



ESPN Thematic Report on Access to social protection of people working as self-employed or on non-standard contracts

Denmark

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Jon Kvist
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European Social Policy Network (ESPN)

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Summary

The Danish welfare state provides a comprehensive, universal system of social protection that in principle offers coverage to all groups in employment, in some cases on a voluntary basis. Workers in standard and non-standard employment and the self-employed can access social protection schemes offering benefits in cash and kind in identical or largely similar ways. Still, in some areas the social protection system may work differently for people in different forms for employment due to qualification requirements and the way benefits are calculated. Overall, the social protection system facilitates easy transitions between employment and self-employment and more burdensome transitions between unemployment and self-employment. Developing individual social protection accounts seems unwarranted and there are no assessments of the financial and labour market implications of extending the social protection coverage of the self-employed.

With only 8.5% of the employed being self-employed, Denmark has one of the lowest shares of self-employed in the EU 28. The economic crisis from 2008 onwards led to a drop in both general employment and self-employment, whereas the number of people on part-time and relatively low level fixed-term contracts has been stable. Although there are no statistics on bogus self-employment, trade unions fear that some of the 4,109 firms in the Register for Foreign Service Providers are so-called own account workers, dumping wages and working conditions.

The flexicurity model helps explain the structure and development of the labour market. Because employers can easily dismiss workers they do not need to employ them on fixed term contracts, even in times of crisis. Because social protection is accessible and adequate, workers accept the insecurity of lax employment protection legislation. However, this report shows that the flexicurity model does not provide self-employed and persons in non-standard jobs the same extent of social protection as those in standard jobs.

That said, social protection for the self-employed and persons in non-standard jobs is relatively good, especially for the self-employed. Generally, both groups have the same access as workers in standard jobs to social protection, which takes the form of *benefits in kind*. They have the same access to healthcare, social services, family services, childcare, long-term care and various schemes in education and active labour market policies.

However, social protection that takes the form of cash benefits is more of a mixed bag. The self-employed and persons in non-standard jobs enjoy the same social protection as other citizens when it comes to schemes that are *non-contributory*. This is the case of family benefits like child family allowances and child allowances, the disability pension, the national old age pension, and the social assistance scheme.

When it comes to *contributory schemes*, the self-employed and especially persons in non-standard jobs do not have the same social protection as salaried workers. These schemes include unemployment insurance, sickness benefits (for the optional part) and work accident insurance. However, the schemes for workers in standard jobs have *special opt-in possibilities for the self-employed*. Self-employed persons can voluntarily get insured against unemployment although the current system is cumbersome. The self-employed are covered by sickness benefits and can take out a relatively cheap state insurance if they want to dispose of the two-week waiting period. The self-employed can also obtain maternity, paternity and parental leave schemes. The self-employed are not covered by occupational supplementary benefits that provide top-ups to public benefits. These benefits became prominent starting with pensions in the early 1990's, but lately also in healthcare, where work-place-based extra insurances are proliferating among better-off wage-earners in the private sector. The main social protection problems for the self-employed concern their insufficient savings for old age and the cumbersomeness of the unemployment insurance system.

The main problem for persons in non-standard jobs is that they risk becoming marginalised in the labour market with secondary social protection coverage, especially if they stay in non-standard jobs for longer periods of time. The main effort to help persons in this group is to ensure that non-standard jobs are a stepping stone into the labour market and not a final destination.

The report ends with four recommendations. The first recommendation is to work towards a *common definition of self-employment* to create better transparency, less complexity and more effective administration.

The second recommendation is to *allow the companies of the self-employed to become dormant* when the self-employed person becomes unemployed instead of the current practice of total foreclosure, which is both cumbersome and often not desirable.

The third recommendation is to improve social protection in old age for the self-employed and persons in non-standard jobs.

The final recommendation is to secure regularly updated statistics about the situation of the self-employed and persons in non-standard jobs, making these available to decision makers, researchers and interest organisations – i.e. open data and open science to help improve the conditions for the self-employed and non-standard workers.

1 Context: self-employment and non-standard work relationships in the national economy and labour market

The scope of self-employment and non-standard work relationships is smaller in Denmark than in the majority of EU countries. The crisis from 2008 onwards reduced the number of employed, and the share of self-employed in total employment went down by 5-7%, whereas the share of persons in non-standard jobs was relatively stable.

This section sets out this development and examines the extent to which self-employment is bogus, leads to greater social risks and what has been done to foster and control self-employment and extend social protection to the self-employed and persons in non-standard jobs.

According to the new labour market account developed by Statistics Denmark (*Arbejdsmarkedsregnskabet, AMR*) there were 2,462,000 employees in 2015 (Statistics Denmark 2016a).

