



Netherlands: Social protection for the self-employed through “bread funds”

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The self-employed in the Netherlands are not covered by traditional social security schemes, and the majority of them are not insured for the risk of sickness. Recently, a relatively new initiative named “bread fund” has been on the rise, in which a group of self-employed workers support each other financially in case of sickness.

Description

Dutch employees who become sick are protected from income loss by several measures. First, employers have the obligation to continue to pay the salary of sick employees for a period of up to two years. Secondly, sick workers who do not have an employer are entitled to a benefit from the Sickness Benefits Act (ZW). This includes workers with fixed-term contracts, agency workers and unemployed persons who become sick.

The self-employed, however, are not covered for the risk of sickness by the ZW, and do not have an employer who continues to pay them a salary. They can opt for voluntary ZW insurance with the public Employment Insurance Agency (UWV), or for private sickness insurance (AOV), but this is generally costly. As a result, the vast majority (73%) of the self-employed are currently not insured for the risk of sickness (Lautenbach et al., 2017). The government is concerned about the low insurance take-up among the self-employed and aims to increase this.

In recent years, an alternative has emerged which is for the self-employed to participate in a so-called “bread fund” (*broodfonds*). A bread fund is a voluntary collective of 20 to 50 self-employed who support each other financially in case of sickness for up to two years. It functions like an insurance fund, but is owned by its participants rather than an insurance company.

When entering a bread fund, the participant chooses which monthly pay-out they want to receive in the event of sickness. This translates into a monthly contribution level; a higher monthly contribution results in a higher pay-out in case of sickness. Each participant pays their monthly contributions into their own personal “bread fund account”, which grows over time. When a participant in the bread fund becomes sick, they receive monthly donations from the bread fund accounts of all the other participants. These donations add up to meet the selected monthly pay-out level of the sick participant. When a participant decides to leave the bread fund, they take their remaining sum of money on their individual bread fund account with them.

Participation in a bread fund costs between 33 and 112 euros per month (Fink-Jensen, 2014). This is much less expensive than a formal public (ZW) or private (AOV) insurance which often costs more than 200 euros per month.

Anyone can start a bread fund. There is a national organisation that helps people to start a bread fund (*De BroodfondsMakers*). This organisation has formulated general guidelines and conditions for people to participate in a bread fund. Participants need to 1) have been self-employed for at least one year; 2) make at least 750 euros net

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profit per month; and 3) be fit to work in order to enter the bread fund. No medical examination is required to join a bread fund, contrary to private insurances. Each individual bread fund can state additional conditions.

Bread funds are a way to create social security by means of solidarity between participants. Participants get together regularly to make decisions and discuss the “policy” of the bread fund. Because they know each other and the system is based on trust, they may be less inclined to take advantage of the system. Indeed, absenteeism (1.3%) is relatively low compared to that among employees (3.8%). Other reasons why people decide to join a bread fund include: contributing to a better society, a sense of community, expanding one’s social network, and moral support from others in the case of sickness (Fink-Jensen, 2014).

Because the aspect of personal contact and mutual trust is important, *De BroodfondsMakers* states that bread funds should not expand beyond 50 participants. They also advise 20 participants as the minimum size, in order to be able to adequately spread and carry the risk of sickness.

The concept of a bread fund is relatively new; the first bread fund in the Netherlands was created in 2006. This slowly increased to a total of 19 bread funds in 2012. Since then, it has grown rapidly: in December 2017, there were 304 bread funds with a total of 13,266 participants. Participants comprise disproportionately high numbers of people with high educational level and people working in the public sector (Fink-Jensen, 2014). Their

motives for participating are primarily low cost and solidarity.

The new government aims to increase the take-up of insurances by the self-employed through promoting access to insurances and through providing a wider range of insurances. Bread funds have been mentioned by several political parties as a way to increase social protection among the self-employed. However, they are not government owned and no active government policies have been formulated to regulate or facilitate them.

Outlook & commentary

Currently, the number of self-employed participating in bread funds (13,266) is relatively small compared to the 1.2 million self-employed in the Netherlands (Financieel Dagblad, 2017). However, this number has grown significantly in recent years. Bread funds provide an innovative, useful and affordable means of social protection for the self-employed who cannot afford traditional sickness insurance. Also, the fact that they rely on small-scale solidarity and mutual trust resonates with the current societal trend of the peer-to-peer based “sharing economy”. Furthermore, the government has underlined the importance of promoting social security for the self-employed. Bread funds have the potential to play a significant role in achieving this. Yet, although bread funds in principle do not discriminate (Fink-Jensen, 2014), a possible risk is that bread funds may refuse access to people with health problems or risks.

Further reading

Fink-Jensen, J. (2014). *Collectieve zelfhulp in financieel onzekere tijden. Een historische vergelijking tussen achttiende- en negentiende eeuwse friendly societies en eigentijdse Broodfondsen* [A historic comparison between 18th and 19th century friendly societies and contemporary bread funds]. Master thesis: Utrecht University.

“De BroodfondsMakers”, see: <http://www.broodfonds.nl/home>

Lautenbach, H., Torre, W. van der, Vroome, E.M.M. de, Janssen, B.J.M., Wouters, B. and Bossche, S.N.J. van den (2017). *Zelfstandigen Enquête Arbeid. Methodologie en globale resultaten* [Self-employed labour survey. Methodology and general results]. Den Haag: CBS.

Financieel Dagblad news article, see: <https://fd.nl/economie-politiek/1198341/zzper-speelt-vaker-zelf-voor-verzekeraar> [More often self-employed act as insurer]

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