

The Council Recommendation on Access
to Social Protection for Workers and the
Self-Employed

**National Plan under
the Council
Recommendation on
Access to Social
Protection for
Workers and the
Self-Employed**

Ministry of Social Security and Labour of
the Republic of Lithuania

1. Challenges:

This section will present the context in which the social protection system operates in Lithuania; identify the gaps in access to social protection system and the main challenges and areas for reforms. The data below presents up to date information which is also used for monitoring framework adopted by the Social Protection Committee. There is also presents estimations of the size of the groups not formally covered by social protection.

Table 1: Lack of formal coverage to social security for people in non-standard employment

Social protection branch/types of employment	Casual workers or simplified, short term fixed contract	Seasonal workers	Apprentices or trainees	National specificities
Unemployment benefits	RO	RO, LV, PT	EL ^k , FR ^k , HR, IT ^k , NL, PL ^k , PT ^k ,	AT ^a , CZ ^{ba} , DE ^c , PL ^{dm} , PT ^f , SK ^e , ES ^f , LV ^l
Healthcare benefits				LU ⁿ
Sickness benefits	HU ^g , RO	HU, LV, PT, RO	DK ^k , EL ^k , FR ^k , HU ^k , PL ^k , PT ^k	CZ ^{ba} , SI ^d , LV ^l , SK ^e , PL ^d , LU ⁿ
Maternity benefit	RO	LV, PT, RO	EL ^k , FR ^k , HU ^k , IT ^k	CZ ^b , LV ^l , SK ^e , LU ⁿ
Paternity benefits			PL ^k	PL ^d ,
Benefits in respect of accidents at work and occupational diseases	RO	LV, PT, RO	PT ^k , PL ^k	LV ^l , PL ^d
Old-age benefits and survivors' benefits			BE ^{ij} , EL ^k , FR ^k , HR, HU ^k , IT ^k , PT ^k	CZ ^{ba} , PL ^m , LU ⁿ
Invalidity benefits	HU ^g	HU	PT ^k , NL	CZ ^{ba} , PL ^m , LV ^l , LU ⁿ

Note: a) If income below a certain threshold; b) Agreement to perform a job; c) Mini-jobbers; d) civil law contracts; e) employees on "work agreement" with irregular income; f) domestic workers; g) simplified, fixed-term employment contract; i) only below the age 19; j) apprentices only k) trainees only; l) persons paying patent fees and beneficiaries of royalties; m) farmer's helper; n) occasional workers. For EL, FR and HU, trainee category only refers to students completing traineeship as part of their studies; all other trainees and apprentices are covered. For NL, trainee/apprentice column refers only to interns; trainees in the Netherlands constitute a different category, fully covered by social protection. For PL, trainee category refers to "graduate trainings", referring only to traineeships after graduation, as student trainees are covered as students.

Alternative, residence-based benefits exist for maternity in SK.

Comments on table 1:

We removed LT from the table 1, because now that it is clarified in the guidance on monitoring formal coverage, apprentices or trainees should be classified as those, who are being paid for that period. With those persons employment contracts are concluded and it covers all the above mentioned social protection branches.

Table 2: Voluntary social security schemes for people in non-standard employment

Social protection branch/opt-in or opt-out clauses	Opt-in	Opt-out
Unemployment benefits	LV ^a , SE ^a , DK, RO, FI ^a	
Healthcare benefits	PL ^c , LU, AT ^b , RO ^c	
Sickness benefits	AT ^b , PL ^c , PT ^c , LU,	
Maternity benefit	AT ^b , PL ^c , PT ^c , LU	
Paternity benefit	CZ, PL ^c	
Benefits in respect of accidents at work and occupational diseases	PT ^c , LV ^a	
Old-age benefits and survivors' benefits	AT ^b , PT ^c , RO ^c , CZ, NL, PL ^c	DE ^b
Invalidity benefits	AT ^b , PT, RO ^c , CZ, PL ^c	

Note: a) voluntary scheme on top of mandatory scheme; b) if income below a certain threshold; c) For specific categories of non-standard employees.

