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DG Employment, Social Affairs and Inclusion

## **Synthesis Report - Reconciling Family Life and Entrepreneurship**

**Brussels (Belgium), 20-21 June 2017**



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# **Reconciling Family Life and Entrepreneurship**

Synthesis report

Directorate-General for Employment, Social Affairs and Inclusion

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## **1 Introduction**

### **1.1 Background and purpose of the Peer Review**

The Peer Review on 'Reconciling Family Life and Entrepreneurship' discussed policy approaches and measures to help self-employed people to reconcile family life and entrepreneurship/self-employment. The event was hosted by the Belgian Federal Public Service Social Security (FPS Social Security) bringing together government representatives and independent experts from eight countries, namely Belgium, Estonia, Germany, Ireland, Italy, the Netherlands, Spain, and Sweden. Representatives from the European Commission, the Belgian Union for Independent Entrepreneurs (UNIZO) and the National Federation of Middle Class Unions (UCM) also participated in the Peer Review.

The Peer Review gave participants the opportunity to discuss the existing social security models in the Peer Review countries and the challenges which self-employed people face when attempting to reconcile family life and entrepreneurship/self-employment. Against the backdrop of the Belgian social security model participants reflected on how changes to the social security schemes could help self-employed persons with the reconciliation of family life and entrepreneurship. This could for example be achieved through a more flexible take-up of parental, paternity and maternity leave and the provision of accessible and affordable (child)care.

### **1.2 EU policy context**

Self-employment rates vary significantly across EU Member States, with the economies of southern and eastern Europe generally exhibiting the highest rates of self-employment. In the first quarter of 2017<sup>1</sup> self-employed people made up 15% of the workforce in EU Member States. The highest rates of self-employment were found in Greece (29.9%), Italy (21.9%), Poland (17.9%), Romania (17.6%), Spain (16.4%) and the Czech Republic (16.3%) in 2017<sup>2</sup>. By contrast, northern European countries had the lowest self-employment rates - Denmark (7.8%), Sweden (8.9%), Estonia (9.3%) and Germany (9.6%). There are several different factors explaining the varying self-employment rates among the EU28, including economic structures, the regulatory environment and labour market conditions. While self-employment can provide flexibility and a better work-life balance, it can also result in unpredictable or irregular working hours, as well as the lack of job security and insufficient access to social protection. These are all factors which can severely impinge on the work-life balance of self-employed workers, and particularly self-employed women. Women account for about one third of total self-employment in the EU28 and are mainly represented by one-person companies operating in low income service sectors (health, education and culture especially).

As outlined in the Europe 2020 strategy, the European Commission (Commission) has recognised the promotion of entrepreneurship and self-employment as key to achieving "smart, sustainable and inclusive growth" across Europe. Ensuring a good work-life balance is one of the key initiatives of the Commission under the framework of the European Pillar of Social Rights. In April 2017, the Commission adopted a proposal on work-life balance, with a particular focus on increasing women's participation in the labour market. The Directive covers all workers who have an employment contract or an employment relationship. It is, therefore, left to the Member States to decide whether to extend the scope of the Directive to the self-employed. The proposal enhances existing rights and introduces new ones, aiming to increase the take up of leaves by men and increase women's participation in the labour market. The proposal envisages the following:

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<sup>1</sup> Eurostat, Labour Force Survey, 2017 (Q1).

<sup>2</sup> Eurostat, Labour Force Survey, 2017.

- The introduction of **paternity leave**. Fathers will be able to take at least 10 working days of paternity leave around the time of birth of the child, compensated at least at the level of sick pay.
- The strengthening of **parental leave** by making the 4-month period non-transferable from one parent to another, and compensated at least at sick pay level. Parents will also have the right to request to take the leave in a flexible way (part-time or in a piecemeal way) and the age of the child up to which parents can take leave will be increased from 8 to 12 years old.
- The introduction of **carers' leave** for workers caring for seriously ill or dependent relatives. Working carers will be able to take 5 working days per year, compensated at least at sick pay level.
- The extension of the right to request **flexible working arrangements** (reduced working hours, flexible working hours and flexibility in place of work) to all working parents of children up to 12 and carers with dependent relatives.

The Commission has in addition launched two social partner consultations: 1) concerning the modernisation of the rules on labour contracts; and 2) on access to social protection in cases of atypical contracts and self-employment.

### **1.3 Key learning elements from the Peer Review**

The key learning elements from the Peer Review are summarised below:

- Forms of employment are becoming increasingly complex and differences between self-employment and wage employment are narrowing. There is also an increasing trend for individuals to move between periods of self-employment and wage employment. This may impact on the social protection of such individuals, as well as their families. As such, there is a need for upward convergence of social protection between the self-employed and employees. Indeed, many of the key messages which emerged from the Peer Review appear valid not only for the self-employed, but also for other forms of employment.
- There is a growing gap in access to social protection for the self-employed. Social protection systems vary significantly across all Peer Review countries, including in terms of their funding (general taxation or social contributions; compulsory and/or voluntary); coverage (universal or contribution-based); type of support (allowances – flat-rate or income based; service vouchers or childcare services); and length, level of benefits, flexibility in use (full or part-time).
- Tailored measures are not widely used, although there are some targeted measures for those who do not have a record of social security contributions or income, including young people, students, the unemployed and start-up businesses.
- It is important to introduce flexibility into the use of social protection systems, so as to allow both periods of part-time and/or full-time work and for individuals to be able to move between self-employment and employee status. Flexibility in the use of benefits is particularly important for the self-employed as they find it difficult to take long periods of leave for caring responsibilities. Besides good quality, accessible and affordable childcare with flexible hours and access for young children, there is the need to find new ways to support the work-life balance of self-employed individuals. This includes cover for periods where a self-employed person needs time away from their business e.g. hiring replacements or co-working, shared common services.

