



# **Mutual Learning Workshops on Access to Social Protection for non-standard workers and self- employed**

## **Final Report**

Written by ICF  
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October 2019 - September 2020

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and self-employed: Final Report

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## **Executive Summary**

A series of mutual learning workshops in relation to access to social protection for workers and self-employed were organised between October 2020 and September 2021, as an important milestone to implement the principles laid out in the related Council Recommendation as well as the European Pillar of Social Rights. Participants from 22 Member States exchanged on the formal and effective coverage, adequacy as well as transparency and transferability, respectively, as well as the impacts on social protection of the COVID-19 related crisis and the temporary measures put in place.

In a nutshell, the following key learnings and insights emerged from the discussions:

While formal coverage should be extended to include non-standard workers and self-employed in a mandatory approach with few exceptions - also to foster solidarity, financial sustainability and public trust in the system -, voluntary approaches can help to incentivise take-up. It is crucial, however, to review the assessment of income considering the often unstable work situation of self-employed and non-standard workers, for instance by taking into account the individual's 'total' income from various working arrangement and sources, including assets.

Frequently, eligibility criteria and thresholds are in the way of effective social protection for non-standard workers and the self-employed. Member States could consider more universal systems, which seem better equipped to cope with labour market diversity, and to revise eligibility conditions to respond to volatile income and varying contribution periods of non-standard workers and the self-employed. Aligned systems and infrastructure can help to ensure accumulation, preservation and transferability of rights to social protection, particularly for low-income earners. In this vein, recent reforms in some Member States have allowed a correct assessment of the income by going to the source of the money flow to keep track.

Nevertheless, adequacy remains a challenge, which is why some Member States are moving away from exempting low-income earners from social protection systems: the extension of social protection to self-employed and non-standard workers creates a level playing field, making those types of employment less precarious and allowing people to switch between forms of employment. Albeit, higher income earners should also be invited to remain in social protection system to foster solidarity and to ensure sustainability.

Insufficient knowledge about social protection as well as administrative complexities can be barriers to access to social protection. To improve the preservation, accumulation and transfer of entitlements, universal social protection schemes are generally more effective. However, when different schemes do exist, coordination is key to capture individual rights and to make the management of the different schemes simple, for instance by attributing acquired rights to the individual, rather than to the work status or a life event. As a prerequisite, legislation should be clear and judicial protection adequate and accessible to guarantee rights; on this basis, targeted information on social protection and outreach to non-standard workers and self-employed should be intensified across Member States. Social partners can play an important role here.

Participants actively participated in the series of mutual learning workshops on access to social protection, with the aim to address common challenges by sharing solutions and best practice examples. In view of the upcoming submission of plans setting out corresponding measures to be taken at national level by the 15 May 2021, further peer support under the Open Method of Coordination for Social Protection and Social Inclusion was considered useful.

## 1 Introduction

A series of four thematic workshops was organised on behalf of the European Commission between September 2019 and October 2020 to contribute to the implementation of the principles laid out in the Council Recommendation on access to social protection for workers and self-employed<sup>1</sup> (hereafter the Recommendation) and in the European Pillar of Social Rights (EPSR), which states in Principle 12: '*Regardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection*'<sup>2</sup>. The goal of the workshops was also to inform plans, to be submitted by Member States in May 2021, setting out corresponding measures to be taken at national level.

Europe's labour markets are rapidly changing: new forms of atypical and non-standard work (e.g. platform workers, on-call workers) are emerging and/or growing continuously. At the same time, many Member States are witnessing increased numbers of self-employed people. Yet, work-related social protection has been traditionally designed around the standard employment relationship, i.e. full-time and long-term contracts on the basis of a subordinate relationship between an employee and an employer. The European Commission's Impact Assessment<sup>3</sup> in 2018 found that it is particularly self-employed and non-standard workers who face obstacles in accessing social protection in specific social protection branches, such as sickness benefits and unemployment schemes, while non-standard workers also face problems in accessing, *inter alia*, old age and health care benefits.

The Recommendation aims at encouraging Member States to ensure formal and effective coverage as well as adequacy and transparency of social protection schemes for all workers and self-employed, including people transitioning between the two statuses. The Recommendation thus responds to the need to adapt social protection systems to evolving labour markets; the COVID-19 related crisis has further underpinned this need.