In Denmark, no distinction exists between non-standard workers and salaried workers when it comes to access to unemployment insurance scheme, which is financed by contributions through membership payment and the State through general taxes. In Luxembourg, any resident not covered can access the mandatory healthcare scheme on a voluntary basis.

Table 3: Lack of formal social security coverage for the self-employed

Social protection branch	Member State
Unemployment benefits	BE ^a , BG, CY, DE, IT, LV, NL, LT ^a , FR ^c , PL ^a , EL ^a
Healthcare benefits	
Sickness benefits	EL ^a , IE, IT ^a , FR ^a
Maternity benefits	
Paternity benefits	LU, DE, EE, EL, HR, MT, NL, RO, SK
Benefits in respect of accidents at work and occupational diseases	BE, BG, CY, CZ, IE, LT, LV, NL, SK
Old-age benefits and survivors' benefits	
Invalidity benefits	

Note: The table reports in which branches and in which Member States at least one sub-group of the self-employed is excluded from formal coverage in the sense that they have no mandatory coverage and cannot opt-into voluntary schemes either: a) Only one or more sub-groups of the self-employed are not formally covered b) In these Member States only means-tested benefits are available to the self-employed while they are excluded from contributory schemes c) Below minimum contributory threshold. In Belgium, self-employed who were previously employees can benefit from unemployment insurance scheme for employees under very specific conditions ("a right to return"). Specific categories of the self-employed, whose main category of work is self-employment, can also benefit from a lump sum benefit. In Slovakia, accident benefits only top up the disability pension and sickness benefit, for which the self-employed are covered and which they would receive in case of an accident. In Lithuania, a small category of self-employed persons, e.g. owners of sole proprietorships or members of small partnerships also have unemployment social insurance.

Comments on table 3:

Only few groups of self-employed are covered by unemployment social insurance in LT: owners of sole proprietorships, full members of general partnerships and limited partnerships and members of small partnerships. Other groups are not covered.

All self-employed are not covered for social insurance in respect of accidents at work and occupational diseases. But it is important to mention, that all self-employed are paying pension social insurance contributions and sickness social insurance contributions and compulsory health insurance contributions, which is as an alternative for social insurance in respect of accidents at work and occupational diseases (as it was provided in the guidance for monitoring formal coverage: pension insurance covers invalidity (permanent incapacity) and

death; sickness benefits covers sickness (temporary incapacity cash benefits) and compulsory health insurance covers medical treatment (temporary incapacity benefits in-kind).

Data on size of groups not covered (for table 3):

Data about self-employed is gathered from State Tax Inspectorate Under the Ministry of Finance and information about insured persons is gathered from State Social Insurance Fund Board under the Ministry of Social Security and Labour (data was gathered at March 25 of 2021).

Not covered for unemployment social insurance:

	2018	2019
Total number of self-employed	322 589	347 384
Self-employed who are covered by unemployment social insurance	6 375	5 928
Self-employed who are not covered by unemployment social insurance	316 214	341 456
Percentage of self-employed not covered by unemployment social insurance:	98%	98%

It is important to mention that preliminary, more than 40% of self-employed have another job (are employees) and under these contracts they are covered for all other branches of social insurance.

Currently we can not provide data about 2020, because we will see the total number of self-employed who is insured by unemployment benefits after May of 2021. However, we did not have any major changes in our legislation for social security during this time.

Self-employed are not covered for social insurance in respect of accidents at work and occupational diseases: as it was mentioned before – pension, sickness and compulsory health insurance may be as an alternative to cover accidents at work and occupational diseases. These insurance branches are mandatory for all self-employed. Exception is for those who have business certificates – they are not paying sickness social insurance contributions. Number of those who have business certificates is: in 2018 – 96796 (consists 30% of all self-employed) and in 2019 – 98340 (28% of all self-employed).