- It is also desirable to allow a degree of transferability (or even pooling of benefits) between partners (and relatives); and between different types of employment. A flexible take-up of maternity, parental and carer's leave (particularly in the case of single parents) could help self-employed people continue their businesses and achieve a better work-life balance.
- Across most Peer Review countries there is a lack of transferability of social protection rights. For example, the transferability of occupational rights such as pension entitlements, health insurance, sick pay or maternity, parental and carer's leave is often not guaranteed in case of a change of employment status. Ensuring that acquired rights are transferable could increase labour market flexibility.
- In social protection systems with variable and/ or voluntary contributions, there is a risk that self-employed people with low and/or irregular income opt out or pay the lowest level of contributions. This may lead to under-insurance against social and health risks. By better tailoring social protection systems to the work realities of self-employed people (including the simplification of administrative procedures), the access and take-up of social protection could be increased. Similarly, it is necessary to ensure that a social safety net is in place for those self-employed people below a certain income threshold to ensure adequate social protection.
- Access to information on entitlements to social protection could be improved through awareness raising activities and better use of modern technology (e.g. social benefit calculators) so that individuals can make more informed choices. For example, in countries with variable coverage, individuals may not be fully aware in what way the social insurance contributions affects their pension and benefit entitlements.
- A joined-up and integrated approach is needed to tackle the challenges of striking a good work-life balance. This can be achieved by bringing together different ministries and policy areas (e.g. tax system, social security, education and employment), as well as different governance levels (national, regional and local) and involving organisations representing self-employed workers in decision making and implementation.
- Further monitoring and evaluation of existing measures, including their impact on female self-employment, quality of life and work-life balance, is needed to inform and influence policy decisions. Many elements of the different approaches have good potential to be transferred and would benefit from more data and evidence to fully evaluate their relative advantages and disadvantages.



## **2 Belgium: Reconciling Family Life and Entrepreneurship**

### **2.1 Introduction**

The Belgian government considers the promotion of self-employment as an important driver for economic growth and job creation. National statistics show that the number of self-employed people has been steadily on the rise in recent years, with women still only representing one third of the total (a similar proportion to that of other Member States). According to national surveys<sup>3</sup>, self-employed women find it particularly difficult to combine work and family life, a key factor which inhibits them starting their own business.

### **2.2 The legal status of the self-employed**

In Belgium, any natural person exercising a professional activity without a binding contract of employment is considered self-employed. Self-employed persons are obliged to join a health and social insurance fund. Social security contributions are in principle paid on a quarterly basis, however, under certain conditions such as when a self-employed person's income is below a certain threshold, social security contributions do not have to be paid. Since 1 January 2015, social security contributions are calculated on the basis of the self-employed person's net professional income of the same year.

### **2.3 Measures to reconcile family life and entrepreneurship**

To help self-employed people, particularly women, achieve a better work-life balance and to increase labour market participation, the Belgian government recently introduced a number of new measures which are described in more detail below.

#### **2.3.1 Maternity leave and maternity aid**

Maternity leave for self-employed women consists of a compulsory leave period of three weeks and an optional period of five weeks (six weeks in case of multiple births). The maximum optional period of maternity leave for the self-employed was extended by four weeks (from five weeks to nine weeks), with the possibility of taking up leave on a full-time or part-time basis. The optional period of maternity leave can be taken in periods of seven consecutive calendar days until the 36<sup>th</sup> week after the mandatory period of postnatal rest. The prenatal rest period can only begin three weeks prior to expected delivery date. Since 1 October 2016, self-employed mothers are also exempt from paying social security contributions during the first quarter after childbirth while retaining their entitlement to benefits.

The maternity allowance, paid by the health insurance fund, is a flat-rate of EUR 458.31 per week (as at 1 January 2017). In case of part-time maternity leave, the weekly allowance is EUR 229.15 per week.

In 2006, the Belgian state introduced the so-called "maternity aid" as a supplement to maternity leave for self-employed women. Self-employed women are entitled to 105 free service vouchers. These vouchers are subsidised by the Belgian government and can be used to employ workers from a certified enterprise to undertake a range of household tasks. In order to be eligible for service vouchers, self-employed women must resume their professional activity and the child must be domiciled with his or her mother.

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<sup>3</sup> The Flemish socio-economic council (SERV) introduced the *Workability Monitor* to measure the quality of work of employees and self-employed in Flanders three times a year. Four different indicators are monitored: mental fatigue, wellbeing at work, learning opportunities and work-life balance. In addition, field consultations were carried out by Belgian organisations for the self-employed in 2015 confirming the difficulty experienced by self-employed persons in maintaining a work-life balance.