Four key topics, related to the following articles in the Recommendation, were thus addressed during the workshops to improve access to social protection under the Open Method of Coordination (OMC):

- Extending formal coverage of non-standard workers and the self-employed. Mandatory versus voluntary approach (Article 8 of the Recommendation)
- Effective coverage – Income and time thresholds (Articles 9 and 10 of the Recommendation)
- Adequate coverage – Ensuring proportionate contributions, assessing income, avoiding loopholes (Articles 11 to 14 of the Recommendation)
- Transparency and transferability ensuring access to comprehensive information and preserving rights (Articles 10, 14 and 15 of the Recommendation)

During the two last mutual learning workshop, participants also reflected on the temporary social protection measures put in place by Member States in response to

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<sup>1</sup> European Union, 2019. *Council Recommendation of 8 November 2019 on access to social protection for workers and the self-employed*. Accessed at: [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019H1115\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019H1115(01)&from=EN) (12.10.2020).

<sup>2</sup> Europe Commission, 2020. *The European Pillar of Social Rights in 20 principles*. Accessed at: [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en) (12.10.2020).

<sup>3</sup> European Commission, 2018. *Commission Staff Working Document, Impact Assessment Accompanying the document Proposal for Council recommendation on access to social protection for workers and the self-employed*. Accessed at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018SC0071> (20.10.2020).

the economic and social impact of the COVID-19 pandemic, drawing first lessons from the crisis.

Paul Schoukens, Prof. of Social Security Law at KU Leuven University, provided academic expertise throughout the series of the thematic workshops.

Many Member States were very engaged in the workshops, shared country examples and participated in all four workshops, including Austria, Belgium, Croatia, Czechia, Finland, France, Hungary, Ireland, Latvia, Lithuania, Poland, Portugal and Slovakia. In addition, Bulgaria, Denmark, Estonia, Germany, Greece, Malta, The Netherlands, Slovenia and Spain participated in at least one of the workshops.

In addition, European and national level social partners as well as NGOs presented their views and examples of approaches to improve access to social protection at the workshops.

The following report summarises the discussions and the key takeaways from each of the thematic workshops.

## **2 Key learning on extending formal coverage**

The first workshop on extending formal coverage took place on 29-30 October 2019. The Recommendation calls upon Member States to ensure adequate social protection for all workers, regardless of the type of employment relationship, and on a mandatory basis. Although it also foresees an improvement and extension of coverage for the self-employed, Member States are granted more leeway in this regard: they can opt for voluntary coverage against social risks where deemed more appropriate than a mandatory system (Article 8).

### **Gaps in social protection for non-standard workers and self-employed**

Social protection gaps for non-standard workers and self-employed have been identified in many Member States, particularly relating to access to sickness and unemployment benefits, protection against accidents at work and occupational diseases, as well as maternity benefits. Income levels are increasingly used to determine whether an activity can be considered 'work'; however, as the self-employed often only have a low income, particularly at the beginning of their activity, they do not reach the required income threshold. This leads to gaps in coverage and - even if coverage is granted - inadequate protection in the long-run, ultimately also threatening the system's financial sustainability.

Formal coverage may be extended by reviewing minimum income levels below which individuals in some Member States currently do not have access to social protection or only have access on a voluntary basis. While countries are extending formal coverage, they also have introduced exemptions, specifically designed for groups working for a marginal income, establishing a distinction between 'main' and 'side' activities. With increasingly fragmented work patterns, such exemptions become problematic, leaving more persons uncovered and creating an unequal playing field.

Some countries are thus starting to move away from an overly permissive application of these exemptions for marginal work (see Borstlap report in the Netherlands, recent IAB report in Germany<sup>4</sup>).

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<sup>4</sup> BORSTLAP-COMMISSIE REGULERING VAN WERK, 2020. *In wat voor land willen wij werken? Naar een nieuw ontwerp voor de regulering van werk* (Dutch Commission work regulation-BORSTLAP, 2020. In what kind of country do we wish to work? Towards new arrangements for the regulation of work)p. 112; Kerstin Bruckmeier, Regina Konle-Seidl, IAB-Forum, October 2020. *Folgen der Corona-Krise für die sozialen Sicherungssysteme im Ländervergleich*.



Although social protection systems across the EU still have to be adapted further to the specific work situations of self-employed and non-standard workers, reforms have started to be implemented to this end.

### **Mandatory versus voluntary approach**

By default, a mandatory approach to social protection is considered the best option also for the self-employed and non-standard workers, particularly in view of ensuring solidarity and adequate insurance coverage for all. Voluntary coverage has various shortcomings, including the risk that the lowest and highest earners will opt-out, with potentially detrimental effects to the principle of solidarity, financial sustainability and public trust in the system.

