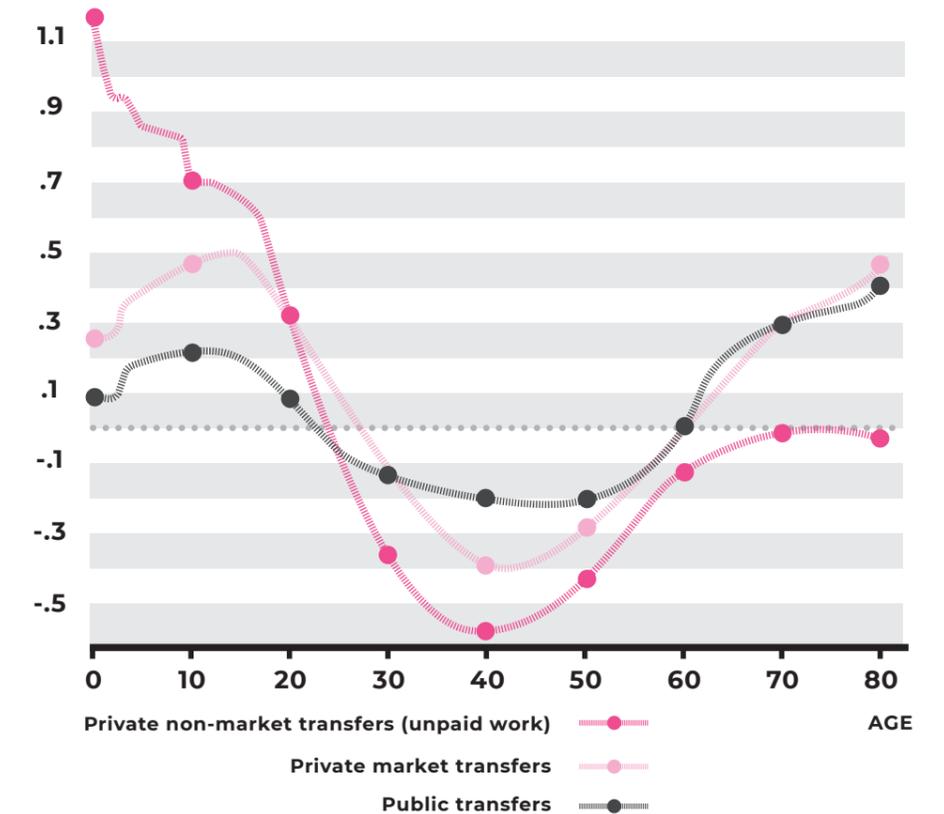
<sup>23</sup> European Commission Report, 2020

# 5 Financing a Basic Social Security System for the 21<sup>st</sup> Century

The old structure of social systems has been based on a less complex, less global, less interconnected and less individualised society. The traditional structure can be summarised in a very simple, time-dependent way. Our social life can be divided into three periods:

- Childhood and early adolescence, in which people receive private and public transfers (i.e. time spent with their parents, or public institutions such as schools);
- Adulthood, in which they work full-time and pay more taxes than they receive transfers;
- Old-age, where they receive transfers of mostly a public nature (i.e. pensions and care).

GRAPH 5: TRANSFERS, RELATIVE TO INCOME OF FULL-TIME WORK



Source: Hammer et.al (2018) - The Broken Generational Contract in Europe: Generous transfers to the elderly population, low investments in children. Intergenerational Justice Review (4), 21–31<sup>24</sup>.

<sup>24</sup> “Intergenerational transfers per capita and age in 2010: Figure 1 plots the simple average of age-specific net transfer benefits type in the 16 countries.” Hammer et al. (2018).

With respect to financial sustainability, the old structures do not correspond to the new parameters, resulting in various implications, such as new gaps in financing basic social security. Although there are differences in the way the benefits, healthcare and other social security services are organised in the respective EU-countries<sup>25</sup>, the said fundamental drivers of change apply globally. Before analysing the major drivers of change, it is important to emphasise that poverty causes multidimensional effects that weaken not only individuals, but also society as a whole.

## 5.1 POVERTY CAUSES MULTI-DIMENSIONAL EFFECTS

Poverty is a cause of many individual and social problems that have a direct or indirect impact on the entire system, and thus weaken a resilient society. Poverty creates human suffering, as well as social and health-related problems at both an individual and societal level. Studies show that poverty creates a psychological burden. This has a negative impact on cognitive function and makes it even more difficult for individuals to improve their living conditions or realise their potential.<sup>26</sup> Concluding from that, social investment in poverty eradication will lead to cost savings in both the medium- and long term.

In the fight against poverty, it is important to not only focus on an adequate level of basic social protection, but also to avoid exclusion from social benefits, bureaucratic traps and psychological effects such as stress caused by a complex system and uncertain subsistence.

Having a job and being active can also be an important social factor in many people's lives, playing a crucial role in their well-being. However, it is important to pay close attention to what kind of work is involved and in what working conditions it takes place. The system must strike a balance between improving employment conditions and providing adequate basic social protection until new models and alternatives are implemented and can be used in an additive and complementary way.

Today's society is highly dynamic and complex as value sets are becoming more and more diverse, making it increasingly difficult to get a differentiated overview of society. In the western world, however, a change in values has been emerging for some years now: social status is less and less defined exclusively by economic background. Individual values and a new idea of the "good life" are taking the place of classic prestige thinking.

Furthermore, the new understanding of prosperity is moving away from the mere possession of things to meaningful, high-quality and individually significant products, services and experiences. This makes, for example, the already controversial definition of poverty – under the partial aspect of social inclusion – even more challenging.

As a result, indicators that were valid in the industrial age are increasingly losing importance.

The right policy can only emerge if it is based on the right premises. The starting point for these premises is a reorganisation of society. It is therefore worth taking a systemic look at the major structural changes of our time.

<sup>25</sup> More detailed information: <https://ec.europa.eu/social/main.jsp?catId=849&langId=en>.

<sup>26</sup> Elliot 2016.

## 5.1 MAJOR SHORTCOMINGS RELATED TO CHANGING LIVING AND WORKING CONDITIONS

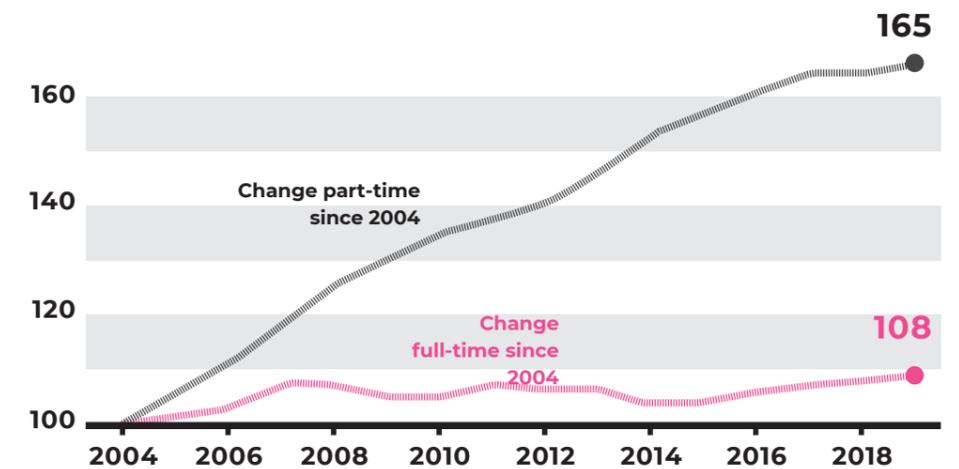
The parameters of the existing models have major shortcomings related to the changing living and working conditions described above. These aspects interact with each other and have substantial effects with respect to financing social security benefits.

### 5.2.1 21<sup>ST</sup> CENTURY BIOGRAPHY: NON-LINEAR, UNPREDICTABLE, FRAGMENTED

CVs become more and more unpredictable: people move, change their partners and change their jobs more often than before. One reason is that life expectancy is constantly rising, and simply put, more things happen during a long life than in a shorter one. The huge driver of individualisation continues to drive non-linear resumes. Based on that perspective, the way of living and working is changing.

**GRAPH 6: PART-TIME EMPLOYMENT IS ON THE RISE**

Change in full and part-time employment since 2004 (= 100) on the example of Austria



As seen in the figure above, financial streams are closely linked to a traditional work-life cycle. As our traditional welfare states are built upon this traditional life-cycle of earnings and transfers, any changes in career and life choices have repercussions for social security. This change from linear to non-linear work-life-cycles is also manifested in the change between people in part-time and full-time employment. For example, in Austria, the number of people in part-time employment had risen by 65% between 2004 and 2019. On the contrary, the number of full-time employed had just risen 8%, and nearly stagnated from 2007 to 2019, a trend that can be seen nearly all over Europe.

## 5.2.2 MORE MOBILITY IN EUROPE

In light of the above, not only do non-linear work-life cycles stress the system, but it also affects cross-border mobility: national borders and the limits of social security can cause problems to an employee who is insured in the country in which he or she carries out his or her employment. However, more and more people are living abroad, i.e. in another EU-Member state, at certain stages of their lives or commute from their place of residence to another country to their place of work. This applies to employees as well as to self-employed persons.

