THE FUTURE OF SOCIAL PROTECTION: WHAT WORKS FOR NON-STANDARD WORKERS?

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The Future of Social Protection -- what works for non-standard workers?

- Motivation
- Independent and contingent workers in contributory social protection systems
- Potential policy solutions
- Purpose and approach of this study
- Policy examples
One in six workers is self-employed across the OECD

Independent workers do not easily fit into the framework:

*Double contribution issue*: Who pays their employer contributions?
- Customers? Example: Germany

Fluctuating earnings

Moral hazard problems:
- Involuntary quits and search efforts hard to establish
- Private information on future earnings
Potential solutions I: Individualisation of social protection

Record individual entitlements in one account
✓ Solves earnings fluctuation and multiple income sources
✓ Funds could be used for education / further training

But:
• No risk-sharing
• No redistribution
• Does not solve *double contribution issue*
• Fungibility can be problematic
Potential solutions II: Making social protection more universal

Uncouple social protection from the employment relationship
✔ Solves *double contribution issue*
✔ No coverage gaps

But:
• Can crowd out employer contributions
• Means-testing makes earnings fluctuations *more* pertinent

➔ BI would solve overpayments, but: budgetary constraints, effects on labour supply unclear
This issue is not new – models exist

- Seven **country studies** on
  - Special schemes for the self-employed
  - Interaction between SP and non-standard work
  - Incorporation of (certain) self-employed into the SP system
  - Separate schemes
  - Voluntary insurance schemes
  - Non-contributory schemes
Assessment of schemes

• How do existing schemes insure the self-employed?

• How do they deal with earnings fluctuations, moral hazard?

• A scheme “works” if
  ✓ It does not incentivise **misclassification of workers** (regulatory arbitrage)
  ✓ Reaches **high coverage** among the self-employed
  ✓ Does not lead to **adverse selection**
  ✓ Is **affordable** for contributors
  ✓ Has reasonable **administration costs**
Policy example I/1: Coverage of the self-employed in France

- Self-employed are covered for some risks only
- Complex system of differing contribution rates, thresholds, rebates

Policy example I/2: the Régime social des indépendants (RSI)

Created to unify the social protection of the self-employed → “one-stop-shop”

But struggled with administrative problems:
- Delegates the collection of contributions to the URSSAF network, but IT systems incompatible
- Under- and over collection of contributions, late payments of benefits

Abolished as per 1\textsuperscript{st} January 2018
→ RSI to be absorbed by the general system
German artists’ insurance scheme:

• All expenditure on artists and writers is subject to a contribution
• German pension fund in charge of compliance

But:
• Low incomes select into the fund – mainly used to access health insurance
• Pensions will not protect against poverty
Policy example III: voluntary unemployment insurance

Publicly subsidised, voluntary unemployment insurance for independent workers:

- More stringent eligibility criteria
- Gig workers rarely receive benefits

Very responsive to individual contribution rates:
→ Require generous subsidies to be viable
Thank you

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