Self-employed. The number of self-employed fell from 225,500 in 2008 to 209,400 in 2015 according to Eurostat data, which equals a drop of 16,100 or 7.1% (Eurostat 2016a). In 2008 74.8% of the self-employed were men, falling to 70.7% in 2015. The number of self-employed with no employees (own account) was 120,000 in 2008 and 119,300 in 2015. The number of self-employed with employees dropped from 105,500 in 2008 to 90,100 in 2015 or by 14.6%. Register data from Statistics Denmark deviate from the Eurostat figures based on surveys. The register-based statistics show a decline in the number of self-employed from 202,675 in 2008 to 191,284 in 2014, equal to a drop of 11,391 or 5.6% (Statistics Denmark 2016a).

Part-time jobs. The share of employees in part-time jobs was 23.8% in 2008 and 24.7% in 2015 compared to 17.5% and 19.6% for the EU28 (Eurostat 2016b). The Eurostat data for Denmark corresponds with national data. For comparative purposes, it may be worth noting that the threshold for working part-time is high in Denmark, including anyone working less than 37 hours per week. Thus, the scope of part-time may be less significant than the comparison to the EU average indicates at first sight.

Fixed-term workers. The share of total employment made up by employees aged 20-64 years with a contract of a limited duration increased from 6.6% in 2008 to 7.0% in 2015 compared to 10.9% and 11.1% for the EU 28 (Eurostat 2016c). For youth aged 15-24 the share was 22.3% compared to the EU 28 of 40.3% in 2015. Using national data on the share of employed persons with temporary jobs gives a slightly different picture. In 2008 8.6% of employed had a temporary job compared to 8.7% in 2015 (Statistics

Denmark 2016b). In the third quarter of 2016, 52% of these temporary employees indicated they were in temporary employment because they could not get permanent employment and 30% said they wanted temporary employment (Statistics Denmark 2016c). It is particularly young persons who say they want temporary employment. The length of temporary employment differs between socio-economic groups, where persons with longer education have shorter periods in temporary employment than persons with shorter education.

The number of temporary agency workers increased from 35,165 in 2008 to 39,799 in 2014 (Statistics Denmark 2016a).

To what extent has self-employment taken the form of “bogus” and “dependent” self-employment? This question is of interest to both the formal authorities and to the social partners. There are no official definitions or statistics on bogus self-employment. It is up to the tax authorities to distinguish between genuine self-employment and bogus self-employment. The genuine self-employed can deduct all costs of their business, whereas the bogus self-employed who resemble wage earners have more limited possibilities for deducting costs.

The social partners, especially the Danish Confederation of Trade Unions (LO), fear that the group of self-employed without employees in particular, the so-called own account workers, contain some bogus self-employed, i.e. primarily migrant workers dumping wages and working conditions. If we look at the number of firms in the Register for Foreign Service Providers (RUT), there has been a marked increase from 2,836 companies in 2011 to 4,109 companies in 2015, with on average 5.2 persons per company (Styrelsen for Arbejdsmarked og Rekruttering 2016).

Are the self-employed in general or within particular sectors at a greater or lesser risk of poverty or social exclusion or other social risks such as poor health, housing exclusion and homelessness and indebtedness than other workers? Some groups of self-employed face greater risks of relative poverty and poor health than the general population and other groups of self-employed. Where self-employment is concentrated in branches like hotels and restaurants, construction and transport for men and cleaning and fishing for women, the self-employed are at a greater risk of relative poverty and poor health (Statistics Denmark 2016d). In contrast, other groups of self-employed professionals like architects, dentists, lawyers and consultants in various branches are at a lower risk of relative poverty and poor health. These inequalities in income and health reflect the level of education and type of work of the self-employed. Unfortunately, there is no regular monitoring of, say, health outcomes; the self-employed have not since 2009 been a socioeconomic category in the national health surveys. The two most recent health surveys do not contain information on the self-employed (Ministeriet for Sundhed og Forebyggelse 2014, Christensen et al 2014). Earlier health studies operating with the self-employed as a category found considerable differences between the self-employed and other socioeconomic groups as well differences between the self-employed with and without employees (Ekholm et al 2006).

What are the social policy measures aimed at fostering or controlling self-employment? The Danish debates on self-employment commonly concern the low level of self-employment and focus on the need to encourage more people to become entrepreneurs and to start businesses. Hence, the drop in self-employment from 2008 to 2015 with a downward trend worries different actors in Denmark even as general employment improved in the last two years. For example, the Confederation of Danish Enterprise (Dansk Erhverv) characterises this development as a hollowing out of self-employment but also points to divergent trends across sectors. In an analysis, the Confederation finds that the 5% general decline on the one hand covers a 30% increase in “Information and communication” and a 17% increase in “Culture, leisure and other services” and on the other hand covers a decrease of 22% in “Trade and transport” and of 17% in “Agriculture, forestry and fishing” (Dansk Erhverv 2015). There is no official distinction between entrepreneurs and the self-employed. Policies that aim to promote entrepreneurship and self-employment are not centred on social protection.