### 2.3.2 Carer's leave

Belgium introduced a new family plan in the beginning of 2010 whose scope was expanded in October 2015. Under the newly reformed family plan which was renamed plan on informal care the eligibility of benefits was extended to self-employed people. Self-employed caregivers are now entitled to apply for full or partial monthly benefits. In certain cases they may also be exempt from paying social security contributions in case of receiving benefits during three consecutive months while retaining their rights.

The full monthly allowance amounts to EUR 1,168.73 and is paid by the social insurance fund. The allowance is limited to a maximum of twelve months over the course of an entire career as a self-employed person. Allowances under the informal care system cannot be cumulated with any other benefits (pension, incapacity benefits, maternity allowance, and occupational interruption allowance under a different system for the same reasons).

## 2.4 Initial experiences with the new measures

The introduction of a number of key measures by the Belgian government was intended to allow for greater flexibility in the take-up of maternity and carer's leave on a full-time or part-time basis. This is particularly relevant for (self-) employed mothers with young children, since women generally assume more responsibility for (child)care and household tasks. It is presently too early to assess the impact of measure since they were only recently introduced. Feedback received has generally been positive. According to a nationwide 2016 survey<sup>4</sup>, nearly half of self-employed women took the (former) maximum maternity leave with benefits of eight weeks. However, the survey also showed that a considerable number of self-employed women (22%) continue to make limited use of their maternity leave given that the work realities do not allow for long periods of absence. For this group of self-employed the possibility of taking up maternity leave on a part-time basis was welcomed. Likewise, many self-employed women seem to presently not be aware of measures such as the so-called maternity aid. Based on the survey responses it is estimated that the non-take up rate of maternity aid was at 30% in 2015<sup>5</sup>. Reliable quantitative/qualitative data on the impact of the care initiatives do currently not exist. Efforts need to be made in the future to ensure greater visibility of the available services. The measures will be subject to a thorough evaluation in the years to come.

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<sup>4</sup> UNIZO, 2016, *Enquête over de combinatie tussen arbeid en gezin bij zelfstandige ouders met jonge kinderen (maximum 12 jaar)*, Brussels. Available on: [http://www.unizo.be/sites/default/files/20160121\\_-\\_moederschapsrust\\_bij\\_zelfstandige\\_vrouwen\\_-\\_unizo\\_nota.pdf](http://www.unizo.be/sites/default/files/20160121_-_moederschapsrust_bij_zelfstandige_vrouwen_-_unizo_nota.pdf) /.

<sup>5</sup> UNIZO, 2015, *Dossier arbeid en gezin bij zelfstandigen*, Brussels. Available at: [http://www.unizo.be/sites/default/files/dossierarbeidengezindef\\_0.pdf](http://www.unizo.be/sites/default/files/dossierarbeidengezindef_0.pdf).

### **3 Discussion points**

The Peer Review in Brussels provided an interesting and insightful opportunity to learn about dedicated approaches to support the work-life balance of self-employed workers.

Following a discussion of country differences in the definition and regulation of self-employment, the Peer Review mainly focussed on: i) the wide differences across the Peer Review countries in the social protection systems and work-life balance measures for the self-employed and their advantages and disadvantages; ii) the flexibility and transferability of work-life balance measures; iii) the strengths and weaknesses of different funding and benefit systems; v) the need for more gender disaggregated data and monitoring/evaluation systems of social protection reforms and self-employment.

Overall, the discussions and comparisons with the other participating countries underlined the following positive aspects of the Belgian reform:

- The flexibility of maternity leave for self-employed women, allowing them to use part of the leave either full-time or part-time.
- The exemption from payment of social security contributions during maternity/paternity and parental leave.
- The automatic eligibility to a number of free service vouchers for the acquisition of household services as a supplement to maternity leave for self-employed women.
- The informal care system providing allowances to self-employed persons with care obligations in case of serious illness or disability of a child or a relative.
- The implementation of the Female Entrepreneurship Barometer to gather gender disaggregated data and monitor the evolution of self-employment by gender.

Conversely, other features of the Belgian system were considered to need improvement:

- The short duration of the maternity and parental leave compared to the other participating countries.
- The lack of incentives for fathers compared to other participating countries.
- The need for greater investments in the provision of care services.
- The wide differences in accessing work-life balance measures between self-employed workers and employees.

#### **3.1 Significant variation in social protection systems and work-life balance measures across the participating countries**

The country comment papers and discussions at the workshop highlighted the major differences in social protection systems and work-life balance measures for the self-employed across the Peer Review countries. Differences emerged in terms of coverage (universal or contribution-based); type of support (flat-rate or income based-allowances, service vouchers, or childcare services); level and flexibility of support (length and level of benefits, transferability); source of funding (general taxation or social contributions; compulsory and/or voluntary).

As widely reported in the literature, differences in national approaches reflect the diversity of welfare regimes that are deeply entrenched in each country, and that reflect social values and institutional frameworks.

In all the participating countries self-employed mothers are eligible to maternity benefits. However, there are wide differences in the eligibility criteria; the level of

benefits; the eligibility to other parental benefits, the differences with employees, and how they are financed.