Anyone who stops working in a particular member state in order to take up employment in another member state is subject from that moment on to the legislation of the “new” country of employment. It follows, however, that the person concerned will no longer build up new benefit entitlements in the “old” country of employment, but will acquire them in the “new” country of employment, whether or not he or she is a resident there. Usually states require that the contributions and salary received are declared in the country of residence. It may therefore happen that a worker does not change his residence in Spain (for family reasons for example), but works in France. In this case the concept of “fiscal residence” comes into play, i.e. the contributions for social security are immediately paid in the country where the work is carried out, but the country of residence (the country of “origin”) may require the taxpayer to not only file a tax return, but also a difference in income tax or Social Security. This is because there are different levels of income taxation, and therefore a country where 30% is paid may require the difference from the taxpayer if he is employed in a country where the income tax is only 25%. If the person moves back, it gets more and more complicated to manage the individual security system.

One of the major questions is therefore: what does social security look like when geographical borders – which are of particular relevance for a welfare state – within the European Union are no longer considered?

### Denmark and its national pension scheme

Everyone living in Denmark is insured under the Danish national pension scheme. Membership of the Danish National Pension Scheme does not depend on whether you are employed or engaged in a business. Housewives can also acquire pension rights. The Danish National Pension Scheme is a basic security system, which is intended to ensure that the individual receives sufficient basic care in the event of invalidity or old age. Early pensions for invalidity and national pensions can be paid.

The system is primarily financed by tax revenues. Employees, the self-employed and employers are therefore only indirectly involved in the financing (by taxing scheme instead of an insurance-based system). They are obliged to pay a lump sum contribution to the so-called labour market fund. Part of the benefits are then financed from the fund.

As a lump sum contribution, employees and self-employed persons pay an amount equal to eight percent of their earnings or profit. Employers deduct the contribution from their salary and pay it to the Danish tax authorities. The retirement age was also raised to 67 years.

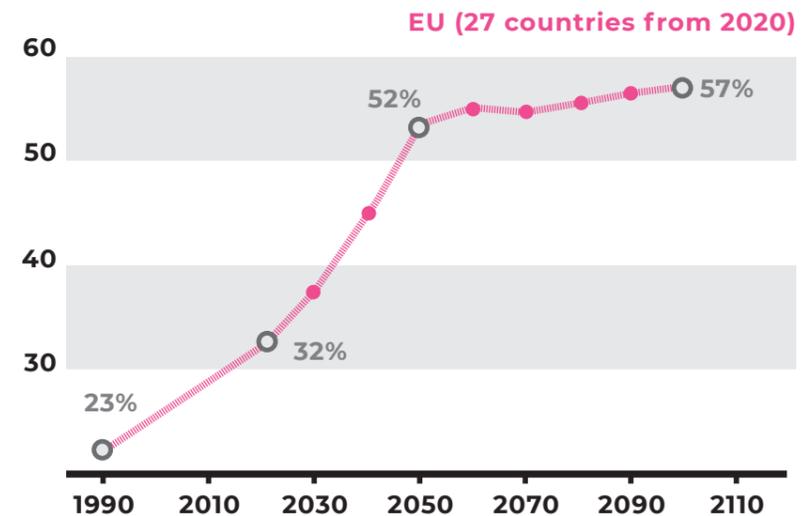
The Danish system is a perfect example of cross-border-challenges, indicating how much citizens would receive if they were receive payments from more than one pension systems, e.g. after they worked both in Sweden and Denmark.

## 5.2.3 AGING SOCIETY IN EUROPE

The most significant challenge faced by traditional social security systems is a shift in demographics. This can be measured by the old-age dependency ratio,<sup>27</sup> which is projected to rise significantly within the next decade in the European Union. For example, the European Union old-age dependency ratio indicates a rise from 23% in 1990, to 32% in 2020, and is predicted to rise to 52% in 2050.

**GRAPH 7: PART-TIME EMPLOYMENT IS ON THE RISE**

Change in full and part-time employment since 2004 (= 100)



Furthermore, in Europe the proportion of working age people in the total population is declining, and the impact of demographic ageing on the labour market is becoming more pronounced. It has already been shrinking for a decade and is projected to fall by 18% by 2070,<sup>28</sup> which puts pressure on revenues of social security systems.

A central component for a sustainable strategy to stem the rise in social insurance contribution rates, while at the same time enabling the social security system to continue to provide adequate benefits, could be a consistent extension in the active phase of life of those insured. This would not only have a favourable impact on the contribution rate and level of security in the pension insurance system, but could also have a broad impact on the finances of the other branches of social insurance, and on the economy as a whole. The prospect of a longer active phase could also have repercussions on the educational, employment and health behaviour of employees in earlier phases of their lives, while also placing greater responsibility on employers for working conditions and employment opportunities.

<sup>27</sup> “This indicator is the ratio between the projected number of persons aged 65 and over (age when they are generally economically inactive) and the projected number of persons aged between 15 and 64. The value is expressed per 100 persons of working age (15-64).” Definition by Eurostat <https://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tps00200>.

<sup>28</sup> European Commission Report 2020, p. 15.



“Living 7 years longer” is an initiative of the German Insurance Association (GDV). Among its members, is the Hannoversche Lebensversicherung AG. The initiative was designed to instil awareness in the German population that humans become increasingly older and remain vital for longer.

In order to counteract the often false and negative image of old age, the initiative aims to contribute to education. At the same time, it aims to engage in a social dialogue about what people can make of the “won” seven years.<sup>29</sup>

There is a calculator that allows users to guess how long their life expectancy will be. To do this, they simply have to estimate their life expectancy and then enter their year of birth and sex. Through the click of a mouse, an individual can experience how well or badly they guessed their age.

The site also provides interesting information on the topic of pension levels. Divided into occupational groups and federal states, everyone can check how much their pension will be worth in 2040.

Another challenge is that the demographic problems vary within different regions, even different regions within the same country. Whereas rapid population growth could be expected in some regions, which would bring new opportunities and challenges in terms of investment, infrastructure and access to services, other regions could become less populated, which would make it necessary to find new solutions to support people there as well.

One of the huge challenges of the future is avoiding people becoming lonely. This is a real demographic danger and increases the probability of mental or physical disease.<sup>30</sup> With the spread of the coronavirus disease in 2020, social distancing restrictions and public health interventions have further contributed to loneliness, because adults over the age of 80 years are the most at-risk population, with fatality risks from the virus of 9.3% compared with just 0.2% in the general population.<sup>31</sup> This fact has put additional strain on the health and care system.

<sup>29</sup> <http://www.7jahrelaenger.de/>.

<sup>30</sup> Cacioppo, et al. 2011.

<sup>31</sup> Jordan, Adab, Cheng, 2020.

## 5.2.4 NEW STRUCTURE OF WORK AND EMPLOYMENT

The structure of employment relationships is also undergoing fundamental changes as a result of less linear life courses, in addition to the impacts of digitisation and globalisation. “Traditional” employment relationships, such as a permanent position with an employer over a longer period of time, are becoming increasingly rare.

A rather new challenge, however, is the highly differentiated new working models in European labour markets mainly driven by new technologies: self-employed or micro enterprises, employee sharing, part-time employees or voucher-based employees.<sup>32</sup> Certain new forms of employment combine a high level of flexibility with social protection coverage. Where work flows are unstable, or no employer is identified, gaps in social protection are more likely to occur. Further growth of the “gig-economy”<sup>33</sup> and self-employment in general, may have an impact on the level of taxes and contributions. For some, income volatility is greater, work is more precarious and total income may be lower than it would have been if they had worked full-time in a more traditional way.

The challenges of platform work and other new forms of work to the social security system with its dualism of “self-employed/non-self-employed” are increasingly being addressed. The examination of different forms of pseudo self-employment, or pseudo-independence, is also interesting. The reason for this is that problematic insurance gaps arise, in particular with self-employment as the main income, but also when a person has several and poorly paid part-time jobs. Due to technological developments and the digital transformation of the economy, deficits are currently emerging in social security because the existing legal situation is not “tailored” to the new forms of employment.<sup>34</sup>

### 5.2.4.1 Long-term Unemployment is Cost-Intensive

Demographic change has no direct impact that could increase unemployment again in the future. On the contrary, it makes it more necessary to exploit all existing job potentials. However, sharply rising contribution rates in the other branches of social insurance could become the cause of increasing structural unemployment, due to excessively high non-wage labour costs. Otherwise, even in the current crisis, shortages of skilled workers can be observed in some sectors and occupations that are structurally determined, which could develop into a real shortage of skilled workers as demographic changes progress. New challenges are being created by digital transformation and the associated structural change – not in the sense of a “disappearance” of work, but through increasing qualification requirements, and which could lead to more frictional unemployment.

### 5.2.4.2 Automation and Artificial Intelligence

One highly discussed question is whether unemployment will increase with new technological opportunities: this may be temporary, as people move from declining industries to expanding industries driven by new technologies. For some people, unemployment will be more persistent, and moving to another industry will be more challenging. However, it seems certain that, whether temporary or permanent, it will become a more frequent and widespread feature of economic life, as factors such as automation spread throughout the economy.

<sup>32</sup> Mandl, et al 2015. identified nine new forms of employment in European labour markets, classifying them according to their implications for labour market performance, working conditions and social protection.

<sup>33</sup> Gig economy refers to a part of the labour market where small contracts are awarded at short notice to independent self-employed, freelancers or marginally employed persons.

<sup>34</sup> Krammer, Bruckner 2020 .

Some would argue that work does not necessarily “disappear” through automation. Instead, it changes, shifts and transforms itself. “Work” is not a rigid cake where the pieces are getting smaller and smaller due to digitalisation, but a system of constant development and improvement: complexity is constantly increasing due to the higher use of knowledge, communication and experience. Newly emerging patterns and fields of work always contain new potential. Human qualities such as empathy, creativity and networked thinking are also becoming increasingly important.

