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Unemployment and self-employment

Introduction

The hazard of unemployment is one of the most serious problems confronting wage earners in an industrial society. As economic life becomes more complex and industry more interrelated, economic maladjustments are felt more and more deeply throughout the countries. All available information indicates that no year in the past century was free from unemployment. Even in good times a large number of employable persons are unemployed each year. Unemployment is a continuing problem of modern society and must be met by a continuing program.

Unemployment compensation is a method of safeguarding individuals against distress for a short period of time after they become unemployed. Originally, it was designed to compensate only employable persons who are able and willing to work and who are unemployed through no fault of their own. Instead of making the individual get along on a steadily descending level of living until he/she has exhausted the last shred of his/her savings, credit, and the generosity of his/her relatives and friends, thus reaching a point of destitution at which he/she is eligible for relief, unemployment compensation sets aside contributions during periods of employment and provides the individual with benefits as a legal right when he/she becomes unemployed. During the periods of prosperity an unemployment fund is built up, to be available for the payment of benefits in the periods when industry fails to maintain employment.

Unemployment compensation offers a number of advantages to employers, employees, and the government. From the employer's point of view, the existence of such a plan is a means of maintaining a reserve of workers, who cannot be continuously employed, in the

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various industries. It results in more stabilized markets for the goods produced and, by removing the fear of insecurity from workers, tends to create more efficient employees. From the point of view of government, unemployment compensation results in a more efficient industrial system, the removal of the violent swings of the business cycle, a reduction in relief costs, and the removal of many of the causes of social unrest. To the employee, unemployment compensation means removal of the fear of insecurity and its consequent impairment of self respect and efficiency, and the establishment of a right to benefit when unemployed through no fault of his/her own.

Beside the historically well based passive unemployment compensation schemes (both statutory and private), the concept of activation has gradually gained prominence across Europe in last years, and is today an important key concept of the EU and the Member State's labour market policy. More narrowly, it involves developing tighter links between unemployment protection policies and active labour market policies. More broadly, activation is about increasing labour market entry and participation, and phasing out temporary labour market exit options for working age claimants (early retirement, disability, etc.). In its narrow and sometimes also its broad meaning, activation implies making established welfare rights more conditional on job seeking efforts.

Within the sphere of protection of the unemployed persons, in this paper we shall deal with the possible options for self-employed persons.

1. Definition of self-employment

There are twofold relationship between self-employment and unemployment. **First**, self-employment is a possible solution in many countries for the problem of unemployment. **Second**, the situation when self-employed persons become unemployed (unemployment insurance for self-employed persons). Both segments are discussed in this paper, but first the definition of self-employed/self-employment will be introduced briefly.

There are different understandings and definitions of the term of self-employment/self-employed across the European countries, with a number of different subcategories defined: for instance, according to the legal status of the enterprise, whether the business has employees or not (employers versus own-account workers) and/or the sector in which the business operates (e.g. agriculture). Some countries also make the distinction between self-employed status and the status of "dependent self-employed" (e.g. Spain, Italy), where the self-employed person works for only one client. Others distinguish self-employment which is carried out in addition to paid employment (e.g. Belgium). In the United Kingdom, there is a clear definition but there are also a number of different types of self-employment (see later). For example, according to the Bulgarian legislation the self-employed persons are: a) persons, registered as free-lance professionals and/ or craftsmen; b) sole entrepreneurs, proprietors and co-proprietors of companies; c) registered farmers and tobacco planters.

According to the mainly accepted European context, self-employed person is defined as an independent worker, who works independently of an employer, in contrast with an employee, who is subordinate to and dependent on an employer. However, insofar as the concept of employee implies an element of economic dependence, in that employees are dependent for subsistence paid by the employer, self-employed workers may be little different, as no less dependent economically on their work for subsistence, though paid by their clients or customers.

The self-employed are generally recognised as being concentrated in a number of occupations: farmers, professionals, shopkeepers, helper-spouses and construction workers. There is thus a wide range of categories of self-employed persons, and there are significant differences among them; e.g. between liberal professionals, workers in hotels and restaurants, and female helper-spouses.

The diversity of self-employed persons has attracted diverse forms of regulation. In the EU, self-employed persons have been the subject of attention especially in the sphere of employment law, mainly in narrowly specific areas, such as free movement, equal treatment, and in the European Employment Strategy. The pillar on entrepreneurship of the European Employment Strategy aims to

increase the numbers of self-employed persons in the EU, particularly by encouraging the Member States to reduce tax and social security obstacles to this form of economic activity.²

According to the author's view self-employed person could be everybody who is not engaged in formal – either private or public - employment relationship and in civil law contract (e.g. mandate, etc.). Usually the definition and criterions of the formal employment relationship and work/activity under civil law contract is well known by lawyers. These are bilateral contract/obligations (employer - employee, mandatee – mandator, etc.). Hence, it is easier and more exact to define who are the persons involved in formal employment or civil law contract/relationship. And accordingly, everybody who is not engaged in organised working activity (employment or civil law contract) can be treated as a self-employed person.

According to the Commission's *Employment in Europe* report 2002, the share of self-employment in total employment has increased in many countries (e.g. in Sweden where it has almost doubled from 4.5% in 1980 to 8.9% in 2000) while in a few others it has actually decreased (e.g. in Greece, from 30.9% in 1980 to 25.9% in 2000).³

In many countries, there are concerns associated with the use of self-employment by employers to avoid making social security or tax contributions on wage costs. This is the case in Belgium, Cyprus, the Czech Republic, Germany, Greece, Spain, France, Italy, Latvia, Malta, Netherlands, Austria, Poland, Portugal, Slovakia, the United Kingdom and Norway.⁴

2. Self-employment as a possible solution for unemployment

2.1. Legal and statistical background

Self-employment is an important driver of entrepreneurship and job creation and thus contributes to the European Union's goals of more growth and better jobs. SMEs make up 99 % of companies in the EU and two thirds of total employment. Moreover, European level data

²<http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/selfemployedperson.htm> (22.04.2011)

³http://www.lex.unict.it/eurolabour/documentazione/altridoc/ricerche_rapporti/EEO_self_empl_October10.pdf (23.04.2011)

⁴http://www.lex.unict.it/eurolabour/documentazione/altridoc/ricerche_rapporti/EEO_self_empl_October10.pdf

indicate that the self-employment sector has shown a degree of resilience to the economic crisis, as the relative employment decline has been more moderate in comparison with paid work. The year 2009 proved to be a year of stabilisation for self-employment, with a fall in the number of self-employed of 1 %, compared to a 2 % drop in the number of dependent employees.