It is important to mention, that we see a tendency of increasing number of platform workers, whose work under certificate of individual activity. Table below shows total number of such workers and percentage of platform workers compared with total number of self-employed

who works under certificate of individual activity. Increasing number of platform workers may raise additional questions about how to protect them all.

	2017	2018	2019	2020
Number of platform workers	8456	15398	21380	27354
Total number of self-employed who works under certificate of individual activity	134824	155404	174773	192994
Percentage of platform workers compared with total number of self-employed who works under certificate of individual activity:	6%	10%	12%	14%

Table 4: Voluntary social security schemes for the self-employed

Social protection branch/opt-in or opt-out clauses	Opt-in	Opt-out
Unemployment benefits	AT, DE ^c , DK, FI ^a , RO ^c , SE ^a , SK	
Healthcare benefits	LU ^b	
Sickness benefits	AT ^c , BG, CZ, DK, EE ^c , IT, LU ^b , NL ^c , PL ^c , ES ^c , LT ^c	AT ^b , RO ^b , SK ^b
Maternity benefit	AT ^c , BG, CZ, DK ^a , LT ^c , PL ^c , LU ^b	AT ^b , SK ^b
Paternity	PL ^c , CZ	
Benefits in respect of accidents at work and occupational diseases	AT ^c , DE, DK, FR ^c , PT, FI ^c , LU ^b	
Old-age benefits and survivors' benefits	AT ^c , BE ^a , DE ^c , DK, EL ^c , FI ^c , LU ^b , NL, FI ^b	AT ^b , SK ^b
Invalidity benefits	AT ^c , DE ^c , NL ^c	AT ^b , SK ^b

Note: a) voluntary scheme on top of mandatory scheme; b) if income below a certain threshold, c) for specific categories of the self-employed. In Spain, coverage of sickness benefits in both professional and non-professional contingencies for the self-employed is mandatory, with the exception of agricultural workers, who have a voluntary scheme. In Finland, accidents at work insurance is mandatory for the self-employed who fall under the scope of the Farmers' Pensions Act. In France, accidents at work insurance is mandatory for agricultural workers. In Lithuania, coverage of sickness and maternity social insurance is mandatory for self-employed persons, with some exceptions (e.g. business certificates). Entries for Poland only refer to the self-employed outside agriculture.

In Denmark, no distinction exists between self-employed workers and salaried workers when it comes to access to unemployment insurance scheme, which is financed by contributions through membership payment and the State through general taxes.

Comments on table 4:

It is worth to mention, that these voluntary social security schemes are not popular in Lithuania, because conditions that apply here are not in favour compared with formal social security schemes. What is more, if a person has other job contract (employee) then he has no ability to participate in this voluntary social security scheme.

Data on size of groups not covered (for table 4):

Data about self-employed is gathered from State Tax Inspectorate under the Ministry of Finance and information about insured persons is gathered from State Social Insurance Fund Board under the Ministry of Social Security and Labour (data was gathered at March 25 of 2021).

Self-employed (who has business certificates) who are covered by voluntary social security schemes:

	2017	2018	2019	2020
Insured people with business certificates	92785	87410	87154	77955
Voluntary insured by sickness social insurance	7	3	3	10
Voluntary insured by maternity social insurance	2	1	2	1

As it was stated by State Social Insurance Fund Board under the Ministry of Social Security and Labour, there are around 37% of those with business certificates who do not participate in any other activity (do not have other job contract). Preliminary we can state that those who are not covered by voluntary social security schemes (sickness and maternity) for the self-employed are:

	2017	2018	2019	2020
People with business certificates at least one day per year	101.027	96.786	98.340	90.459
People with business certificates at least 90 days or more per year	42.186	40.810	42.608	39.517
Not covered by voluntary social security schemes (37% of total number of people with business certificates)	37.380	35.811	36.386	33.470