What measures, if any, have been taken to extend social protection to the self-employed and non-standard workers? There are special provisions in certain social protection schemes such as the unemployment insurance scheme and the sickness benefit scheme that allow the self-employed to be voluntarily insured.

The administration of unemployment insurance for the self-employed is burdened by complexity, red tape and discretionary decisions. The general system of unemployment insurance is undergoing a major reform in 2017 largely following the proposals of a special commission, the Unemployment Insurance Commission (Dagpengekommisionen) of 2015 (see www.bm.dk or for a short English summary Kvist 2015, OECD 2016). Analysis by the Unemployment Insurance Commission has identified a number of potentially problematic issues for the self-employed, atypical workers and entrepreneurs (iværksættere). The Commission saw a need to simplify and reduce the amount of documentation required by the self-employed, to establish a better, more transparent and less discretionary system for atypical workers and better income insurance for entrepreneurs (Dagpengekommisionen 2015). One proposal considered by the Unemployment Insurance Commission was to allow a company to close down temporarily for economic reasons or because of seasonal changes to then re-open when things have improved (this possibility was recommended by a Committee on the improvement of conditions for the self-employed in 2011) (Dagpengekommisionen 2015, p. 13-14). In the end, however, proposals to address the situation of the self-employed, persons working as freelancers and fee salaried workers were not included in the reform (but for analysis see Dagpengekommisionen 2015). Instead, a special task force was set up in March 2016 to come forward with recommendations about how to simplify and bring the scheme in line with the general unemployment insurance scheme by 2017.

Old age pension is an area of social protection for which a significant share of the self-employed do not save sufficiently. In September 2016, the Liberal government proposed to introduce mandatory pension saving for persons without sufficient savings, though not with any particular focus on the self-employed. The proposal was to introduce compulsory saving for those groups with insufficient savings (defined as less than six% of gross income), starting with 0.25% of income in 2018, increasing to 2.0% of income in 2025 (the "income" referred to here is solely the income from work for the employees, the earned income for the self-employed and the income from social security for the social security claimants). Mandatory minimum pension savings for everybody would be innovative and resembles compulsory fire insurance for home owners/ occupiers and third party insurance for car drivers (for details see Kvist 2016). The Ministry of Finance estimates that this measure would reduce the number of individuals with insufficient savings from (around) 750,000 to 707,000 by 2025. However, this was opposed by representatives of the self-employed who prefer to decide themselves when and how much to save. Due to a lack of general political support for the reform-package of which it was part the proposal was not adopted and is not part of the programme for the new coalition government between the Liberals, Conservatives and the Liberal Alliance announced on 27 November 2016.

2 Description and assessment of social protection provision for self-employed and people employed on non-standard contracts

2.1 Description of social protection provisions for self-employed and people employed on non-standard contracts

There is no universal definition of self-employment or non-standard jobs. There are no special social protection schemes for the self-employed or persons in non-standard jobs. Instead, the self-employed and persons in non-standard jobs can access the same benefits as others, though they may be subject to special rules. Only rarely would they not be covered or be able to join on a voluntary basis.

As a rule of thumb, access to *benefits in kind* like healthcare, long-term care, social services, childcare, education and employment services are not linked to labour market

status. Thus, these benefits are available to everybody, including the self-employed and persons in non-standard jobs, on the same terms, see Tables 1 and 2 in Annex 1.

However, with regards to *benefits in cash* such as sickness benefits, maternity/paternity benefits, old age and survivors' pensions, unemployment insurance benefits, accidents at work and occupational injuries benefits, there are special rules for the self-employed and, sometimes, also for persons employed in non-standard contracts.

As a general rule, the self-employed can voluntarily decide to join schemes that in their material scope cover the same benefits as the schemes for salaried workers.

Most social protection schemes are financed by general taxation. This goes for all *benefits in kind*. For childcare and certain health care services there are user charges which often do not apply to or are reduced for low income groups, regardless of whether these are employees, self-employed or persons in non-standard jobs.

The first pillar universal old age pension is financed from general taxation. Contributions by the insured help finance part of the voluntary unemployment insurance scheme. The self-employed can decide themselves if they want to join the scheme and, if they do, their contribution does not differ from the contributions paid by insured salaried workers.

