



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

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European Social Policy Network (ESPN)

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Contents

SUMMARY.....	4
1 CONTEXT: SELF-EMPLOYMENT AND NON-STANDARD WORK RELATIONSHIPS IN THE NATIONAL ECONOMY AND LABOUR MARKET	5
2 DESCRIPTION AND ASSESSMENT OF SOCIAL PROTECTION PROVISIONS FOR THE SELF-EMPLOYED AND PEOPLE EMPLOYED ON NON-STANDARD CONTRACTS.....	6
2.1 Description of social protection provisions for the self-employed and people employed on non-standard contracts	6
2.1.1 Healthcare and sickness: cash benefits and benefits in kind	7
2.1.2 Maternity/paternity cash benefits and benefits in kind	8
2.1.3 Old-age and survivors' pensions	8
2.1.4 Unemployment benefits and social assistance benefits	12
2.1.5 Long-term care benefits	13
2.1.6 Invalidity, accidents at work and occupational injuries benefits.....	13
2.1.7 Family benefits.....	13
2.2 Assessment of the existing social provisions and of the impact of possible extension of their coverage.....	14
2.2.1 Self-employed.....	14
2.2.2 Workers on non-standard contracts	15
2.2.3 Debate on new forms of work.....	15
3 CONCLUSIONS AND RECOMMENDATIONS.....	16
3.1 Social assistance	16
3.2 Second pillar pensions for the self-employed.....	16
3.3 Part-time workers.....	17
ANNEX 1	18
REFERENCES	20

Summary

The self-employed and workers on non-standard contracts constitute small minorities in the Swiss working-age population. Most workers are covered by a standard open-ended contract (which is rather flexible anyway). These two minority groups are treated differently in the social protection system.

The self-employed have access to basic (first-pillar) provision – in the same way as employees – in the areas of old-age pensions, invalidity, and maternity insurance. They are also entitled to family benefits in the same way as standard employees. However, the self-employed are generally not covered by second-pillar pensions, though they can take out supplementary pension insurance for themselves on a voluntary basis. The self-employed are also excluded from unemployment insurance, and, with some limited exceptions, from social assistance.

Conversely, workers on non-standard contracts, including temporary workers, are covered by exactly the same arrangements as those that are available to standard employees. However, an annual earnings threshold for access to second-pillar pensions means those with annual earnings below the threshold are at risk of exclusion. Also, in order to benefit from unemployment insurance, people must fulfil minimum contribution requirements that are more difficult to achieve for those with non-stable jobs.

The social protection system contains two types of provision that are meant to facilitate transitions from employee to self-employed status. Within the pension system, employees who wish to set up their own business can withdraw their second-pillar pension capital and invest it in their company. Under the unemployment insurance system, it is possible for unemployed people to start a business with a guarantee that, if unsuccessful, they retain their previous entitlement to unemployment benefit for a period of two years.

Finally, three areas in need of reform have been identified.

1. First, the exclusion of the self-employed from social assistance coverage seems inappropriate, as it forces low-income self-employed people to give up their own business in order to benefit from a minimum income. A better interface between low-income self-employment and social benefits should be developed.
2. Second, pension coverage for the self-employed should be improved, by facilitating access to a supplementary pension.
3. Third, part-time workers should be made aware of the consequence of working reduced hours for their pension entitlements.

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

Swiss labour law is relatively flexible in international terms. Employment protection is very limited, and as a result, in comparison with other European countries, employers have weak incentives to use atypical contracts. The standard open-ended contract is the norm. There is no official definition of non-standard work.

Self-employment constitutes a small proportion of total employment and, according to the available data, does not seem to be on the increase. On the contrary, since 2010 a slight decline has been evident (see Table 1). There are strict rules governing qualification as self-employed, which are enforced by the basic pension administration. For example, to be recognised as self-employed, a person must work for more than one client, must act in his or her name, must be free to organise their work, and must carry the financial risks associated with their activity (CIAA 2016). Bogus self-employment is not a topic currently on the political agenda.

There are nonetheless some concerns over the social situation of the self-employed. First, they are overrepresented among the working poor. In 2010 the poverty rate among the self-employed was around 8%, as against 3.5% for the general working population. For the self-employed without employees, it reached 10% (OFS 2012).