A positive aspect is that automation and new technologies can help boost labour productivity in the future. That also means making lifelong learning a reality for all will become all the more important. In a knowledge-based economy, skilled workers can create new ideas and innovations more easily, which leverages economic growth.

This strongly addresses schools and educational institutions in Europe, because there is still room for improvement: over 10% of young people between the age of 18 and 24 leave education or training with low or no qualifications, exceeding 20% in the outermost regions. Among these “early school-leavers”, 45% are in employment.<sup>35</sup> Supporting education and youth employment will be important tools to redress the balance due to a shrinking working-age-population and new working skill demands, such as how to deal with new technologies.

On top of this, and as already mentioned, the EU-27’s working-age population has been shrinking for a decade and is projected to fall by 18% by 2070. This means that fewer working people pay into the social insurance fund for a growing elderly population that is not in gainful employment, yet is entitled to pensions and health care.

<sup>35</sup> European Commission Report, 2020.

## 6 Social Cohesion and a Resilient Society

What should a reformed basic social security system be able to do? In essence, it is about ensuring that a society becomes and remains resilient. The concept of resilience means the ability to react competently to external disturbances and major changes.<sup>36</sup> A resilient system is adaptive and transformative, it is robust in its possibility to be flexible. There is a direct correlation between social cohesion and a resilient society. One could argue, the higher the social cohesion, the more resilient a society would be.

Social cohesion<sup>37</sup> is an important driver of long-term prosperity and competitiveness. Cohesive societies are politically stable and focus on economic growth and business development. Social cohesion results from policies that allow everybody in society to share its prosperity. It makes competitiveness sustainable.

At the same time social cohesion is a complex social construct due to the fact that different societies have different geographies, political representations, economics, and problems.<sup>38</sup> For example, social-economic resilience is about people and economics as interdependent systems. Cultivating social cohesion means creating societies where people have the opportunity to live together with all their differences. Therefore, social cohesion is defined as one of the key characteristics in many initiatives<sup>39</sup> for societies to become more resilient to the physical, social and economic challenges that emerge today and in the future.

As defined by the OECD, a society is cohesive if it works towards the well-being of all its members, fights exclusion and marginalisation, creates a sense of belonging, promotes trust, and offers its members the opportunity of upward social mobility.<sup>40</sup>

### 6.1 REDUCING POVERTY IS A KEY FACTOR TO BUILD A RESILIENT SOCIETY

The three pillars of social cohesion are i) social inclusion, ii) social capital and iii) social mobility.

Social inclusion is negatively related to income inequality, social inequality and poverty. Poverty is a term that unites many meanings and raises many questions. In particular, it remains controversial: which factors characterise poverty and how can the state of poverty be measured? Nevertheless, in science and practical politics, a distinction is made between absolute and relative poverty.

In welfare states, poverty is a relative phenomenon, i.e. it is not a matter of mere survival (as in many developing countries of the world), but of a dignified life. With the generally increased level of prosperity, poverty here is linked not only to the lack of necessary goods, but also to the exclusion from generally accepted lifestyles.

<sup>36</sup> Folke, et al. 2010.

<sup>37</sup> Economic and social cohesion is implemented through the cohesion policy of the European Union, which was incorporated into the EC Treaty by the Maastricht Treaty of 1992. For further information see the cohesion reports from the European commission from 1996 onwards: official website [www.ec.europa.eu](http://www.ec.europa.eu), ([https://ec.europa.eu/regional\\_policy/index.cfm/en/information/publications?title=&themeld=0&typeld=14&countryld=0&periodld=0&fundld=0&policyld=0&languageCode=en](https://ec.europa.eu/regional_policy/index.cfm/en/information/publications?title=&themeld=0&typeld=14&countryld=0&periodld=0&fundld=0&policyld=0&languageCode=en)).

<sup>38</sup> Bruhn, 2009.

<sup>39</sup> Bizzotto, et al. 2019.

<sup>40</sup> OECD 2011.

Generally accepted standards are needed to describe, measure and compare poverty, although they are also subject to change over time, especially in cases of relative poverty. In welfare states in Europe, the following groups are particularly at risk of poverty:

- Long-term unemployed
- Single parents
- Families with many children
- Foreign households
- Low-income earners
- Disabled people living alone
- Pensioners with a low income
- People with insufficient or non-marketable qualifications

The United Nations Development Programme's (UNDP) so-called “life situation approach” clearly distinguishes itself from the concept of income poverty by defining the concept of poverty much more broadly: “[...] the denial of opportunities and choices most basic to human development – to lead a long healthy creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and the respect of others”<sup>41</sup> [...]. This extended definition is essential in a resilient society, because “[...] an indicator indicates, it indicates, it points out. It does not describe, it does not paint a complete picture. Accordingly, a poverty indicator does not describe poverty, but gives indications that help people to understand poverty better.”<sup>42</sup>

A nuanced understanding of poverty as caused by multidimensional effects is closely linked to a holistic understanding of society in all its complexity.

## 6.2 A SYSTEMIC VIEW OF OUR SOCIETY IN DYNAMIC TIMES

Society can be seen as a comprehensive, inherently dynamic operating system, which permanently operates in a work-in-progress mode. Its form and physical state is fluid. This also illustrates what society is not: a constructed object, which is permanent in its structure and state. It is not possible to fix a society once in order, to work with a status quo for a longer period of time.

As the structural change within the evolution of society is moving forward towards a new form, namely a network society, new ways of political thinking and acting are required. The network society has its own dynamics which are highly complex, self-referentially operating and very different in its structure when compared to the society in the industrial age, which was much characterised by hierarchies. As velocity increases due to different aspects such as digitalisation, globalisation and mobility, the grade of the links within the network gains more complexity.

The epochal shift in our basic social structure, away from separate functional systems to complex networks, requires a fundamental adjustment of our thinking which is, simply put, even more complex. “Complexity is the key to understanding our world.”<sup>43</sup> In general that means to think less in an “either/or” mode, but rather in an “as-well-as” structure. This new mind-set embraces the complexity needed to create new concepts and ideas.

<sup>41</sup> UDHR, 1997.

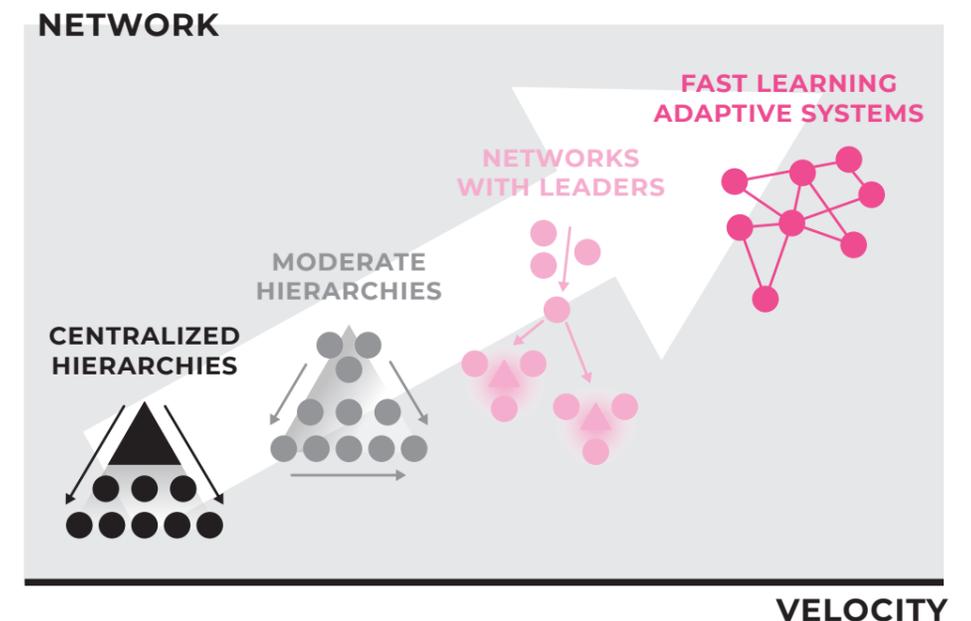
<sup>42</sup> Urbé, 2010.

<sup>44</sup> Poschardt, 2015.

A comprehensive understanding of the changes of our society is crucial. The cultural patterns and potentials of society today and in the future can be better understood against the background of previous social forms. We still live in some of these forms today, while new forms are already unfolding.

The transition from a modern to a globally networked society is changing the influence of institutions, trust in the state and democracy, and social interaction. Only by recognizing the structures and cultural patterns of this newly emerging world, plausible options for a less divided society can be established.

GRAPH 8: THE STRUCTURE OF SOCIETY IS CHANGING



In the 21<sup>st</sup> century, a completely new type of society is forming: the network society<sup>44</sup>.

The network society marks a fundamental change in the course of social evolution as shown in the graph above. Following the archaic tribal society and the traditional society divided into strata, the modern, structural form of functional differentiation into clearly defined subsystems such as economy, politics, science, law or art, dominated until the late 20th century. This era of separated functional systems is now being replaced by a new era of complex networks. The structural form of the next society is no longer a functional differentiation, but the network and with this network society, a new type is emerging that is “as different from modern society as electricity is from mechanics.”<sup>45</sup>

<sup>44</sup> Baecker, 2011.

<sup>45</sup> Baecker, 2011, 9 –11.