Different financing strategies were used to extend and improve the formal coverage of social protection and made it more universal: In France, the extension to unemployment insurance to the self-employed and the development of a more universal healthcare system were made possible by a broadening of the fiscal basis. In Spain, where coverage for unemployment, accidents at work and occupational diseases became mandatory, social contributions for the self-employed were also increased, as explained in the example below.

#### **Example: Social protection against accidents at work and occupational disease in Spain**

Social protection of self-employed workers in Spain has traditionally been managed on a voluntary basis following an opt-in approach, both for accidents at work, occupational diseases and unemployment. As a result, coverage was rather low, amounting to 15.7 % in 2018 for accidents at work and occupational diseases. The contribution basis was freely chosen by the self-employed and, as more than 80 % of all self-employed opted for the minimum basis, their respective benefits were also low.

To extend social protection coverage and correct the negative impact linked to the voluntary basis of coverage against employment risks, a reform was undertaken in 2018, ultimately aiming for full convergence of the self-employed aligning with employees in terms of social protection. This has led to a change in approach from voluntary to compulsory coverage for accidents at work, occupational diseases and unemployment as of 1 January 2019 for all self-employed, except for self-employed agricultural workers. Furthermore, the reform has provided for a gradual increase in contribution rates.

So far, the reform has proved very effective in extending coverage, leading to an increase in the number of self-employed covered against accidents at work and occupational diseases by 500%. Although the increase of the contribution rate as a result of the reform is only small and gradual, the amount of social contributions collected is significantly growing (+EUR 174 million). Conversely, expenditure on benefits has increased only moderately, from EUR 16 to 34 million. However, some outstanding problems and questions remain: for example, related to the contribution rate which is fixed for all types of self-employed, regardless of the actual risks of their activity. Furthermore - although not observed so far - the system could be more prone to abuse.

In exceptional circumstances, however, voluntary coverage can be an effective approach, for example as a way of introducing the self-employed to social protection. Evidence shows that people are more willing to seek protection against some risks than others, such as old age, healthcare and unemployment. In light of this, providing mandatory insurance schemes in a package which includes coverage against other social risks, such as work accidents, could be an option. Voluntary coverage can also be incentivised by tax deductions, lower contribution rates and a simple, easy-to-use system, providing a choice from a range of contribution levels and examining the way

contributions are paid, e.g. the self-employed pay all their contributions themselves. Nevertheless, the lowest level of contribution should - at least - guarantee a minimum safety net and social protection level. For instance, mandatory coverage in the Irish unemployment scheme was extended to the self-employed who earn above a certain income threshold. Although it is not mandatory for earners below this threshold, they are financially incentivised to join the scheme.

### **Example: Jobseeker's Benefit for the self-employed in Ireland**

As a result of the 2008 economic and financial crisis, the Irish government committed in 2016 to extend unemployment benefits, in the form of the Jobseeker's Benefit, to the self-employed. Around 13 % of the Irish workforce are self-employed.

With this new scheme, which came into force on 1 November 2019, the self-employed have the same access to unemployment benefits (and activation) as standard employees, whilst they pay the same contribution rate as before; 4 % (in comparison, employees pay 4 % and the employer pays 10.75 % on behalf of the employee, in total 14.75 %). The coverage for unemployment is now included in the social insurance contributions of self-employed (class "S"), that includes entitlements to maternity/paternity and pensions.

Those who earn less than EUR 5,000 from self-employment in a year are exempt from the scheme, they can however pay EUR 500 as a voluntary contribution. For this group, the scheme provides a financial incentive, as they will probably already receive EUR 500 back in the first year of pension payments.

Qualifying conditions are more or less the same as for standard workers: they need to be under pensionable age, satisfy contribution conditions, not be engaged in self-employment and be capable of work. They also have the possibility to receive benefits and combine it with insurable employment at the same time (for each day of such insurable employment, 20 % will be deducted from the weekly rate).

### **Beyond categories: protection based on all work-related income**

It is crucial to consider the specific work situation of the self-employed and non-standard worker when deciding on the most suitable way of extending coverage and meeting their social protection needs. An important element in this regard is the need to take into account the individual's 'total' income from various working arrangement and sources, including assets. To enable this, closer cooperation between the tax authorities and social security services is needed. This is the approach in the Danish unemployment insurance that calculates income from different types of jobs and combined work activities, rather than solely considering work statuses. Moreover, the system contributes to transparency and transferability by ensuring access to comprehensive information and preserving rights.