In recent years, a number of European policies and programmes have been put in place to support self-employment and SMEs. In 2000, the European Charter for Small Enterprises,⁵ a self-commitment from the Member States to improve the business environment for small enterprises, was approved by EU leaders at the Feira European Council on 19 and 20 June. Later, in 2005,⁶ addressing the needs of SMEs was identified as a way of achieving the Lisbon strategy for growth and jobs, in the communication on Modern SME policy for growth and employment. The Small Business Act for Europe (hereinafter: SBA), adopted in 2008, provides a policy framework for SMEs and is based around 10 key principles to guide the conception and implementation of policies both at EU and Member State level. In 2009, the European SME Week⁷ was launched, which aims in part to promote entrepreneurship so that 'more people, especially younger people, seriously consider becoming an entrepreneur as a career option'. There are also several specific initiatives to promote self-employment among women, who are identified as a key target group in the SBA, due to the current gender imbalance among the self-employed.

In response to the economic crisis, the European Investment Bank (EIB) stepped up its lending capacity in favour of SMEs in 2009 as part of the European Economic Recovery Plan⁸ and a „European Progress Microfinance Facility“⁹ which has recently been approved will make it easier for people who have lost or risk losing their jobs to get credit to start-up small businesses.

⁵ <http://ec.europa.eu/enterprise/policies/sme/best-practices/charter/> (15.05.2011)

⁶ http://www.europarl.europa.eu/summits/fei1_en.htm (15.05.2011)

⁷ http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/sme-week/index_en.htm (15.05.2011)

⁸ http://ec.europa.eu/economy_finance/publications/publication13504_en.pdf (15.05.2011)

⁹ <http://ec.europa.eu/social/main.jsp?langId=en&catId=836> (15.05.2011)

Most recently, the June 2010 Directive on self-employed workers and assisting spouses¹⁰ gives better social protection to the self-employed, including the right to maternity leave for the first time. The new rules will also serve to promote entrepreneurship in general and among women in particular. There is currently a major gender gap in this area – only 30% of entrepreneurs in Europe are women.¹¹

There were 32.5 million self-employed, including employers, in the EU-27 in 2009, accounting for nearly 15 % of total employment (more than one job in seven). Until 2008, self-employment (the total number of self-employed) was on the increase, due to, inter alia, new communication technologies and more favourable business conditions for the services sector. However, the EU's average self-employment rates (a comparison of self-employment figures to total employment) declined almost continuously from 15.8 % in 2000 to 14.8 % in 2008.

Self-employment is dominant in the southern Member States of the EU, which have stronger agricultural sectors. In Bulgaria, Cyprus, Greece, Italy and Portugal for instance, self-employment is more prevalent than in the EU-27, reaching 30 % of total employment in the case of Greece. This is also the case in Romania, as noted above. Regional differences can also be identified in Italy, where self-employment is more widespread in the southern regions, where labour market conditions are worse and self-entrepreneurship represents a way out of unemployment.

In fact, agriculture is a key sector for self-employment in Europe. Nearly 19 % of the self-employed work in agriculture, followed by 17.5 % in wholesale and retail trade, 13.6 % in construction and nearly 10 % in professional, scientific and technical activities (2008 figures).

In France too, agriculture is important but self-employment is also notable in construction, local services, or the liberal professions. In contrast, the vast proportion of the self-employed in Germany work

¹⁰ The Directive on self-employed workers and assisting spouses (Directive 2010/41/EU) repeals and replaces an earlier law (Directive 86/613/EEC) and improves the social protection rights of millions of women in the labour market, boosting female entrepreneurship.

¹¹ <http://www.eubusiness.com/news-eu/self-employed-benefits.706/>

in the services sector; while in Slovakia, the dominant group among self-employed persons is tradesmen (operating based on a trade license) with a share of almost 95 % of the total number of entrepreneurs. In Luxembourg the majority (45 %) of self-employed workers carry out liberal professions, followed by agriculture (26 %) then commercial activities (19 %).

EU-level data show that the typical self-employed person in Europe is male (69.6 % in 2009) and falls within the higher age groups (37.5 % are aged over 50). The majority of national articles observe the prevalence of older men in the self-employment sector. The gender imbalance is particularly notable in Ireland and Malta, for example, where 81 and 82 % of the self-employed respectively are male, a share considerably higher than that of the general working population.

It is also observed (e.g. Czech Republic, Germany, Luxembourg, Netherlands, Austria, Finland, Sweden, and Croatia) that the self-employed are more likely to work for longer (in Germany, beyond the age of 60, for instance) than paid employees.¹²

False or clandestine work and self-employment activity is a very important problem. There are some countries, where the 'false employment' and clandestine work appear. During the EU enlargement period, a number of migrant workers were registered as a quasi self-employed person. For example, the **Norwegian** trade union Fellesforbundet successfully challenged the self-employment status of 19 Polish construction workers who were actually working as regular employees. In **Austria**, new Member State nationals working on construction sites opt for self-employed status to circumvent the temporary arrangement restricting the free movement of labour.¹³

Reasons for moving into self-employment: opportunity versus necessity. According to the Flash Eurobarometer No 283 "Entrepreneurship in the EU and beyond",¹⁴ 55 % of respondents who had started up a business or were currently taking steps to start one, stated that they were doing so because they saw an

¹² http://www.lex.unict.it/eurolabour/documentazione/altridoc/ricerche_rapporti/EEO_self_empl_October10.pdf

¹³ http://www.lex.unict.it/eurolabour/documentazione/altridoc/ricerche_rapporti/EEO_self_empl_October10.pdf

¹⁴ http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/eurobarometer/fl283_en.pdf (15.05.2011)

opportunity and 28 % were doing so out of necessity. Thus, in addition to the prospects of a higher income, greater flexibility and other reasons for moving into self-employment, the question of "opportunity versus necessity" is important. Recent trends also suggest that among those who take up self-employment out of necessity, there may be an element of pressure from their employer to do so (this phenomenon is referred to in various ways across the national articles, from "false" or "forced", to "pseudo" or "bogus" self-employment).

Respondents to the Eurobarometer survey in Denmark and the Netherlands were the most likely to say they had started or were starting a business because they had seen an opportunity (81 and 78 %, respectively) while in Estonia, Bulgaria and Greece, less than 4 in 10 responded in that way (36–39 %).

For example, in the Czech Republic and Hungary, there is a semilegal use of (trade-licensed) self-employment as a flexible alternative to regular salaried employment — the so-called Švarc system. Under this scheme, a regular employment relationship is replaced with. Named after an employer who first started using it, but phonetically identical to Schwarz, i.e. "black" system.

2.2. Countries' practice to encourage unemployed persons via self-employment

Many of the countries promote self-employment as a route out of unemployment. Some more country-based examples are described below.

There are several initiatives in **Austria** to assist the unemployed into self-employment. The key measure is the *Unternehmensgründungsprogramm* (UGP) (business start-up programme).¹⁵ The programme comprises business advice and counselling from external business consultants, training programmes and, under certain conditions, financial support to cover the costs of living.

¹⁵ <http://www.startupoverseas.co.uk/starting-a-business-in-austria> (16.05.2011)

Complementary to the business start-up programme is a micro-credit pilot which is to support the foundation process with access to finance. There is also a subsidy for Sole Trader Businesses (STBs) that are willing to hire an employee. STBs which hire a registered unemployed person or a person in vocational training or a university graduate up to a maximum age of 30, receive a subsidy from the Public Employment Service Austria (AMS). The subsidy, which makes up a quarter of the gross wage, is granted for up to one year.