There are also concerns with regard to income protection in old age for the self-employed. This is because, unlike dependent employees, the self-employed are not covered by mandatory second-pillar pensions. Income protection in old age beyond the basic pension is entirely voluntary for this group of workers.

Temporary work is also relatively marginal (constituting less than 10% of total dependent employment), though on the increase. Temporary workers are covered by the standard social protection system, but may have difficulties accessing unemployment insurance and second-pillar pensions depending on the intensity of their employment.

By far the most widespread form of atypical work in Switzerland is part-time employment. This form of employment is used particularly by women as a tool for reconciling work and family life. In Switzerland, there is a chronic shortage of childcare spaces, and part-time employment turns out to be a convenient way to facilitate the combining of caring duties with work.

As can be seen in Table 3, part-time employment in Switzerland is highly gendered. In very recent years, one can see a slight convergence due to a modest increase in the proportion of men who work part-time. Women are more likely to work part-time at any age, including before having children (Bonoli et al. 2016).

Table 1: Incidence of self-employment. Self-employed people as a proportion of the population aged 15 and over.

2010	2011	2012	2013	2014	2015
8.7%	8.7%	8.6%	8.6%	8.6%	8.1%

Source: Swiss statistical office, Labour force survey (SAKE-ESPA)

Table 2: Incidence of temporary work. Temporary work as a proportion of total dependent employment, population aged 15 and over.

2010	2011	2012	2013	2014	2015
7.2%	7.1%	7.2%	7.3%	7.7%	8.5%

Source: Swiss statistical office, Labour force survey (SAKE-ESPA)

Table 3: Incidence of part-time employment by gender. Part-time employment as a proportion of total employment, population aged 15 and over.

2010	2011	2012	2013	2014	2015	2010
Men	12.2%	12.6%	12.9%	13.4%	15.0%	15.4%
Women	54.0%	54.6%	55.4%	56.0%	56.6%	55.8%
Total	31.2%	31.7%	32.3%	33.0%	34.3%	34.2%

Source: Swiss statistical office, Labour force survey (SAKE-ESPA)

Part-time employment is generally not considered to be a form of atypical employment in Switzerland, probably because it is so widespread, and part-time workers receive standard social protection coverage (though proportionate to hours worked). There are, however, some situations in which part-time workers can be disadvantaged, for example in terms of access to a second-pillar pension. Second-pillar pensions are compulsory for workers earning more than 21,150 CHF per annum (20,000 EUR), a threshold that is more difficult to reach with a part-time job.

A recent study pointed out, on the basis of simulations, that part-time workers, even those with a substantial attachment to employment throughout their working lives, are exposed to the risk of poverty in old age – especially in the event of divorce (Bonoli et al 2016).

In 2013 an important step was taken towards improving social protection for the self-employed, when the coverage of family benefits was extended to this group (previously they had been excluded in most cantons).

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

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

In general, the self-employed have access to minimal public provision and are expected to insure themselves privately for some risks (unemployment, sickness) or for additional cover (e.g. pensions).

Workers on non-standard contracts, in contrast, are covered by the same rules that apply to all employees. Depending on work intensity, however, individuals on non-standard contracts may be excluded from parts of the social security system.

Much of the Swiss social protection system is based on the combination of two pillars: a public universal pillar and an occupational compulsory one. This architecture applies to both old-age pensions and invalidity insurance. The first pillar consists of basic universal provision and includes everyone, regardless of employment status. It covers the risks of old age, invalidity, maternity and the loss of income due to military service.

The second pillar is employer-based and provides additional strongly earnings-related benefits. However, it covers only employees with earnings above a given threshold. Second-pillar coverage exists only for the risks of old age and invalidity.

The social protection system facilitates transitions from dependent employment to self-employment in two main ways. First, and this is arguably the most significant one, employees who wish to set up their own business are allowed to withdraw the capital they have accumulated in their second-pillar pension and to invest it in their firm. Depending on a person's age and salary, the accumulated capital can be substantial, and constitute a strong encouragement to move to self-employment. The downside, however, is that old-age protection becomes limited to the first pillar, which covers basic needs only (about 40% of the average wage at most). Since, inevitably, some of the businesses financed in this way will go bankrupt, this provision may be contributing to old-age poverty for those who have worked as self-employed in the later part of their career (Hornung and Rothlisberger 2005). The government is currently considering curbing this provision (see below, section on old-age pensions).