## 6.3 THE THREE SECTORS SHIFT

This new emerging type leads to a shift within the organisation of our society, which can be divided into separate functional systems, mainly in the following three central sectors:

- **1<sup>st</sup> sector: Politics / Public Services**
- **2<sup>nd</sup> sector: The Market / Companies**
- **3<sup>rd</sup> sector: NGOs / Non-Profit Organisations**

These three sectors all contribute, at least in part, to the well-being of the general public, as the above examples, facts and figures have shown: companies create jobs, strengthen locations and thus promote prosperity. NGOs provide services to society as an alternative to public and private institutions. The state provides services to society with a wide range of health and education services.

Looking at the organisational logics of the respective sectors, the mechanisms of action become clear: the organisational logic of the market is primarily the profit motive with the central control medium being money, while the organisational logic of the state is the realisation of public tasks that are enforced by means of state power. The organisational logic of the third sector is characterised by cooperation and social integration. From the organisational logic of the third sector, it is derived that different empirically observable processes of social drifting apart (triggered by processes such as individualisation, globalisation and digitalisation) can be absorbed by third sector organisations.

At the same time, many new forms of social participation and self-organisation are emerging in today's society, which are increasingly positioning themselves independently. These forms fit neither into the organisational logic of the market, the state nor the third sector, because they act as a network. It does not matter whether these networks are temporary or permanent. They could all herald the era of a fourth sector that interacts with the existing sectors, and thus significantly strengthens the resilience of our society. These new forms democratise certain responsibilities because they operate independently of the respective sectors, which automatically has an impact on the models of basic social security, as these are part of state provision. The driver of these networks is a new search for meaning and the will to act on one's own authority. This cross-sectoral thinking and acting can form the basis for the further development of the traditional three sectors into a new form, towards a fourth sector with an affinity for the future and complexity. The fourth sector would be defined as a networked society whose essential characteristics are derived from a certain attitude.<sup>46</sup>

## 6.4 PROSPECTS IN A CHANGING SOCIETY

New forms of participatory self-organisation are often the starting point for thinking and finding solutions. Responsible citizens (again) take on more responsibility for themselves and their environment. The system in the common three sectors – government, market and the so-called third sector – shows that the respective systems are either already too robust or too fragile to cope with the complexity of their environment.

The market needs the state as a partner. The market economy also needs leadership, that is, a resolute state as a partner. If the state appears to have a lack of understanding of the market or acts too indecisively, monopolies or oligopolies are formed. The state is increasingly overburdened with its prosperity tasks.

<sup>46</sup> Gatterer et al, 2014.

Moreover, especially in a welfare state, special attention must be paid to the fine line between meaningful aid and patriarchal structures. A welfare state which primarily acts in a caring manner, spills over the obligation for humanity and solidarity because it seduces citizens with its tax and duty burdens to delegate their own responsibility to the state. At the same time, negative side effects such as bureaucracy and inflexibility would threaten to stifle the self-help forces. It is important to note that the welfare state would need acceptance from its citizens.<sup>47</sup>

The third sector could also create even more points of contact with more open structures to committed citizens and more cooperation with the state and the market. The potential of the Third Sector was already emphasised in 1998, in a European Commission policy paper, as an organisation form that can make a significant contribution to social integration, local economic development and employment.<sup>48</sup> What would this potential look like if the positive sides of NGOs, the state and the market could be combined with those of self-organised networks of citizens? What relief and possibility of reorientation would this mean for basic social security? One main assumption is that there must be a new balance between the state, the market and the third sector. A changed mind-set, away from the “either/or” way of thinking and towards a “both/and” attitude, is inevitable.

The requirement is openness. The rigid, demarcating lines between the sectors become a permeable membrane that not only allows, but actively encourages cooperation among them. All three sectors can learn from this principle and develop further. In the community, innovative and social service organisations can thus expand their sphere of action and consolidate their standing as partners of business and public bodies. In this way, local communities that interact in a motivated manner and free of bureaucracy are created. The driver of these local communities is defined by a factor that is decisive for a resilient society, but which cannot be measured: sense. When the sense of purpose of activities is once again more clearly identified as the core, the resilience of a district, a region and thus of society as a whole is also increased. An “activating welfare state” as a model of the future “must create favourable conditions for personal initiative, self-help and voluntary work. Instead of central decisions and guidelines, freedom and motivation are to be promoted so that social forces and the commitment of citizens can develop. A new balance is needed in the division of responsibilities between society and the state.”<sup>49</sup>

<sup>47</sup> Brauns, Menninger 2010.

<sup>48</sup> Economic and Social Committee, 1998.

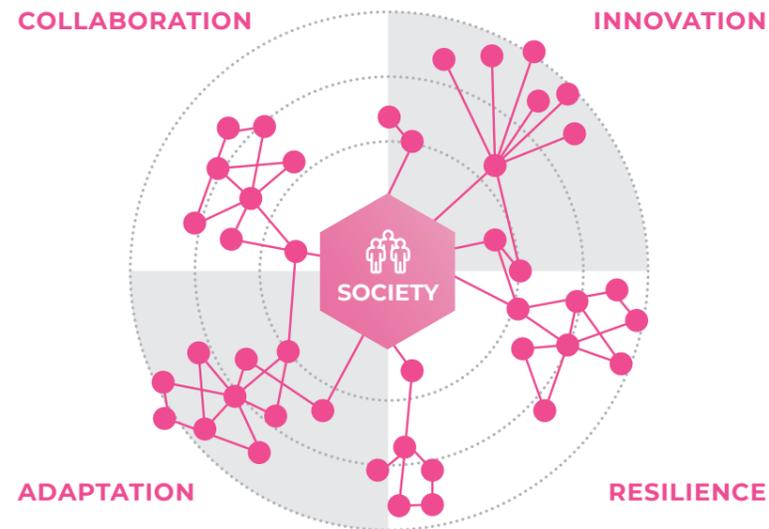
<sup>49</sup> Brauns & Menninger, 2010, translated from German into English.

# 7 New Models, New Concepts, New Ideas

What could this “new balance” look like? Structural change within the evolution of society towards a new form can be a guideline to find new answers to this question.

As already mentioned, the principle of a network is the consequence of increasing complexity. At the same time the image of a network helps to understand the complex patterns. A network can be resilient in its main structure because it is flexible and robust at the same time. This leads to the assumption that a high level of interconnectedness increases the probability of a resilient society.

GRAPH 9: A RESILIENT SOCIETY IS BASED ON THE PRINCIPLE OF A NETWORK



A major challenge, however, is easing citizens' fears of this complexity, and encouraging their participation to jointly develop and implement new concepts for the future. When the complexity of modern society comes into peoples' lives, they feel more insecure and orient themselves towards old concepts. A society is all the more advanced, the more contourless its territorial boundaries are.<sup>50</sup> This is seen by most citizens as a disadvantage at first.

It is not only national borders, but also system borders that impact a country. In today's terms, is it even possible to think of a health system without an education system, without an economic system, without a financial system? Can Basic Social Security be thought of exclusively locally and decoupled from the other systems? On that basis, the network structure becomes the new stabilising force. These new models of analysis within functions of modern societies are required.

Social innovation requires a good test culture. New models and experiments are now emerging in many areas. One prominent example is the current discussion on the topic of basic income. The idea of a basic income is not new, but it takes on new relevance when viewed within a different context, as can be seen in an increasingly complex society and the current COVID-19 pandemic.

<sup>50</sup> Schroer, 2009.

## 7.1 THE (UNIVERSAL) BASIC INCOME DEBATE

Universal basic income or unconditional basic income is a government-guaranteed payment that each citizen receives.<sup>51</sup> The demand for an unconditional basic income is discussed in the political debate very extensively and is supported by a diverse range of actors from different backgrounds. For this reason, there are also different emphases with different models to basic income.

In the current coronavirus pandemic, the discussion about an unconditional basic income has taken on new relevance. Many employees are affected by short-time work or job loss, and the self-employed and freelancers in certain sectors are on the verge of bankruptcy due to lack of orders. There are different models and overlapping elements in discussing the structure and design of a UBI, yet there are some main characteristics.

### Five Main Characteristics of Universal Basic Income

1. **Universal:** It is paid to all, and not targeted to a specific population.
2. **Cash payment:** It is paid in cash, allowing the recipients to spend their money on whatever they like.
3. **Individual:** It is paid on an individual basis (versus household-based).
4. **Periodic:** It is a recurring payment (for example every month), rather than a one-off grant.
5. **Unconditional:** It involves no work requirement; it is accessible to those in work and out of work, voluntarily or not.

Socio-economic progresses are multifaceted and intertwined, and life biographies of individuals are less predictable. Proponents of universal basic income argue that one of the major advantages of the model is its predictability and clarity: the individual receives the same amount of benefit every month, regardless of their level of income.

<sup>51</sup> It is also called a citizen's income, guaranteed minimum income, or basic income. In this study the term “universal basic income” (UBI) will be used.

TABLE 2: THE MAIN ARGUMENTS OF THE PROPONENTS AND OPPONENTS OF UBI

Proponents	Opponents
→ Liberation aspects (training, education, stay home to care for a relative, wait for a better job);	→ Financial allowances for the unemployed;
→ Incentive to entrepreneurship;	→ Inflation could be triggered by rising demand for goods and services;
→ Increase in work motivation;	→ In the long run, there will be no higher standard of living due to inflated prices;
→ Living a healthier live – mentally and physically;	→ Partial basic income with lower payments will not make any real difference to families affected by poverty;
→ Reducing income equality and may remove the “poverty trap” from welfare programmes;	→ People might not want to work anymore and see work as something optional;
→ Minimises bureaucracy so people get straightforward financial assistance;	→ Basic income could sustain the falling employment rate;
→ Savings for the government due to less administration;	→ A basic income may also promote traditional family concepts because both, mother and father, do not equally depend on employment to finance the family’s livelihood.
→ Young couples would have more monetary security to start families in countries with low birth rates;	
→ Payments could help stabilise the economy during recessionary periods such as the COVID-pandemic.	

