The politics of social security for self-employed (SEs) and people working on non-standard employment (NSEs): Austria

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Question of this session (regarding the SYNTHESIS report):

- Which countries have fewer gaps and why?
- What have countries done to close gaps?
- ⇒ Focus on reforms.

BUT:

- What is a “gap” and how to measure this?
  - Questions of methodology and definition. Only formal coverage, or actual access to benefits, generosity/quality of benefits/services, actual social inclusion (outcome indicators)?
  - How “wide” is the gap: number of people affected?
  - What is the impact of reforms on this (these) gap(s)?

- What is meant by “why”?
  - The “politics” of reforms dedicated at SEs and NSEs?
  - ⇒ Largely not covered in Country reports (?) and synthesis report.

- Synthesis report remains on a largely descriptive level, with definitory and methodological problems. Lack of analytical information.
- ⇒ Difficulties in clustering countries regarding reform trajectories, their reasons (“why”?) and their actual impact.
From a more analytical perspective, the question WHY some reforms have been decided may in fact be interesting.

- Motives and rationalities of reforms.
- Likely impact.
- Likely future developments.

- “Politics” are interesting.
- Case study AT.
Austria: Background

- **Conservative / Bismarckian** welfare state.
- Plus some important **universal elements**: family cash benefits, long-term care cash benefits (1993), childcare allowance (2002).
- Centralized “**neo-corporatist**” model of interest representation.
  - **Mandatory membership** of most types of self-employed in “Chamber of Commerce” or other specific professional associations.
- **Strong increase in NSEs** since 1980s: part-time employment, marginal part-time employment, temporary agency work/personnel leasing, freelance contracts.
- **Increase** in single-person-businesses (SPBs) and so-called “**New Self-employed**” (not registered with the Chamber of Commerce, and not mentioned in the Trade and Industry Code/Gewerbeordnung).
- Since **mid-1990s**: several reform steps **raising social insurance coverage** of NSEs and (specific types of) SEs.
Important steps of reform (and why they happened) (1)

- Mid-1990s: “Taking into account all earned income for social insurance”:
  - Mandatory health-, pension- and accidents insurance for Freelance Contracts and New Self-Employed;
  - Employers social insurance contributions to health- and pension insurance for marginal-part-time contracts in case of several (“more than 1.5”) such contracts in company;
  - Income from marginal part-time employment subject to employee’s social insurance contributions in old-age and pension insurance if sum of earned income (from different contracts) exceeds the “lower earnings limit”
  - Opportunity to opt-in to old-age and health insurance only employed on marginal part-time employment.

Dominant interests/aims:
1. Government/social insurance providers: increasing social insurance contributions (young/low risk groups; costs in old-age insurance will only apply in future).
2. Employer’s organisations: See 1. (implementing health- and old-age insurance fund of the self-employed); preventing “unequal competition” by companies excessively using Freelance Contracts, New Self-Employment and marginal part-time employment.
3. Trade unions: Protecting core clientele from “cheap competitors”.
Important steps of reform (and why they happened) (2)

- **Introduction of universal childcare allowance (2002):**
  - Universal childcare allowance replacing earlier parental leave allowance (insurance benefit only accessible for earlier employees with income above the lower earnings limit).

**Dominant interests/aims:**

Important steps of reform (and why they happened) (3)

- **2007: “Flexicurity Package”:**
  - Integration of Freelance Contracts into Unemployment Insurance, Severance Pay Scheme, Insolvency Payment Scheme and employer’s sick pay.
  - Opting-in for self-employed into unemployment insurance.
  - Tightening of “provisions on reasonable entitlement to unemployment insurance” (*Zumutbarkeitsbestimmungen*).
  - Deregulation regarding the Working Time Act.

**Dominant interests/aims:**

1. Government/social insurance providers: increasing social insurance contributions.
2. Employer’s organisations: No complete abolition of Freelance Contracts; opportunity of unemployment insurance for their core clientele; increasing labour market flexibility and conditionality of unemployment insurance.
3. Trade unions: Protecting core clientele from “cheap competitors”; increasing social security for Freelancers.
Important steps of reform (and why they happened) (4)

▶ Ca. 2012ff.: Incremental adaptation in social insurance for SEs:
  ▶ Ceiling of patient’s contributions in health insurance;
  ▶ Reduction of default charges in case that assessment base turns out to be higher than originally expected;
  ▶ Reduction of the minimum contribution basis for health and pensions insurance;
  ▶ Introduction of sickness cash benefit (as from the 43th day of sickness).

Dominant interests/aims:
2. Employer’s organisations, which are de facto implementing the social insurance fund for the self-employed: increasing their legitimacy; reducing “internal resistance & unrest” within the Chamber of Commerce; dealing with new interest organisations of SPBs (Amici delle SVA).
  ▶ NOTE: In Chamber-of-Commerce elections very member has one vote – irrespective of the size of the company, and SPBs now make up for more than 50% of the members of the Chamber of Commerce.
Conclusions

▶ Increased access to social security schemes for SEs and NSEs may result from different logics and strategies.

▶ But in the Austrian case “social inclusion” of SEs and NSEs it was rarely a true “goal in itself”.

▶ As a result problematic features of the Austrian system of social insurance (and labour law) remained largely untouched, e.g.:
  ▶ Precondition of substantial continuity of insurance for benefit access (especially problematic regarding unemployment insurance).
  ▶ The “principle of equivalency” (further strengthened in pension reforms of the last 20 years), reproducing inequalities in earned income in inequalities of benefits granted by social insurance (SE and NSE often come with low-wage, low-income and intermittent employment).
  ▶ Low “legal certainty” regarding the distinction between self-employment and dependent employment (problem of bogus self-employment).
  ▶ Very complicated rules on social insurance for the self-employed.

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⇒ What would be necessary is a broadening of the debate, going beyond “access to/coverage by social insurance”.

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