Social protection does not seem to hamper transition from contractual employment to self-employment. Indeed, the opposite could be argued as the relatively good social protection may help risk-adverse persons to take on the risks which starting a new firm may involve. Still, the share of self-employed in Denmark is very low.

The following sections describe the social protection for different social risks for the self-employed and non-standard workers (2.1.1-2.1.7) compared to workers in standard employment.

2.1.1 Healthcare and sickness: cash benefits and benefits in kind

Healthcare is largely financed from general taxation and access does not depend on labour market status. The self-employed and workers in non-standard jobs thus have the same access to health care benefits as everybody else.

The main eligibility condition for sickness benefits, which is financed from general taxation, is that one resides in Denmark and pays income tax. The self-employed and their collaborating family can therefore claim sickness benefits from the municipality if unable to work because of illness or an injury. Yet, special rules do apply. Qualification requirements are somewhat stricter than for workers and unless the self-employed person has taken out supplementary insurance there is a two week waiting period. Like workers, the self-employed can also access partial sickness benefit and rehabilitation services.

There are certain exemptions to this rule, in particular for persons residing in another EU country or in a country that Denmark has a bilateral agreement with.

To be eligible for sickness benefit the person must have been self-employed with a minimum of 18.5 weekly working hours for at least 6 months within the last 12 months, including the month just prior to sickness. If the person has worked for less than 6 months other periods of work as an employee may be included. The self-employed are entitled to sickness benefits after a waiting period of two weeks of illness, which is equivalent to the duration of the period with sick pay for workers, before sickness benefits take over. The self-employed can take out insurance with the state (*Statens Administration*) that pays out sickness benefits earlier than the waiting period of two weeks. To be accepted into this insurance scheme the company needs a certain amount of income. The self-employed can choose between schemes paying out sickness benefits after one day or three days of sickness absenteeism and between a scheme that pays out a minimum or maximum benefit. The minimum benefit is equal to 2/3 of the maximum benefit amount regardless of the income. The maximum benefit can be chosen if the income from self-employment exceeds EUR 19,500 yearly. The maximum benefit is

calculated based on the income from self-employment and results in a benefit that is between the lowest and the highest benefit level.

The benefit period stops when the person can work again. As a main rule sickness benefits to the self-employed can be paid for 22 weeks within a nine-month period. Before these 22 weeks have passed, the municipality must reassess the situation to see if the benefit period should be prolonged. This will be the case in a number of situations: if it is likely that rehabilitation can lead to a return to the labour market; if it is necessary to undertake company traineeship to assess remaining work capacity; if the person is waiting for medical treatment and a medical assessment expects them to return to ordinary employment within 134 weeks; if the case needs to be assessed by a rehabilitation team; if the person has a life-threatening serious illness and if the person is awaiting judgement in a case on either work accident or disability pension. If the benefit period cannot be prolonged based on any of these prolongation rules, the person will enter a programme preparing him/her for a return to the labour market. All of these rules are similar to the ones for employees (except, for example, the possibility of making an agreement with employers about a gradual return to work).

The sickness benefit is financed by general taxation. Thus, there are no contribution requirements for anyone.

To become insured the self-employed must pay an annual insurance fee between EUR 238 and EUR 551 depending on the number of waiting days and benefit size chosen. The self-employed can also take out health insurance with a private insurance company, for example Topdanmark and Ase, see section 2.1.4, that subsidises expenses in connection with treatment in case of critical diseases.

2.1.2 Maternity/paternity cash benefits and benefits in kind

Cash benefits for maternity, paternity and parental leaves are also financed from general taxation so the self-employed have the right to claim. But again eligibility criteria are somewhat stricter than for workers.

Whereas workers are eligible after having worked continuously during the last 13 weeks for at least 120 working hours, the requirements for the self-employed are at least six months of work with 18.5 weekly hours within the previous 12 months, including the month just prior to the sickness. If the person has worked for less than six months other periods of work as an employee may be included. Finally, the self-employed must be in contact with the child on a daily basis. The duration of leaves is the same for all groups of employed. Benefits are income-related up to a ceiling.

As with sickness benefits, it is possible for the self-employed to take out a supplementary insurance with the state (*Statens Administration*). This insurance must be taken out at least six months prior to claiming benefits and will amount to at least 2/3 of the maximum benefit independent of income. The fee is collected once annually and also covers the sickness benefit.

2.1.3 Old-age and survivors' pensions

Denmark has a three pillar pension system. First pillar pensions are made up of the universal old age pension (*folkepension*) and the supplementary labour market pension (*Arbejdsmarkedets Tillægspension, ATP*).