The **Austrian** Business start-up programme (UGP) has shown a continuous increase in the number of participants. While in 2001 about 3 500 unemployed people entered the programme, the number of participants reached 8 500 in the year 2009. This is the opposite trend to a general decline in business foundation in Austria. Nevertheless, self-employment cannot be seen as a general alternative to unemployment, as only 3 % of the unemployed participated in the programme. About three out of four participants set up their own businesses and five years after start-up, 73 % of all business founders were still running their own businesses and 6 % were also in other forms of employment.

In **Belgium**, there are a number of measures to enable unemployed people to become self-employed. Measures include training courses, a preparatory support period, and a start-up loan. In addition, to help the self-employed cope with the difficulties caused by the economic crisis, the Belgian Government has adopted two measures in favour of self-employed workers whose circumstances have greatly deteriorated owing to the crisis. One of these extends the deadline for applying for social insurance payments in the event of bankruptcy from three to six months. The other enables self-employed people in difficulty to receive an allowance for six months. Moreover, fully self-employed persons who experience cashflow problems as a result of the economic crisis may, before the end of 2010, request a deferral of the payment of their social security contributions.

A business start-up subsidy has been provided to the unemployed in **Estonia** since 1991. During 2010, the amount of start-up subsidy has been increased up to approximately EUR 4 500, offered as a lump sum allowance with no requirement for financing by the

unemployed person. This increase has helped to raise interest in, and take up of, the measure. In addition to financial assistance, some supporting measures are provided, including entrepreneurship training for people who have no prior economic training or who have no experience with entrepreneurship, counselling upon applying for the start-up subsidy as well as after receiving the support, mentoring for those who have already started their business, etc.

The introduction of the new "auto-entrepreneur" status in **France** has helped a large number of people to increase their income through self-employment activities. It was conceived to help employees, students and retired people to build their income through establishing a small activity. Registrations reached 452 700 in April 2010. Half of the new business start-ups in 2009 selected the new status and one third of "auto-entrepreneurs" were unemployed prior to registration. However, only 40 % of the auto-entrepreneurs declared a positive turnover by 2009 and average monthly income is only EUR 775. The NACRE (New Accompaniment for Business Creation and Restart) initiative has also been successful in helping 7 000 previously unemployed people to start a new business and, as a result of all measures to support the unemployed into self-employment, 115 000 businesses were started in France in 2009 by previously unemployed people, representing a total of 40 % of the new businesses in 2009.

In **France**, the new 'auto-entrepreneur' status has been abused by some employers so that they can pay less tax for employees who are pushed into accepting the new status. In different Member States, including the Netherlands and Belgium, there is 'false self-employment', referring to supposedly self-employed workers whose status (selfemployed or employees) is unclear. In theory, they are self-employed (the employer only pays a lump sum of which the worker has to pay his own insurance and other expenses), but, in practice, there is no difference between them and any other employee doing the same work. A judge may then rule that the selfemployed worker is in fact an employee and should enjoy the protection offered by labour and social security law. Cases of false self-employment may also appear when foreign workers undertake assignments for only one employer. There are, however, little data

on the number of false self-employed in the different Member States.

In **Germany**, for example, measures to support people into self-employment have seen a steady decrease in people being successfully assisted over the period between 2004 and 2009, reducing from around 350 000 to 150 000. However, in 2009, the Business foundation allowance assisted 137 000 people, the highest level in recent years. Total expenditure on measures by the Federal Agency of Labour totalled EUR 1.64 billion in 2009. The Start-up grant was most successful in 2004 with 168 000 people assisted into self-employment, and the Transition allowance, likewise, assisted 183 000 people. The business survival rate after two and half years for these two schemes was 67 % for women and 68 % for men.

Many of those called an "entrepreneur" in **Hungary** today are self-employed out of need and not because of the desire for innovation. Although recent systematic analysis is missing, it appears that self-employment is partly an alternative to unemployment but also a means of minimising tax payments.

In **Iceland**, the Directorate of Labour offers various labour market measures that are intended to activate the unemployed, one of which is the development of a business idea. To qualify, the individual in question must be entitled to unemployment benefits and have been registered unemployed for at least a month. Further, they must demonstrate that they possess the necessary knowledge about establishing and operating a business. Jobseekers developing business plans may receive basic unemployment benefits for up to six months.

In **Ireland**, the Back to Work Enterprise Allowance¹⁶ is designed to encourage disadvantaged groups to take up self-employment opportunities. There are two measures offering financial incentives to the unemployed to start a business in Ireland. The Back to Work Enterprise Allowance (BTWEA) is designed to encourage the long-term unemployed (i.e. those unemployed for at least one year) and other specified welfare beneficiaries (including those receiving One-parent Family Payment, Disability Allowance, Blind Person's Pension,

¹⁶ http://www.welfare.ie/EN/OperationalGuidelines/pages/btw_eall.aspx (16.05.2011)

Carer's Allowance, Farm Assist, etc.) to take up self-employment opportunities by allowing them to retain a reducing proportion of their social welfare payment (and secondary benefits) for a fixed period.

A beneficiary can retain 100 % of the unemployment payment in the first year and 50 % in the second. To qualify, applicants must be setting up a self-employment business, the plan for which must be approved by a departmental jobs facilitator. BTWEA beneficiaries can also obtain financial support, through the Jobs Facilitator, from a Departmental Technical Assistance and Training Fund (TAT).¹⁷ This assistance can offset some of the costs associated with starting a business such as training, handling accounts, mentoring and public liability insurance (for which there is a specific grant).

The Short-Term Enterprise Allowance (STEA)¹⁸ has also been recently introduced by the DSP as an incentive for the unemployed. It is similar to the BTWEA but is restricted to those who are contributors to PRSI, the State Social Insurance system. The short-term enterprise allowance (which is not conditional on unemployment duration) is paid for a maximum of one year and ends when entitlement to jobseeker's benefit ends (i.e. at either 9 or 12 months). As with the BTEA, applicants must first obtain approval for their self-employment business plan from a jobs facilitator, and they are entitled to seek further financial support from the TAT Fund as described above.

While the BTWEA measure was originally introduced as part of a larger scheme in 1999 (the Back to Work Allowance (BTWA)), it was reorganised in April 2009 as part of the government package of 'Measures to aid recovery'. This involved refocusing the supports entirely on the promoting enterprise (i.e. self-employment); the employee strand of the measure was at that point closed to new applicants and the measure was renamed as indicated. The number of participants currently being supported by the two schemes is about 8 900, of which 7 500 are in the BTWEA. This compares with a total of nearly 8 200 in the corresponding measures prior to the 2009 reorganisation, bearing in mind that the latter total included

¹⁷ http://www.welfare.ie/EN/OperationalGuidelines/pages/btw_eall.aspx (16.05.2011)

¹⁸ http://www.welfare.ie/EN/OperationalGuidelines/Pages/btw_stea.aspx (16.05.2011)

some 3 600 who were being supported as paid employees. The change, therefore, gave rise to a notable increase in support for self-employment.

