

**Social Security Expert Commission
of Uruguay
ILO office for the Southern Cone of Latin America
Webinar**

**Access to pension benefits for non-
standard workers and the self-
employed in the European Union
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Outline of the talk

- 1. Formal access to contributory pensions for non-standard workers and the self-employed**
- 2. Effective access and adequacy of pension benefits for NSW and SE**
- 3. Reforms and some further reflections for better access**

I. Formal access to contributory pensions for non-standard workers and the self-employed

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❖ Preliminary remarks on terminology

- Focus on PAYG pensions (according to the terminology: statutory pensions, first pillar pensions)
 - some insights on occupational pensions
- Non-standard workers (workers not in full-time, open ended contracts)
- Self-employed
 - With or without employees (solo self-employed)
 - Dependent self- employed

I. Formal access to contributory pensions for non-standard workers and the self-employed

❖ Non-standard workers

- In all EU countries, non-standard workers have formal access to PAYG pension schemes as standard workers.
- However, formal access may defer depending on some specific categories of non-standard workers
 - No access for apprentices (BE, HR, MT) and trainees (EL, FR, HR, HU, IT, LT, MT, PT)
 - Insurance may be voluntary (opt- in/opt- out) depending on specific categories of non-standard workers and/or income thresholds
 - Different eligibility conditions
 - seasonal workers (BG, HU, RO), on-call workers (HU), temporary agency workers (NL, MT), mini-jobbers (DE), marginal freelancers and marginal part-timers (AT), civil contract workers (CZ, PL)
 - In the Netherlands, a double condition for temporary agency workers, based on employers' liability and the contribution period: a contract with the same employer for at least 26 weeks

I. Formal access to contributory pensions for non-standard workers and the self-employed

❖ Self-employed

- In all EU countries, the self-employed have formal access to PAYG pension schemes as standard workers.
- Mandatory insurance in 25 out of 27 EU MS (AT, BE, BG, CY, CZ, DK, EE, EL, ES, FI, FR, HR, HU, IE, IT, LU, LV, LT, MT, PL, PT, RO, SE, SI, SK).
 - Insurance may be voluntary insurance (opt- in/opt out/exemptions) in this group depending on, most often, the specific category of self-employed or income thresholds (AT, BE, DK, EL, FI, LU, SK, RO)
- Romania: dependent self-employed with a single client benefit from compulsory pension insurance (which is conditional on reaching the minimum income threshold for the ‘independent’ self- employed). The client is required to pay contributions equivalent to those of an employer. The rest of the self-employed have voluntary insurance.
 - Liberal professions and/or farmers may have separate schemes (e.g. DE, EL, FI, IT, PL)
- Voluntary insurance by default
 - DE, NL
- Germany : only some categories of the self-employed are compulsorily insured : ‘dependent self-employed without employees’, some artists and publishers.

The others can join voluntary funded schemes for a sort of a ‘pensioners’ reserve’ built up from a part of the profit, as well as in some pension schemes allowing formerly salaried workers to transit to self-employment while preserving their pension entitlements.

II. Effective access and adequacy of benefits for NSW and SE

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❖ Non-standard workers

- Voluntary insurance might lead to many workers deciding not to join or to opt out, building less entitlements to pension benefits
 - Frequently interrupted, shorter careers and lower earnings of non-standard workers = (much) lower benefits than for standard workers
 - Non-standard employment deepens the gender gap in pension entitlements in cases where most people employed in this type of job are women.
- For instance, in the Austrian and German cases, most workers employed solely in marginal part-time work are women