Second, the unemployment insurance scheme provides some support for those wishing to move from unemployment to self-employment (see below, section on unemployment insurance).

2.1.1 Healthcare and sickness: cash benefits and benefits in kind

Healthcare coverage in Switzerland is not employment-related. All residents are required to insure themselves with a private insurance company. Subsidies are available for those on a low income, regardless of employment status (Bonoli and Trein 2016).

With regard to cash benefits for sickness, there is no public insurance programme in Switzerland. Employers are obliged to pay the salary of a worker who is sick for a limited period of time, depending on the length of tenure. The exact duration is not specified in statute, but based on case law. More precisely, courts throughout Switzerland apply a rule developed in the canton of Bern known as "*échelle bernoise*" (Bernese schedule), reproduced in Table 4. It applies to all workers under a contract for a duration of at least three months. The type of contract (part-time or temporary) is not relevant. However, for temporary workers it is obviously more difficult to have tenure lengths that entitle them to long periods of coverage.

Table 4: Duration of salary payments in the case of sickness (*échelle bernoise*)

Tenure	Duration of payment
3 months to 1 year	3 weeks
During the 2 nd year	1 months
During the 3 rd and 4 th year	2 months
Between 5 and 10 years	3 months
Between 10 and 15 years	4 months
Between 15 and 20 years	5 months
Between 20 and 25	6 months
Between 25 and 30	7 months
Between 30 and 35	8 months
Between 35 and 40	9 months
More than 40	10 months

Source: Unia 2016¹

The self-employed, in contrast, have no statutory right to sickness cash benefits (insurance benefit or sick pay). They need to insure privately against this risk.

2.1.2 Maternity/paternity cash benefits and benefits in kind

Maternity insurance is part of the first pillar. As a result, it covers all employed residents. The self-employed are included (they have to pay contributions) as well as all those on non-standard contracts. To be entitled to maternity benefit, women must have paid contributions for the nine months before the birth (or for shorter periods in case of premature birth). As a result, it may be the case that individuals on non-standard contracts are more at risk of exclusion from this benefit.

2.1.3 Old-age and survivors' pensions

The distinction between the two pillars of the Swiss social protection system is particularly relevant in the field of old-age pensions. All residents are covered and have to contribute to the first pillar. However, only employees earning more than 21,150 CHF per annum (20,000 EUR) are compulsorily covered by an employer-sponsored occupational pension (second pillar).

This means that neither the self-employed (on the whole) nor workers on non-standard contracts with low annual earnings have access to a second-pillar pension. The self-employed are expected to insure themselves privately for additional old-age coverage. Such coverage is voluntary but encouraged with tax deductions.

First-pillar pension

With regard to the first pillar, the self-employed generally pay contributions at a reduced rate. The combined (employer/employee) contribution rate for dependent employees is 10.25%² of total earnings, whereas for the self-employed it ranges from 5.196% for those with earnings of 9,400 CHF per annum (8,783 EUR) up to 9.65% for those with earnings of 56,400 CHF (52,700 EUR) per annum or more.

¹ http://www.unia.ch/uploads/media/echelle_bernoise.pdf

² This figure includes contributions for old age pensions (8.4%), invalidity insurance (1.4%) and maternity/military service insurance (0.45%)

Table 5: Self-employed contribution rates to the first pillar. The rates include contributions to the basic pension and the basic invalidity insurance, as well as income-replacement benefits for maternity/military service

Earnings - Lower limit (CHF per annum)	Earnings - Upper limit (CHF per annum)	Contribution rate
9,400	17,200	5.196
17,200	21,900	5.32
21,900	24,200	5.444
24,200	26,500	5.568
26,500	28,800	5.691
28,800	31,100	5.815
31,100	33,400	6.062
33,400	35,700	6.309
35,700	38,000	6.557
38,000	40,300	6.804
40,300	42,600	7.052
42,600	44,900	7.299
44,900	47,200	7.671
47,200	49,500	8.042
49,500	51,800	8.413
51,800	54,100	8.784
54,100	56,400	9.155
56,400	And over	9.65

Source: CIAA 2016³

Even though they may pay lower contributions, the self-employed receive the same benefits (for the same insured earnings) as standard employees. As a result, contribution rates can be seen as containing a subsidy to the self-employed. In the pension reform that is currently being debated in parliament, it is planned to phase out the differential and charge the self-employed at the standard rate of 10.25% regardless of their earnings (Conseil fédéral 2014). At the time of writing (December 2016), the fate of this reform is

³ <https://www.ahv-iv.ch/p/2.02.f> (visited 05.12.2016)

highly uncertain. The change in the contribution rate of the self-employed is not, however, one of the controversial issues.