## 7.1.1 EXTENDED DEFINITION AND FUNDING MODELS

There are many different models to define and finance universal basic income, since the proponents come from all political groups. The models differ in the amount of the basic income and the respective tax model. In some models, the current social and tax system would be adjusted only slightly, whereas in others, it would be completely changed. Some pursue the goal of reducing bureaucracy, while others combine their demand for a basic income with the demand for more redistribution.

### I) Partial basic income

A partial basic income is a cash benefit similar to a basic income that is not necessarily a sufficient amount to live from. It does not secure the existence of the individual, nor does it enable participation in society. It thus indirectly forces people to work, or must be supplemented by social benefits which presuppose indigence.

### II) Two forms of basic income

There are two forms of basic income: social dividends and negative income tax. However, this study solely focus on negative taxes. The main difference between these two forms of basic income lies in the way they are paid out. The next part focuses on the negative income tax that can take many forms, including those that have nothing to do with a basic income.

### III) Negative income tax

The second form of basic income, negative income tax, links payment to a review of income under tax law. In principle, everyone is initially entitled to a basic income. Other income is taxed according to the applicable tax liability. The tax amount is credited against the basic income, i.e. the basic income is offset against the income tax liability. Anyone whose income tax is above a certain limit, will not receive a basic income. Those who are below this limit or have no taxable income, can receive a state transfer in the form of a negative income tax (or better known as a tax refund).

Negative income tax can be used as a combination wage, and thus to supplement the low-wage sector. Low incomes from employment are subsidised from tax revenues. This applies if the negative tax is set at a low level and/or if it is linked to gainful employment or a work obligation. However, such a form of negative income tax is not a basic income. Nor is negative income tax, where partners, e.g. married couples, are jointly assessed for tax so that there is no individual guarantee of a tax refund, considered a basic income.

One of the strengths of negative income tax<sup>52</sup> is that it is automatically targeted at people on low incomes, as the income from each period (i.e. weekly, monthly, quarterly, etc.) affects the amount of basic income that will be paid the following payment period. This avoids unnecessary back-and-forth transfer of funds, keeping marginal nominal tax rates reasonable. Furthermore, this could potentially increase the legitimacy of the system, as the benefit is paid only to low income individuals, resulting in significantly lower social expenditure when compared to fixed basic income.

One of the disadvantages of negative income tax, is that the income test may delay the payment of benefits. The reason for this is that the basic income, which is granted on the basis of an income-free month, is not paid until the following month. In addition to

<sup>52</sup> Friedman, 1961.

this, the fluctuation in the amount can be quite impractical for those who have trouble balancing their financial situation.

Different models lead to different dynamics. That's one reason why the concept of basic income is so complex and confusing in the public discussion. If one area (for example the world of work, the economy, and consumption) changes in one direction, all other areas inevitably change as well. For example, if people decide to work less hours, or not work at all, on the positive side there could be more leisure time, more consumption, and perhaps even more political commitment. On the other hand, however, the income tax revenues, which often co-finance the fixed basic income benefit fund, would fall. All of these factors influence the country's economy, and thus the gross national product.

## 7.1.2 MODELS AND EXPERIMENTS IN SEVERAL COUNTRIES

Social dividend experiments with pilot programmes are currently underway in a number of different countries.<sup>53</sup> The Alaska Permanent Fund is a state-owned investment fund established by using oil revenues. Since 1982, it has paid out an annual dividend to every individual in Alaska.

Since then, the amount paid out per eligible resident has ranged between \$331 (1984) and \$2,072 (2015). Children are entitled to the same amount of the dividend. A person who has lived in Alaska since the introduction of this social dividend in 1982 could thus have received more than \$50,000 as capital income up until 2015. Furthermore, a new family of four could have benefitted from additional financial resources of up to USD 8,288 in 2015. The pay-out is fully subject to income tax, with dividends from the children being recorded as parental income. However, the pay-out is only partially offset against state social benefits.<sup>54</sup>

Research studies on the impact of Alaska's basic income on employment, came to a conclusion that a universal and unconditional cash transfer does not significantly reduce aggregate employment.<sup>55</sup>

### 7.1.2.1 Finnish Basic Income Experiment

Objectives & key issues of the Finnish basic income experiment and the idea of the social security reform in Finland

The Finnish government, under Prime Minister Juha Sipilä, decided in 2015 (2015-2019) on a pilot trial of a partial basic income under the chapter "Wellbeing and Health" in its government programme, which started in 2017 and ended at the end of 2018.<sup>56</sup> In this model experiment, 2,000 people aged between 25 and 58 will receive a monthly basic income of 560 euros. However, the target group from which the test persons were selected was subject to decisive restrictions. They must have received some form of unemployment benefit in November of the previous year. Since only 2,000 people were selected, payments were to be limited to the lower income segments, where the greatest affects could be expected.

<sup>53</sup> Universal basic income experiments have been conducted in different countries throughout the years such as Kenya, Finland, Namibia, India, Germany and Canada.

<sup>54</sup> Harnack, 2019.

<sup>55</sup> Marinescu, 2018.

<sup>56</sup> See also for more detailed information, official website: [www.kela.fi](http://www.kela.fi) (<https://www.kela.fi/web/en/basic-income-experiment>).

The Finnish Social Insurance Institution Kela<sup>57</sup> was commissioned by the government to develop scenarios for a test phase in Finland and has developed several models in a 2016 report: "From Idea to Experiment – Report on Universal Basic Income Experiment in Finland":

*"The basic income experiment is one of the policy measures designed to reform the Finnish social security system to better correspond with the changes in working life, to make social security more participatory and diminish work-disincentives, reduce bureaucracy and simplify the overly complex benefit system."*<sup>58</sup>

The Finnish government wanted to achieve several goals with the basic agreement, but mainly the experiment focused on increasing employment and streamlining bureaucracy. Like the other Northern European countries, Finland is characterised by a well-developed welfare state and correspondingly high taxes. This means that the financial incentive to take up employment is often low, as the increase in net income is often negligible. This is where the basic income was set up: unlike classical social benefits, income is not taken into account, and gainful employment has a correspondingly higher impact on net income.

The hope was that the basic income would increase employment because it left greater financial incentives. This would also fulfil the desire for justice that the basic income should support those who had difficulty gaining a foothold in the labour market.

Another goal was to reduce the bureaucracy associated with social benefits. Kela gave an inherent example: the authority paid out the basic unemployment benefit. If an unemployed person fell ill, he would receive a sickness benefit which Kela also paid out. After a medical examination, the decision was also determined by Kela. While waiting for this decision, the sick, unemployed person would not receive unemployment benefits, but social welfare.

#### 7.1.2.1.1 The Experiment

Because Kela is not only responsible for paying out the basic income, but is also responsible for the employment support, the target group could be created in the house very promptly and without much expenditure. Alternatively, all low-income recipients could have been included in the target group.

In this case the control data would have been used to select the participants. However, since these would have been up to two years old and a corresponding database would have had to be developed first, this model was rejected. In the end, the decisive factor was that the basic income would have continued to be paid if the test person was no longer entitled to unemployment benefits, which was the case in the Finnish experiment.

A control group was also selected from the target group of 25 to 58-year-olds who received unemployment benefits in November 2016.<sup>59</sup> This group did not receive a basic income. By comparing the test persons and the control group, the (employment) effect of the basic income would be calculated during the two-year experiment. This model and the test phase now underway are most closely oriented to a neoliberal model of basic income.

20 million euros was made available for the experiment. Of this amount, not only the expenses for the basic income, but also the accompanying research were to be financed. Because the money was provided by the government, the question of

<sup>57</sup> Kela = Short for Kansaneläkelaitos, the Social Insurance Institution of Finland. This government institution grants the benefits included in basic social security.

<sup>58</sup> Kela, 2016, 5.

<sup>59</sup> Kela, 2016.

financing the Finnish experiment did not arise. Usually, the basic income would be financed by higher employment and/or a reform of the tax model. Such approaches, which are necessary and interesting for the practical implementation of a nationwide basic income, are discussed by Kela in the preliminary study.

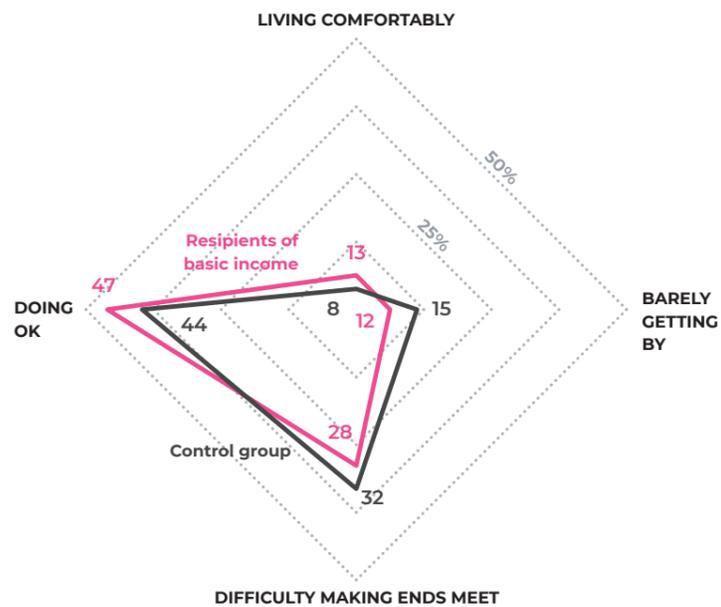
### 7.1.2.1.2 Employment Effects, Wellbeing Effects, Trust / Satisfaction with Life

Survey respondents who received a basic income described<sup>60</sup> their wellbeing more positively than respondents in the control group. They were more satisfied with their lives and experienced less mental strain, depression, sadness and loneliness. They also had a more positive perception of their cognitive abilities, i.e. memory, learning and ability to concentrate.