**The main differences are between the Estonian and Swedish approaches and the other countries.**

Estonia and Sweden have universal social protection systems that do not differentiate according to employment status and provide benefits, with long lasting, high and flexible maternity, paternity and parental benefits compared to the other countries. In these countries social protection and work-life balance measures are largely funded through income taxation and the differences between employees and self-employed workers are relatively small.

In the other participating countries social protection systems for the self-employed differ from those for employees, and work-life balance measures are usually funded through social security contributions, according to the insurance principle. In these countries social protection and work-life balance measures are usually less generous for the self-employed compared to employees and while maternity leave is common also for the self-employed, paternity and parental leave are less common.

Germany and the Netherlands lie somewhere between these two groups of countries. The health and social protection systems for the self-employed rely on private insurance or voluntary payments. However, parental benefits are universal and financed through taxation.

Another difference among participating countries is in the availability and accessibility of child care services. While in Sweden, and to a lesser extent in Estonia, widespread and affordable good quality child-care services are a major way to support the work-life balance for all workers, this is not the case in the other participating countries.

### **Box 3.1 The universal schemes of Estonia and Sweden<sup>6</sup>**

In **Estonia**, the Strategy of Children and Families 2012-2020 supports all parents irrespective of the type of employment. There are no policy measures specifically targeted at self-employed parents. The support system combines financial support measures and benefits; and childcare services. Self-employed women, are entitled to pregnancy and maternity benefits providing a replacement income of 100% of previous earnings for a maximum of 140 days. Entitlement to the benefit depends on having paid a social tax, e.g. a mandatory contribution required for pension insurance and state health insurance. Universal parental benefits cover all parents and last 36 months. The first half of leave is covered by a replacement income equivalent to 100% of the previous earnings. The second half of the leave is covered by a flat-rate childcare allowance of EUR 38.35 per month for each child under the age of 3. In case social security contributions have not been paid before childbirth, parents are still eligible to national minimum parental benefit. The system is flexible: self-employed parents are allowed to work when receiving parental benefits or childcare allowances without their benefit being reduced; the state pays social security tax for one parent up to the child's third birthday. As for childcare services local governments are obliged to ensure places in pre-school institutions for children who are 18 months or older. By the age of four, parents may apply for a place in a pre-school institution. Local municipalities are also in charge of providing childcare institutions for resident children with special needs or offer more flexibility to parents whose work requires more flexible childcare (e.g. non-traditional hours), or for creating childcare facilities in workplaces. At least 1,200 new childcare places are expected to be created from 2015 to 2020 with support of the European Structural and Investment Funds (ESIF).

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<sup>6</sup> [link to peer country comments papers to be added when uploaded]

**Sweden** is well-known for its comprehensive welfare system, covering all workers with the same rules regardless of their employment status, with few exceptions and special regulations for the self-employed. With regards to the Swedish parental leave system, parents are assigned 480 days of paid parental leave for each child. In order to incentivise both parents to take parental leave, parents can divide the number of days between them, but 90 days are assigned to each parent individually and cannot be transferred to the other. The parental benefits represent a replacement rate of 77.6% of previous earnings up to a ceiling of EUR 45,612 annually during 390 days. During the remaining days a smaller flat rate of EUR 18.45 per day is provided. All individuals with an annual income below EUR 12,053 receive a flat rate of EUR 25.63 per day during the first 390 days. The same rules apply for those caring for a sick or disabled relative. Other forms of work-life balance support include: i) a 50% tax discount for household services available since 2007; and ii) a widespread supply of good quality, affordable childcare services. The contribution of the self-employed to the system is calculated on the net income of the business. Differently from the Belgian case, during parental leave parents still have to pay their social security contributions, however they are likely to pay less due to the lower working time and the lower income.

*Source: Peer Country Comments Papers*

In Italy, Spain, and Ireland, the welfare regimes are more similar to Belgium, being based on the insurance approach and with major differences between employees and the self-employed. While compulsory maternity leave and benefits are similar for all workers, the main differences between employees and self-employed workers relate to the other parental leaves and benefits, as well as the contributions to be paid.

As in Belgium, these countries are to a varying extent reforming their social protection systems in order to improve the social protection for self-employed workers and reduce differences with employee schemes. For these countries the most interesting features of the Belgian reform are the maternity aid and the possibility to work part time during maternity leave.

### **Box 3.2 Insurance based schemes in Italy, Spain and Ireland<sup>7</sup>**

In **Italy**, there are differences in social protection rights between self-employed and employees, as well as among the different categories of self-employed. The relatively high and increasing share of self-employed workers recently resulted in the government revising the rules governing their social protection conditions and to reduce the differences between the self-employed and employees in access to maternity/paternity benefits. A compulsory maternity leave of five months covers all workers in Italy irrespective of employment status. There is some flexibility in when leave can be taken before and after birth, as long as leave is taken at least one month before birth and the remaining months immediately after. During maternity leave, self-employed mothers are eligible to a maternity allowance equivalent to a daily rate calculated on 80% of the previous year's taxable income. With the recent reform, self-employed women without employees or not belonging to a registered liberal profession can work during leave, like the other self-employed workers. In order to be eligible to maternity leave self-employed women must have paid social contributions for at least 3 months during the previous 12 months. There is also an optional maternity leave which has been increased in 2015 from three to six months to be taken during the first three years following the child's birth. The optional maternity allowance, equals 30% of the taxable income, and has been extended to self-employed mothers enrolled in the "Gestione separata" fund since 2012. For those not using the optional maternity leave, the 2017 reform also provide self-