The size of the universal, flat-rate, partly income-tested national old age pension depends on the number of years of residence in Denmark (and family situation). The pension consists of a basic amount and supplement that is tested against other pension income. The self-employed and workers in non-standard jobs receive the pension on the same conditions as everybody else. The pension is financed by general taxation and there are no contribution requirements for anyone.

The size of the ATP supplementary labour market pension payment depends on the contributions paid. The ATP supplementary labour market pension is financed from

contributions paid by employers (2/3) and employees (1/3). The scheme is mandatory for employees above 16 years of age working more than nine hours a week. Self-employed persons can make voluntary contributions into the scheme.

The size of contributions varies according to the number of hours worked. The full contribution is EUR 38 per month for workers with more than 117 hours of work per month. The contribution is EUR 20 per month for employees with 78-117 hours of work per month and EUR 12.75 per month for employees with 39-78 hours of work. For persons with short jobs or who have one or more employers within a week there is a contribution of EUR 0.27 per hour. Persons in non-standard jobs will thus make the same contributions as persons in standard jobs depending mainly on the number of working hours on a monthly, weekly or hourly basis.

The second pillar pension consists of occupational pensions that are organised according to collective agreements. There is no scheme that covers the self-employed. The coverage of persons in non-standard jobs mainly depends on whether their job is covered by collective agreements or not.

Third pillar, personal pensions are individual savings schemes that enjoy a favourable tax treatment. The self-employed and persons in non-mandatory jobs can, acting as private individuals, opt to make the same contributions as other persons.

There are survivors' pensions in the first pillar. Most second pillar occupational pension schemes provide three types of benefits, i.e. old age, disability and survivors'. The quality of benefits may differ between schemes. The survivors' pension is paid to children and spouses if the insured person dies before reaching retirement age. The self-employed are not covered but can take out insurance like anybody else in the third pillar. For the survivors pension it is, for example, possible to take out a group life insurance (*gruppelivsforsikring*) that pays out a tax-free lump sum to survivors if the insured person dies before a given age. Such insurance schemes are offered by many insurance companies. One of the insurance fund managers for the self-employed, Ase, also works with insurance companies to provide health insurance, old age and survivors pension coverage.

Finally, compensation for survivors is also available through voluntary work accident insurance, see section 2.1.6.

2.1.4 Unemployment benefits and social assistance benefits

The Danish unemployment insurance system follows the Ghent system with voluntary membership and the state financing the marginal risk of unemployment.

Both employees and the self-employed can opt to join. However, there is a special set of rules for the self-employed

To determine whether a person can be seen as self-employed, it is first necessary to examine the definition of self-employed in the context of unemployment insurance. As mentioned earlier, there is no universal definition of self-employment. The definition in the unemployment insurance legislation varies from the tax legislation definitions of different types of self-employment. The definition impacts on unemployment insurance with regards to both to the requirement for being unemployed, i.e. the self-employed person must have ended his/her company for good, and the earning and calculation of entitlements to unemployment insurance, i.e. the work requirement and the benefit calculation.

Because it is difficult to assess how many weekly hours the self-employed have worked, the administration of the work requirement is difficult. In the end it tends to rest on a discretionary decision based on various factors such as the extent of work (which must exceed 30 hours per week), the character and branch of the company, the insured person's personal tasks and working hours, the turnover of the company, and the company's location, opening hours, number of employees as well as their tasks and

working hours. These rules are often perceived as complex and unfair by the self-employed (Dagpengekommisionen 2015, p. 22).

In addition, the calculation of the unemployment insurance benefit is based on income in the prior 12 months, which by some is seen as unfair, because the income of self-employed obviously tends to decline in the period up to the foreclosure of their company (Dagpengekommisionen 2015, p. 3).

If a member fulfils the criteria for being self-employed, the next question is whether self-employment is the main occupation. As a starting point, the main occupation will be the employment relation that the member spends most time on and which is or is expected to be the main source of income. The discretionary assessment takes into account whether the member has been exclusively self-employed, the company has provided the sole or main source of income from work, and whether the person has worked in the company for more than 30 hours per week.

To become eligible, the member must document the end of self-employment and hence the end of the company. This is because if the self-employed person has not completely ended work in the company, paying unemployment benefits would distort competition, and also would violate EU rules. Yet documenting this is often an extensive and difficult task as reported by both the self-employed and the unemployment insurance funds (Dagpengekommisionen 2015, op. cit., p. 11).

Although Denmark and Sweden share a Ghent system that allows the self-employed to be insured, the possibility in Sweden of allowing a company to become dormant for a period does not exist in Denmark.

The self-employed must pay a contribution, a membership fee, to their unemployment insurance fund. The fee differs between unemployment insurance funds. The Ase unemployment insurance scheme for the self-employed had a contribution of EUR 65 monthly in 2017.

