

FLEXICURITY: INDICATORS ON THE COVERAGE OF CERTAIN SOCIAL PROTECTION BENEFITS FOR PERSONS IN FLEXIBLE EMPLOYMENT IN THE EUROPEAN UNION

KEY POINTS

Flexicurity refers to the combination of flexible labour markets and a high level of employment and income security.

One aspect to flexicurity is the promotion of flexible forms of working but most social security systems were established to support workers in full-time regular employment and unless these are adapted to cater for atypical situations there is a clear risk of promoting flexibility without security.

Given the current political emphasis on promoting flexicurity and monitoring of progress towards common goals, indicators to measure the extent to which people in flexible forms of employment are covered by social protection are of great interest.

A study has been completed to progress the development of indicators to measure the social security coverage of persons in flexible employment, which is defined to cover the self-employed, part-time employees and temporary employees. The study covered benefits in case of unemployment, sickness, maternity and paternity.

The indicators developed aim to measure the extent to which persons in flexible employment are (potentially) disadvantaged compared to those in regular employment purely as a result of their employment circumstances – i.e. the proportion of flexible workers who are in some way less well protected than their counterparts in regular employment. The indicators do not attempt to measure the quality of coverage or the value of replacement income.

The indicators are based on a comprehensive assessment of the regulations governing access to benefits and the value of benefits received (both in terms of the amount and the period for which they are payable) and how these impact on workers in the different forms of flexible employment. This assessment is then applied progressively to detailed quantitative data from the European Labour Force Survey (LFS) that allows the populations of each type of flexible worker to be broken down by criteria such as hours worked or duration of contract and allocated, based on the regulations, to different categories according to the level of benefits that they qualify for.

Two final indicators are produced – one measuring the proportion of flexible workers covered equally with regular workers and a second that includes weighted proportions of each group in order to take account of those only partially disadvantaged.

Indicators can be presented for each type of flexible employment or as an aggregate but it is recommended that indicators are presented separately for each type of benefit. Breakdowns by age and sex can be calculated and may show how the structure of employment in particular groups gives rise to better or worse access to benefits.

There remain some areas where data could be improved and which warrant further research but in general the indicators fulfil the quality criteria expected for EMCO/SPC and it is recommended that the indicators are considered for monitoring.

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EXECUTIVE SUMMARY

BACKGROUND

Flexicurity refers to the combination of flexible labour markets and a high level of employment and income security and is seen with the EU as the answer to the dilemma of how to maintain and improve competitiveness whilst preserving the European social model. One aspect to flexicurity is the promotion of flexible forms of working that will let more people participate in the labour market by giving them the possibility to balance work with other commitments. However, most social security systems were established to support the majority of workers in full-time regular employment and unless these are adapted to cater for atypical situations there is a clear risk of promoting flexibility without security.

Given the current political emphasis on promoting flexicurity and monitoring of progress towards common goals, indicators to measure the extent to which people in flexible forms of employment are covered by social protection are of great interest.

OBJECTIVES

The aim of the project was to take indicators on the social security coverage of persons in flexible employment developed in a feasibility study in 2005, to extend the coverage of the analysis, to review the indicator methodology and results and, ultimately, to conclude whether the final indicators are practical and relevant for ongoing monitoring within the context of flexicurity policy.

The 2005 feasibility study defined flexible employment to refer to persons that are self-employed or employees working part-time or on temporary contracts and examined the extent to which each of these groups were covered for two social benefits – unemployment and maternity - in each of the EU-15 countries. The current study extended the coverage to the EU-27 countries and two additional types of benefit – sickness and paternity.

AIM OF THE INDICATORS

The indicators aim to measure the extent to which persons in flexible employment are (potentially) disadvantaged compared to those in regular employment purely as a result of their employment circumstances – i.e. the proportion of flexible workers who are in some way less well protected than their counterparts in regular employment. The indicators do not attempt to measure the quality of coverage or the value of replacement income.