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<sup>7</sup> [link to peer country comments papers to be added when uploaded]

employed mothers with the possibility of applying for service vouchers for baby sitting or child care services. For each month of the optional maternity leave not claimed, the benefit/voucher is equal to EUR 600. In addition, since January 2017, all mothers get a *una tantum* bonus of EUR 800 for each newborn. For low income families with a child born or adopted between 1 January 2015 and 31 December 2017, a means tested monthly allowance for the child's first three years is also available. Self-employed workers enrolled in the "gestione separate" have to pay a contribution to the social security system as a percentage of their income. In contrast to Belgium and other countries, the self-employed in Italy are not eligible to the care leave system for seriously sick relatives. Another issue in Italy is the low coverage of childcare services, especially in central and southern regions.

As in Italy, also in **Spain** self-employed persons are required to register in a Special Scheme for Self-Employed Workers ('RETA scheme'), which also covers professionals, associate workers and cooperative members. Social protection is closely linked to the contribution bases and the types of protected contingencies. Self-employed workers, are entitled to both in kind (healthcare mainly) and cash benefits in case of temporary incapacity, pregnancy, maternity, paternity, breastfeeding, permanent disability, old-age, widowhood, and having dependent children. Cash benefits depend on the contribution base and the monthly contributions made by the self-employed worker. The worker may choose how much to contribute to the system, ranging from a minimum of EUR 287 to a maximum of EUR 1,230 per month. Administrative data show that almost all the self-employed choose the minimum contribution base and are thus eligible to very low social protection. Self-employed women are entitled to the same maternity leave and benefits as employees for up to 16 weeks, with 6 compulsory weeks. The maternity allowance equals 100% of the corresponding contribution base (around EUR 900 per month if the self-employed mother made the minimum contribution). Compared to Belgium, there is a different form of flexibility in the use of maternity leave in Spain: although 6 out of 16 weeks are compulsory, there are no restrictions on when to take them before giving birth and women may decide depending on their individual needs. During the non-compulsory period of maternity leave, self-employed women can work part-time, however, they cannot resume their activity until the seventh week after birth. There are also incentives for fathers to take up some of the leave. Up to 10 of the 16 weeks may be transferred to the father. Besides, paternity leave is available for spouses of self-employed mothers for up to four weeks. Parents may take part-time rest periods, up to 50% for fathers and no limits for mothers. In contrast to the recent Belgian reform, payment of social security contributions cannot be put on hold due to temporary incapacity, pregnancy, breastfeeding and maternity or paternity leaves. In 2015, a new legislation entitles self-employed workers to temporarily suspend their activity for family care obligations with the support of a bonus for hiring a replacement. The bonus is equal to 100% of the self-employed contributions for common contingencies, for up to 12 months in order to allow the continuity of the activity performed by the self-employed worker. Other measures for self-employed mothers who return to their professional activity in the two years after maternity are currently under discussion.

In **Ireland**, the maternity leave and benefit scheme for the self-employed is longer but less generous and less flexible than the Belgian system. Self-employed women are eligible to a paid maternity leave of EUR 235 per week for 26 weeks, provided that they fulfil the eligibility requirements of social security contributions and that they apply for the payment 12 weeks before they intend to go on maternity leave. At least two weeks and not more than 16 weeks leave must be taken before the end of the week in which the baby is due. Women can take a further 16 weeks unpaid maternity leave that must be taken immediately after the end of their 26 weeks of paid maternity benefit. This period is not covered by maternity benefits, but claimants are entitled to a credited social insurance contribution for each week of unpaid leave taken. However, there is currently no provision to access payment of benefits on a part-time basis. Furthermore, no assistance is envisaged towards

childcare and other forms of care. Only very recently were paternity benefits introduced for two weeks. A doctor must certify the baby's date of birth, to confirm entitlement to paternity leave. The two weeks have to be taken in one block and eligibility conditions are the same as for maternity benefit. According to the most recent legislation, paternity leave and benefits also covers non-traditional family forms.

Source: Peer Country Comment Papers

As anticipated, Germany and the Netherland fall somewhere in between the universal systems of Sweden and Estonia; and the insurance-based systems of the other participating countries. In both countries, the self-employed do not have to contribute and are not covered by the public social protection system supporting employees. They usually insure themselves through private schemes. However, in both countries, all parents are eligible for parental and child benefits irrespective of their employment status.