Since the marginal risk of financing unemployment funds generally lies with the state the contribution does not go up automatically when unemployment increases.

Entrepreneurs can get various types of help in Denmark, but not unemployment benefits. The main reason is that it is necessary for an entrepreneur to be engaged in setting up a new company and only lack of work can form the basis for being entitled to unemployment benefits. In Norway, for example, it is possible to receive partial unemployment insurance for a limited period whilst starting a company. This possibility was discussed and discarded by the Unemployment Insurance Commission. Instead, entrepreneurs may apply for support in the form of grants from public and private bodies or in the form of active labour market policy services and benefits.

When the self-employed join an unemployment insurance fund most choose those that specialise in services for the self-employed, i.e. Ase (*Arbejdsløshedskassen for selvstændige, Ase*) or DANA (Ase 2016, DANA 2016)

The self-employed can, like salaried workers, take out private income insurance to supplement unemployment insurance. These are offered by private insurance companies.

Unemployed persons who do not fulfil the eligibility criteria for unemployment insurance may be eligible for social assistance. Social assistance is a universal safety net. The self-employed and persons in non-standard jobs are subject to the same rules and rights as everybody else.

2.1.5 Long-term care benefits

Access to long-term care services and benefits is universal for the resident population and not dependent on labour market status. The self-employed and persons in non-standard jobs thus have the same access to these benefits as everybody else.

2.1.6 Invalidity, accidents at work and occupational injuries benefits

There are three types of benefits in case of invalidity, accident and occupational injuries, namely a public disability pension, work accident insurance and individual insurance schemes.

The public disability pension (*førtidspension*) is available to all that fulfil the eligibility criteria, including the self-employed and persons in non-standard jobs.

In case of accidents at work and occupational illnesses, the self-employed are not covered by same legislation as employees. These schemes are provided by private insurance companies and follow the law on work accidents (*Arbejdsskadesikring*). It is compulsory for an employer to insure his/her employees.

The self-employed and family workers are not covered, but they can voluntarily take up an insurance referred to as 'Owner Insurance' (*Indehaverforsikring*). If the self-employed decide to do so the same rules apply with regards to the definition of a work accident, calculation of work capacity etc. as for employees. Hence, the damage must be recognised as a work accident or occupational illness following the law on work accidents, the situation must be permanent, the injured must have problems and pain caused by the accident and the amount of injuries must exceed 5%.

The difference between self-employed and salaried workers concerns the benefit formula, i.e. how to assess the income basis for claims. Whereas the benefit calculation for employees depends on an easily documented wage, it is often not possible for the self-employed to document the relevant income base. To determine the yearly wages of the self-employed (or collaborating spouses) the main principle is to use the total income in a year (Lovbekendtgørelse LBK nr. 812 Vejledning om fastsættelse af årsløn for selvstændige og medarbejdende ægtefælle). If this is not possible the yearly wage will be calculated on the basis of the tax deducted from the wage paid to family workers.

The compulsory work accident insurance comprises six types of benefits:

- Compensation due to loss of work capacity with more than 15%
- Compensation due to injuries of at least 5%
- A temporary allowance for survivors in case of death
- Reimbursement of expenses related to consequences of the work accident
- Reimbursement of glasses and contact lenses
- Acute crisis therapy in case of accident, robbery, burglary and threats

Persons in non-standard jobs are covered as salaried workers. For example, part-time employed will have the same coverage as full-time employed. The obligation of employers to take out work accident insurance is for all employed persons regardless of whether they get a wage, only work for a few hours a week or are in a temporary or permanent position. The coverage also includes the CEO and the members of the owner's family, if their work is equal to that of other employees.

Like anyone else, the self-employed can also buy additional third pillar insurance on the market.

Finally, the self-employed have the same access as other citizens to healthcare and rehabilitation services.

2.1.7 Family benefits

Access to family benefits is categorical and not dependent on labour market status. Self-employed and workers in non-standard jobs thus have the same access to these benefits as everybody else.

Cash benefits include the universal child and youth allowance and the categorical child allowance for single providers, twins and artificial insemination. The self-employed qualify on the same basis as anyone else.

In-kind benefits include the extensive system of childcare that is subsidised to a minimum of 75% of gross running costs. Children of the self-employed and persons in non-standard work may access childcare on the same basis as any other children.

2.2 Assessment of the existing social provisions and of the impact of possible extension of their coverage

The self-employed and persons in non-standard jobs are to a large extent covered by the same social protection as others. In particular, this is the case with regards to benefits in kind where there are no differences in coverage, adequacy or quality between the two groups. The self-employed and persons in non-standard jobs are thus enjoying the same social protection coverage as other groups when it comes to healthcare, social services, family services, childcare, long-term care and various types of education and active labour market policy schemes.