In **Latvia**, there is a measure targeted at those unemployed people who already have some sort of business related education, professional or higher education, or some other formal or informal educational courses in those subjects. Its purpose is to develop entrepreneurship and, thereby, actually create new jobs for the unemployed. Within the context of the programme, consultations (a total of 20 over three months) and advice are offered to programme participants as they develop their own business plans. These are evaluated afterwards and each business plan that is approved and chosen to be implemented receives start-up financing of up to LVL 4 000 (EUR 5 645 in 2009), coupled with a stipend to the entrepreneur equal to the minimum wage for the first three months of implementation.

In **Luxembourg**, jobseekers receive financial support to set up or take over a company if they design a realistic company business plan. The scheme is open to jobseekers who have received unemployment benefits for at least six months (at least three months for jobseekers over 40).

In the **Netherlands**, there are a number of arrangements that support self-employment as an alternative to unemployment or inactivity. This includes the assessment of business plans by a so-called *Werkbedrijf* (work-coach), the payment of unemployment benefits in advance as a start-up business loan, or payment of lower unemployment benefits instead of a start-up business loan.

In **Portugal**, several surveys indicate that the degree of involuntary self-employment is small. A recent study by the Business Creation Observatory shows that new firms are usually created by former salaried workers or by individuals who had previously been employers, while the unemployed represented just 13 % of the overall number of self-employed. The 2004 Global Entrepreneurship Monitor (GEM)¹⁹ findings point in the same direction, whereby, according to their data, 75 % of Portuguese

¹⁹ http://www.gemconsortium.org/about.aspx?page=pub_gem_global_reports (16.05.2011)

entrepreneurs are opportunity-driven and not necessity-driven, data which are confirmed by the Eurobarometer survey.

In **Romania**, figures show that the number of individuals registering as self-employed in activities other than agriculture increased from 208 000 in 2006 to around 260 000 in 2008, as a result of both fiscal incentives, as well as the provisions of the new Labour Code, enacted in 2003.

In **Serbia**, since 2007 the National Employment Service checks the survival rate of start-up grant beneficiaries' businesses six months after the expiration of their contractual obligation to remain self-employed and it is always above 80 %. Three years after the contractual obligation expired it was over 50 %.

In **Slovakia**, the new Employment Services Act in 2004 introduced a financial contribution for jobseekers to become self-employed and a parallel contribution for disabled persons. This measure proved to be particularly successful in attracting vulnerable groups, mainly the long-term unemployed, and is considered by government to be the most efficient PES tool for new job creation. The two contributions have supported the creation of 65 000 jobs since 2004, which is more than half of all self-employment jobs started in the given time. Post-programme employment is one of the highest in the PES scheme and reached approximately 50 % in the given period.

In **Slovenia**, many enterprises, especially in construction, transport, cleaning and courier services tried to reduce costs and become more competitive by forcing their own workers to become self-employed (even helping them by loans) and contracting out some of their activities.

Organisations lowered their costs by maintaining the competition among self-employed providers, but with the economic crisis and the solvency problems of many organisations, the status of many self-employed contractors worsened considerably.

In the **United Kingdom**, there have been few specific labour market measures providing direct encouragement to self-employment. The small number that have been introduced have tended to be geared to the unemployed and form part of general

programmes aimed at helping people to get back into the labour market. The current support measures are New Deal Plus and Flexible New Deal²⁰ where the unemployed aged over 50 who have been claiming the Jobseeker's Allowance (JSA) for at least 12 months can get help to become self-employed in the form of advice and guidance and some financial assistance, mainly in the form of the government self-employment credit. This credit is aimed at helping the newly self-employed when they have been used to receiving JSA. It is available at around GBP 50 (EUR 59 in 2009) per week provided that the activity of self-employment lasts at least 16 hours per week and this is backed up with advice and guidance in the first few months of going solo.

The self-employment programme in the **former Yugoslav Republic of Macedonia** aims to reduce poverty and unemployment. It provides two days of basic business training to interested jobseekers. The participants with the strongest business ideas receive 13 hours of business planning consultancy to work on preparing a sound business plan. Those participants with the most potential then receive a grant for equipment and materials and do not have to pay statutory employment and social contributions for the first three months of the company's operations.

3. Unemployment benefit for self-employed persons

3.1. Unemployment insurance for self-employed: cross-cutting introduction

The self-employed persons are protected against periods of unemployment in some countries (e.g. Denmark, Hungary, Spain, Sweden and Iceland), although this is sometimes on a voluntary basis (Austria).

Those who lose employment or who are unable to secure employment will be entitled to support via either unemployment assistance or unemployment insurance. These arrangements are more long-standing in economies that are industrial in character and

²⁰ http://www.direct.gov.uk/en/Employment/Jobseekers/programmesandservices/DG_180442 (15.05.2011)

where a relatively small proportion of the population are engaged in self-supporting rural or agricultural activities.

Entitlement to the former will usually be based upon citizenship, a test of means and assets and increasingly linked to a willingness to engage in a set of prescribed activation (job search) measures. Entitlement to unemployment insurance will be based upon a history of insurance contribution (for a prescribed period), will be restricted to employees and will not include the self-employed for whom unemployment is regarded as a non-insurable risk. Receipt of insurance based compensation will be time-limited and is usually paid not at a flat-rate but as a proportion of previous earnings (within and certainly below fixed limits). Some schemes are restricted to specific categories of workers (such as those working in agriculture, shipping or railways) and others are generic, available to all employees.

Even for the employed worker, the circumstances leading to becoming unemployed can be significant; for example, voluntary resignation rather than redundancy may be grounds for disbarring entitlement to benefit. Dismissal from employment on grounds of misconduct (but this is often difficult to define) may also result in disqualification from benefit. It is usual for entitlement to be accompanied by a requirement to "signon" or report to a labour exchange or to a jobs office and to agree to engage in job search activity or to undertake vocational training. There have always been conditions attached to the receipt of unemployment benefit (being "capable, willing and available") but in recent years there has been widespread and enhanced commitment to the inclusion of "activation measures" which require the claimant to undertake a range of tasks to increase the chance of securing employment. Failure to engage satisfactorily with the activation measures results in being disbarred from benefit. Receipt of contributions based benefits is usually time limited.

For receipt of assistance based benefits are usually more stringent and normally include the application of a residence test, a (family or household) means test and the requirement for a waiting period before benefit can be paid.

In many countries there is a *de facto* overlap between unemployment compensation, early retirement opportunity and invalidity benefits. Such schemes can ease the transition to retirement, can create opportunities for younger unemployed people or can simply appear to reduce the number of individuals appearing to be unemployed and claiming benefit. Similarly, redundancy payments (lump sum compensation for loss of employment and usually related to previous earnings and length of service) is sometimes regarded as being quite separate from unemployment benefit and sometimes is treated as income *in lieu* of benefit.²¹

3.2. Unemployment insurance for self-employed persons in European states

Austria used to have a comprehensive special scheme both for farmers and for craftsmen and retailers until 31 December 2004. On January 1st 2009 the new scheme for voluntary unemployment insurance entered into force. Self-employed persons can choose to be insured against unemployment or not and thereby further improve their social protection. Self-employed keep their entitlement to unemployment benefit, which they earned previously as non self-employed, for the duration of their self-employed activity, even without being member to a voluntary unemployment insurance, i.e. for free. That was already the case so far.