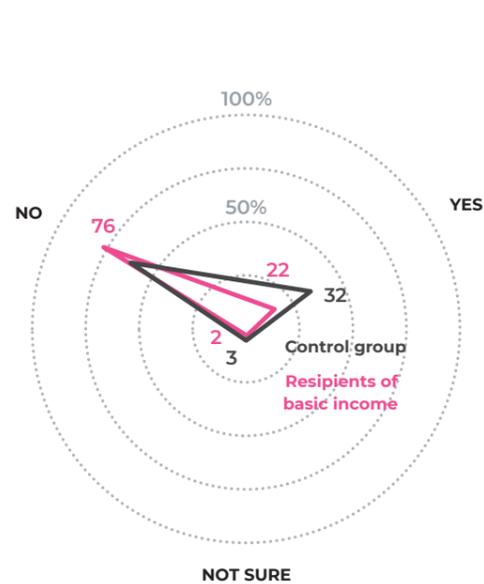
The respondents who received a basic income also had a more positive perception of their income and economic wellbeing than the control group. They were more likely to find that their financial situation was manageable and that they were protected financially (Minna Ylikännö, Head of the Research Team at Kela).

**GRAPH 10: RESULTS OF THE BASIC INCOME EXPERIMENT: SMALL EMPLOYMENT EFFECTS, BETTER PERCEIVED ECONOMIC SECURITY AND MENTAL WELLBEING**

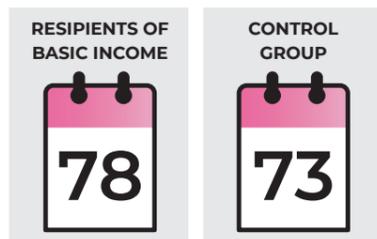
SELF-PERCEIVED FINANCIAL SITUATION AT CURRENT HOUSEHOLD INCOME, % OF RESPONDENTS



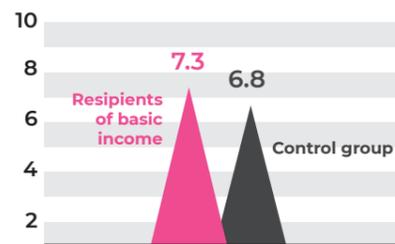
SELF-PERCEIVED DEPRESSION, % OF RESPONDENTS



AVERAGE NUMBER OF DAYS OF EMPLOYMENT NOVEMBER 2017–OCTOBER 2018



SATISFACTION WITH LIFE ON SCALE 0-10 AVERAGE



<sup>60</sup> The effects of the basic income experiment on wellbeing were studied through a survey which was done by phone just before the experiment ended.

Interestingly, the basic income recipients trusted other people and the institutions in society to a larger extent and were more confident in their own future and their ability to influence things than the control group. This could be a key indicator when discussing the decreasing global trust in institutions and politics.<sup>61</sup> It may have been due to the basic income being unconditional, which in previous studies had been seen to increase people's trust in the system.<sup>62</sup>

### 7.1.2.1.3 Criticism of the model

In Finland, Kela and the politicians were reproached for announcing a big success, but only starting with a minimal solution. Parts of the Finnish Greens and the Left Party criticised<sup>63</sup> that only unemployed people were eligible, which meant that the basic income was not really unconditional. Furthermore, there were economists who would have liked to see a simultaneous reform of the tax system. The selection of the test participants, who were exclusively previously unemployed, was not suitable for the researchers to allow statements to be made on how the payment affected morale. A further open question was whether working humans who received a basic income, would simply stop working or would reduce for instance their number of working hours.

In Kela's view, these critical remarks were not entirely unjustified. It was acknowledged early on that the issue and its possible implementation proved to be much more complex than expected. In addition, the target of starting the experiment as early as 2017 and the budget restrictions meant that a number of compromises had to be made – including the level of the basic income.

However, under the given circumstances, the chosen variant was the more realistic one. For example, it would have been impossible to change the tax system only for the test phase.<sup>64</sup>

Another aspect was the legal issues. During the test phase, selected individuals were treated differently from the rest of the population. This is generally against Finnish law and current EU regulations. However, in this case a compliant solution was found. Nevertheless, it is important not to ignore this point in the discussion.

A group of 2,000 participants tends to be too small to foresee the full range of possible consequences. Network effects are difficult to observe with limited groups of participants. Low elasticities mean that the number of participants might have to be over 100,000 to see statistically significant results.

Because everyone received the basic income regardless of their individual needs, it could not be financed by direct savings in social services alone. Criticism was therefore mainly directed at the financing side and doubted the feasibility of basic income models due to fiscal problems. Kela also assumed that additional employment alone did not usually lead to the necessary additional income and that taxes therefore had to be increased. The simplest option would be to increase taxes for amounts above the basic income. In certain tax models, the positive effects of the basic income would outweigh the negative effects.

The basic income implemented in the experiment is a small solution. Kela had previously proposed several models, some with considerably higher monthly payments.

The study, presented as a working paper in September 2016<sup>65</sup>, examined different solutions ranging from a partial basic income (starting at EUR 450), which required

<sup>61</sup> Edelman survey, chapter 2. 1 Trust in social institutions decreases steadily.

<sup>62</sup> Kangas, et al. 2019.

<sup>63</sup> Kela, 2016, p. 59.

<sup>64</sup> Kela, 2016.

<sup>65</sup> Kela, 2016.

further income and/or social transfers, to a full basic income (over EUR 1,000), which could be sufficient as sole income. The great direct financial advantage of the full basic income would be that the bureaucracy could be considerably reduced, because usually no further state social transfers would be required.

The main problem was financing: with a low partial basic income, the latter would not be too much of a challenge, but it would also entail fewer other changes. In general, the higher the basic income, the greater the need for fundamental reforms, especially in the tax area. In principle an important point in the evaluation was that a new labour market activation model meant that the figures from the beginning of 2018 were no longer fully representative: “However, the interpretation of the effects of the experiment is made more complicated by the introduction of the activation model at the beginning of 2018, which meant more stringent entitlement criteria for unemployment benefits asymmetrically in both groups.”<sup>66</sup>

Kela made a number of model calculations based on different household structures (e. g. living alone, single parent, two-adult-household) in the paper.<sup>67</sup>

### 7.1.2.2. German Crowdfunded Basic Income Project

Objectives & key issues of the crowdfunded German basic income project  
Germany's first long-term study on an unconditional basic income will start in 2020.<sup>68</sup> The association “Mein Grundeinkommen e.V.” (my basic income) and the DIW (German Institute for Economic Research) will launch the “Pilotprojekt Grundeinkommen”, financed by over 140.000 donors. It is the world's largest civil society research project of its kind on basic income.

#### Unconditional basic income of € 1,000 / month

“Mein Grundeinkommen e.V.”<sup>69</sup> is a non-profit NGO, founded in 2014 that collects donations via crowdfunding. As soon as 12,000 euros are collected they are raffled off as an unconditional basic income of 1,000 euros per month for one year. In order to make the allocation fair, the organisation holds monthly raffles. Over 650 people have won and reported similar results during the last six years<sup>70</sup>: some change their job and report to make bolder decisions. Another common thread is that they indicate to live healthier and more social and that a lot of them do further education or found a company. A single mother had the opportunity to deal with a psychological disorder of a relative more profoundly for the first time after a lot of years working over 40 hours per week, night shifts included.<sup>71</sup>

#### Unconditional basic income of € 1,200 / month

On a small scale, the results are satisfactory for the NGO as well for the participants. That is the reason why “Mein Grundeinkommen” wants to take the project to the next level and plan to pay out € 1,200 per month to 120 people over three years unconditionally. The participants are scientifically accompanied during this time. The research team consists of economists, sociologists, psychologists. Over 140.000 donors provide private funding to ensure independence from political influence and interest of individuals. Everyone who is over 18 years of age with residence in Germany

<sup>66</sup> See a compromised summary of the results of Finland's basic income experiment: official website [www.kela.fi](https://www.kela.fi) ([https://www.kela.fi/web/en/news-archive/-/asset\\_publisher/IN08GY2nrZo/content/results-of-the-basic-income-experiment-small-employment-effects-better-perceived-economic-security-and-mental-wellbeing](https://www.kela.fi/web/en/news-archive/-/asset_publisher/IN08GY2nrZo/content/results-of-the-basic-income-experiment-small-employment-effects-better-perceived-economic-security-and-mental-wellbeing)).

<sup>67</sup> See for the summary of different models: Kela 2016, p. 55-57.

<sup>68</sup> DIW Berlin, German Institute for Economic Research, 2020

<sup>69</sup> Official website: [www.mein-grundeinkommen.de](http://www.mein-grundeinkommen.de).