When it comes to benefits in cash the picture is more mixed. In some schemes the self-employed are covered in the same way as other population groups. This is particularly so for social protection benefits where there are no contribution requirements. In such schemes the self-employed and persons in non-standard jobs have the same coverage as salaried workers and citizens in general. This is the case of family benefits like child family allowances and child allowance, the disability pension, the national old age pension and the social assistance scheme.

In other words, the self-employed and persons in non-standard jobs enjoy the same social protection coverage as other citizens in both categorical schemes like family benefits, universal schemes like the national old age pension and the disability pension and in the minimum income scheme of social assistance.

The type of benefit, where the self-employed and persons in non-standard jobs do not enjoy the same treatment as salaried workers and other population groups, is social insurance. Hence, the examination above showed a differentiated treatment between the self-employed and salaried workers when it comes to the ATP supplementary labour market pension, occupational pensions, unemployment insurance, sickness benefits and work accident insurance.

In these schemes the system has responded in different ways to extend social protection to the self-employed and persons in non-standard jobs. For the latter the ATP supplementary labour market pension scheme has contributions based on the hours to eliminate lack of coverage of people who work short shifts, have many employers etc.

The problem for persons in non-standard jobs is achieving the contribution record needed to qualify or re-qualify for unemployment benefits. The 2017 reform of unemployment insurance addresses some of the problems (see Kvist 2015 and the OECD 2016).

Whereas the size of contributions to occupational pensions has expanded due to collective agreements, their coverage has not. Combined with the interaction with the supplement of the national old age pension described above, this results in three groups with insufficient savings (i.e. who save less than 6 percentage points of their income): low-income employees (often in non-standard jobs), low-income self-employed and claimants of social security.

Unfortunately, there is no easy, quick and cheap fix for people that remain in low-income self-employment or in non-standard jobs for a longer part of their working career. Such people are bound to have significant coverage problems with occupational pensions. Social protection in old age has been extended to claimants of social security in the form of extra high contributions to the ATP supplementary labour market pension and to a supplementary pension scheme for people on disability pension. However, the ATP

supplementary labour market pension scheme is relatively small and not equivalent to benefits from occupational pension schemes. Persons in non-standard jobs are likely not to be covered by occupational pensions or to have problems with portability of pension rights. A lot has been done to achieve better portability and higher transparency, for example the online www.pensioninfo.dk where individuals can go and see all the pension entitlements they have and what the consequence will be of retiring at different points in time. However, the problem remains that people in non-standard jobs risk ending up with insufficient supplementary savings for old age.

To the extent that these persons do not take out additional coverage there will be a polarisation. This polarisation will be between those in standard jobs with good occupational schemes and those in non-standard jobs without. It will also happen within the group of persons in non-standard jobs where some are well-paid and can afford taking out insurance and others are less well-paid and cannot afford taking up additional insurance coverage.

Additionally, the self-employed risk saving too little for old age. However, when the previous liberal government suggested introducing mandatory old age savings this was opposed by organisations of the self-employed, who posited that their members wanted to be able to decide how much to save and when, see section 1. Unfortunately, there is no analysis of the financial implication of the extension of coverage through a mandatory scheme.

Analysis by the Unemployment Insurance Commission found that the use of unemployment insurance by the self-employed differs from that of employees:

- the self-employed are on average on benefits 31 weeks compared to 22 weeks for employees
- the exit rate from unemployment is lower for the self-employed than for employees
- more self-employed than employees exit to become self-providing
- benefits are typically lower than for other benefit claimants
- the average age is 45 years at the onset of unemployment for the self-employed compared to 38 years for other claimants
- immigrants with a non-western background are overrepresented among the self-employed on unemployment insurance

Unfortunately, it is not possible to break down the number of accidents according to employment status. However, we may expect more work accidents and occupational injuries in branches like the primary sector and construction and less for doctors, dentists and so forth that in part reflects different levels of education and types of work.

For unemployment insurance, sickness benefit and work accident insurance the self-employed have an opportunity to opt-in to established schemes at a very low cost. To some extent the social protection of the self-employed follows the same main principles as for salaried workers. The main differences are when it comes to establishing the occurrence of an event like unemployment in the unemployment insurance scheme or to establish the wage that should be used as a reference point for calculating benefits. Indeed, the description above of unemployment insurance highlighted how red tape, non-transparent and discretionary treatment in determining benefit levels often occurred. This is probably one of the major problems of social protection coverage for the self-employed in Denmark.

The scope for developing individual social security accounts to extend social protection to the self-employed and persons in non-standard jobs is limited by the existing possibilities of becoming covered through the established schemes for unemployment, sickness and work accidents.