The following groups of self-employed persons are eligible for voluntary unemployment insurance: self-employed, who are covered for old-age in accordance with the Act on Social Insurance for Persons engaged in Commercial Activities (*Gewerbliches Sozialversicherungsgesetz (GSVG)*) or in accordance with the Act on Social Insurance for Self-Employed (*Freiberufliches Sozialversicherungsgesetz (FSVG)*), as well as self-employed lawyers and civil engineers. No possibility for membership to the voluntary unemployment insurance exists for persons having reached the age of 60 or the age for early retirement or if an old-age pension or an old-age benefit has already been granted. The entitlement to benefits corresponds to that for compulsorily insured persons.

²¹ <http://ec.europa.eu/social/main.jsp?catId=815&langId=en> (14.05.2011)

In **Belgium** a special system covers *all self-employed persons* against all traditional risks, with the exception of employment injuries, occupational diseases and unemployment, and also provides for national insurance in case of bankruptcy.

In **Cyprus** there is a General Social Insurance Scheme which covers every person gainfully occupied either as an employed or a self-employed person. Persons who are working in their own business or are working in any occupation for their own account e.g. agriculturist, stock farmer, industrialist, shopkeeper etc. are compulsorily insured under the Social Insurance Scheme as self-employed persons. However, the self-employed are not covered for Unemployment benefit

The **Czech** social security system is in principle uniform for employees and the self-employed. The foundations of the current insurance system applicable to the self-employed were laid in 1990 by adopting the definition of the self-employed (until then, a special category incorporated farmers, people providing services under a special licence issued by local governments, and artists) and the payment of the premium (for social security and the state employment policy) by the self-employed (until then, only farmers paid premiums). Special rules are applicable for the self-employed concerning the assessment base for the social security premium and the state employment policy contribution.

However, the self-employed persons are divided into two groups: 1) "**full time self-employed**" and 2) "**part time self-employed**" (since 1 January 2004). "Part-time" self-employed person works at the same time as a self-employed and an employee (earning at least minimum wage) or it is a self-employed person receiving invalidity or old-age pension. The other self-employed are "full time" self-employed.

The self-employed are also protected in case of unemployment.

In **Denmark** the social protection system is based on the principle of national insurance. Persons covered are not defined according to their social situation and the general system does not operate on the principle of distinction between the employed and the self-

employed. Consequently, self-employed persons receive the social protection of the general system.

In **Estonia**, self-employed persons are not covered by the unemployment insurance scheme (neither on compulsory base nor may they join the scheme voluntarily). In respect of unemployment, the self-employed are however covered by the non-contributory State unemployment allowance scheme. The other non-contributory schemes are also universal and cover all residents.

In **Finland** the self-employed are covered by the same social security schemes based on residence as employed persons and any other person residing permanently in Finland. They are entitled to health care, benefits for sickness and maternity, family benefits, basic unemployment benefits and national pension (old age, invalidity and survivors' pensions) under the same conditions as all residents. Self-employed persons are covered by the Self-employed Persons' Pensions Act (YEL), farmers are covered by the Farmers' Pensions Act (MYEL). Special rules apply to employment accident insurance and earnings-related unemployment benefits.

In **Germany** there are special provisions for self-employed craftsmen and retailers within the scope of the general system, and there are independent social security systems for farmers (including assisting family members), self-employed artists and publicists and the special schemes for the members of the professions, which have the right to form associations.

Persons who have been compulsorily insured against unemployment as employees for at least 12 months during the 24 months preceding the self-employed activity or persons who have received unemployment allowances during this period, may benefit from optional continued insurance, on request to the Federal Employment Agency.²²

In **Greece** there exists a strictly contributory basic system for farmers (OGA) since 1 January 1998. Self-employed persons (craftsmen, retailers, professional motorists, hotel owners and others) are insured with the Social Security Organisation for the

²² Bundesagentur für Arbeit.

Self-Employed (ΟΑΕΕ, *ΟΡΓΑΝΙΣΜΟΣ ΑΣΦΑΛΙΣΗΣ ΕΛΕΥΘΕΡΩΝ ΕΠΑΓΓΕΛΜΑΤΙΩΝ*). Members of the liberal professions (medical personnel, doctors, pharmacists, engineers, lawyers, notaries etc.) are insured with the Insurance Fund for Independent Professionals (ΕΤΑΑ, *ΕΝΙΑΙΟ ΤΑΜΕΙΟ ΑΝΕΞΑΡΤΗΤΑ ΑΠΑΣΧΟΛΟΥΜΕΝΩΝ*). However, they are not covered by unemployment insurance system.

In **Hungary**, in principle all self-employed persons are covered for all the branches of social security in the general system, consisting of health and sickness schemes (covering health care, sickness, maternity and the specific treatment of work incapacity related to an employment injury or a professional disease) and pension scheme (covering old-age, survivorship, invalidity and the specific treatment for employment injuries or professional diseases) and a mandatory unemployment insurance.

In **Iceland** the system of social protection is founded fundamentally upon the principle of national insurance. The general system therefore does not make any distinction between employees and self-employed. Self-employed persons are thus covered by the social protection of the general system.

Ireland. There is no protection system for the self-employed. Share-fishermen who pay optional contributions are covered for cash benefits for unemployment (payable for a limited duration of 13 weeks in any one year).

Italy. Generally speaking, no social protection system exists for the unemployed self-employed person.

In **Liechtenstein**, no independent special system for the self-employed has been set up. According to the insurance branch, self-employed persons may either be insured on a voluntary basis or are subject to compulsory insurance on account of their place of residence or economic activity in Liechtenstein.

In **Luxembourg**, social protection of the self-employed is regulated under the general system, but with certain particular features which take account of the specific situation of the self-employed. Social protection covers all risks; this includes unemployment for the self-

employed who had to cease their occupation and who are looking for a salaried job.

Self-employed agricultural entrepreneurs have to pay all the contributions on the basis of the national minimum wage, except if their annual turnover did not exceed HUF 8 million (€ 29,646) in the preceding year.

The Social protection system in **Malta** is a general scheme that covers both employed and self-employed persons. Self-employed persons are eligible to all benefits, pensions and allowances with the exception of unemployment benefit. In such a scenario however, a self-employed person is entitled to social assistance if he/she satisfies the capital/income means test.

The general protection system applies as a rule to all residents of the **Netherlands**, therefore, there are only few special regulations for self-employed persons.

In **Norway**, all categories of self-employed are compulsory members of the general scheme of universal coverage. Some special and more favourable provisions apply to fishermen, entitling them to benefits very similar to those of employed persons. They also enjoy a lower rate of member's contributions compared to other self-employed persons. This lower rate of contributions also applies to farmers, and is the same as that paid by employees.