<sup>70</sup> See some portraits on: <https://www.mein-grundeinkommen.de>.

<sup>71</sup> Portrait of Christine and Marco in German language: <https://www.mein-grundeinkommen.de/menschen/2595009>.

can apply. Their central research question is: “Does an unconditional basic income have the potential to make our society crisis-proof and sustainable?”<sup>72</sup>

There are currently many different concepts, approaches and models for a universal basic income. Experiments to date provide initial insights into possible implementation, but are far from being as mature as it is not yet possible to work with reliable figures. Depending on how the Universal Basic Income would be implemented and, above all, what other adjustments would be made within society, for example in the education sector, it could be an option to make use of these new forms of living and working within society.

## 7.2 CONNECTIVITY RESHAPES SOCIETY

Figuratively speaking, the basic income could be a point in the network. The reason why the structure of the network is being pushed forward in this way, is of course also due to the great power of digitisation. Digitisation or connectivity is a major driver of change in almost all areas of our lives.

A huge part of connectivity means digitalisation, but this is not the only contributing factor. Increasing connectivity shapes and accelerates the shift of the whole society. It's about access to information, but also about connecting with each other on different platforms as well as new forms of bureaucracy. Connectivity has a particularly broad impact on social change towards a society of complex networks, because the principle of networking has an impact on all areas of society. Digital change is more than just a technology-driven development, but above all, it is a social process that puts people at the centre of attention more than ever before.

Digitalisation can also be a new paradigm of networked value creation beyond organisational and sectoral boundaries. Understood within this framework, topics such as prosumerism, collaborative production and collective consumption are emerging. Others include the sharing economy and the idea of an economy based on common goods. Sustainability 4.0 is about the self-empowerment of co-creative prosumers to transform economic and social conditions in the direction of social inclusion, co-creation, democratisation of economic activity and ecological sustainability.<sup>73</sup>

A new social structure based on the co-principle is becoming increasingly established. The co-culture means that a community today is no longer defined by just the shelters of highly personal relationships such as family or friends. There are increasingly hybrid communities that network offline and online and exchange information via a wide variety of (social) channels. The “we” has become a highly relevant, broad-based social trend that is beginning to affect all sections of society. Networked teams, collaborations and communities can be found everywhere. People share clothes, food, tools, cars, their time, their knowledge – and, increasingly, also living and working spaces.

The reason for this is first of all that individualisation has led to an increasing diversity of lifestyles, family models, consumption patterns and housing forms. New freedoms and options enable more and more individual decisions in the private life of an individual. More people are free to shape their own life according to their personal preferences, wishes and goals. The desire for individuality and self-fulfilment continues to grow, but at the same time leads to new communities, scenes, cultures, forms of work, family and life models beyond old conventions.

Co-Principles have both direct economic and social benefits: living and working space expenditure can be shared and social interaction is also possible if required.

<sup>72</sup> More detailed information on: [www.mein-grundeinkommen.de](http://www.mein-grundeinkommen.de).

<sup>73</sup> Reichel 2019.

## 7.2.1 CO-LIVING

As the number of households in Europe increases, their average sizes are decreasing. In 2019, there were 195 million households in Europe, an increase of 13 million since 2010. Those households are on average getting smaller. In 2010, the average household consisted of 2.4 people. Over the last decade, it has slowly decreased and by 2019, it was down to 2.3.<sup>74</sup>

About a third of all households consist of a single person – a 19% increase since 2010. The overall trend is towards households consisting of couples without children, persons living alone and single parents. In the majority of households, there are no children while single parent households have gone up by 13% since 2010.

A growing number of people aged 65 and above will live alone in the future, which applies especially to women. In 2019, the proportion of older women living alone was 40%, more than twice as high as that of men.<sup>75</sup> This raises the question of new ways of living and housing, especially now that there is a consensus in science that living alone can lead to physical and mental illness, especially among older people.<sup>76</sup>

Co-Living is a form of community living for adults who also want to bear responsibilities that differentiate themselves as individuals – and for this very reason want to live in social diversity.<sup>77</sup>

Although it is a form of housing that is only now beginning to establish itself, the co-living movement still has a tradition, for example in the social housing of the pre-war period or in the flat-sharing community culture of the seventies. In contrast to the garden and workers' housing estates of the 1920s, however, today's co-living projects do not have a class aspect – quite the contrary. And they differ from the community experiments of the 1970s in their rejection of ideologised concepts: co-living settlements exist today in all major cities in Europe, and on other continents too.<sup>78</sup> Their forms and characteristics are very different, from ecological to highly capitalised projects. Co-Living can provide answers to current issues that have a direct and indirect impact on a resilient society, such as fundable and people-friendly housing in dense cities, and intergenerational and collective living to reduce loneliness.<sup>79</sup>

## 7.2.2 AGING SOCIETY AND CONNECTIVE CARE

As discussed earlier in this paper, the aging of society is a global phenomenon that is becoming increasingly visible and is changing all areas of our lives – urban and rural infrastructure, the products and services offered by companies and the way we work. The elementary upheavals demand new answers, also, and especially in the area of living. The concept of nursing homes simply no longer fits into the new culture of old age – paradoxical as it may sound at first glance. This is not only the result of a more active lifestyle of older people, but also due to a growing appreciation of old age in

<sup>74</sup> European Commission Report, 2020.

<sup>75</sup> Commission 2019.

<sup>76</sup> Cacioppo, et al. 2011.

<sup>77</sup> Horx-Strathern, 2019.

<sup>78</sup> There are various co-living projects in Europe. A selection research by Horx-Strathern, 63–65: Vauban (Fribourg), Möckernkiez (Berlin), Uferwerk e.G., (Berlin), Space-S (Eindhoven) Station F (Paris), Granby Four Street Community (Liverpool) Aux 4 Vents (Toulouse) Hobelwerk (Winterthur), Hunziker-Areal (Zürich), Cenni di Cambiamento (Milan) Lange Eng (Copenhagen) Karise Permatopia (Copenhagen) Vrijburcht (Amsterdam) Ecoquartier Les Vergers (Geneva) Wohnprojekt Wien (Vienna), Centraal Woonen Delft, Delft Trudslund (Copenhagen), L'Espoir (Brussels) Trabensol, Sociedad Cooperativa Madrilena (Madrid), La Borda (Barcelona).

<sup>79</sup> Horx-Strathern 2019, p. 59.

general, and technologies and concepts that allow people to live independently and self-determinedly in their own four walls until old age.

Assisted living is one example, but also multi-generational housing projects or self-organised residential communities for the elderly, which are becoming increasingly popular. In an elderly flat-sharing community, older people can exchange ideas with each other and have the basis for joint activities, but also have the opportunity to retreat into their private rooms. They can support each other and at the same time live independently. They can determine their daily routine and the extent of care by qualified personnel. Ambient Assisted Living (AAL)<sup>80</sup>, as a design principle for electronic products and services, is increasingly enabling the trend towards a self-determined life in old age.

Thus the trend-setting concept of the “Bielefeld Model”<sup>81</sup> as a prototyped example has been imitated in many German cities: in almost all city districts, comfortable and barrier-free apartments have been rented out in residential complexes in which a social service provider is available around the clock, with a service base and a comprehensive range of additional services. All tenants and residents of the surrounding neighbourhoods can take advantage of the extensive range of assistance and support services, but only have to pay for them when they actually need them.

Inclusion, visibility and community are important features in an individualised society. In the future, one's own living environment will therefore be a heterogeneous mix of different groups of people and constellations of (chosen) families. This also and above all takes into account the growing group of “young old people”. In the future, they will live together with other people of different ages in shared housing projects. Nursing homes and old age homes only take effect when the need for care is high.

For example, Careship<sup>82</sup> is a digital health start-up based in Berlin, which was founded in 2015 and offers a care and support service. This gives people in need of care and their relatives, easy access to the organisation of individual care via a service platform. Careship enables the simple organisation of a senior citizen's care from the immediate neighbourhood. The company wants to give the best access to individual and personal support to as many families as possible. Its offers range from social services and support in everyday life, to travel, companionship and light care. In addition, there is advice on insurance entitlements and settlements with health insurance companies.

## 7.2.3 NEW REAL-DIGITAL NEIGHBOURHOOD NETWORKS

Interestingly the more individual a society becomes, the greater the longing and need for new forms of community evolves. This leads to more community structures in the future.

Future research describes this as a certain pattern of development: every huge trend creates a recursion, a massive counter-impulse. “The future” only emerges in the synthesis of trend and countertrend leading to higher complexity and integration.<sup>83</sup> This social recursion of individualisation causes new trends such as co-living, co-working, co-housing, co-gardening and other networking lifestyles. Otherwise described: for a new, common idea of autonomous self-organisation, its individual implementation, in turn, creates a sense of community.

<sup>80</sup> Ambient Assisted Living (AAL) comprises methods, concepts, (electronic) systems, products and services which support the everyday life of older and disabled people in a situation-dependent and unobtrusive manner.

<sup>81</sup> <https://bielefelder-modell.de/das-bielefelder-modell/>.

<sup>82</sup> careship.de.

<sup>83</sup> Horx, 2020.

Digital platforms or apps such as Wirmachbarn.com, Nachbarschaft.net, Nebenan.de, puck.io, nextdoor.com or silvernest.com supplement and simplify new neighbourhood networks. The tendency to interconnect takes place on both a smaller and a larger scale, according to the basic principle of a network.