It is important to mention, that there are about 40% of self-employed who has more than one job (are employees) and for some social security branches they are protected even though they do not particularly participate in social security (or some social security branches) as

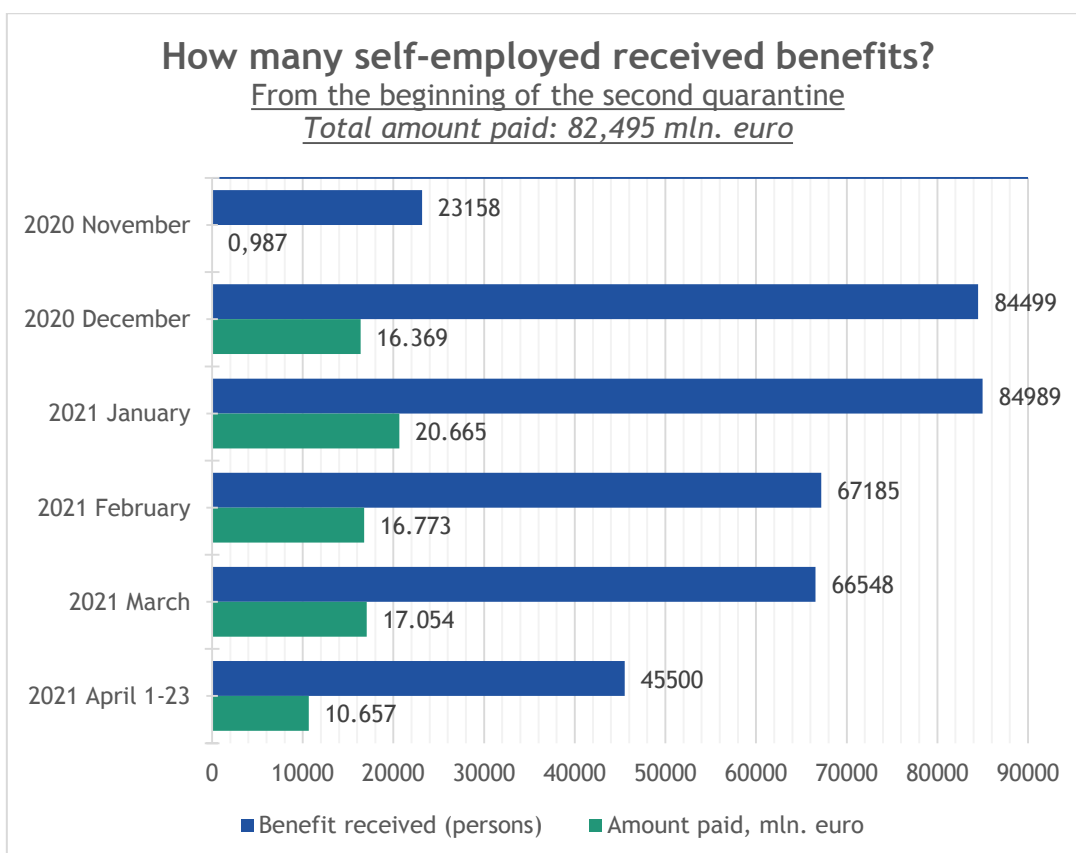
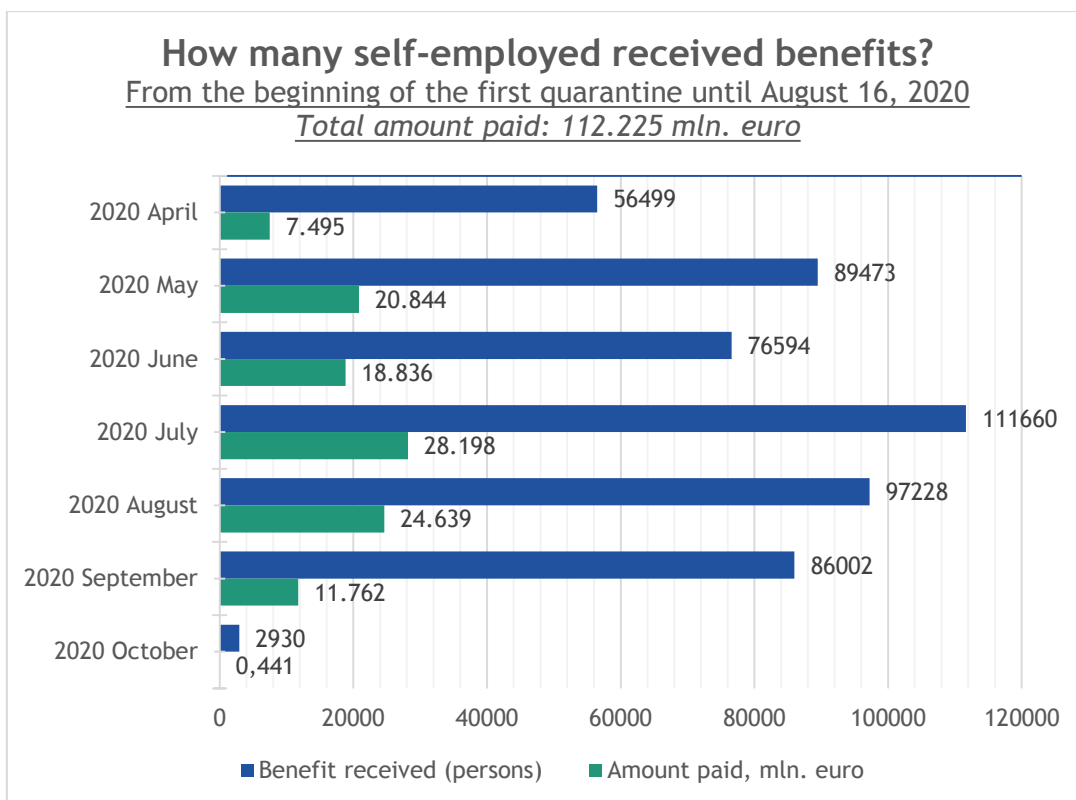
self-employed. What is more, some voluntary schemes conditions are not in favour for self-employed which leads to, that they decide not to participate in this insurance at all. As it was stated by The State Social Insurance Fund Board under the Ministry of Social Security and Labour, there are around 37% of those with business certificates who do not participate in any other activity (no not have other job contract).

