



# Parliamentary discussion on the reform of self-employed workers' regulation in Spain

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*A new reform of the labour market regulation for the self-employed is currently being discussed in the Spanish Parliament. The growing importance of self-employment in the economy has increased the visibility of this issue, creating an incentive for political parties to try and establish a more favourable regulatory environment for these workers, particularly regarding their fiscal responsibilities and their access to social protection.*

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## Description

In November 2016, the centre-right political party "*Ciudadanos*" submitted a draft law to the Spanish Parliament on a reform of the self-employment regulation. The need for a new reform of this regulation was justified with the argument that the most recent changes in this legislation (2007 and 2015) stimulated entry flows of the self-employed onto the labour market (by reducing social security contributions and establishing a flat-rate tax for entrepreneurs) (Rodríguez Cabrero et al, 2017), but did not make it easier for these businesses to survive or grow.

According to "*Ciudadanos*", the current tax and social security obligations constitute an excessive burden for the self-employed, since the monthly fixed costs they currently face do not adequately reflect the uncertainty and variability of their income. These workers also have significant difficulties financing their activities, due to the high guarantee requirements set by banks, their limited personal assets to back up loans, and delays in receiving payment from clients (especially problematic when these clients are Public Administrations). The promoters of this initiative argued that the social protection granted to the self-employed is still far below that enjoyed by salaried workers, particularly regarding work and family reconciliation.

Claiming to voice the demands of self-employed workers' associations, this proposal aims to reduce the administrative burden borne by the self-employed, facilitating entrepreneurship, clarifying taxation and matching the social protection of this group to that of salaried workers.

The objective of the first measure included in the proposal is to modulate the surcharges for late payment of social security contributions by the self-employed (to make them proportionate to the amount due). The system for enrolment in, and withdrawal from, the social security system is also modified, so that contributions due would be computed from the exact day on which these occur (and not from the first day of the corresponding month, as is currently the case). The reduced contribution of €50 per month for the new self-employed is extended from six to twelve months, as are the other bonuses provided for the promotion of self-employment. The proposal also develops a series of initiatives to promote the reconciliation of work and family life for the self-employed. Self-employed persons who are, for example, on care leave, maternity or paternity leave, leave for adoption or foster care, would thus be exempted from social security contributions for the duration of their leave. The tax incentives for self-employed mothers

who return to work in the two years after giving birth would also be raised to the level of those enjoyed by salaried workers (cash benefit/tax relief for working mothers of children aged 0-3).

## Outlook & commentary

Social protection of the self-employed is an important issue in the European Pillar of Social Rights, and the Commission encourages Member States to ensure that workers in similar positions have comparable rights and obligations (European Commission, 2017). Following this logic, since 2007 there has been growing convergence in social benefits between the Spanish Special Scheme for Self-Employed Workers (RETA), and the General Scheme of Social Security (Rodríguez Cabrero et al, 2017). The 2007 Self-Employed Work Statute (Law 20/2007, reformed in September 2015 as Law 31/2015) improved social protection of the self-employed, and established tax exemptions and reductions or subsidies for social security contributions. Today, the self-employed constitute a significant share of the Spanish workforce (17.7% of social security affiliates in May 2017) (MEYSS, 2017).

The draft law submitted by the political party “Ciudadanos” includes measures in favour of self-employment that enhance certain reforms already introduced in 2007 and 2015. The reductions in social security contributions could

stimulate the entry of the self-employed onto the labour market. But the proposal does not extend benefit coverage, and it hardly increases the contributions of the self-employed aggregated over their whole working life (reductions are calculated on the basis of the minimum contribution), leading in the long run to lower social protection for these groups (pensions for the self-employed are 37% lower than those of workers from the General Scheme, due to the low contributions and short contributory histories of RETA affiliates: Rodríguez Cabrero et al, 2017).

One of the clearest improvements emanating from this proposal is that it allows the self-employed to change their contributory base up to four times every year (vs. twice currently). This, together with the fact that the contributions would be computed from the exact day on which they occur, introduces flexibility, improving the chances of survival of self-employment businesses, and better adapting the system to the uncertainty and variability of their income.

One of the weakest points of this proposal is that it does not include an estimate of the costs to the social security system of implementing the different measures.

A total of 156 amendments were presented by other political parties. 34 of these have been included in the draft law recently passed by Parliament and currently awaiting approval by the Senate.

## Further reading

European Commission (2017), “Establishing a European Pillar of Social Rights”, COM(2017) 250 final: <https://goo.gl/F1ZyFN>

Law 20/2007, “On the Self-Employed Workers’ Statute”, <https://goo.gl/hWzpkP> (reformed in Law 31/2015, <https://goo.gl/TsNTCL>).

Ministerio de Empleo y Seguridad Social (MEYSS), “Boletín Estadísticas Laborales”, May 2017: <https://goo.gl/DGwkaR>.

Proposición de Ley de Reformas Urgentes del Trabajo Autónomo. 18 November 2016: <https://goo.gl/VsErSu>.

Rodríguez Cabrero, G., Arriba, A., Marbán, V., Montserrat, J. and Moreno-Fuentes, F.J. (2017), “Thematic Report on Access to social protection of people working as self-employed or on non-standard contracts. Spain”, European Commission: ESPN.

Spasova S., Bouget D., Ghailani, D. and Vanhercke B. (2017), “Access to social protection for people working on non-standard contracts and as self-employed in Europe”. European Commission: ESPN.

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