### Box 3.3 Work-life balance measures in Germany and the Netherlands<sup>8</sup>

In **Germany**, the social security system is mainly financed through contributions paid by employers and employees and is designed to meet the needs of employees. With a few exceptions, self-employed persons are generally not covered. Only since 2009 have all self-employed workers been required to have health and long-term care insurance. In contrast to the Belgian system, in Germany self-employed persons are mainly covered by private insurance-based health and pension schemes. However, parental benefits are universal: all parents are eligible for child and parental benefits irrespective of their employment status, as they are financed through tax. Parental allowance is paid for up to twelve months for parents who cease to work or who reduce their working hours to no more than 30 hours/week. Lone parents are entitled to the full 14 months of parental allowance. There are also important incentives for fathers to take parental leave. If both parents share the leave, they are entitled to an extension of the benefit from 12 to 14 months. In addition, benefits are calculated as a proportion of previous earnings rather than as a flat rate to incentivise take up by fathers. The monthly parental allowance is roughly two thirds of the last average monthly net income in the previous year with a ceiling of EUR 1,800 (for an income of EUR 2,770 or higher). For low income parents (earning less than EUR 1,000 in the previous year), the allowance increases to a maximum of 100%. The system is flexible, since there is also a special parental allowance (Parental Allowance Plus) for parents who need to quickly return to work at least part-time soon after the birth of their child. Parental Allowance Plus cannot exceed half of the allowance for non-working parents, but may last twice as long as the basic parental allowance (i.e. 24 months). If both parents decide to work part-time simultaneously – for four months in parallel and between 25 and 30 hours per week – they can each receive four additional months of Parental Allowance Plus. The two schemes can be combined flexibly to meet the parents' needs. As for childcare services, Germany has a shortage of day-care facilities for children under the age of three, particularly in the former West Germany. Parents have a legal right to a place their child in a day-care centre when the child reaches the age of 1 year.

The **Dutch** system also offer universal social assistance and maternity benefits to the self-employed, although only in specific cases and with a much lower levels compared to Sweden. The self-employed do not have to contribute to and are not covered by the social security system for other forms of support, e.g. pensions, health care, unemployment benefits. If they wish to insure themselves, they have to use private insurance schemes. Self-employed mothers are only covered by maternity benefits. There are no benefits for self-employed caregivers and no

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<sup>8</sup> [link to peer country comments papers to be added when uploaded]

regulations in cases of adoption. Self-employed women are entitled to a maternity allowance for 16 weeks, provided that they have worked for at least 1,225 hours in the preceding year. The benefit is related to self-employed women's earnings with a ceiling of 100% of the statutory minimum wage. The maternity allowance is granted on a voluntary basis, if self-employed women apply for it. Instead of applying for the maternity allowance, pregnant self-employed women can apply for an allowance to pay for a temporary substitute during maternity leave that must be made available by an employment agency. The replacement benefit is 100% of the income earned in the preceding year, increased with the premiums and the compulsory contribution every resident has to pay on the basis of the Healthcare Act. Maternity leave is not compulsory but it is not flexible as in Belgium or Sweden. It is either taken completely or not at all. The leave can be extended in the case of hospitalisation of the child after birth but only for a maximum of 10 weeks. As in Belgium, the leave can be transferred to the father (or other partner of the mother) in case of death of the mother, and it is extended when giving birth to twins or multiples. In addition, the self-employed are covered by the universal social assistance schemes, including childcare benefits, whatever their employment status, if they have no means to support themselves. Self-employed persons who are temporarily unable to support themselves can apply for temporary social assistance (up to a maximum of 12 months), usually granted in the form of an interest-free loan. Entrepreneurs who terminate their business because it is no longer viable can also apply for this type of assistance. In this case it is a benefit, not a loan.

*Source: Peer Country Comment Papers*

### **3.2 Flexibility and transferability**

A flexible take-up of maternity, parental and carer's leave (particularly in the case of single parents) could help self-employed persons continue their activity and achieve a better work-life balance.

Flexibility in the use of leave and benefits is particularly important for the self-employed as they find it difficult to take long periods out of work for caring responsibilities. The discussion in the Peer Review underlined the importance of flexible leave systems allowing the self-employed to combine care leave with running their enterprise. It was stressed that self-employed workers may prefer flexible leave systems rather than long periods of leave.

The discussion also underlined that maternity, paternity and parental allowances are insufficient to support a good work-life balance. A well-developed care system is not only necessary to support the work-life balance of all workers, and especially mothers, but can also have important positive indirect effects in terms of (female) employment creation and reduction in social inequalities. Given that employment in the care sector is largely female, the development of this sector would increase women's employment. In addition, early childcare has been shown to support social mobility and reduce the transmission of social inequalities from one generation to the next. Good quality, affordable childcare with flexible hours is crucial in this respect. Among the participating countries, Sweden probably has the most well-developed childcare system, although many of the other countries are also investing in these services, including through the use of European Structural and Investment Funds (ESIF).

The Belgian experience with vouchers is considered interesting for those countries with a lower supply of childcare services. This solution appears feasible especially in the Mediterranean countries (and in Italy it is already used), where it is seen also as a way to reduce the use of undeclared work in the provision of care and domestic services to families.

The heterogeneity of working conditions among the self-employed (but also increasingly among employees) also requires innovative approaches to cover periods where a self-employed person needs time away from business e.g. hiring



replacements, co-working, shared common services. To this end, interesting forms of support for self-employed mothers are the Belgian vouchers for household services. An interesting alternative is also the Swedish 50% tax discount for household services, that increased the use of such services and supported self-employment women not only as users, but also as service providers as many of the firms providing these services are owned by women. Also interesting in this respect are the Dutch and Spanish schemes providing an allowance to self-employed mothers to temporarily employ a substitute during maternity leave.