Workers on non-standard contracts are covered by the first-pillar pension on the same basis as everyone else. To be included in the scheme as a “professionally active person”, someone must pay contributions equal to at least 478 CHF per annum (447 EUR). This is a very low amount, which can be reached by most non-standard workers. If this amount is not reached, then the person is still covered by the basic pension, but as a non-active person, and would have to pay a contribution calculated on the basis of his or her assets and non-work income⁴.

Second-pillar pensions

Second-pillar pensions do not concern the self-employed directly, because they are generally available only to employees. However, as briefly mentioned above, they play an important role in the transition between employee and self-employed status. Employees who decide to set up their own business can withdraw the total amount saved in their second-pillar pension and invest it in their company.

The government is planning to curb this possibility, as it is believed that it endangers income protection in old age for the self-employed. According to a survey, in 2014 some 13% of new recipients of the means-tested pension supplement had previously withdrawn their second-pillar capital in order to set up their own business (Conseil fédéral 2016: 22). The government is planning to limit the amount that can be withdrawn by those who move from dependent employment to self-employment to the portion of pension wealth that exceeds the mandatory minimum. The mandatory minimum second-pillar pension is supposed to guarantee an income of around 60% of former earnings, taken together with the basic pension, up to a ceiling.

Things are different for workers on non-standard contracts. Second-pillar pensions are compulsory for workers earning more than 21,150 CHF per annum (20,000 EUR). This threshold corresponds to about 30 per cent of the average wage. One can safely assume that full-time workers have earnings in excess of the threshold, but of course things are different for part-time and temporary workers. While formally no distinction is made in relation to contract type, the existence of an earnings threshold that does not take account of hours worked can exclude from second-pillar coverage some part-time and temporary workers. Contracts lasting less than three months (13 weeks) are also not automatically covered by second-pillar pensions.

The whole system of second-pillar pensions in Switzerland is based on the principle that the law specifies minimum conditions that must be fulfilled. Individual employers are then free to provide conditions that are better for their workers. This happens also in relation to the coverage of non-standard workers. Better conditions are found in the public sector and with large employers. For example, one of the largest retailers in the country (Migros) insures workers with earnings exceeding the minimum threshold only, but then deducts from the insured earnings a percentage of the salary rather than a fixed amount. This solution is more favourable to part-time workers who barely exceed the access threshold⁵.

Another important deviation from the minimum legal requirements is found in the collective agreement that applies to all temporary work agencies (it has been declared binding by the government, so it is considered as equivalent to a law). It states that temporary workers must be insured after three months of work in one year, or, if they

⁴ Note that non-working individuals who are married to a professionally active person do not have to pay a contribution as long as their spouse pays at least twice the minimum contribution.

⁵ See: <https://www.mpk.ch/file/1353/prestations-minimales-lpp-prestations-cpm-comparaison.pdf> (visited 05.12.2016)

have dependent children, from the first day of employment⁶. The improvement relative to the legal minimum is certainly limited, but it is noteworthy considering the difficulty in providing adequate social protection to temporary workers.

In some cases, certain professions have pension funds which allow the (voluntary) affiliation of self-employed people (CIAA 2016). This is the case, for example, for lawyers or doctors. Basically, these pension funds provide compulsory coverage to the employees of the professionals, but allow also voluntary coverage for the professional themselves. In this case, the arrangement reflects the treatment for employees, with the self-employed doctor or lawyer having to pay 50% of the contributions on the company account and 50% from his or her personal account. This opportunity exists for well established and well organised professions only.

Third pillar

In the Swiss system, the notion of a third pillar refers to voluntary pension provision, encouraged through tax deductions. Both employees and the self-employed can contribute to a third-pillar pension, but on different conditions. Employees who are already covered by a second-pillar pension can deduct from their taxable income a set amount of 6,768 CHF (6,300 EUR) and save in a third-pillar pension. In contrast, the self-employed can deduct 20% of their taxable income, up to a ceiling (33,840 CHF or 31,600 EUR).

There is no specific provision for workers on non-standard contracts. However, to the extent that these workers tend to be on low earnings, it is unlikely that third-pillar pensions will play a substantial role in protecting their income in old age.