Poland. The Law of 13 October 1998 on the system of social insurance (*Ustawa o systemie ubezpieczeń społecznych*) reshaped the social security landscape. From 1 January 1999 onwards the self-employed persons who perform non-agricultural activities and their co-operating persons are part of the general social insurance system. In case of unemployment the same rules are applied as for the employed persons.

In **Portugal**, all self-employed persons are compulsorily covered by the social protection system (general system of social security for self-employed persons). However, there is no unemployment protection system exists for the self-employed.

Romania has opted for the incorporation of self-employed in the existing universal or general social protection schemes. Commonly, social insurance schemes have self-employed specific rules with regard to coverage, financing and impact of non-compliance, whereas they enclose similar rules for self-employed and other groups of population with regard to covered risks and benefits. There is only voluntary unemployment insurance for self-employed.

In **Slovakia**, the protection of the self-employed in the areas of benefits-in-kind for sickness and maternity, as well as benefits-in-cash for sickness, maternity, invalidity, old-age, survivors, unemployment and family benefits is achieved within the general system.

Slovenia. Self-employed: those engaged in an independent gainful activity as their sole and principal occupation (as independent contractors, craftsmen or private traders, persons engaged in artistic or other cultural activity, an activity in the field of media, in the field of health care or social security, persons engaged in clerical or any other religious office, have their own private practice as lawyers or notaries public or persons engaged in any other activity permitted by law) and thereby generate income equal to at least the minimum salary.

Spain has a special scheme (R.E.T.A.) for the self-employed in crafts and commerce. The special scheme for maritime workers comprises also self-employed workers. Since 1 January 2008, the special scheme (R.E.A.) for self-employed agricultural workers has been incorporated into the R.E.T.A., in a Special System. No provisions for unemployment insurance exist under the Special System.

In **Sweden** the social protection system is fundamentally founded on the principle of national insurance. The group of people protected is thus not defined according to a certain social status, and no distinction is made between employees and the self-employed. Self-employed persons have the option of joining the unemployment insurance fund responsible for their occupational branch and consequently acquire entitlement to the basic amount and the income-related benefit.

In **Switzerland**, there is no special unemployment scheme for the self-employed. They are insured for all risks either on a compulsory basis (due to their domicile or gainful employment in Switzerland) or may be insured on a voluntary basis. Only unemployment insurance excludes them.

A self-employed person is unemployed if the profit from his/her activity has not exceeded the amount of the minimum salary compensation, or if a person is an owner or co-owner of companies, whose profit in the last calendar year prior to occurrence of unemployment, reduced by payment of compulsory social security contributions, has not exceeded the amount of the minimum salary compensation.

Self-employed may be engaged in voluntary insurance for the case of unemployment. They are therefore entitled to unemployment financial benefits, reimbursement of transport and relocation costs, the right to health care and the right to pension and disability insurance.

Contribution rate for unemployment for the self-employed is 0.20% gross wage (0.14% as employees and 0.06% as employers).

In the **United Kingdom** the general protection system basically includes the self-employed. For individual regulations, special requirements apply for the self-employed; but there are no further distinctions made within the group of self-employed persons itself.

No protection system exists for self-employed persons. If they become unemployed, they can claim income-based Jobseeker's Allowance (which is means-tested).

An European overview of the coverage of self-employed persons by unemployment insurance systems see in Table 1.

Table 1. Coverage of self-employed persons by unemployment insurance

Country	Unemployment insurance for self-employed	Other system
Belgium		Unemployment No protection system exists for the self-employed.
Bulgaria		No data available.
Czech Republic	For the job seeker whose last activity before his/her inclusion in the job seekers list was independent gainful activity and who participated in the old-age pension insurance as a person performing independent gainful activity, the amount of his/her unemployment benefits shall be calculated from his/her last base for the assessment of the premium for old-age pension and the state employment policy contribution for the period under review calculated on the basis of 1 calendar month. For the first 2 months of the period of support, the percentage rate for	

Country	Unemployment insurance for self-employed	Other system
	<p>unemployment benefit shall be set at 65%, for the following two months 50% and for the remaining period of support 45% of the assessment base. The percentage rate of retraining allowance shall be set at 60% of the assessment base. If the base for assessment cannot be established, the unemployment benefit shall be a fixed multiple (0.15 times during the first two months, 0.12 times during the following two months and 0.11 times during the remaining time of receipt of benefits and 0.14 times during the time of retraining) of the national average earning in the period from 1st quarter to 3rd quarter of the calendar year preceding the calendar year in which the unemployment benefit was claimed or in which the job-seeker started</p>	

Country	Unemployment insurance for self-employed	Other system
	retraining.	
Denmark	<p>Unemployment insurance is voluntary also for the self-employed persons. Of the 29 unemployment insurance funds, 7 operate within specific occupational fields which means that only employed persons from specific occupational fields can become members. 11 of them operate within specific occupational fields, but also admit self-employed persons working within the occupational field as members. 3 of them are interdisciplinary unemployment funds which mean that they admit employed persons from all occupational fields as members. 8 of them are interdisciplinary unemployment funds for both employed persons and self-employed persons.</p>	

Country	Unemployment insurance for self-employed	Other system
	<p>One unemployment insurance fund only admits self-employed persons as members. Self-employed persons are entitled to benefits but the conditions for entitlement differ a bit from those for the employees.</p>	
Germany		<p>There is no compulsory unemployment insurance for self-employed farmers. If there is no sufficient income and no disposable assets, the self-employed farmers are in principle entitled to the standard allowance granted to jobseekers (<i>Arbeitslosengeld II</i>), a universal allowance granted to the gainfully employed to secure their subsistence.</p>
Estonia		<p>Self-employed persons are not covered by the unemployment insurance scheme, but they may be entitled to the State unemployment allowance scheme. In this scheme, self-employment is</p>

Country	Unemployment insurance for self-employed	Other system
		considered equal to employment in respect of the qualification period for entitlement to the allowance (the qualification period is 180 days of employment or equalised activity within the 12 months preceding unemployment). As a part of active labour market policy measures, the unemployed are entitled to labour market grant up to EEK 70,000 (€ 4,474) to start their own business, including self-employment, upon presentation of a business plan.
Greece		Unemployment risk is not covered in the farmers' system.
Spain		No provision under the Special System. A bill will be passed in a short time.
France		No unemployment insurance system exists for farmers. No unemployment insurance system exists for craftsmen, neither self-employed in commercial or industrial branches nor liberal professions.
Ireland		There is no protection system for the self-employed. Share-fishermen

Country	Unemployment insurance for self-employed	Other system
		who pay optional contributions are covered for cash benefits for unemployment (payable for a limited duration of 13 weeks in any one year).
Iceland	Social protection exists for the self-employed as for the employees. Both groups are compulsorily insured. Self-employed persons must have paid social security contribution (<i>tryggingagjald</i>) and income tax for a certain period.	
Italy		Generally speaking, no protection system exists for unemployment. Schemes for other groups of self-employed Self-employed with a specific treatment (separate management): <ul style="list-style-type: none"> • Coordinated collaborators for projects (<i>co.co.pro., collabourazioni coordinate a progetto</i>) • Occasional workers whose annual income is above € 5.000 (<i>co.co.co.</i>) • Door-to-door sellers whose annual income is above € 5.000 (<i>co.co.co.</i>).

