



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

SSM research seminar, Brussels, 12th of January 2018

Raphaela Hye
Directorate for Employment, Labour and Social Affairs



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

Motivation

Independent and contingent workers in contributory social protection systems

Potential policy solutions

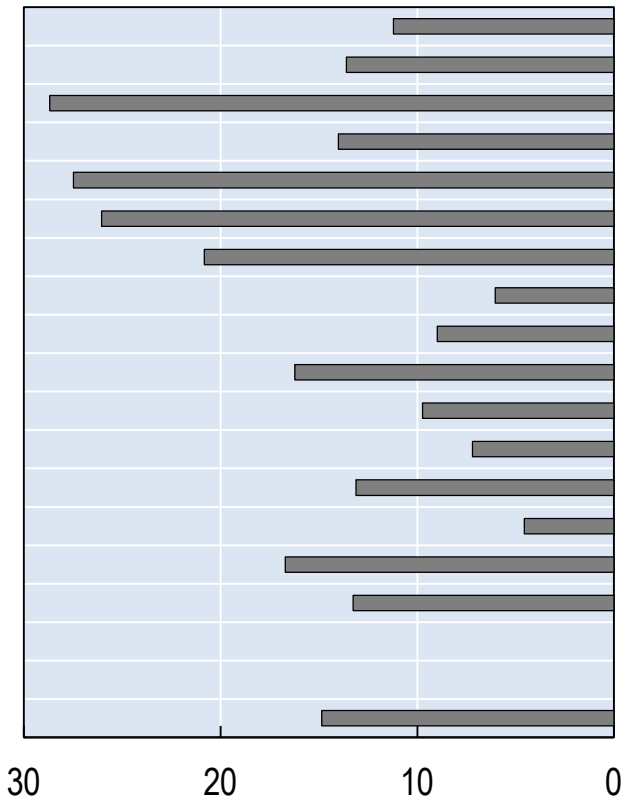
Purpose and approach of this study

Policy examples

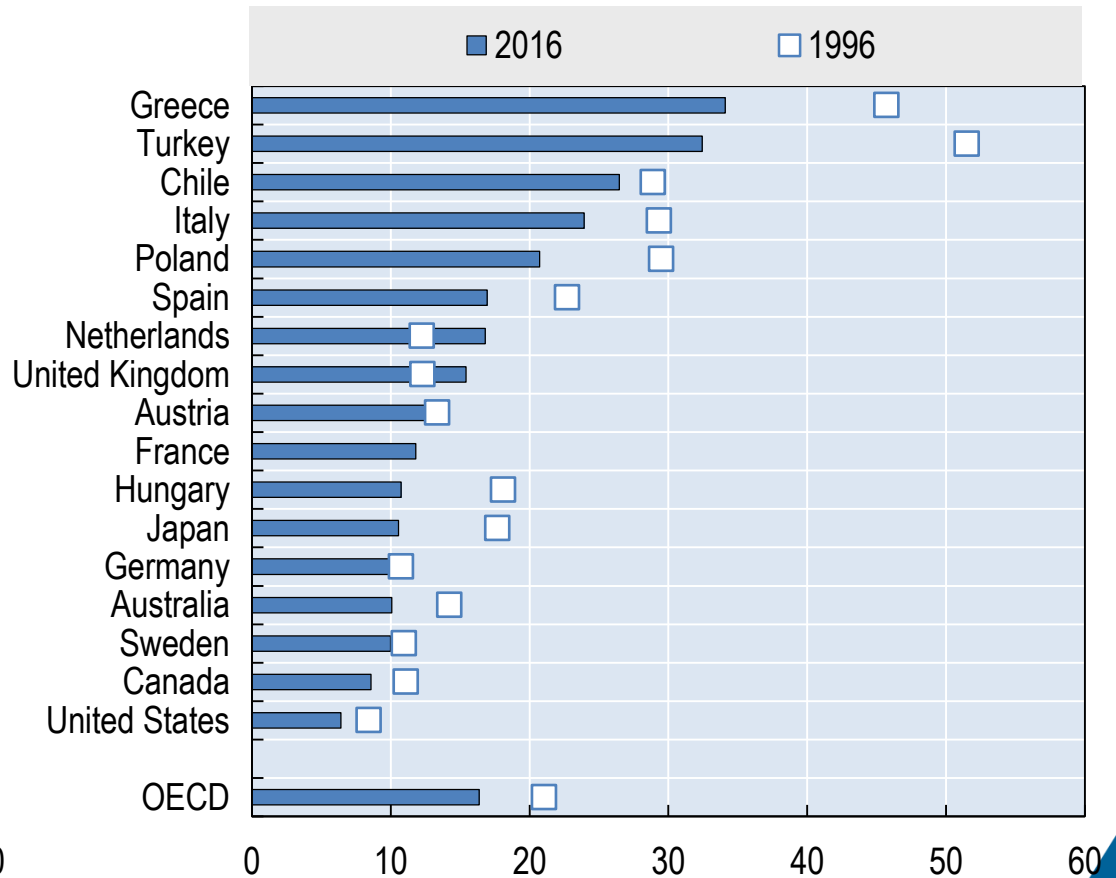


One in six workers is self-employed across the OECD

Temporary employment in % of total employment, 2016



Self-employment in % of total employment





Independent and contingent workers in contributory social protection systems

Independent workers do not easily fit into the framework:

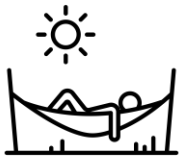


Double contribution issue: Who pays their employer contributions?