In comparison with second-pillar pensions, third-pillar pensions can be regarded as a less secure instrument for guaranteeing income in later life. The legal framework of the two instruments differs, in fact, in some important respects. First, assets held by second-pillar pensions must be credited with a minimum interest rate set by the government every year. This is not the case for assets in third-pillar pensions, which are typically credited with substantially lower rates.

Second, assets held by second-pillar pensions are converted into an annuity upon retirement, the rate of which is written into law – currently 6.8% for a man aged 65 or a women aged 64). This annuity rate is loosely based on actuarial considerations and, according to most actuaries, tends to be very favourable to insured people. In contrast, holders of third-pillar pensions, if they want to convert them into an annuity, must do so at market price, with more uncertainty with regard to the amount they will actually get. The fact that most of the self-employed cannot benefit from the more protective legal framework that covers second-pillar provision is an additional source of disadvantage for them.

⁶ See:

http://swissstaffing.ch/fileadmin/customer/Verband/GAV_Personalverleih_F/GAV_Vertragstext_2016_2018_f.pdf (visited 05.12.2016)

2.1.4 Unemployment benefits and social assistance benefits

Unemployment insurance

Unemployment insurance is compulsory for employees only, regardless of the type of contract⁷. In order to be entitled to the benefit, however, insured people need to have contributed for at least 12 months over a period of 24 months prior to filing a claim. The 12-month contribution period does not have to be without interruption, as long as it falls within the 24-month period before the claim. This rule excludes some temporary workers who fail to make enough contributions.

The unemployment insurance scheme provides some support to unemployed people who would like to start their own business, in the shape of:

- Courses on small business creation and management.
- A period of 90 working days during which the unemployed person is exempt from the job search requirement. The idea is that the person can use this time to develop a business plan. At the end of the 90-day period, the person is free to decide either to start an activity as a self-employed person or resume looking for a job.
- An extension of the 24-month period during which any one claim for unemployment benefit can be filed. Basically, when a claim for unemployment benefit is filed, a 24-month period starts during which no further request can be made (unless of course someone manages to fulfil the 12-month contribution requirement, in which case a new 24-month period starts). The idea is that if an unemployed person starts his or her own business, then after two years decides that it is not viable, he or she can go back to unemployment insurance with no loss of entitlements.
- Help with guarantees in order to borrow initial funds.

Social assistance

Access to social assistance is based on need, so that, in theory, employment status should be excluded from consideration. This is the case for workers on non-standard contracts, who are treated in exactly the same way as other workers (or non-workers). Things are different, however, for the self-employed, who may be excluded from social assistance.

In reality, the situation concerning social assistance is complex. First, in Switzerland social assistance is managed at the cantonal level, and so there are 26 different legislations. A non-state body (SKOS-CSIAS – *Schweizerische Konferenz für Sozialhilfe/Conférence suisse des institutions d'action sociale*) issues some recommendations, which are generally followed by the cantons but do not have the force of law.

With regard to the self-employed, the recommendations contain two provisions of relevance.

First, the self-employed can only claim temporary assistance – i.e. for a limited period of time (which is not precisely defined in the guidelines). In order to obtain such temporary assistance, they need to provide proof that their business is viable in the medium/long term. This may mean accepting an examination of the business by a professional expert.

Second, individuals who are deemed to be incapable of entering the labour market may be allowed to have their own business for the purpose of “social integration”. In this

⁷ The unemployment insurance scheme also provides a guarantee of the payment of wages in cases where an employer goes bankrupt.

case, the revenues of the business must cover at least its operating costs (CSIAS 2017: H7).

These guidelines are then translated into cantonal legislation in different ways. In the Canton of Vaud, for example, the self-employed can claim social assistance for a period of up to six months, as long as their business seems potentially viable (RASV Art 21). A business is considered as potentially viable if over the previous 24 months it has generated incomes of at least 50% of the social assistance benefit to which the claimant's household would be entitled, and if the decline in revenue seems temporary.

In Geneva, the law says that the self-employed can claim social assistance for a period limited to three months.

The exclusion of the self-employed from long-term social assistance coverage seems highly problematic. In fact, those whose earnings are regularly below the social assistance threshold are encouraged to stop their business and look for a job in the labour market. Given the emergence of new forms of self-employment, this approach is at least debatable.