II. Effective access and adequacy of benefits for NSW and SE

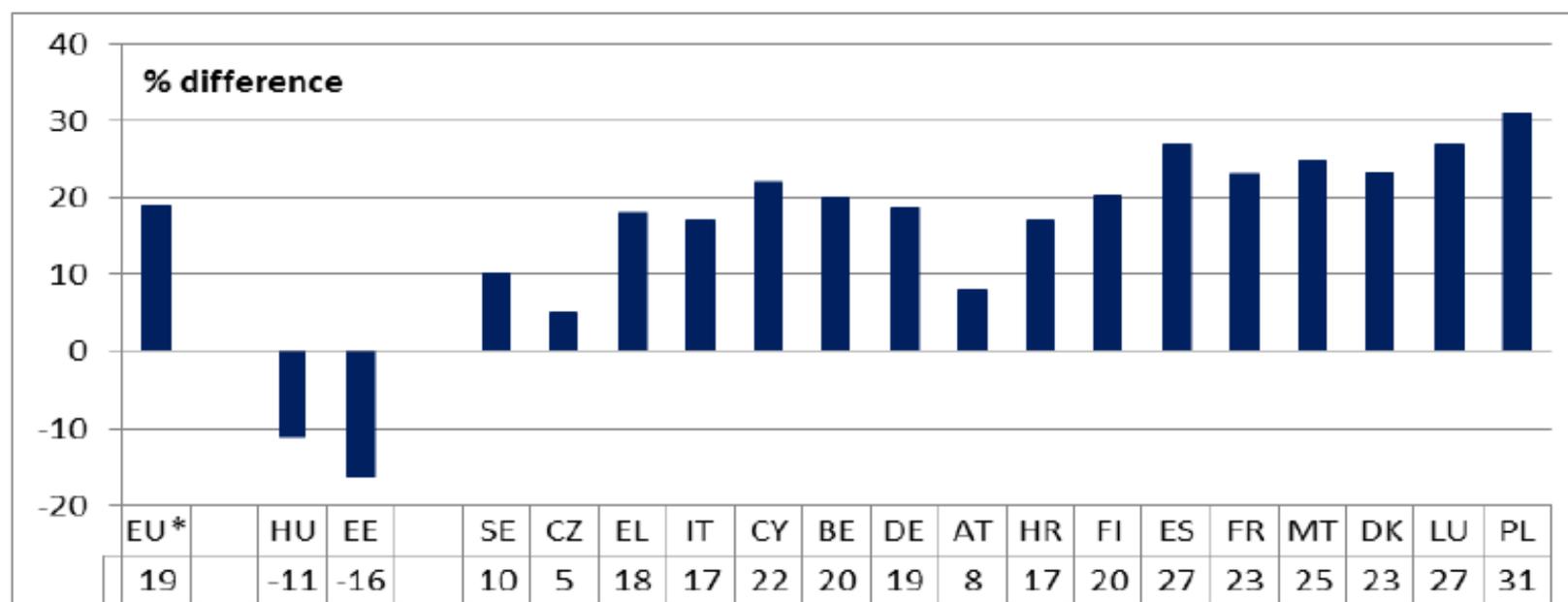
❖ Self-employed issues in benefit accrual and adequacy

- Voluntary insurance might lead to many SE deciding not to join or to opt out building less entitlements to pensions
- Eligibility conditions tailored for salaried employment (e.g. contributory periods)
- Inadequate assessment base taken into account for the calculation of benefits
 - income paid on long previous periods of earnings
 - upfront payments (advance social security payments)
 - payments of arrears
 - under- or non-reporting of income streams
- Inadequate contribution rates (too low, regressive, ceilings)
- Transferability of entitlements between labour market statuses might be problematic (employee - > self-employed)
 - Good examples (e.g. Germany individual accounts)
- Career breaks may affect the pension entitlements of the self-employed more than of employees, because of the way pension systems credit them (e.g. excluded from unemployment benefits in many countries).



II. Effective access and adequacy of benefits for NSW and SE

Graph 1. Relative difference in the median equivalised disposable income between retired employees and retired self-employed, 2017, %



Pension Adequacy Report 2018 (based on the SHARE survey)

Table 1. Examples: Issues in 'Effective' access and Adequacy of pension benefits for the self-employed

<p>Romania: (voluntary access): only 10-11 % of the self-employed are covered for old-age benefits.</p>
<p>Italy: In 2010, a self-employed had a gross replacement rate of 77.2% and the rate for a salaried worker was 73.7%. In 2040, the figures would be respectively 47.3% for self-employed and 61.7% for employees.</p>
<p>Spain: the average monthly base of the selfemployed is approximately 36% lower than that of salaried workers. 86.1% of self -employed are insured at a minimum contribution base.</p>
<p>Latvia: 85%-90% of self-employed pay contributions based only on a minimum monthly wage.</p>

