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Social security for the self-employed

In 2017 members of the Social Security Subcommittee of the Actuarial Association of Europe carried out an informal survey of social security provision for the self-employed in their member states. Returns were received in respect of 16 countries. All these countries include the self-employed within the national social security arrangements, although the self-employed may not be covered for all branches of social security and some countries have special provisions, or even separate schemes, to reflect the particular characteristics of the self-employed.

All countries surveyed provide old-age and maternity benefits for the self-employed and most also provide disability and sickness benefits, although these may take a different form from the benefits provided to employed persons. Just over half of the countries provide accident-at-work benefits.

The class of self-employed persons is quite broad and includes craftsmen, individuals carrying on different trades, shop-keepers, sole proprietors, professionals such as lawyers, actuaries and accountants, farmers, fishermen, artists and many others. Seven countries have different arrangements for different categories of self-employed workers and a few countries have several different social security schemes for different types of self-employed, e.g. France, which has the RSI (*le régime social des indépendants*) for craftsmen and tradesmen and CIPAV (caisse de retraite interprofessionnelle des professions liberals) for the *professions libérales* (professionals). A few countries have special arrangements for farmers and fishermen.

In all cases pension eligibility age is the same for the self-employed as for employees. However, the principal challenge of integrating the self-employed into the social security system is to determine the level of earnings and entitlement to benefit. A small number of countries have a flat-rate pension (IE, UK and NL), under which the benefit is not dependent on earnings and contributions are (in part) earnings-related and collected as part of income tax. In Netherlands this also includes tax on income from owning a house and the benefit is dependent on number of years of residence in the country.

The majority of countries collect contributions based on declared earnings or profit (net of allowable expenses). This is generally aligned with the earnings base for income tax. However, in a few cases the individual is able to elect to contribute on different levels of earnings (Finland, France and Spain).

Among those countries which do not have a flat-rate benefit, there are three in which the pension is determined as an accumulation of contributions made (Croatia – for the Pillar 2 portion, Italy and Norway). Otherwise the pension is based on declared earnings, averaged in accordance with the rules of the scheme.

All countries surveyed permit the self-employed to contribute to tax-efficient occupational or personal private pensions (Pillar 2 or Pillar 3), generally on a defined contribution basis.

There were different views on the treatment of what the ILO (International Labour Office) defines as “non-standard employment”. The treatment probably depends on the exact nature of the contractual (or non-contractual) arrangements and most responses gave more than one possibility, with 10 countries expecting this category of person to be normally treated as employed and 6 as self-employed, with 5 saying it depended on the contracts, 2 regarding this as a special category and 2 saying they would not be covered at all. There have been cases of litigation about how some such workers should be treated and it is an area where there is a need for clarification of the legal position.

Further details of the arrangements in each country can be found in the Annex, which provides a summary of the questionnaire responses.

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