2.1.5 Long-term care benefits

Long-term care benefits are provided under the health insurance scheme, which is not employment-related; or, on a means-tested basis, by the pension system. In either case, work status has no bearing on the type of coverage received.

2.1.6 Invalidity, accidents at work and occupational injuries benefits

Invalidity insurance

Invalidity insurance functions exactly like old-age pensions, i.e. on the basis of a three-pillar structure. The first pillar is universal, and thus covers every resident person including the self-employed and workers on non-standard contracts.

The second pillar covers only employees with earnings exceeding 20,150 CHF (19,190 EUR) per annum. As a result, the self-employed and some workers on non-standard contracts are excluded, in precisely the same way as for old-age pensions (see above). The only important difference concerns the minimum age at which affiliation to a second-pillar pension becomes compulsory (25 for old age and 18 for invalidity).

This means that, as in the case of old-age coverage, the self-employed who wish to have invalidity protection in excess of the minimum level provided by the first pillar need to insure themselves privately.

Accidents at work

The self-employed are not covered by the public insurance scheme against accidents at work. They need to insure themselves privately and can join, on a voluntary basis, one of the work-related accident insurance funds that provide coverage to employees. Self-employed status does not per se affect the conditions for doing so.

Non-standard workers are insured against accidents at work. In addition, those working at least eight hours per week are also insured by their employer against non work-related accidents. Those who work fewer hours need to buy accident insurance separately. Usually, accident insurance is an addition to health insurance, which in Switzerland is private, individual and compulsory (see Bonoli and Trein 2016).

2.1.7 Family benefits

The self-employed were traditionally excluded from the family benefit system, but since 2013 they have been covered. They need to pay the equivalent of an employer

contribution on earnings up to 148,200 CHF per annum (138,500 EUR). The contribution rate varies by canton, and within cantons by family benefit fund. In Geneva, for example, it is 2.45%. Self-employed people are then entitled to family benefits of the same amount as those paid to employees. These too vary across cantons, but federal law specifies a minimum level of 200 CHF per month (187 EUR) for children aged 0 to 16 and 250 CHF per month (234 EUR) for those aged between 16 and 25 who are in full-time education.

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

2.2.1 Self-employed

As already mentioned in section 2.1, the self-employed have access to a reduced level of coverage in comparison with salaried employees, and are expected to provide for themselves on a private voluntary basis.

Little is known with regard to the type of coverage this group has. Some research is available on what happens to those who use their pension fund assets to finance their own business. It has been estimated that some 10% of these will lose their pension capital before reaching the age of retirement (Hornung and Rothlisberger 2005: 62). This puts them at the risk of having to rely on a means-tested pension.

In this respect, as mentioned above, the government plans to limit the amount of pension capital that can be invested in a self-employed business. This measure will constitute an improvement in the pension protection of the self-employed, without adding any costs to public budgets. Its impact will be proportionally larger for those on low to medium earnings, who have more rarely access to provision beyond the legal minimum.

Current pension reform plans also include phasing out the more favourable contribution schedule for the self-employed. If this measure is adopted, all self-employed people will have to pay the standard contribution rate (8.4%) in the same way as employees. The government justifies this on the grounds of equity (Conseil Fédéral 2014: 15). This change will arguably make it more difficult for low-income self-employed people (who now benefit from a non-negligible cross-subsidy, see section 2.1) to obtain adequate pension coverage. While the equity argument must be taken seriously, pragmatic considerations could push in the opposite direction. New forms of work are emerging (e.g. the 'gig' economy) which could allow people on the margins of the labour market to find work, but leave them facing great difficulties in building up pension savings. From this perspective, a small subsidy may be a sensible solution.

Alternatively, of course, equity could also be restored by providing a reduced rate to low-income employees too, which could facilitate much-needed job creation in the low-skill segment of the labour market.

Besides pension provision, the exclusion of the self-employed from unemployment insurance and social assistance may be associated with a heightened poverty risk. In 2010, the incidence of poverty among the self-employed was higher than in the rest of the working population. In particular, self-employed people without employees had a poverty rate of 10%, as against 4% for the general working population. Even self-employed people with employees had a higher poverty rate of 4.8%⁸ (OFS 2012).