Spasova et al (2017) and Pension Adequacy Report 2018

II. Effective access and adequacy of benefits for NSW and SE

❖ Some insights on the role of occupational pensions in some countries

- Very important part of pension entitlements in some countries (DE, DK, FR, FI, SE)
 - The self-employed are mostly not covered at all => much lower pensions than salaried workers.
- Transferability of occupational pensions entitlements is a particularly problematic issue (e.g. DE, DK, NL).
 - The Netherlands have established specific collective schemes for the self-employed, facilitating transferability (e.g. NL).
- The pension coverage of bogus self-employment (disguised employment) is difficult to estimate but is likely to be lower than among standard workers, as employers use this form of employment to avoid paying social contributions.

III. Reforms and some further reflections for better access

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- ❖ **Belgium:** in 2017, the minimum pension for the self-employed increased significantly : aligned with the minimum pension for employees.
- ❖ **In Spain:** a series of improvements were made in 2018 and 2019 to the special regime for the self-employed, expected to result in more adequate pensions in the future.
- ❖ **Portugal :** as of 2019, a new contributory regime for the self-employed -> decrease in their contributory rates and brought them closer to those of contractual workers.
- ❖ **Luxembourg:** as of 2018, a new law enlarges the scope of occupational pension schemes to the self-employed. They can now set up their own occupational pensions.
- ❖ **Lithuania:** granted access to the statutory pension scheme to ‘persons engaged in individual activities under business certificates’ (2017).
- ❖ **Romania:** 2016, extended access for the statutory pension scheme to some categories, such as notaries, clerks and lawyers, who can now opt in voluntarily. In addition, mandatory enrolment was extended to all the self-employed whose earnings are higher than a certain income threshold.

III. Reforms and some further reflections for better access

❖ Non –standard workers

- Frequently interrupted, shorter careers and lower earnings of non-standard workers on their pension entitlements can be counteracted by specific accrual conditions in the pension system (e.g. pension credits, specific elements in the pension formulas to improve access)
- Allowing people to contribute from the day they start work
- Length requirements for contribution periods to be counted towards pension rights (e.g. considering interrupted contribution periods)

❖ Self-employed

- A clearly defined contribution base for the self-employed that corresponds as far as possible to their actual earnings can contribute to a more favorable accrual.
- Less possibility for voluntary insurance
- Better transferability of entitlements
- Transparency, access to information and less administrative burden

Thank you for your attention!

Your feedback is most welcome

Read more

- Spasova S., Bouget D., Ghailani, D. and Vanhercke B. (2017). *Access to social protection for people working on non-standard contracts and as self-employed in Europe. A study of national policies*. European Social Policy Network (ESPN), Brussels: European Commission, [Download](#)
- This Synthesis Report is based on national contributions prepared by the 35 ESPN Country Teams.
 - [Download](#)
- Slavina Spasova and Mathijn Wilkens (2018) ‘The social situation of the self-employed in Europe: labour market issues and social protection’ in Vanhercke, B., Ghailani, D et Sabato, S., *Social Policy in the European Union: State of Play 2018*, OSE- ETUI [Download](#)
- Spasova S., Bouget D. and Ghailani D., Vanhercke B., (2019) Self-employment and social protection: understanding variations between welfare regimes, *Journal of Poverty and Social Justice*, 27 (2), 157–175.
- Spasova, S., Louvaris, Ch. and Vanhercke, B. (2019), “Pension Reforms After the Crisis: Bringing Adequacy Back in the Domestic and EU Policy Equation?”, in N. da Costa Cabral and N. Cunha Rodrigues (Eds.), *The Future of Pension Plans in the EU Internal Market*, Springer, pp. 283-310
- European Commission (2018) Pension adequacy report 2018 – current and future income adequacy in old age in the EU, vol II. European Commission, Brussels