UNDERLYING DATA

The indicators attempt to identify where flexible workers are disadvantaged compared to regular workers in terms of access to benefits and then to quantify the numbers affected. For this, two types of information are needed:

- **Qualitative data**

In order to assess whether flexible workers are potentially disadvantaged compared to regular workers it is necessary to have detailed information on the regulations defining eligibility and the value of benefits paid (amount + duration) for each available benefit covering each of the risks studied (unemployment, sickness, maternity and paternity). In some cases there are several benefits available for one risk and details are needed for each. The different benefits available are categorised into three types:

- Primary scheme – default for regular employees – e.g. Unemployment insurance
- Secondary scheme – fallback for regular employees – e.g. Unemployment assistance
- Alternative primary – default for self-employed (only applies in some countries) – e.g. separate voluntary insurance scheme for self-employed

Information on all schemes was collected initially from the MISSOC database but often the level of detail available is insufficient to determine how regulations impact on flexible workers so the results were circulated to national experts for verification and completion via the EMCO and SPC indicators groups. Even after this process, the quality of the information is not wholly consistent and may not fully reflect the true situation for flexible workers in some countries.

It should be noted that the information required is onerous to collect and demands expert input, which is a burden to be considered if the indicators are to be used for ongoing monitoring.

- **Quantitative data**

To establish the extent to which flexible workers are affected by particular benefit regulations, which vary by country, it is necessary to have detailed breakdowns of the numbers of persons in the different employment situations – for example part-time workers by hours worked, temporary workers by duration of contract, etc. Comprehensive data for the years 2003-2007 were taken from the European Labour Force Survey (LFS), which is generally considered as being comparable between countries.

ASSESSMENT OF DISADVANTAGES

The first stage of compiling indicators is to make an assessment of the potential disadvantages that might be experienced by each type of flexible worker for all benefits in all countries. Disadvantages may relate to:

- **Eligibility** – restrictions on who is eligible to receive certain benefits may impact on some groups of flexible workers. For example, the self-employed and persons employed for less than a certain number of hours per week may not qualify for unemployment benefits; or continuous employment of some months may be a prerequisite for some forms of maternity benefits, which creates difficulties for temporary employees with shorter contracts.
- **Benefit value** - flexible workers may be disadvantaged by qualifying only for lower rate benefits or shorter duration of payments. For example, regular workers receive

wage-related benefits but flexible workers only qualify for flat-rate benefits, often linked to the minimum wage or minimum subsistence income; or self-employed workers are subject to a waiting period for sickness benefits whilst regular workers qualify immediately.

Note that there are a couple of important points to bear in mind regarding the assessment of disadvantages:

- The reliability of the assessment is dependent on the quality of the qualitative information available. Although there is some subjectivity in making assessment as to whether or not certain regulations constitute a disadvantage, this subjectivity is much reduced if the underlying information are sufficiently detailed.
- In assessing potential disadvantages for flexible workers, no account is taken of the degree of disadvantage – people are either disadvantaged or not. In some cases this could mean equivalent results for quite different degrees of disadvantage but generally very minor disadvantages can be ignored so the problem should not be too great and using a simple yes/no criterion also avoids subjectivity in the assessment.

INDICATOR CALCULATION

The principle for calculation of indicators is the same in all cases. Based on the assessment of disadvantages, each population of flexible workers (numbers of self-employed, part-time employees and temporary employees taken from LFS data) is broken down into categories based on the type of coverage they receive:

- FE = total flexible workers
- FEOK = flexible workers receiving standard benefits (i.e. for the same period/rate as regular employees)
- FER = flexible workers receiving reduced benefits
- FEM = flexible workers receiving standard benefits but subject to means testing
- FERM = flexible workers receiving reduced benefits and subject to means testing

The numbers in each category are established by applying the regulations and disadvantages to the LFS data through a progressive process of assessing eligibility to benefits and the value of those benefits:

- Start with total population of flexible workers
- Assess eligibility to primary benefit
- For those eligible are benefits of same value?
- For those not eligible are they eligible for the secondary benefit (where relevant).
- If so, are the benefits as good as the primary benefit, etc...

Finally, two alternative indicators are calculated:

- **Full coverage (IND1)** – proportion of flexible workers that qualify for benefits under the same conditions as regular workers

$$\text{IND1} = \text{FEOK} / \text{FE} (\%)$$

This indicator does not take any account of persons receiving only slightly less favourable benefits

- **Weighted coverage (IND2)** – index that includes numbers of flexible workers from each group weighted by the level of disadvantage

$$\text{IND2} = (\text{FEOK} + .75 * \text{FER} + 0.5 * \text{FEM} + 0.25 * \text{FERM}) / \text{FE}$$

The constants used to include reducing shares of populations that are increasingly disadvantaged are arbitrary. However, given that priority of FER > FEM > FERM needs to be maintained¹, analysis showed that whilst changing constant values inevitably impacts on the final value, it does not significantly affect the ranking of countries, which is equally important.