The exclusion from social assistance (except for short-term temporary assistance) seems particularly problematic. Self-employed households may have to endure prolonged

⁸ Note that these statistics are based on an absolute poverty line used by the Swiss statistical office and based on the level of social assistance.

financial hardship in an attempt to save their business, which may be responsible for the relatively high rate of in-work poverty found in this category. In addition, in order to obtain social assistance, the self-employed have to give up their own business, even when it can generate some income. This may actually increase the risk of permanent exclusion for this category.

2.2.2 Workers on non-standard contracts

In principle, workers on non-standard contracts are covered by exactly the same arrangements as standard salaried employees. The type of work contract, in fact, is not used as a basis for determining entitlement. However, some parameters that are related to the type of contract are used to determine entitlement – including annual earnings, weekly working hours, and duration of contract. How these three parameters are related to entitlement is explained in section 2.1 above. In general, a small minority of workers with a rather low attachment to the labour market are at risk of exclusion from social protection coverage.

For example, it is estimated that the access threshold to compulsory coverage by occupational pensions (currently set at CHF 20,150 or EUR 19,190 per annum) results in the exclusion of some 220,000 part-time workers, i.e. around 5% of all employees (Conseil federal 2014: 100, figure for 2012)

The pension reform that is currently being debated in parliament includes plans to lower the access threshold from the current CHF 20,150 to CHF 14,100 (EUR 19,190 to EUR 13,200), which corresponds to the minimum first-pillar pension. This would lead to the inclusion of up to 85%-90% of those who are currently excluded from compulsory second-pillar coverage (Conseil federal 2014:101). The cost of including these workers on non-standard contracts will be borne by them and their employers, through increased contribution rates. Public budgets will remain virtually unaffected (except for the deduction from taxable income of the additional pension contributions). The cost of the operation has nonetheless been estimated by the Federal government at some CHF 350m per annum (EUR 327m) (Conseil fédéral 2014:102).

At present there is no debate in Switzerland on the adoption of “individual social security accounts”.

2.2.3 Debate on new forms of work

As in other advanced countries, technologically driven new developments in the world of work have spurred a debate in Switzerland. The digital economy results in the emergence of a new type of self-employment that are very dependent on one or a small number of web-based platforms (such as Uber, care.com, etc.). To provide adequate social protection to these workers is a challenge in many respects.

These issues are only marginally reflected in the official debate. A report on the “Framework conditions for the digital economy” by the State secretariat for economic affairs was expected for December 2016. In 2015 a request (*postulat*) by a member of parliament for a report on “Automation: risks and opportunities”⁹ was accepted by the government, and the report is currently being prepared (expected end of 2017).

In addition, a working party within the federal parliament is considering the need for legislative adjustments to legislation on work and transport as a result of the arrival of Uber in most Swiss cities. The concerns of this group seem more related to passenger safety and providing a level playing field between traditional and Uber-type taxis. The

⁹ <https://www.parlament.ch/en/ratsbetrieb/suche-curia-vista/geschaefft?AffairId=20153854>, visited 9.12.2016

issue of social protection for drivers does not seem to be at the fore of the group's preoccupations (Wuthrich 2016).

3 Conclusions and recommendations

On the basis of the analysis presented in section 2, we can identify three areas where reform would be appropriate.

3.1 Social assistance

The exclusion of the self-employed from social assistance seems highly problematic. Obviously, a proper assessment of the actual incomes of self-employed people may be difficult, and this is probably one of the reasons why this group of workers has been excluded from social assistance. In addition, it is also clear that social assistance should not prop up unviable businesses in the medium/long term.

However, changes in the world of work, such as the development of new ways to access income streams via the digital economy, might prompt a rethink of this policy. Given the huge imbalance between supply and demand in the low-skilled segment of the labour market, it is doubtful whether low-skilled self-employed people with unviable businesses will find jobs as employees. As a result, sustaining self-employed activity, even if insufficient to generate an income above the poverty line, may be a better solution than total dependence on benefits.

Ideally, self-employed people on low incomes should be able to receive an in-work benefit that incentivises, up to a point, higher activity (as for example the American earned income tax credit).

3.2 Second-pillar pensions for the self-employed

Self-employment, especially in the second part of someone's working life, may increase the risk of inadequate pension coverage. As seen above, the self-employed are covered only by the basic pension, which guarantees benefits that are below the means-tested pension. This means that someone who has only the basic pension as a source of revenue will most likely be entitled to the means-tested pension supplement.