### **Example: unemployment insurance benefits for self-employed and non-standard workers in Denmark**

Denmark's Flexicurity model with its flexible dismissal policies, combined with active labour market policies (ALMP) and an economic safety net, also needs to cover the growing number of self-employed and non-standard workers. The previous unemployment system did not allow for an entitlement to benefits based on different types of work. It was also less objective and register-based which, in turn, created administrative burden. The new unemployment scheme implemented in 2018 aims to handle all types of employment and to increase coverage for people in

non-standard jobs, with multiple jobs and persons combining employment and self-employment.

In this new scheme, unemployment is defined in relation to activities rather than a categorisation as either self-employed or wage earner. Income as both wage earner and self-employed - as well as income from multiple income sources (such as surplus in own company and secondary activities) - establishes eligibility and entitlements. This total income must be at least EUR 32,000 within three years. Eligible amounts are calculated monthly with a maximum accumulation of EUR 2,500. As in the 'ordinary' unemployment insurance scheme for wage earners, the unemployed can extend the benefit period by working; one hour of work results in a two-hour benefit extension.

The system links the tax system and the unemployment system by using earnings registered for tax purposes and is fully digital. This makes it less bureaucratic, also by supporting different ways of declaring ceased business activity online.

Although the group covered by this new scheme was still relatively small (around 150), the number of the self-employed is expected to increase in the upcoming years. The system will be evaluated in 2021.

### **3 Key learning on effective coverage**

The purpose of the second mutual learning event held on 14-15 January 2020, was to discuss effective social protection coverage of self-employed and non-standard workers. According to Paul Schoukens, Professor of Social Security Law at KU Leuven, 'the Recommendation is an invitation to reconsider entitlement conditions such as qualifying records or waiting periods: are they still relevant, effective, proportionate and coherent?' Article 9 of the Recommendation calls for effective coverage of all workers, regardless of the type of employment relationship or labour status. Thus, rules determining contributions (e.g. qualifying periods, minimum working periods) and entitlements (e.g. waiting periods, calculation rules and duration of benefits) should not prevent individuals from accruing or accessing benefits because of their type of employment relationship or labour market status. If different rules apply to non-standard work or self-employment, these should be proportionate, justified, and provide comparable protection (of equal value). In addition, entitlements should be preserved across all types of statuses and economic sectors, no matter whether they have been acquired through mandatory or voluntary schemes.

#### **Eligibility criteria as a bottleneck**

Even if non-standard workers and the self-employed have formal coverage, specific eligibility criteria often stop them to accrue and take up adequate entitlements<sup>5</sup>. This can have two different reasons: either the same rules exist for self-employed, non-standard workers and standard workers, but self-employed and non-standard workers cannot or can only partly meet the respective criteria. Or, there are different rules that apply, particularly concerning eligibility criteria and thresholds, and actually hinder non-standard workers and self-employed to accrue or access benefits. In both cases, Member States should check for undesired effects for non-standard work and self-employment.

Time and income thresholds are deeply rooted in the social protection systems; Member States need to adapt social protection systems and their eligibility conditions

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<sup>5</sup> European Commission, 2018. *Commission Staff Working Document, Impact Assessment Accompanying the document Proposal for Council recommendation on access to social protection for workers and the self-employed*. Accessed at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018SC0071> (20.10.2020)

to ever emerging forms of non-standard work and self-employment in changing labour markets, considering also a move away from 'standard' family structures.

Member States also need to take into account the respective specificities of self-employed or non-standard workers. At the moment, both groups face differing challenges to access social protection based on criteria which were originally defined for standard-workers; volatile income and varying contribution periods lead to inadequate benefits and shorter benefit duration. Universal systems may be better equipped to cope with increasing labour market diversity.

In more fragmented systems, it is crucial to allow accumulation, preservation and transferability through technical rules and aligned infrastructures. Even if the schemes are 'outsourced' to social partners, the State should be responsible for the overall functioning of the system, ensuring communication between the schemes. One example are the French reforms of the social security system to better align certain benefits and to decrease the complexity of different schemes.

### **Example: the reform of the French social security system**

Self-employed moved into the general scheme of the French social security system in 2018. This reform also aimed to reduce administrative burden by merging four social security schemes into three. This did not modify the specific features of social protection of the self-employed, but it was an opportunity to redefine and align certain benefits - such as maternity leave - closer with the system for employees. Self-employed enjoy the same rights in the pension, health care and family-benefit branch.