3 Conclusions and recommendations

In Denmark, there is no universal definition of self-employment. Instead there are different definitions in, for example, tax legislation and the unemployment insurance legislation. It is recommended to work toward using the same definition of self-employment in different pieces of legislation. The most feasible reform path would probably be to use the tax definitions as the starting point. Adopting the same definitions would provide better, more transparent, less discretionary treatment, and easier administration of the social protection of the self-employed, especially with regards to unemployment insurance, but also sickness benefits and work accident insurance.

The self-employed are to a large extent covered by social protection. This is the case for benefits in kind and for those benefits in cash that are universal or non-contributory. In addition, the self-employed can opt-in to the existing scheme for unemployment insurance and pay a symbolic fee to improve their coverage by sickness and maternity benefits and work accident insurance. However, there are no assessments on the financial implications or labour market implications of extending the social protection coverage of the self-employed further.

Transitions between employment and self-employment are relatively easy because many social protection benefits cover the self-employed in the same way as other groups and other social protection schemes offer the self-employed opt-in possibilities.

With this background the potential for developing individual social security accounts to improve social protection coverage of the self-employed is limited. Indeed, individual social security accounts would constitute a fundamental change of the Danish social protection system, which seems unwarranted.

As can be seen from the analysis above, the biggest problems for the self-employed are probably the insufficient savings for old age and the red tape in the unemployment insurance scheme that may cause problems in the transitions between unemployment and self-employment. A special task force is currently working on proposing a much needed reform of the unemployment insurance scheme for the self-employed and it would thus be premature to make a lot of proposals on this matter. However, some aspects of unemployment insurance may be changed to foster better transitions in and out of work. Although Denmark and Sweden share a Ghent system that allows the self-employed to be insured, the possibility in Sweden of allowing a company to become dormant for a period does not exist in Denmark. This possibility was recommended by a Committee on the improvement of conditions for the self-employed in 2011 and was also considered by the Unemployment Insurance Commission (Dagpengekommisionen 2015, p. 13-14).

With regards to supplementary pensions, the self-employed do not save sufficiently as defined as savings of more than 6% of gross income. The latest proposal for introducing mandatory savings seems to be dead, politically. Perhaps the best recommendation is to reinstate the Pension Commission, which was stopped prematurely by the previous government despite an obvious need to better understand the interactions between the elements of the multi-pillar system that has emerged over 25 years with incremental change in pension schemes in all three pillars and no less than seven tax reforms.

Finally, the report noted that there is not much recent research or regular monitoring of the consequences of being self-employed or in non-standard jobs on health, housing, indebtedness, relative poverty and other wellbeing aspects. To inform policy-making it can be recommended to establish such data and provide researchers and interest organisations with better access to the statistics and the economic models

Annex 1

Table 1. Social protection for self-employed

	On her/his own account	With employees (self-employed employer)	Dependent on single client	Dependent on contractual relationship with client	Liberal professions (e.g. doctor, notary, lawyer)
Healthcare - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Sickness - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Maternity/paternity - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Old age pensions (preretirement benefits and pensions)	Partial	Partial	Partial	Partial	Partial
Survivors pensions and death grants	Full	Full	Full	Full	Full
Unemployment benefits	Partial	Partial	Partial	Partial	Partial
Social assistance benefits	Full	Full	Full	Full	Full
Long-term care benefits	Full	Full	Full	Full	Full
Invalidity benefits	Full	Full	Full	Full	Full
Accidents at work and occupational injuries benefits	Partial	Partial	Partial	Partial	Partial
Family benefits	Full	Full	Full	Full	Full

Table 2. Social protection for persons in contractual employment

	Full-time employee	Part-time employee	Fixed-term employee	Temporary agency worker	Casual and seasonal workers	On-call workers	Zero-hour workers	Apprentices	Paid trainees	(Other) persons in vocational/professional training
Healthcare - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Sickness - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full	Full	Full	None	None
Maternity/paternity - cash benefits and benefits in kind	Full	Full	Full	Full	Full	Full	Full	Full	None	None
Old age pensions (preretirement benefits and pensions)	Full	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial
Survivors pensions and death grants	Full	Full	Full	Full	Full	Full	Partial	Partial	Partial	Partial
Unemployment benefits	Full	Full	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial
Social assistance benefits	Full	Full	Full	Full	Full	Full	Full	Full	None	None
Long-term care benefits	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Invalidity benefits	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full
Accidents at work and occupational injuries benefits	Full	Full	Partial	Partial	Partial	Partial	Partial	Partial	Partial	Partial
Family benefits	Full	Full	Full	Full	Full	Full	Full	Full	Full	Full

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