– 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**

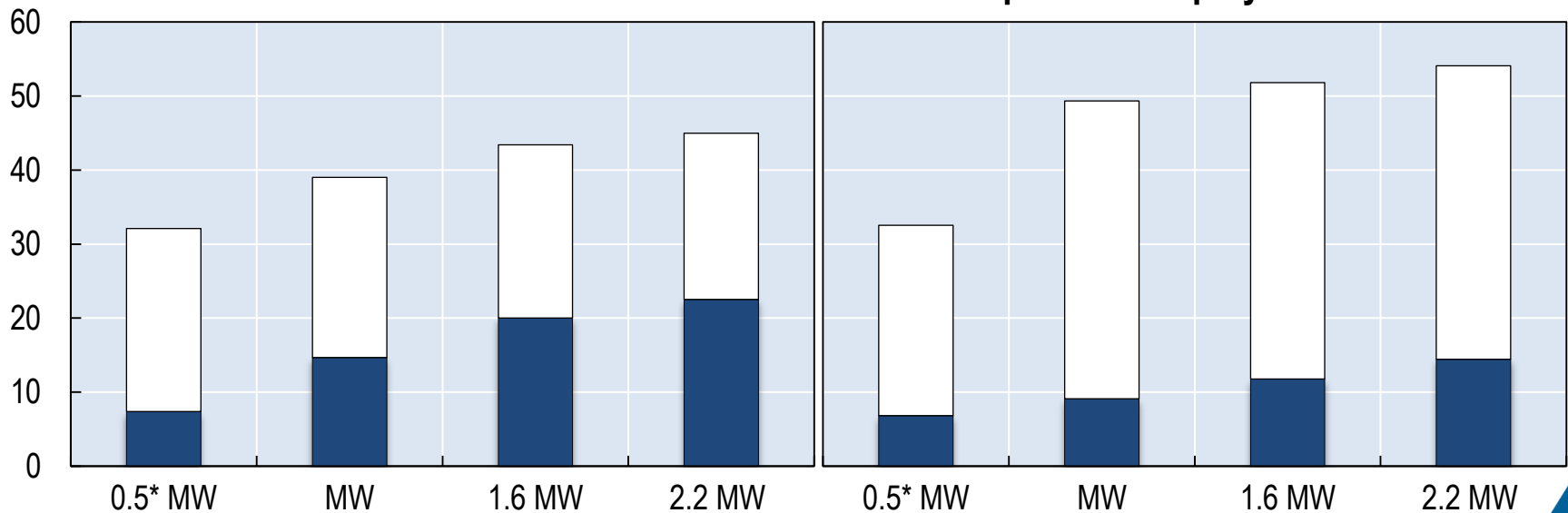
- Self employed are covered for some risks only
- Complex system of differing contribution rates, thresholds, rebates

Income tax

Social contributions

Self-employed crafts- and tradespeople

Dependent employees





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

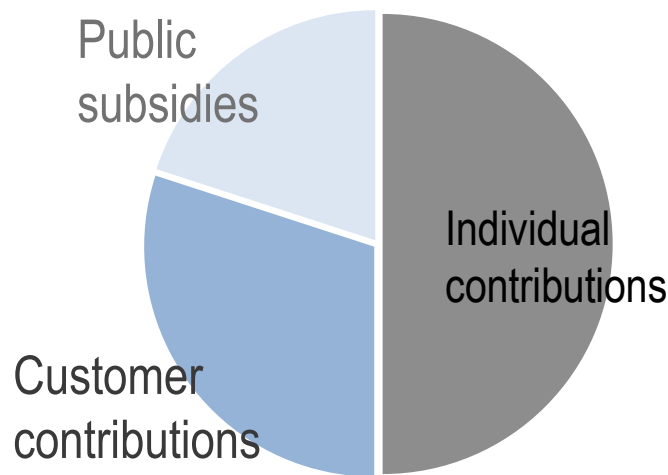
Abolished as per 1st January 2018

→ RSI to be absorbed by the general system



Policy example II: customers contribute to social protection

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



Email me

Raphaela.Hyee@oecd.org



Follow us on Twitter

[@OECD_social](https://twitter.com/OECD_social)



Visit our website

www.oecd.org/els