The sickness benefits differ significantly; self-employed have a longer waiting period, benefits are lower, and they are to pay an extra contribution. Invalidity is covered by a supplementary scheme; work accidents and occupational health and unemployment are covered by voluntary insurance. For those social protection branches, self-employed - often with fluctuating income - enjoy tax incentives to enhance voluntary coverage.

In addition, the reform also concludes the process combining the calculation of pensions from three schemes (from employment, self-employment and farmers) that started in 2015. Since 2017, individuals with entitlements in different schemes only have to submit a single pension claim and only draw a single pension, rather than several as before.

To ensure communication between schemes, personal accounts (individual social security accounts and numbers) are a way to attach acquired rights to the individual, rather than the work contract (see also Section 5 below).

### **Identifying and adapting to the specific situation of self-employed and non-standard workers**

The rules governing contributions and entitlements should take into account the specific situations of self-employed and non-standard workers. This could be done by assessing income over longer periods of time, determining qualifying or waiting periods in smaller time periods (e.g. days), considering different types of jobs, giving minimum support for people who do not meet income or time thresholds, also to respond to the need to keep the self-employed person's business running in some cases.

In addition, non-monetary or in-kind benefits may be a way to support the specific situation of self-employed for some risks; this could be done in form of vouchers for personal and household services for self-employed parents or vocational training for self-employed who face a downturn in their economic activity. For instance, in Belgium, self-employed mothers receive so called service vouchers that aim to improve their work-life balance, allowing them also to continue their business and

retain their (part-time) earnings from the business. The fact that these vouchers are granted automatically reduces the administrative burden for self-employed mothers and increases the take-up of this benefit.

### **Example: extending social protection for the self-employed and adapting it to their specific situation in Belgium**

In **Belgium**, as far as maternity leave for the self-employed is concerned, the following measures applied as of January 1st 2017: increase of the maternity leave from 8 to 12 weeks; introduction of the possibility to take up half-time maternity leave; automatic suspension of the obligation to pay social contributions during the quarter following the birth; semi-automatic granting of the complementary support in the form of service vouchers.

Self-employed mothers are entitled to 105 service vouchers after giving birth from the social insurance offices within the framework of maternity benefits. These vouchers usually come in the form of payments to certified enterprises for the completion of household chores.

Since 2017, provided they meet the qualifying conditions, women are automatically contacted by the social insurance fund to ask if they would like to receive support. This has increased the awareness of maternity benefits amongst self-employed. As a result, the number of self-employed women who took up these maternity benefits grew by 13 % in 2017.

In 2019, a number of measures were taken to improve work-life balance for the self-employed:

- Introduction of a foster parent leave from 1 January 2019: weekly benefit in case of interruption of professional activity during six weeks at the occasion of the reception of a child in foster care by a self-employed worker.
- Introduction of a paternity and birth leave for the self-employed from 1 May 2019 that consists of a cash benefit in case of interruption of professional activity for a period of 10 days (or 20 half days) for fathers or co-parenting self-employed.
- Shortening of the waiting period for the self-employed in case of work incapacity (sickness benefits). From 1 January 2018, the waiting period was reduced from one month to 14 days. From 1 July 2019, the waiting period for self-employed that have been sick for more than 7 days was abolished (right to work incapacity benefit from the first day of incapacity).

Moreover, from 1 July 2019, the reform of the bridging right supports self-employed in economic difficulties through an extension of the situations of force majeure and the doubling of the duration of the benefit in case of significant work history (15 years or more as self-employed).

Member States also need to review low take-up of benefits, for example when sick self-employed cannot stop working, even if they are entitled to benefits. In general, a review of existing social protection system and the (re-)design of easily accessible, transparent and flexible social protection systems, including also different types of in-kind support, may be to the benefit of the entire workforce. It can support trust in the social protection system, improving their political and financial sustainability.

## **4 Key learning on adequate coverage**

The third workshop on 25 to 26 June 2020 focussed on the interrelation between the adequacy of benefits for non-standard workers and the self-employed and the

financing of social protection based on the underlying principles of redistribution, equivalence, proportionality and sustainability, which are also reflected in the Recommendation. It calls on Member States to put in place 'schemes [that] provide an adequate level of protection to their members in timely manner and in line with national circumstances, maintaining a decent standard of living and providing appropriate income replacement, while always preventing those members from falling into poverty.' (Article 11). The contributions to social protection should be proportionate to the contributory capacity of workers and the self-employed (Article 12). Exemptions (e.g. for low income groups) should be neutral (Article 13), and the calculation of the social protection contributions and entitlements of the self-employed should be based on an objective and transparent assessment of their income base, taking their income fluctuations into account, and reflecting their actual earnings (Article 14).

