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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Social Protection of the Self-Employed: exchange of views and best practices

Delegations will find attached the Presidency note on the above subject, with a view to the lunch discussion at the EPSCO Council on 16 June 2016.

Social Protection of Self-Employed Workers

Exchange of views and best practices

Definition and characteristics

Although several definitions for the term self-employed could be presented, broadly speaking it can be said that the self-employed are those earning income from their own business or profession rather than by working for someone else.

Even though self-employment can be a survival strategy for those who cannot find any other means of earning an income, it is always evidence of an entrepreneurial spirit and a desire to be one's own boss. Entrepreneurship is a key driver of economic growth, and it is often associated with self-employment. Improving entrepreneurial prospects for all working age persons features among the suggestions put forward in the outline of the European Pillar of social rights. The fact that they bear their own business risk fundamentally distinguishes self-employed workers from employees.

Data

In the EU, latest data from 2014 show that self-employment accounts for just under 16% of all employment, with great variations across Member States (from 32% in Greece to 5% in Sweden). Compared with data from the year 2000, this share has decreased by almost 2% for the EU as a whole, with, once again, an uneven pattern across Member States, some experiencing increases and others decreases in this period.¹

Although in many countries the female self-employment rate is rising faster than the male self-employment rate, a gender imbalance still exists, with women accounting for only around one third of the total self-employed. Evidence on self-employment suggests that individuals facing a labour market disadvantage are more likely to become self-employed given that they may struggle to find an employee job. Self-employment would thus provide a route into the labour market.²

¹ 2015 Employment and Social Developments in Europe (ESDE).

² 2015 Self-Employment in Europe report, Institute for Public Policy Research (IPPR).

Changing working conditions

Labour markets and practices are changing throughout the globe and transforming the world of work. Global trends such as globalisation and information technology are affecting global supply chains, facilitating outsourcing and making location a less crucial component in the production chain and in the service delivery. Technological developments are also increasing automation. The so-called "share economy", which includes the self-employed, but also independent contractors, freelancers and temporary workers, creates new business opportunities, but might also reduce income security.

This changing work environment has also made defining self-employment a difficult exercise, blurring the boundaries between self-employed and dependent work, giving rise to practices such as bogus or false self-employment, used by employers to evade taxation and employee rights and entitlements such as paid sick leave, holiday pay, overtime rates, travel allowances, pensions contributions or employment protection.

It is therefore important to stress that for self-employment to be a viable employment option for an individual, it needs not only to be his or her real choice, it also needs to be worth it for them. For whilst it does offer greater freedom and flexibility, self-employment also presents significant challenges.

Policy considerations and economic aspects

Voluntary self-employment should be encouraged. Legal provisions should therefore seek to retain the important contribution of the self-employed to the economy and disincentives to self-employment should be removed. Due to the character of their work, self-employed are subject to certain inherent business risks, both positive and negative. This is also the reason why persons choose to become self-employed. However, certain other risks are difficult or impossible to bear at individual level and/or would lead to excessive costs, bringing with them risks of underinsurance. These are the risks they share with all citizens, and include, for example, sickness, injury and old age. Other aspects such as access to lifelong training and maternity protection could also be considered.

Furthermore, secure and successful professional transitions (from employment to self-employment back and forth) will increasingly require that the preservation and portability of social protection and training entitlements accumulated during a career is ensured.

Special attention in the debate could be given to the most fundamental forms of social protection, like health care, disability and pension arrangements.

Against this background, ministers are invited to address the following issues:

- 1) Considering that self-employment should be encouraged, are current social protection provisions in your country adequate to cover for the self-employed, or should social protection systems be further adapted to their situation? How can they secure safer transitions between different forms of employment?
- 2) What social protection measures have been carried out in your Member State or are needed in order to facilitate that the self-employed can pursue their activities with at least a fundamental level of security?
- 3) Do you consider the European Semester framework a good forum to exchange views and best practices as regards self-employment?