While pension coverage for the self-employed should be improved, it is unclear how this should be done. A compulsory requirement to contribute to a second-pillar pension may drive low-income self-employed people out of work, particularly those who are not able to find jobs as employees. A subsidy in addition to tax exemptions may be a solution for such people. Politically, however, there may be resistance to this. The fact that the self-employed are already advantaged in respect of the first pillar may make it difficult to justify further advantages. On the contrary, as seen above, the government's intention is to remove the cross-subsidy in favour of the self-employed within basic provision.

One option, which might be politically easier, would be to increase the contribution rate for the self-employed to the level paid by employees (i.e. to 10.25% of gross earnings), but to assign the difference between the current rate (i.e. the rate mentioned in Table 5) to funded individual provision. Since current contribution rates are lower for those on low earnings, this would entail some redistribution towards the low-income self-employed.

A second alternative would be to promote affiliation to second-pillar type pensions for the self-employed. As seen above, this is possible for some professions, such as doctors or lawyers, who have set up profession-based second-pillar pension funds. The objective should also be to develop open second-pillar funds for self-employed workers who are less well organised. This would constitute an improvement in provision, because second-pillar benefits are subject to stricter regulation in comparison with third-pillar provision, which is more favourable to the insured person. In addition, assuming that a few funds could cover a large proportion of self-employed workers, economies of scale could reduce administrative costs, which tend to be very high for private third-pillar pensions.

A third alternative, which is part of the reform currently being debated in parliament, consists in imposing a limit on access to funds saved in a second-pillar pension fund when moving from employee to self-employed status. The current proposal, to limit the funds that can be accessed to the amount that exceeds the legal minimum, may be an appropriate solution. In fact, it is safe to assume that many self-employed people have had a career as employees before changing their employment status, and the funds saved during their early working years can be useful in guaranteeing an adequate income level in retirement.

3.3 Part-time workers

As seen above, part-time employment is very widespread in Switzerland, especially among women. In most cases, part-time work is freely chosen and is not necessarily problematic. However, the pension implications of part-time work may be more worrying. In a simulation exercise, Bonoli et al (2016) have shown that part-time workers who divorce are exposed to a high risk of inadequate pension provision (i.e. having to rely on means-tested pensions). This risk also concerns workers who have had a relatively strong attachment to the labour force throughout their working life, for example those who have worked at an average rate of 50% or 60%.

Given the relatively strict proportionality of benefits in the second-pillar system, it is difficult to deal with this problem within pension policy. What seems more appropriate, instead, is to improve awareness of the pension risks associated with part-time employment. With a divorce rate approaching 50%, it is clear that many current part-time workers (mostly women) will end up with inadequate pension provision.

Annex 1

SUMMARY TABLE: ACCESS TO SOCIAL PROTECTION: 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	Compulsory private insurance
Sickness - cash benefits and benefits in kind	None	None	None	None	None	
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	First pillar only
Survivors pensions and death grants	Partial	Partial	Partial	Partial	Partial	First pillar only
Unemployment benefits	None	None	None	None	None	
Social assistance benefits	Full	Full	Full	Full	Full	
Long-term care benefits	Full	Full	Full	Full	Full	
Invalidity benefits	Partial	Partial	Full	Partial	Partial	First pillar only
Accidents at work and occupational injuries benefits	Full	Full	Full	Full	Full	Compulsory private insurance
Family benefits	Full	Full	Full	Full	Full	Introduced on 01.01.2013

SUMMARY TABLE: ACCESS TO SOCIAL PROTECTION: CONTRACTUAL EMPLOYMENT (NON-STANDARD CONTRACTS)

	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	Compulsory private insurance
Sickness - cash benefits and benefits in kind	None	None	None	None	None	
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	First pillar only
Survivors pensions and death grants	Partial	Partial	Partial	Partial	Partial	First pillar only
Unemployment benefits	None	None	None	None	None	
Social assistance benefits	Partial*	Partial*	Partial*	Partial*	Partial*	
Long-term care benefits	Full	Full	Full	Full	Full	
Invalidity benefits	Partial	Partial	Partial	Partial	Partial	First pillar only
Accidents at work and occupational injuries benefits	None	None	None	None	None	Compulsory private insurance
Family benefits	Full	Full	Full	Full	Full	Introduced on 01.01.2013

* Limited in time (the business must allow self-sufficiency in the medium term)

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