### **Keeping track of income from varied sources**

The Recommendation calls for a decent benefit level; nevertheless, non-standard workers and the self-employed should contribute sufficiently to the system. In many Member States, contribution rates for the self-employed and for workers are similar. The key issue, for both the adequacy of benefits and the financing of social protection, is the income basis used to calculate contributions and benefits.

Member States are struggling with several key challenges when assessing the income base for the self-employed:

- the self-employed declare their own income, which has caveats such as under-reporting;
- this income is fluctuating and difficult to define and capture for social security purposes, which usually requires a distinction between labour income and other sources of income.

Nevertheless, some recent reforms have allowed a correct assessment of the income by going to the source of the money flow wherever possible and/or by organising a contribution levy which is kept simple in design. For instance, in 2018, Estonia created the simplified business account for natural persons, through cooperation with a bank, which automatically withheld and transferred tax.

#### **Example: the business account in Estonia**

In 2019, Estonia introduced the possibility for a natural person to open a business account in a bank, enabling informal workers, freelancers, etc. to easily declare and track their income. The objective of this practice is to simplify the tax liability for the payments received from the provision of services or for the sale of goods.

Accounting and tax reports are not required because the tax liability is calculated based on the payment to the account. The bank directly informs the Estonian tax and custom board and provides the details of the natural person.

The account is an interesting example of the interplay between a private institution (bank) and the state; income taxes and social contributions are namely collected at source. This leads to more transparency on both sides, as well as a simplification for the entrepreneurs themselves.

Another example to reduce administrative burden is the Finnish real-time income register that also provides a clear overview of income.

#### **Example: Real-time incomes register in Finland**

Finland is setting up a national system of income registers aiming at, among other things, simplifying application and decision-making processes of the social insurance system. Everyone who pays salaries (e.g. employers, households or entrepreneurs)

are reporting income only to one place: the income register. They register income once they pay out the salaries, rather than notifying the salaries on an annual basis. In this centralised database, data users (e.g. the Social Insurance Institution of Finland, the Tax Administration, other public authorities and pension providers) can only access the data they need to calculate entitlements.

Finding a sound balance between redistribution, sustainability, proportionality and equivalence (between contributions and entitlements) remains a challenge, however. A recent trend is to introduce a 'bonus' minimum level of pensions for those who have contributed more than 30 years to the system, but would not get decent pensions above the minimum basic pensions without such a bonus (Austria, Slovakia, Germany, discussion in France). Albeit, higher income earners should also be invited to remain in social protection system to foster solidarity and to ensure sustainability. The Austrian example below showcases how low-income earners can profit from a pension top-up payment and how long-term contributors are rewarded.

### **Example: The equalisation supplement and pension bonus in Austria**

In Austria, self-employed are generally covered by the health and pension insurance and can voluntarily join the unemployment schemes and receive (short-term) cash benefits in case of illness.

In the pension scheme, self-employed pay a lower contribution rate than regular employees and freelance contractors. However, pension benefits for self-employed are calculated according to the same formula as for other groups and are co-financed by the state budget. This might create incentives for self-employed to opt into the pension scheme.

Income from self-employment is however often relatively low in Austria, compared with standard employees.

In order to improve adequacy in pensions for self-employed and for workers, a means-tested pension top-up (equalisation-supplement) was introduced. In 2020, people on a low pension receive a top-up of their pension to reach EUR 966.65 monthly (14 payments per year) for singles and EUR 1,524.99 (14 payments per year) per couple. For example, if a single pensioner receives EUR 700 then the top up will be EUR 266.65. This amount is funded from general tax.

#### **Pension bonus**

In addition, there is also a 'top-up' for people who have been long-term contributors, albeit with low pension entitlements. If a person paid contributions for 30 years, a single pensioner receives a minimum monthly pension of EUR 1,048.57 (in 2019, with 14 payments per year); in effect, this results in an increase of disposable income for these pensioners. Since 2020, this converted to a 'pension bonus' that complies with EUR 1,080 for a single pensioner having 30 contribution years or EUR 1,315 (single)/EUR 1,782 (couple) for 40 contribution years.

