

# Social protection: from fragile to agile – Towards a more flexible, secure and fair system

Executive summary



# Introduction and background to the project

Working lives are changing as people live, and work longer. Spurred by the *Fourth Industrial Revolution (4IR)*, different types of 'non-traditional' employment, the rise and fall of entire industries, and the growth of the sharing economy, global labor markets have become increasingly fractured. Workers are also becoming more likely to pause their careers to take on caregiving responsibilities, or undertake further education and training.

Meanwhile, new trends are challenging the welfare state. The public sector in some countries no longer provides adequate, sustainable social security, given shifts in demography and fiscal constraints. Individuals cannot, and should not, shoulder this burden alone. Nor can it be delegated to a single company, as people change employers repeatedly during their working lives. For their part, insurers have historically concentrated on meeting specific contingencies – a strategy that only helps workers following conventional career paths. This fragmentation in product design no longer matches new patterns of work and retirement. Taken together, these trends point to the need for agile protection: flexible insurance and associated worker protections, provided by multiple stakeholders and tailored to individual career trajectories by addressing various transition points in working lives.

Zurich Insurance Group and the Smith School of Enterprise and the Environment at the University of Oxford are responding to this need. We are examining the potential for lifelong, tailored, contemporary social protection under a three-year research program. This program builds on the success of the Income Protection Gaps project, a three-year research partnership (2015-2018) on shortfalls in earned household income due to disability, illness, or the premature death of a breadwinner.

This report aims to build support for our efforts. It seeks to provide the context behind the need for more agile protection.

Chapter 2 considers the retreat of state protection and rise of inequality globally.

Chapter 3 then considers the changing face of the labor market and why this requires protection to become 'agile'.

Chapter 4, based on these developments, articulates a vision for an agile social protection framework, linked to broader notions of workforce protection.

Finally Chapter 5 lays out a roadmap for our research and how it will contribute to this most important of societal challenges.

## A roadmap for the project

The circumstances of workers' lives and careers, along with their financial circumstances and preferences, are unique by definition. We know that there can therefore be no such thing as one-size-fits-all solutions. As we saw in the [Income Protection Gaps](#) project, the reasons for this come not only from individuals' behavior, but also from wider institutions and global trends. These have varying effects on workers' wellbeing across countries, industries, and socio-economic strata.

As such, in our new research program, we will remain equally attentive to both the supply (institutional) and demand (behavioral) sides of an evolving market for various types of insurance.

The objective of our research program is threefold:

- (1) to understand the economic and social drivers behind the need for a new social protection framework;
- (2) to gather new empirical data, both on employers' perspectives on the challenges of providing flexible protection and on individuals' behavioral tendencies that influence their insurance purchasing decisions, in order to inform the design of new solutions;
- (3) to recommend steps towards designing and implementing new social protection frameworks by drawing on the findings of these first two areas of inquiry.

We will focus on protection products which safeguard people's income and assets from morbidity and mortality risks: specifically, term life, critical illness, accident, disability, and income protection products (including major medical expense insurance), as well as existing whole of life products which provide similar coverage but are linked to a savings or investment element.

While many of our findings and recommendations will have global resonance, we will also devote a great deal of effort to tailoring our suggestions to the national context of each of the 13 countries in our study:

[Australia](#), [Brazil](#), [Germany](#), [Hong Kong](#), [Italy](#), [Japan](#), [Malaysia](#), [Mexico](#), [Spain](#), [Switzerland](#), [the United Arab Emirates \(UAE\)](#), [the United Kingdom](#), and [the United States](#).

## The project will take place over three phases:

In the **first phase**, we will articulate the outlines of an 'agile protection' framework. In support of this work, this report has outlined the drivers of the growing gap between the new realities of work (and retirement) and

the design of established social benefits systems. Equally, national context is of central importance in understanding the causes and consequences of this gap. This first phase of our project seeks a

mosaic-like explanation of the intersection between global labor market movements and their country-specific manifestations.

The cornerstone of the agile protection program will be the **second phase**: this empirical research phase comprises two multi-country surveys. The first will examine individual consumers' behaviors and preferences when engaging with insurance products. The second will test the priorities of employers in multiple countries when it comes to protecting their employees. Of interest here is the reaction of employers to an ever-changing labor

market and the diminishing role of the state in helping workers to navigate these changes, as well as the extent to which employers recognize worker risks as part of their broader management framework.

This part of the [Agile Protection](#) project will build upon the success of the [Income Protection Gaps](#) project's original empirical research. The results of our multi-country survey of consumer finances,<sup>1</sup> when placed

within the context of our high-level socio-economic findings, provided an evidence base of both policy relevance and academic interest which was also attuned to country-level difference. We aim to achieve similar results in the [Agile Protection](#) project: the generation of robust, extensive original data in support of fresh, actionable policy recommendations with both global and tailored national relevance.

In the **third phase** of our project, we will put forward recommendations to governments, employers, insurers, and

other financial institutions and intermediaries, as well as individuals and households. This will build

upon the findings of the first two phases of the research.

Much that is published on the transforming world of work is based on speculation. Very few commentators remain optimistic. We do not deny that challenges lie ahead, but it would be far worse if current changes are ignored. Private responsibility is not enough: new schemes must build on cooperation between business, government and working people. This forms the foundation for our work in the Agile Protection project.

Two centuries ago, as the first industrial age was born, working men reacted furiously against production systems that required their subordination to the rhythm of steam-driven engines (the first factory workers being prisoners, they could be compelled to comply). New technologies then stimulated protests, riots, and machine-breaking.

The militia was sometimes required to impose control. Today, a new digital age offers a break from work patterns imposed in the past. It is surely not beyond human ingenuity to devise social protection systems appropriate to an emerging world of work that closely resembles the one our ancestors fought so hard to protect.

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<sup>1</sup>Clark et al. 2016

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