Country	Unemployment insurance for self-employed	Other system
		The contribution rates effective from 1 January 2009 are: 17.00% for self-employed who are already insured under another compulsory management scheme or who are already retired; 26.72% for self-employed insured only under the separate management scheme.
Cyprus		The self-employed are not covered for Unemployment benefit.
Liechtenstein		The unemployment insurance is compulsory for employees. Subscription is not compulsory for the self-employed nor do they have any other possibility of voluntary insurance.
Lithuania	No data available.	
Luxembourg	The self-employed who had to cease their occupation owing to economic and financial difficulties, to medical reasons, to a third party or by a case of force majeure, may obtain unemployment benefits when they register as jobseekers. They must have completed at	

Country	Unemployment insurance for self-employed	Other system
	<p>least two years of compulsory pension insurance as a self-employed person. However, for the purposes of calculating the two-year qualifying period, periods of insurance completed as an employed person can be aggregated, provided the person has carried out activities as a self-employed person for at least six months before the submission of the request for compensation.</p> <p>Jobseekers must be resident in Luxembourg at the time of cessation of their activities. Self-employed persons must register as jobseekers within six months following the cessation of their activities.</p> <p>In case unemployment benefit is granted, the self-employed person is entitled to an allowance</p>	

Country	Unemployment insurance for self-employed	Other system
	corresponding to 80% of the income which the pension fund used as a basis for calculating contributions for the last activity. Full unemployment benefit cannot exceed the ceilings provided in the general scheme. It cannot be lower than 80% of the social minimum wage.	
Hungary		General unemployment insurance system covers the self-employed persons.
Malta		Self-employed persons are not entitled to an unemployment benefit.
Netherlands		Self-employed persons are not insured against the risk of unemployment; here the corresponding law applies only to employees.
Norway		Generally, there is no compulsory coverage for the self-employed. Nor is a voluntary coverage available. However, unemployment benefits based on previous work as an employee, can be drawn up to nine months into a start-up period as a self-employed, and there is an entitlement to

Country	Unemployment insurance for self-employed	Other system
		<p>unemployment benefits between 64 and 67 years of age provided the activity as a self-employed has ceased.</p> <p>Fishermen are compulsorily covered as part of their extended rights, see under <i>Financing</i>.</p>
Austria		<p>On January 1st 2009 the new scheme for voluntary unemployment insurance entered into force. Self-employed persons can choose to be insured against unemployment or not and thereby further improve their social protection. Self-employed keep their entitlement to unemployment benefit, which they earned previously as non self-employed, for the duration of their self-employed activity, even without being member to a voluntary unemployment insurance, i.e. for free. That was already the case so far.</p> <p>The following groups of self-employed persons are eligible for voluntary unemployment insurance: self-employed, who are covered for old-age in accordance with the Act on</p>

Country	Unemployment insurance for self-employed	Other system
		Social Insurance for Persons engaged in Commercial Activities (<i>Gewerbliches Sozialversicherungsgesetz (GSVG)</i>) or in accordance with the Act on Social Insurance for Self-Employed (<i>Freiberufliches Sozialversicherungsgesetz (FSVG)</i>), as well as self-employed lawyers and civil engineers. No possibility for membership to the voluntary unemployment insurance exists for persons having reached the age of 60 or the age for early retirement or if an old-age pension or an old-age benefit has already been granted. The entitlement to benefits corresponds to that for compulsorily insured persons.
Poland		The same rules as for employed persons.
Portugal		No unemployment protection system exists for the self-employed.
Romania		Coverage: Voluntary regime. Financing: Contributions. Rate 1.00%. No ceiling.
Switzerland		The self-employed have no possibility of insurance.
Slovenia	A self-employed	

Country	Unemployment insurance for self-employed	Other system
	<p>person is unemployed if the profit from his activity has not exceeded the amount of the minimum salary compensation, or if a person is an owner or co-owner of companies, whose profit in the last calendar year prior to occurrence of unemployment, reduced by payment of compulsory social security contributions, has not exceeded the amount of the minimum salary compensation.</p> <p>Self-employed may be engaged in voluntary insurance for the case of unemployment. They are therefore entitled to unemployment financial benefits, reimbursement of transport and relocation costs, the right to health care and the right to pension and disability insurance.</p> <p>Contribution rate for unemployment for the</p>	

Country	Unemployment insurance for self-employed	Other system
	self-employed is 0.20% gross wage (0.14% as employees and 0.06% as employers).	
Slovakia	The benefits are granted according to the regulations of the general system, but only in case of non performance of the self-employed activity and previous voluntary insurance.	
Finland	The self-employed are insured by the basic unemployment insurance. Since 1995 the self-employed have had the possibility to join voluntarily the earnings-related unemployment insurance scheme and qualify for the earnings-related unemployment allowance as members of special unemployment funds, with rules particularly adapted to the situation of the self-employed (e.g. in defining unemployment).	

Country	Unemployment insurance for self-employed	Other system
Sweden	Social protection exists for the self-employed: Self-employed persons have the option of joining the unemployment insurance fund responsible for their occupational branch and consequently acquire entitlement to the basic amount and the income-related benefit.	
United Kingdom		No protection system exists for self-employed persons. If they become unemployed, they can claim income-based Jobseeker's Allowance (which is means-tested).

Source: Author's own source, based on the MISSOC tables 2010.

3.3. Unemployment benefit or early retirement option for self-employed: the Danish case

Here we shall deal with the retirement transitions of the self-employed and self-employment transitions around retirement age. One of the most striking example is Denmark. Denmark is one of the very few countries where both wage earners and self-employed workers can choose to become members of UI funds, which cover income loss during unemployment. In addition, being enrolled in a UI fund opens up the possibility of participating in an early retirement (ER) program.

As OECD countries face the distributional, productive and labour market consequences of their aging societies, and retirement systems are being increasingly financially strained, policy makers are interested in understanding alternative ways and means to alleviate the mounting pressure. This is particularly true for countries that are aging rapidly (Western and Southern Europe and Japan), that rely predominantly on pay-as-you-go finance (everywhere, albeit less so in Switzerland and the Netherlands), and where extensive early retirement programs exist that provide strong incentives to leave the labour market at a comparatively early age (in particular Denmark and the Netherlands).