#### **Coverage for low-income earners**

The COVID-19 related crisis has brought this to the fore even clearer and has been a powerful reminder how important universal access to social protection actually is. Many low-income earners found themselves without adequate social protection. Even before the crisis, some Member States have started to move away from exempting low-income earners from social protection systems, for instance by considering also short-term contracts to reach thresholds, by including platform workers in social protection coverage or by rewarding contributors who have paid into the system for long periods.

In turn, the extension of social protection to self-employed and non-standard workers creates a level playing field, as it makes those types of employment less precarious

and allows people to switch between forms of employment. Here, national attempts in Slovenia and Slovakia have been made to define the employment relationship for non-standard workers by extending access to social protection.

### **Example: Slovakian contracts 'on agreement' and the Slovenian 'every job counts' approach**

Slovakian labour law regulates three types of specific contracts outside of traditional employment relationships:

- Work Performance Agreement (max. 350 hours per year with a maximum duration of 12 months)
- Agreement on Work Activity (up to 10 hours per week)
- Agreement on Temporary Students Jobs (age limit of student up to 26 years; 20 hours per week on average)

Until 2012, people performing those types of work were not obliged to pay social security contributions (except for accident insurance as well as guarantee insurance for a benefit in case of bankruptcy). This was changed in 2013 and people working in those arrangements are obliged to contribute to pension, sickness and unemployment insurance. The measure contributed to a level playing field between different types of working arrangements. Following the reform, the number of individuals in atypical contracts 'on agreement' fell dramatically, from around 642 295 in 2012 to 411 028 in 2019.

The Slovenian 'every job counts' approach for student work, civil work, contracts and supplementary work such as cleaning or babysitting is similar. People in these arrangements have, since legislative changes from 2013-2014, access to pension and disability insurance and employer healthcare insurance. They can change jobs and labour market status whilst keeping their entitlements.

Guaranteeing a decent social protection is crucial for social cohesion and the prevention of poverty, however other welfare systems, such as universal healthcare, should be included in the general picture as they contribute to the overall adequacy of social protection. Some innovative ad-hoc measures, put in place during the crisis, may prove to contribute to ensuring adequate social protection in the longer term although they may need to be fine-tuned and improved. The crisis may have acted as a catalyst to accepting the idea that unemployment benefits, parental leave or sickness coverage are also vital for non-standard workers and the self-employed in order to protect them from repercussions of economic shocks.

## **5 Key learning on transparency and transferability**

Furthermore,

The purpose of the final of the series four mutual learning workshops, taking place on 29 to 30 September 2020, was to explore how entitlements to social protection can be preserved, accumulated and transferred across employment statuses and sectors, as well as how to ensure that conditions and rules for all social protection schemes are transparent and information is accessible. In the Recommendation, as regards to transparency, 'Member States are recommended to ensure that the conditions and rules for all social protection schemes are transparent and that individuals have access to updated, comprehensive, accessible, user-friendly and clearly understandable information about their individual entitlements and obligations free of charge' (Article 15). Moreover, where necessary, 'the administrative requirements of social protection schemes for workers, the self-employed and employers, in particular micro-, small and medium-sized enterprises' should be simplified' (Article 16).



## **Insufficient knowledge about social protection systems and administrative complexities**

Self-employed and non-standard workers (and generally people who combine different work activities or switch from standard work to self-employment) risk gaps in entitlements to social protection and often face complex social protections arrangements that are not targeted to their needs. In many cases, this is combined with insufficient information or knowledge about the social protection system and administrative complexities when moving from one scheme to another. In addition, if entitlements are built on several activities, often anti-cumulation rules apply regulating a (maximum) level for joint entitlement to benefits. Whilst cumulation rules combining income from different activities and sources to calculate contributions aim for financial sustainability of the scheme, there are issues around distinguishing between the main and side activities and when to consider certain side activities as exempt from contributions.

In order to improve the preservation, accumulation and transfer of entitlements, universal social protection schemes (especially health care) can prevent the issues outlined above. If coverage is not universal in all schemes, social protection schemes such as unemployment insurance can start considering income from all activity, no matter what the employment status is. When different schemes exist, it is important to coordinate internally to outline and capture individual rights and to make the management of the different schemes simple, for example by a single access point. Here, personal accounts or one social security number make it possible to attach acquired rights to the individual, rather than to the work status or a life event.

## **Clear legislation and targeted information**

Transparency in social protection entails different dimensions: Firstly, access to social protection needs to be based on clear and relevant legislation that ensures access for all income groups. Rules in legislation need to be applied and a proper system of judicial protection needs to guarantee the protection of these rights.