2. Lessons learnt from the COVID-19 crisis

This section outlines the measures taken during the pandemic and the lessons learnt from the COVID-19 crisis. The closed gaps through temporary measures during the pandemic are presented below.

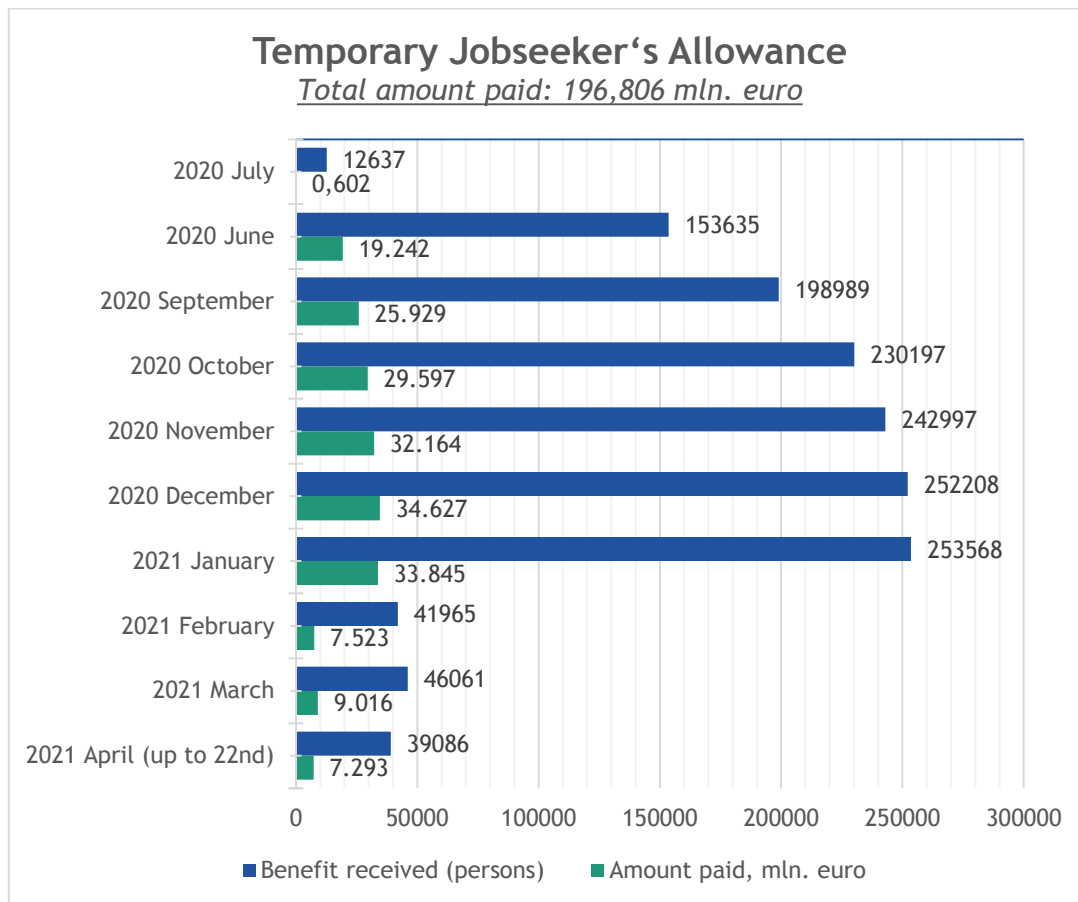
There is no doubt, that in light of the coronavirus, unemployment coverage for the self-employed has become the topic of much debate in European Union. In Lithuania, the most important lesson learnt from COVID-19 crisis is the lack of unemployment social security guarantees for the self-employed persons. Due to this the universal Benefits for the Self-employed and the Jobseekers benefit appeared as temporary measures during pandemic.

Benefits for self-employed is paid to a self-employed person if individual activities have been registered for a period of at least 3 months during a period of 12 months and have not been deregistered before the day of declaration of the state of extreme situation and quarantine by the Government of the Republic of Lithuania; in case of a legal person, it does not have a status of company under liquidation or bankruptcy. The monthly benefit is equal to the minimum consumption requirement for the current year, which was Eur257 per month in 2020 and Eur260 per month in 2021. One benefit is granted and paid to one self-employed person, regardless of the number of self-employed activities. Benefit is granted when the Government declares the state of extreme situation and quarantine and 1 month after (during the first quarantine the benefits for self-employed were paid for 2 months after the end of quarantine, see graphic below).



The person who has a status of an unemployed and does not participate in active labour market policy measures can be granted jobseekers benefit which is equal to 33 percent Minimum Monthly Salary (Eur 200 in 2020 and Eur 212 in 2021). The unemployed, who

received unemployment benefit, were able to receive 7 percent Minimum Monthly Salary (Eur42) for 6 months, but not longer than until December 31st, 2020.



The lack of social protection for many self-employed became evident as a serious gap in social security system.

