

Self-employment in the EU: Job quality and developments in social protection

Introduction

The COVID-19 pandemic gave new impetus to the debate about access to social protection for the self-employed, as it highlighted gaps in formal and effective coverage as well as its adequacy. In 2021, there were formal coverage gaps for at least one group of self-employed people in at least one branch of social protection in 19 Member States. Gaps are most common in unemployment benefits (16.8 million people, or more than half of around 28 million self-employed in the EU, lack coverage), followed by sickness benefits (5.3 million people are not covered) and benefits linked to accidents at work and occupational diseases (4.2 million people are not covered).

A lack of social security coverage contributed to the self-employed suffering financially more than employees during the pandemic. This was despite unprecedented interventions by governments to offer income support and increased access to social protection, including to the self-employed. This was made necessary by the absence of (or insufficient) coverage of the self-employed by contributory schemes. Many of these initiatives were temporary, but they nonetheless served to reignite the debate about the extent of social protection coverage for the self-employed. This discussion had already gathered momentum before the pandemic, largely because of the emergence of forms of self-employment sharing characteristics with dependent employment, especially in the platform economy, and also owing to more frequent changes in status and to the combination of employment and self-employment becoming more common.

While most self-employed people enjoy good working conditions, autonomy and good earning potential, the policy debate has increasingly focused on the most vulnerable, and in particular on people in false and bogus self-employment.

Policy context

To address gaps in social protection, in 2019 the Council of the European Union adopted a recommendation on access to social protection for workers and the self-employed. Also relevant is the European Commission's December 2021 proposal for a directive on improving working conditions in platform work, as it seeks to clarify the employment status of platform workers by establishing legal criteria for distinguishing between employed and self-employed status. Furthermore, guidelines clarifying the application of EU competition law to collective bargaining by solo self-employed people were adopted in 2022.

Key findings

- The proportion of self-employed workers in the EU has not increased since the start of the 21st century, and between 2010 and 2022 it fell from 15.4% to 13.7%. This reduction was primarily driven by falling self-employment among men and the imbalance between labour market exits among older self-employed workers and the creation of new self-employment.
- Data from the European Working Conditions Telephone Survey (EWCTS) of 2021 show that 18% of self-employed people with employees and 13% of solo self-employed people had more than one job during the pandemic.
- In 2021, 9% of the solo self-employed were dependent on just a few clients, had little or no autonomy over the running of their business and could therefore be classified as economically dependent. Solo self-employed women were more than twice as likely to be economically dependent than their male counterparts.
- EWCTS data confirm that dependent self-employed people are less likely to have autonomy over how and when they do their job. In this regard, they are in a similar situation to employees. They were the group of workers least likely to receive training on the job, least likely to consider that their job offered good career prospects and most likely to be in strained jobs (jobs with more demands than resources).

- EWCTS data show that economically dependent self-employed people were twice as likely as employees to indicate having difficulties in making ends meet. Such differences stem partly from the high share of self-employment in the sectors worst affected by the pandemic. However, they also result from differences in social protection coverage and pandemic relief measures, even if the share of self-employed benefiting from such relief measures was high, as they were overrepresented in badly affected sectors.
- The introduction of income protection and the expansion of access to social protection for the self-employed were features of governments' pandemic responses. However, in most cases, eligibility criteria were more restrictive and levels of support lower than those for employees. Income support measures for the self-employed were generally introduced later and phased out earlier than those for employees. Self-employed people were therefore more likely to rely on personal assets, family members or social assistance.
- Financial insecurity contributed to lower life satisfaction among the self-employed (and the solo self-employed in particular) than employees, reversing the situation during non-pandemic times, according to European Social Survey data. Furthermore, mental health declined more among self-employed people.
- With regard to health and well-being, economically dependent self-employed workers were the most disadvantaged among the self-employed. They scored above average for at least six categories of health problems, notably exhaustion and risk of depression. Economically dependent solo self-employed women were particularly badly affected.
- For self-employed people, there is no formal (compulsory) coverage for unemployment in 11 Member States, for sickness in 5 Member States and for accidents at work in 14 Member States. Effective coverage is low, as many self-employed people have low or intermittent incomes and therefore do not qualify for benefits; if they do, benefits are often inadequate due to low contributions.
- The pandemic experience helped to put the inclusion of more self-employed people in social protection systems on the policy agenda. Nine countries have expanded the coverage of certain benefits to (a wider group of) self-employed people in the past six years; six more countries are planning such measures.
- Access to social protection has also been improved by changes to criteria used to determine self-employment status. In some countries, a 'third worker' category now applies to those whose situation falls between employment and self-employment. In others, legislative change and case law have altered criteria for distinguishing between employed and self-employed status, often in the context of platform work.

Policy pointers

- Some self-employment is characterised by low and intermittent incomes and high financial insecurity, often combined with poor working conditions and prospects. For these workers, an appropriate safety net is needed to cushion the risks associated with self-employment. This may require a strong and sustainable system (partly) based on contributions that recognises the specific nature of self-employment.
- The boundaries between self-employment and employment are blurring. Many self-employed workers, especially those who depend on one or a limited number of clients and whose autonomy and ability to set prices is restricted, find themselves in a situation akin to employment. This trend, strengthened by the growth in platform work, means that the criteria for determining employment status need to be clarified. Opportunities to abuse the status of self-employment need to be removed by addressing false and bogus self-employment.
- Member States have already begun to broaden access to social protection for the self-employed. However, differences remain between groups of self-employed workers and between the self-employed and employees. This should be addressed to ensure not only formal but also effective and adequate coverage, while avoiding disincentives to the creation of high-quality self-employment. Greater transparency and simplification could also increase take-up rates.
- Lessons should be drawn from the experience of the pandemic to improve social protection systems and plan for any future extraordinary income support measures. This includes the importance of appropriate eligibility criteria, of removing bottlenecks in the dispensation of funds, of early implementation of support measures, and of sufficient awareness raising and transparency.

Further information

The report *Self-employment in the EU: Job quality and developments in social protection* is available at <https://eurofound.link/ef23004>

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