Member States see a clear need for awareness-raising activities to educate the self-employed and non-standards workers about the importance of coverage and provide them with an accurate cost-benefits assessment of such coverage. Targeted information policies on social protection need to be intensified across Member States, including outreach to self-employed and people in non-standard work. A proactive approach to target certain groups (e.g. those at risk of not having sufficient coverage or entitlements, self-employed, young people or people at certain life events such as before retirement) is important. Many Member States recently enhanced their services, providing more and better information. In particular, the practice of an 'envelope', i.e. a letter sent to individuals informing them about their future pension rights, has proven useful in tackling undeclared work among the self-employed (in Lithuania, Sweden, Netherlands, etc.). Lithuania's 'cherry envelopes' is a good example that showcases how to transmit information to individuals that might be a risk of having low contributions for pensions.

### **Example: 'Cherry envelopes' in Lithuania**

The 'cherry envelopes' are an information campaign which is part of a transparency plan launched by the State Social Insurance Fund Board under the Ministry of Social Security and Labour. The transparency plan also includes additional elements to the online personal account for citizens, such as information on the earned income and pension contributions. Moreover, official salaries of companies (with more than three employees) were published on an online portal.

The main goals of the campaign 'cherry envelope' is to increase the awareness of citizens and the understanding of the link between the pensions, declared income and contributions.

In May 2017, 141,337 'cherry envelopes' (paper envelopes) were sent to all employees with employment contracts, who earned less than the minimum wage in 2016 and therefore did not have enough contributions for a full pension amount during that year.

In the four months after sending the envelopes, the wages of envelope receivers increased by 55% resulting also in a higher amount of contributions to the social security fund, namely an increase by EUR 17 million.

In October 2017, approximately 100,000 electronic (i.e. sent via e-mail or persona account for citizens) 'cherry envelopes' were sent to all self-employed persons that earned less than the minimum contribution for pensions in 2016.

The State Social Insurance Fund Board is planning to continue sending 'cherry envelopes' in 2021. These will include personalised information about declared wages and contributions to the social security system, types of social security in which the person is covered, contribution years and information about pension accumulation.

When interacting, a simple, accessible, coherent language and multiple communication channels (online and in person) can contribute to a better outreach. Here, the coordination of IT systems and the use of AI can also provide more personalised information and contribute to increased transparency on different entitlements. For instance, in the Netherlands, the Employee Insurance Agency (UWV) which is responsible for implementing the employee insurance schemes (unemployment, illness, incapacity to work) allows for a transparent way to ensure all workers are aware of their entitlements.

#### **Example: 'My UWV' in the Netherlands**

'My UWV' is an online portal that provides standard and non-standard workers with personalised information on their income, calculates entitlements and allows for the application for benefits (unemployment, illness, incapacity to work). In addition, 'My UWV' also gives regular updates on the employee income and employment-related benefits.

Moreover, long-term communication increases awareness, for example via wider campaigns or an integration of social protection in the school curriculum, in order to engrain the principles of social security in society and to build trust in its administration among citizens.

## **6 Conclusions and next steps**

The series of mutual learning workshops on the formal and effective coverage, adequacy and transparency were an important milestone to implement the principles laid out in the Recommendation as well as the European Pillar of Social Rights. While many Member States have taken steps to reform and improve their social protection systems originally designed around standard working arrangements, more effort lies ahead to address prevailing gaps in social protection for non-standard workers and the self-employed. The existing challenges have been exacerbated by the COVID-19 related crisis, underlining the urgency for socially responsible review and reform of access to social protection.

Participants from 22 Member States actively participated in the series of mutual learning workshops on access to social protection, in a spirit of supporting their peers in the implementation of the Recommendation and sharing solutions and best practice examples to common challenges. In view of the upcoming submission of plans setting out corresponding measures to be taken at national level by the 15 May 2021,

participants expressed their interest in engaging in and receiving further peer support under the Open Method of Coordination for Social Protection and Social Inclusion during the drafting and implementation of these plans at Member State level. The high level of satisfaction with the mutual learning workshops amongst participants underlines this.<sup>6</sup>

The series of mutual learning workshops is part of a broader set of activities regarding the implementation of the Recommendation, including also the currently ongoing development of a monitoring framework on access to social protection for workers and the self-employed by the Social Protection Committee's Indicators' Sub-Group.

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<sup>6</sup> Overall averages across the four workshops from participants evaluation surveys: 4.26 out of 5 for content; 4.22 out of 5 for the workshops reaching the intended objectives; 4.59 out of 5 for the organisation of the workshops.