3. Policy objectives and measures to be taken

In many other EU countries, self-employed traditionally were not targeted by unemployment insurance. It was considered not to be possible to cover the risk of unemployment for self-employed, because they are taking economic risks on their own, one of these being that the business has to stop because of lack of economic success; secondly one of the major conditions to assess the risk of unemployment (for the wage-earners) is its involuntary character; benefits are not to be granted to persons who on voluntary basis stopped to work. In case of self-employment it is difficult to assess the involuntary character of closing down the business. Moreover, typical social security system was originally organized guided by the conditions of standard work relationships with a long-term and full-time character but self-employed work differs from this standard. This concerns for example the less steady flow of income and the far more flexible and self-determined working time. The social partners point out that the taxes and social contributions paid by the self-employed must be

commensurate with the fact that the nature of self-employment is not the same as that of self-employed workers. They suggest being careful about equating social unemployment social insurance benefits for the self-employed and the employed. On the other hand experts state, that given the changes in the labor market, ensuring equal social guarantees for all self-employed will become increasingly important in the future - the ranks of the self-employed may increase due to the sharing economy and digitalization. To sum up, we are still struggling with these challenges in Lithuania.

Taking into account all challenges related with unemployment social insurance system, Government of Lithuania prepared legislative plan for 2021–2024 year as list of draft legislation implementing the Government program. According to the priority III. Empowerment of the most vulnerable groups in society, it is necessary to review the Unemployment Social Insurance Law during 2022. It is necessary to evaluate ability to prolong the duration of payment of the benefit, reduce the length of service requirements, as well as include the remaining groups of self-employed persons in the unemployment social insurance system and set the rates of unemployment social insurance contributions at the appropriate level. It is crucial to adapt the rules of existing insurances for wage earners appropriately addressing the specific needs of self-employed.

All self-employed are not covered for social insurance in respect of accidents at work and occupational diseases. But it is important to mention, that all self-employed are paying pension social insurance contributions and sickness social insurance contributions and compulsory health insurance contributions, which is as an alternative for social insurance in respect of accidents at work and occupational diseases. Please note, pension social insurance covers invalidity (permanent incapacity) and death; sickness social insurance covers sickness (temporary incapacity cash benefits) and compulsory health insurance covers medical treatment (temporary incapacity benefits in-kind).

One of Social Partners informed Ministry of Social Security and Labour of the Republic of Lithuania that the platforms have begun negotiations with commercial insurance companies on a possible offer to insure platform workers, for e. g. couriers or shuttle service providers, against accidents. Social partners emphasize that currently when couriers often work with several platforms at the same time, only the couriers themselves can answer what type of insurance would be most appropriate for each person individually. Taking into account the current legislation, platforms cannot directly insure their partners for accidents. E.g. insurance could be equated to the income in kind of an individual worker, which could become one of the hallmarks of an employment relationship.

4. Way forward

Under this chapter, we provide reflections on the following questions:

1. The main challenges in implementing unemployment social insurance for self-employed are:
 - 1.1 How to organize an unemployment insurance including entitlement and contributions in an integrated manner around activities, based on total work-related income. Financial sustainability as well as adequacy of benefits and contributions is the most important aspects.
 - 1.2 Social security system is not tailored to the specific work situations of self-employed and needs to respect their specificity in a proper way.
 - 1.3 In case of self-employment it is difficult to assess the involuntary character of closing down the business.

2. What type of EU support is needed to help us implement the Recommendation?

Significant number of people has insufficient social security coverage due to their employment status, in particular non-standard workers and the self-employed.

Areas where EU support is needed:

- There is currently no EU-wide definition defining self-employed people. Different definitions of employment and self-employment are of great significance not only for labour law, but also for social security and tax legislation. More clear definition will facilitate data gathering on self-employed work in the EU.
 - Best practice studies and more detailed analysis of national experiences on access to social protection for workers and the self-employed.
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3. Further challenges in access to social protection system, not addressed by the Recommendation and how could these be addressed?

In our view, further challenges in access to social security are related with financing issues. It should be defined how self-employed persons should contribute and finance their social security rights, for example to what extent the state contributes and what contributions are paid by the self-employed persons themselves.