As for measures tailored to specific groups of self-employed workers, these are not widespread, besides some measures targeting those persons who do not have a record of social security contributions or income, namely young people, students, the unemployed, immigrants, particularly during the business start-up phase.

Another important theme under discussion was the desirability of allowing a degree of transferability (or even pooling of benefits) between partners and relatives (particularly in the case of lone parents), as well as across different types of employment, given the increasing share of workers moving in and out of self-employment/employee status.

The transferability of acquired rights across different employment statuses is also necessary to improve the work-life balance and social protection of non-standard workers either combining self-employment with part-time dependent employment or moving from one status to another. Moreover, better supporting non-standard workers, the transferability of acquired rights would also allow individuals to consider their employment preferences and support labour mobility and flexibility.

However, across most countries participating in the Peer Review the transferability of occupational rights such as pension entitlements, health insurance, sick pay or maternity, parental and carer's leave is often not guaranteed in the case of changes in employment status.

The transferability of contributions and benefits across employment status is particularly difficult, if not impossible, in those countries where the rules governing the self-employed and the employees are very different.

In this respect universal social protection systems, like the Swedish one, which do not differentiate according to the employment status are better equipped to address the recent changes in the labour market, with the increasing share of non-standard workers and working lives characterised by frequent change of status.

### **3.3 Financing system and design of benefits**

The extension of public social protection and work-life balance support to the self-employed requires additional funds and social security contributions from the self-employed. The definition of the level and the mandatory or voluntary nature of the contributions to be paid by the self-employed is complex and the participating countries show very different approaches.

In social protection systems with variable and/or voluntary contributions, there is a risk that self-employed with low and/or irregular income opt out of paying contributions or choose the lowest level of contributions (as in the Spanish case). This may lead to under-insurance against economic, social and health risks. Conversely mandatory and/or fixed contributions may be too high for low income self-employed workers, especially in the start-up phase of their activities or in periods of low activity.

By better tailoring social security contributions to the work realities of the self-employed, and providing support in administrative procedures, access to and take-up of social protection could be improved.

Similarly, a social safety net is needed for those self-employed workers below a certain income threshold to ensure adequate social protection.

To this end, for example in Ireland there is a mixed mechanism for social security contributions. For self-employed workers earning less than EUR 5,000 per year a voluntary contribution of EUR 500 gives eligibility for maternity and paternity benefits. For earnings above EUR 5,000 social security contributions equivalent to 4% of income are mandatory and cover maternity and paternity benefits as well as unemployment benefits, but not healthcare.

In Sweden instead, social security contributions are mandatory and equivalent to around 30% of the business' net income. However, lower contributions are required from those starting up a new business. Also, the contribution gives access to very generous and comprehensive benefits. As most benefits are income based and funding is based on mandatory social security contributions, one issue is how to calculate the self-employed qualifying income. This income is normally based on the average income during the three previous years. For start-ups, the income can be lower than what normally would be the case. In these cases, the Social Insurance Agency directly determine a comparable income to be used as an estimate of the sickness benefit qualifying income. For newly started incorporated firms the qualifying income is based on the actual wage.

Another issue related to the advantages and disadvantages of flat rate versus income based benefits. The flat rate benefit system adopted in Belgium does not incentivise take up by fathers, who usually have higher earnings than mothers, but is very simple to manage. Income based benefits provide greater incentives for fathers and seem effective in increasing fathers' take up of parental leave as shown by German data. However, they have higher administration costs compared to flat rate benefits.

### **3.4 Transparency and policy coordination**

There is a complexity in the social protections systems that makes it difficult for workers to make informed choices. Particularly in countries with voluntary contributions, individuals may not be fully aware in what way the social insurance contributions affect their pension and benefit entitlements.

Access to information on individual rights and entitlements to social protection is crucial to increase awareness on the relation between social security contributions and what they provide in terms of benefits in case of economic, social, and health risks.

Administrative simplification, information and support services, awareness raising activities, use of modern technology (e.g. social benefit simulators) could help individuals to make informed choices and encourage take up of social protection schemes.

Improved real time information on the earnings of the self-employed is also needed by public authorities in order to assess the required contributions and the eligibility to state funded measures.

A joined-up integrated approach by public institutions could improve both access to information and coordination in policy implementation. This can be achieved by bringing together the different administrations involved in social protection (e.g. tax system, social security, employment administrations), as well as different institutional levels (national, regional and local), and involving organisations representing self-employed workers in decision making and implementation.

For example, the integration of the social security and fiscal administrations would facilitate the simplification of administrative tasks and the delivery of administrative support services for self-employed workers. The sharing of administrative data would also allow administrations to share information on the earnings of the self-employed for the calculation of contributions to be paid and eligibility to income based allowances.

Another example relates to the integration between administrations governing parental leave and benefits (usually in charge of national administrations) and those governing the delivery of care services (usually local administrations).

## **4 Lessons learned and priorities for the future**

Two main issues are emerging in the current debate on self-employment and work-life balance.