DIFFICULT AREAS OF DATA

There are some areas where limitations in the data available could give rise to unreliable results:

- Time at work condition for temporary workers. When eligibility to benefits relies on workers having been employed for x months within y months or similar then whether or not this is problematic depends on the length of contracts (current and previous), the time unemployed or inactive between contracts, etc. The indicator uses a formula based on the relationship between the time at work condition, the current contract duration from the LFS data and an estimated average duration of unemployment between spells of employment derived from EU-SILC data, but it is difficult to know how representative this really is and the coverage of temporary workers could be overstated. An alternative whereby anyone with a contract shorter than the time at work condition is assumed to be disadvantaged was tested but found to be too restrictive.
- Take-up of voluntary insurance. In cases where insurance is compulsory for regular workers but voluntary for flexible workers (e.g. self-employed) then the level of take-up clearly impacts significantly on the number covered but little information on take-up rates is available. In the analysis an assumed take-up rate of 70% has generally been applied. This figure is based on data from Denmark but its applicability to the different benefits and affected groups of workers in each country is not known.

RESULTS

Indicators were calculated for each type of flexible employment separately and as an aggregate for all flexible workers. For example, with respect to coverage for unemployment benefits the weighted indicator (IND2) showed that self employed workers were least well covered with the index values being as follows: all flexible workers 71; part-time workers 86; temporary workers 90; self-employed 38.

¹ FER = flexible workers receiving reduced benefits. These workers are sure of receiving some benefits even if of a lower value than regular workers. However, the group FEM covers flexible workers that will only receive benefits if they satisfy a means test so it is possible that many of the workers will receive no benefits at all. Hence, means testing (FEM) is considered more of a disadvantage than reduced benefits (FER) and the combination of reduced and means tested is more disadvantageous still.

Breakdowns by sex and by age were also calculated. Since the regulations governing access to benefits do not (in general) impose restrictions by gender/age, the different values tend to reflect the different structure of employment within these groups. For example, indicators for coverage of unemployment benefits are much higher for women than men because few women are self-employed compared to men and it is this group of workers that is least well covered.

A brief comparison of results from the pilot study (data from 2003) was undertaken but there are no useful conclusions because it is difficult to distinguish whether changes are due to real changes in the regulations governing access to benefits or simply improvements in the qualitative information available this time round, when the data were verified by national experts.

CONCLUSIONS AND RECOMMENDATIONS

The study succeeded in the objectives of extending and ensuring the quality of the indicator results and it is recommended that the indicators are considered for monitoring.

The weighted indicator, which takes account of workers with partial coverage, is preferred to the full coverage indicator but both are interesting. Calculation of the indicators demands interpretation of benefit regulations so there is an element of subjectivity but in general the indicators fulfil the quality criteria expected for EMCO/SPC in that they are based on reliable quantitative data (LFS).

Indicator results should be interpreted as an indication of the proportion of flexible workers that have equal access to the benefits available to regular workers and do not measure the quality of benefits provided. The full coverage indicator (IND1) gives the proportion covered as a percentage but the weighted indicator (IND2) has to be treated as an indicative index value and not as percentage.

Indicators can be presented for each type of flexible employment or as an aggregate but it is recommended that indicators are presented separately for each type of benefit. Breakdowns by age and sex can show how the structure of employment in that group leads to more or less problems with access to benefits.

Indicator values should be considered alongside basic data on the numbers of people working in flexible employment, including breakdowns by gender and by age. Low coverage indicator values combined with high importance of a particular employment type should then be considered as most problematic.

There remain some areas where data could be improved and which warrant further research - take-up of voluntary insurance, information on the characteristics of temporary work (duration of contracts and the spells between contracts), and how to deal with the time-at-work condition for temporary workers.

The compilation of information describing the regulations for each benefit and how these impact on the different groups of flexible workers is critical to the quality of results but is onerous and demands expert knowledge. Although the present study leaves a database which can be the starting point for future collections, a significant input will be needed each time to complete and verify the information. It is recommended, therefore, that monitoring be every other year rather than annual.