In this context, self-employment receives increasing attention due to primarily two reasons. First of all, the self-employed tend to work longer, both in terms of hours per week as in terms of years before final labour force withdrawal. Secondly, the self-employed may act as employment multipliers by providing work opportunities for themselves and others. Many countries have indeed sought to stimulate start-up activities by the unemployed so as to create alternative options outside wage employment that may not be available (be it for institutional reasons or otherwise). Why exactly the self-employed choose to work longer years than comparable employees is not quite clear a priori, and retirement behavior of the self-employed is little understood. There may be institutional reasons, for instance lower eligibility for early retirement or other provisions of the social security system and the welfare state (including health insurance), it may have to do with the distribution of income shocks over the life cycle that causes some of the self-employed to work longer than initially planned, or it may ultimately simply be due to preferences (taste for work or independence). Conversely, however, self-employment may be taken as a convenient alternative route for gradual labour force withdrawal for otherwise wage employed persons whose preferences for hours worked and date of retirement do not concur with actual employment possibilities.

Second, it is used a unique institutional features of the Danish labour market in order to understand labour market transitions of the self-employed. Danes can make a couple of choices not available to other nations, and the choice set has been subject to exogenous

variation: every Danish citizen may decide whether or not to insure him/herself against the risk of income loss during unemployment, and this choice is open to both wage earners and self-employed workers. Integrated into the unemployment insurance system (which is otherwise de-coupled from social security institutions) is an optional early retirement program that allows eligible workers to leave the labour force seven years before standard retirement age.²³ This program is likewise open to the self-employed.²⁴

Denmark is one of the very few countries in the world where unemployment insurance is voluntary and organized around about 35 private, industry/occupation-specific unemployment insurance (UI) funds. A typical UI fund will be a not-for-profit organization without selection restrictions for applying members. UI Funds receive substantial subsidies from the government and cover a large majority of workers.²⁵ Workers can receive up to 90% (subject to a ceiling) of previous earnings for extended periods of time (this used to be 3 years during the 1990s but has been reduced to one year by, followed by an extended period of what might be called workfare).

Quite unique as well to Denmark is the fact that the self-employed may insure themselves against the risk of "unemployment", which includes, but is not restricted to termination of the business due to negative earnings or de-facto bankruptcy/insolvency.²⁶ Typically, UI fund members working full time will have to insure themselves as on full time basis, part time workers can choose full time or part time equivalence insurance. Self-employed workers, however, may not choose their insurance cover (always full time). Individuals wishing to draw UI benefits will have to have been member of a UI fund for at least one year and be able to show that they have been working accordingly (typically half a year during the last 12 months preceding application). For the self-employed, instead, the rules specify to have been running the business for the last three years

²³ The rules have been changed in 1999.

²⁴ <http://www.pse.ens.fr/rtn/1807.pdf> (10.04.2011)

²⁵ Parsons, D. O., Tranæs, T. and H. B. (24.05.2011) Lilleør (2003), Voluntary Public Unemployment Insurance, Copenhagen: Social Forskningsinstitutet.

(http://www.sps.ed.ac.uk/__data/assets/pdf_file/0017/23138/JSPGhent08.pdf) (24.05.2011)

²⁶ Schoukens, P., "Comparison of the Social Security Law for Self-Employed Persons in the Member-States of the European Union", in D. Pieters (ed.), Changing Work Patterns and Social Security, Den Haag/Londen/Boston, Kluwer Law International, 2000, 63-98.

and to have terminated (or suspended) the business (by means of transferring property rights, closing shop, or long-term lease) prior to applying for benefits.

The Danish old-age retirement pension is compulsory and foresees in retirement from age 67 onward. Integrated in the UI fund system, however, is an early retirement (ER) option open to UI fund members, allowing retirement at a reduced pension from age 60 onwards. Access to the ER system is possible irrespective of whether an individual is a wage earner or self-employed. The latter have to sell their business before they can claim benefits. UI fund members aged 60 and older used to qualify if they had been enrolled in the UI system for the last 10 years, typically leading to a spike in the enrollment hazard at age 50, both for wage earners and even more so for 2 The retirement age has been lowered to 65 as of July 2004, a step whose revocation is now being discussed.

Due to its generosity, ER became a very popular exit route from the labour force, but caused financial strain to the system and hampered productivity growth. The most important reform during the early 1990s concerned an important policy shift in 1992 that required continued membership of at least 20 years before retirement, implying the latest age for joining a UI fund decreased to 40. Individuals aged between 40 and 50 in 1992 were required to join the UI fund in 1992 and stay members until 60 if they were to collect early retirement benefits. For reference, we shall denote members of the cohort unaffected by the 1992 reform as being subject to the 10-year-membership rule, while those who are falling entirely under the new regime as being subject to the 20-year rule.

Only in 1999 the ER system was substantially overhauled, focusing in particular on more flexibility in terms of retirement age and possibilities to continue paid work while receiving ER benefits. The reform also removed the tight link between UI fund membership and ER eligibility by making ER eligibility depend on a special contribution to the ER system independent of UI fund membership dues. (Beskæftigelsesministeriet, 2001, 2005).²⁷

²⁷ <http://www.pse.ens.fr/rtn/1807.pdf>

Conclusion

Individuals who manage their own businesses rely on the income they generate themselves from their business to survive. Usually, the self-employed are not afforded the same level of protection as those who are employed.

The comparison shows that although the basic elements have a great deal in common, there are broad variations in the specifics of the social security systems in the event of unemployment for self-employed. Those differences in the individual countries can also be used to stimulate discussion in many developed countries to develop their system.

However, there is no ideal, generally-applicable form of unemployment compensation for self-employed persons. The system for payment of unemployment benefits reflects the traditional and historical background, societal priorities, and economic strength of each country.

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Összefoglaló

A munkahely nem önkéntes elvesztése rendszerint súlyos csapásokkal jár az egyének számára. Ilyen helyzetben talán még kiszolgáltatottabb helyzetbe kerülhetnek a munkanélkülivé váló egyéni vállalkozók. A munkanélküliség egyik legáltalánosabb következmény a rendszeres jövedelem csökkenése vagy megszűnése, a teljes elszegényedés és az ezzel járó létbizonytalanság. Lelkileg legalább ennyire megrázó a fölöslegesség és az értéktelenség átélése. A munkanélküliek – elsősorban a tartós munkanélküliek – számára a jövő kilátástalanná válhat. Míg korábban a munkahely, illetve a vállalkozási tevékenység (önfoglalkoztatás) biztosította a mindennapok időbeosztását, a rendszeres, családon kívüli társas kapcsolatokat, kedvező esetben az értelmes célokat és munkatevékenységeket. Mivel a munkaszerep része az egyén önazonosság-tudatának és kijelöl egy társadalmi pozíciót, ezért a munka elvesztésekor gyakran találkozhatunk az identitás, az önkép megkérdőjeleződésével és az önbecsülés csökkenésével.

Ebben a cikkben két kérdésre kerestünk választ: egyrészt arra, hogy az önfoglalkoztatóvá válás támogatása – mint aktív foglalkoztatáspolitikai eszköz – segít-e a munkanélküliség problémájának kezelésében, másrészt arra, hogy az önfoglalkoztató személyek számára az egyes államok szociális biztonsági rendszerei nyújtanak-e védelmet munkanélkülivé váláskor, és ha igen, akkor milyen jogi feltételek mellett teszik ezt.