For example, the project Seoul Sharing City was started in 2012 by the municipal innovation office to demonstrate the idea of community. The city supports rental platforms on a large scale, shared living projects, shared gardening, the exchange of children's clothes, shared cooking clubs and much more. All of this is intended to save money and distribute resources better, but also create more contact, human warmth and social ties.<sup>84</sup>

In Europe the project “Sharing Cities” is a major international smart cities model addressing some of the most pressing urban challenges facing cities today. The project draws on €24 million in EU funding and aims to engage over 100 municipalities across Europe.<sup>85</sup>

<sup>84</sup> Park Won-soon (Seoul's former mayor) on:

<https://ourworld.unu.edu/en/is-seoul-the-next-great-sharing-city>.

<sup>85</sup> <http://www.sharingcities.eu>.

## 8 Conclusion & Policy Recommendation

In a networked and globalised society, the reality of life has become more complex and confusing. This makes simple, uncomplicated answers attractive – not least the success of a backward-looking populism. This makes it all the more important for a future-oriented policy to be developed, in order to deal with complex issues, accept them and be open-minded for new experiments and models, because complex problems require complex answers. Possible solutions can be found in different places, both large and small.

An essential characteristic of the living system is that it is a self-organising system. The principle of self-organisation plays an increasingly important role in the economy and society of today, and will continue to do so in the future. Independent forms of social participation and self-organisation are increasingly emerging, with real-digital networks being driven more and more by the search for meaning and self-empowered action.

There are forerunners in all areas and industries that show that a reorientation of the system of society, the economy and social interaction is emerging: discourses on the subject of postal growth and the circular economy, the increasing number of agile organisations, and the diverse sharing of social business ideas, which show very well that both are possible: earning money in a context that is social and sustainable, and that does good for everyone – people and the environment alike.

For basic social security, this means that it must see itself as part of a rapidly changing system, as part of an ecosystem, in which it is relieved by the changing parameters: prevention through a new understanding of health and education, new forms of community life that promote social togetherness, and in which support and small-scale assistance comes from the neighbourhood. The aspect of social interaction, which is a strong factor in the prevention of physical and mental illness, is also essential here. Hence, policymakers should consider the following recommendations:

- Common framework for Basic-Social Security

Although EU member-states differ in welfare-states regimes, a shared understanding of basic-social security is needed. As the traditional work-life cycle further erodes while mobility increases, a new set of social-security requirements needs to be defined and implemented in all states.

- Network Approach When Designing Policies

European policymakers have to move away from the idea that citizens follow linear and easily comprehensible career paths and work-life cycles. People of today make their own decisions on how their lives should be structured. Moreover, political structures need to take into account that societies are transforming into highly complex network societies. Thus, it is recommended that future designs of policies regarding social security systems consider a network approach.

- Let's Dare More Experiments

How can such findings be implemented in practice, into an existing system that cannot simply be stopped? First and foremost, this requires a new, open minded approach towards experimental projects and playful contexts: truly innovative solutions are created through leeway, not through actionism. Experimental policy design and a respective test culture offers a powerful tool to adapt to the multidimensional

challenges described above. This allows new solutions for social, technological and ecological challenges to be observed and tested in a specific setting.

- New Indicators for a New Society

Changes in societal structures and non-linear work-life cycles also need new indicators to measure basic social security, for example, through an applicable concept for poverty, or by including digitalisation into existing indicators. Currently, owning a television is a measure of social inclusion, while purchasing one is an indicator of material deprivation. While many households do not own TVs anymore, especially within the millennial demographic, the internet (and its accessibility) is currently not taken into account. However, more job applications are online-only, streaming services such as Netflix and Amazon Prime are now what TVs were in the 1960s, and private communication is nowadays often unthinkable without the internet. Therefore, poverty in the 21st century can clearly be linked to digital tools and infrastructure.

- Strengthening Financial Resilience

As we have shown, financing our welfare regimes is distressed by non-linear work-life cycles and an ageing society. Therefore, a discussion about using insurance principles or tax-based models for each service is needed. Another approach to strengthening financial resilience would be to develop mechanisms that account for long-term trends. The Swedish pension model, for example, automatically accounts for increases in life expectancy. Furthermore, including intergenerational indicators helps to ensure sustainable human capital investment.

- Participative and Transparent Politics on a National Level

On all levels, but foremost on national level, where the combined powers of local and national governments are on the forefront, politics need to implement a social security system that is firstly tailored to the demands of the European citizen of the 21st century, and secondly, is transparent in its legal framework. Thus, governments must create participatory stages within a modern social security system, and in order to do so, processes need to be transparent from the local level, up to the national and EU level.

- Activating Welfare State: Empowered Citizens

Citizens of the 21st century do not necessarily follow linear career paths as generations before might have done. Germans, French or Spanish natives of today do not think of a state that reacts on behalf of its citizens anymore. Consequently, national governments have to empower and enable their citizens to participate in a modern welfare state in a flexible manner. Thus, politics need to implement an activating welfare state that incentivises the contribution to a modern social security system and a liberal society, rather than put pressure on their citizens through confusing and slow bureaucratic processes and reactionary means tests.

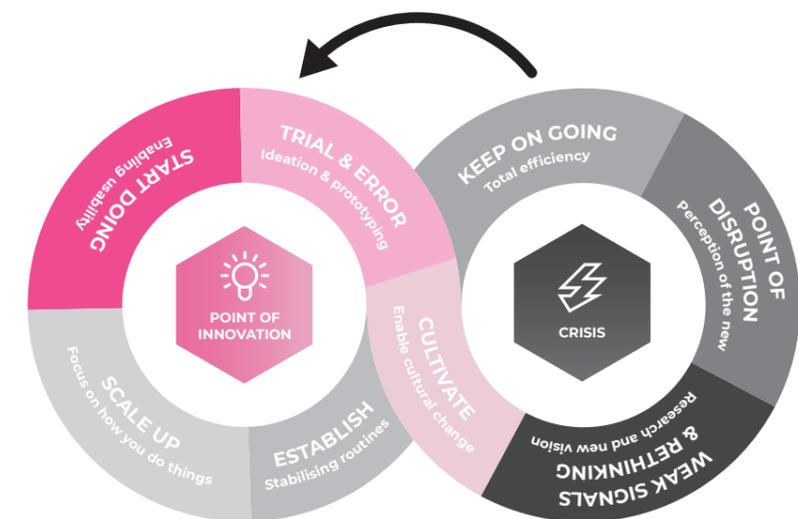
## 9 Add-On: Lazy Eight and the Principle of Development

The “lazy eight”<sup>86</sup> illustrates the central life and renewal phases as observed in the cycle of a living system. This applies to biological systems (i.e. the human life), communication systems, organisations, corporations and groups, up to the most comprehensive communication system, society. Therefore it can be argued that the “lazy eight” model describes the basic principle of life.

Systemic resilience and social, sustainable development can only be guaranteed if all phases are diversified and balanced, as opposed to a linear logic of permanent increase. A system is resilient if it can run through all phases of a life cycle again and again: the phase of the beginning and exploration, of growth and stagnation, of crisis, and the degradation. The crisis doesn’t necessarily mean the end, but the point of transformation and reconfiguration. A crisis means that old structures are no longer congruent with the new parameters, in this case the new reality of life.

A system is not resilient if it is always strong and “healthy”: “A system is resilient when it can successfully be sick.”<sup>87</sup> Illness is a form of vitality, because it motivates us to change, to develop.

GRAPH 11: LAZY EIGHT AND THE PRINCIPLE OF DEVELOPMENT



The force of a crisis can be seen as a momentum of revitalising a system that is a society. Since the financial crisis in 2008, there has been a fracture in the (economic) system, ultimately leading to renewal and innovation. With the dawn of the COVID-19 pandemic, the system entered a new phase of crisis, and thus entered the phase of renewal. In this phase, opportunities for sustainable learning can take place to help establish a new idea of the future.

Considering crises with the “lazy-eight”-model in mind, helps us to identify signs of change and recognise the current crises as necessity and opportunity. A new quality of resilience could emerge from this innovation- and learning process, so society can develop to the next level.

<sup>86</sup> Katzmair, 2016.

<sup>87</sup> Katzmair, 2018.

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## AUTHOR

**Christiane Varga** works as an author and lecturer in the field of trend and future research. In her work, the sociologist illuminates the various facets of the question "How will we live in the future?" - all in the field of tension between past, present and future.

In other words: What new needs are emerging in the 21st century, how is our idea of work changing and how do we integrate the all-embracing topic of digitisation into our lives in a self-empowered and intelligent way?

After studying sociology at the Ludwig-Maximilians-University in Munich, theoretical models such as systems theory and instruments from trend research form the basis of her investigations. She is convinced that in the future only multidisciplinary approaches will be able to cope with the increasing complexity in societies.

Christiane Varga worked for several years at the Zukunftsinstitut in Vienna and Frankfurt am Main, where she was involved in various studies on different topics, such as the "Future of the Non-Profit Sector".

## EDITOR

**Dieter Feierabend** works as scientific director at NEOS Lab. He holds a PhD in Social Sciences and a BSc in Statistics from the University of Vienna. In his studies, he focused on the relationship between policy issues and electoral behaviour. Furthermore, he is a graduate of the postgraduate program "Multi-Level Politics in Europe" at the Institute for Advanced Studies in Vienna. Before joining NEOS Lab, he worked as a freelance consultant i.e. for the Austrian Academy of Sciences (Institute for Technology Assessment).

## INSTITUTIONS

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