The first is how to support women in self-employment and entrepreneurship. Currently women are a minority among the self-employed in all EU countries. There are many reasons for this, including the difficulty in accessing social protection and achieving work-life balance measures. Women often believe that self-employment will ease the pressure of combining work and family and indeed research shows that the self-employed may improve their ability to balance work and family life thanks to the autonomy and working time flexibility self-employment offers. However, the long working hours, work intensity, financial insecurity, lack of social protection are particularly penalising for women and low income self-employed persons, increasing their risk of poverty and constraining their preferences in terms of professional choices.

Another important issue is the increasing fragmentation of employment patterns with a growing share of non-standard employment forms and of professional careers combining periods of wage and self-employment.

These labour market developments ask for the extension of social protection to all workers, irrespective to their employment status, providing similar rights for similar work, as well as a greater flexibility in use and the possibility to transfer acquired rights across different forms of employment.

This would also contribute to reducing labour market segmentation and inequality, and allow a greater mobility between different employment statuses without penalties.

### **Extending social protection and work-life balance rights to non- standard workers and the self-employed**

Recent trends in labour markets and working conditions, with workers less and less likely to maintain the same job and employment contract for life, ask for a revision in social protection and work-life balance systems. In many of the participating countries a debate going on about the desirability to offer more protection to self-employed workers and to reduce differences with employees, given the increasing share of free-lance workers, and "bogus", low income self-employed workers, not sufficiently insured against economic, social and health risks, due to their high costs.

Universal systems appear more effective in supporting the transferability of acquired rights as well as in providing a minimum safety net for all workers irrespective of their employment status, thus reducing labour market segmentation and inequalities. As underlined by the Estonian expert, in universal systems also eligibility conditions and benefits regulation are more clear and easier to grasp, compared to the differentiated systems prevailing in Belgium and other southern and continental countries. Universal systems also make it easier for workers to change their employment status and, being funded on income taxation rather than social security contributions, do not penalise young workers or workers with short employment spells.

However, as in many countries self-employed workers are eligible for higher tax deductions fiscal benefits than employees, in order to extend social protection these fiscal benefits should be also revised, and a better monitoring of the earnings of the self-employed should be implemented with an effective coordination and data sharing among administrations.

In addition, as underlined by the Dutch expert, the self-employed themselves have different opinions, with some in favor of more protection, especially in the field of sickness and disability, and others preferring to stay out of the public social security system and keep the tax support they receive.

### **Flexibility and transferability of rights**

Another important issue is the need for flexibility in the use of leave and of transferability among carers. The possibility to use the maternity/paternity and parental leaves and benefits without totally suspending the professional activity for the entire duration of the benefit is particularly important for self-employed workers. In this respect the Belgian and other countries' regulation allowing the possibility to combine parental leave with work in a flexible way is considered particularly important for self-employed workers and transferable to other contexts.

In order to support the work-life balance in a flexible way, other two measures could also be considered: the possibility to transfer leave and benefits rights to the partner or other relatives (grand-parents) in case of single parents, and a well-developed system of affordable and good quality care services.

### **Increasing fathers' take up**

The debate among participating countries underlined the effectiveness of specific incentives for fathers to take up parental leave and share care work. Among these the extension of the leave period in case of joint take up and the provision of an income based allowance rather than a flat one appeared effective, according to existing monitoring data.

### **Designing effective funding and benefit systems**

The comparison of the experience of the participating countries showed the pros and cons of mandatory vs voluntary contributions and of flat rate vs income based allowances.

Mandatory and/or fixed contributions appear to be a better solution compared to voluntary or variable contributions, provided that they are tailored to the specific working realities and economic conditions of the self-employed, especially in the case of low income workers and/or in the start-up phases or in periods of low activity. In addition, a social safety net funded on general taxation is needed for those workers (either self-employed or not) below a certain income threshold or without past contributions, in order to ensure adequate social protection.

As for the design of benefits the discussion underlined the risks associated to the use of flat allowances compared to income based ones. While flat benefits are easier to administer and implement, they risk to reduce the incentive for fathers and income partners to take up parental leave.

In the case of income based contributions and allowances, the main problem is the difficulty to measure the real earnings of self-employed workers. To this end a greater cooperation and data sharing among the social security and the tax administrations could help.

Finally, the discussion underlined the importance of ensuring the transparency of the systems, making it as clear as possible the benefits associated to contributions paid, and supporting the smooth fulfilment of all the administrative requirements.

### **Extending work-life measures to the care of adults and the elders**

Another issue becoming increasingly relevant in recent years both for dependent workers and the self-employed, is the need to extend the work-life balance measures to the care of adults and elderly family members. This issue is still not much considered in EU countries, although it is going to become more and more pressing in view of the growing impossibility to count, as in the past, on the unpaid care work of retired women, due to the increase in women's retirement age.

### **Improving data gathering and research**

There is currently very little attention given to gender differences in terms of access to social protection for self-employed workers. Many elements of the different approaches discussed in the Peer Review have good potential to be transferred and would benefit from more data and evidence to fully evaluate their relative advantages

and disadvantages. Further data, monitoring and evaluation of existing measures are necessary to improve knowledge on the effects of reforms and inform policy decisions. Monitoring and evaluations should assess not only the effects of work-life balance measures on the evolution of the number of self-employed women, but also on the quality of life of the self-employed and business.





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