



# Self-employed workers: industrial relations and working conditions

## Executive summary

### Introduction

Self-employment exists to varying degrees in the 27 Member States (EU27) and Norway, and covers a wide range of categories of workers. Own-account workers are common in traditional sectors such as agriculture, forestry and fishing, retail trade and crafts, as well as in construction and transport and also in the liberal professions. Freelance work is an established feature of the media sector, including press and the film industry. With the growth of ICT, self-employment has spread to activities such as graphic design, web-based ventures and entertainment. Both widespread company restructuring and the impact of ICT have increased the use of subcontracting, including to micro-enterprises and self-employed workers.

This report presents an overview of industrial relations and employment and working conditions of self-employed workers in the 28 countries surveyed. The study was carried out jointly by the European Industrial Relations Observatory (EIRO) and the European Working Conditions Observatory (EWCO) of the European Foundation for the Improvement of Living and Working Conditions (Eurofound). It identifies basic trends in self-employment, highlights issues concerning the definition of self-employment and offers an overview of the different national regulatory frameworks. It also examines the social security provisions for this category of workers, analyses the presence and regulation of 'economically dependent work', as well as the collective representation of self-employed workers.

### Policy context

The diversity of self-employed persons has attracted varied forms of regulation of this type of work. In Europe, self-employed persons have been the subject of attention in the sphere of employment law, more specifically in areas such as free movement and equal treatment. The Treaty on the Functioning of the European Union (former EC Treaty) provides for the free movement of all those who supply services, including self-employed persons. Regarding equal treatment, the directive on the

application of this principle between women and men engaged in an activity in a self-employed capacity, and on the protection of self-employed women during pregnancy and maternity, is significant. It also aims to ensure that these rights are extended to the spouses of self-employed workers.

In recent years, forms of employment have emerged that do not entirely correspond to traditional self-employment or standard dependent employment. The rise and diffusion of so-called 'atypical' employment contracts and the increasing importance of skills, flexibility and autonomy in organisational settings have triggered a broad debate on the possible ongoing structural changes in the domain of work. They have also fuelled the debate on the implications of such transformations for labour regulation, including both legislation and collective representation and bargaining.

### Key findings

Difficulties in arriving at a standard definition of 'self-employed worker' derive from the specific national contexts and legal frameworks, as well as the significant changes that employment relationships have undergone in recent years. Almost all countries surveyed have reported efforts to find a more effective legal definition of self-employment in order to provide a framework for ensuring social security coverage and eligibility to rights and protections under labour legislation for self-employed workers.

Despite all the national differences, it is possible to identify five basic categories of self-employment, which are most often used in the relevant literature:

1. entrepreneurs, who run their business with the help of employees;
2. traditional 'free professionals', who, in order to work in their occupation, must meet specific requirements, abide by regulations and duty-bound codes and often pass examinations to be listed in

public registers. They generally carry out their activities alone or in association with other professionals and with the help of a limited number of employees, if any;

3. craftworkers, traders and farmers, who represent the traditional forms of self-employment. These self-employed workers often work with their family members and possibly a small number of employees;
4. self-employed workers in skilled but unregulated occupations, sometimes referred to as 'new professionals';
5. self-employed workers in unskilled occupations, who run their business without the help of employees, but can sometimes be assisted by family members.

The incidence of independent work varies by more than a fifth in some countries, especially in southern Europe and in central and eastern Europe. In 2007, more than 35% of all employed people in Greece were not regular employees, followed by a similarly high level in Romania (34%). A significantly lower level, but higher than the EU average (17%), was recorded in Italy (26%), Portugal (25%), Poland (24%) and Cyprus (20%). A low incidence of independent work was present in Luxembourg (7%), Norway (8%), Estonia and Denmark (both 9%). In all cases, self-employment represents at least about 50% of all independent work.

Differences in the social protection systems for self-employed workers across countries are partly linked to the different 'welfare regime' in each country. Social security is probably the area where changes in the institutional framework for self-employed workers have been most evident in recent years.

Working time for self-employed workers tends to be much more uncertain and less structured than for employees. In many countries in this study, self-employed workers work more often than employees during atypical hours – evening, night, Saturday and Sunday; thus, the increasing diversification of working hours, which has characterised the European economic context in recent years, seems to affect self-employed workers more than employees.

Economically dependent workers are formally self-employed and usually have a form of 'service contract' with one employer, thus depending on a single employer for their income or large part of it. In all of the countries surveyed, economically dependent workers do not represent a homogeneous group. They occupy the blurred boundary between dependent employees and self-employed workers and, in general, they coincide with several forms of freelance work.

In terms of collective representation, the liberal professionals are often organised in independent interest associations. Craftspersons and small entrepreneurs, including in agriculture, are typically represented by specific trade and employer organisations, while journalists and performing artists have in many countries a long tradition of strong unionisation. Trade unions also often have an established representation in construction, and in certain countries they have recently included new self-employed workers in their representational domains.

## Policy pointers

- In order to lessen the association between self-employment and the informal economy, as well as eliminate bogus self-employment, stricter enforcement of existing regulations and the development of new tools to face irregular situations, with the active involvement of the social partners, could constitute a timely and adequate policy response.
- Recent market deregulation policies have enabled more people to enter specific activities as self-employed workers, thus contributing to employment creation and economic growth. Nonetheless, it is important to ensure that such business-friendly policy measures are not introduced to the detriment of adequate economic rewards and social security protection.
- As Spain has done in recent years, other Member States could take steps to support policies to bring the conditions for self-employed workers closer to those of employees with regard to maternity and parental leave.
- Problems associated with some characteristic features of self-employed workers – low earnings, discontinuous work, low skills, long and non-standard working hours, the high incidence of industrial accidents and work-related health problems – require comprehensive measures at national and EU levels. Such policy measures should include welfare provisions, training initiatives, business support services and the promotion of collective representation, where appropriate, with a relaxation of competition rules. Policies in this regard would support the creation of more and better self-employment opportunities.

### Further information

The report on *Self-employed workers: industrial relations and working conditions* is available at <http://www.eurofound.europa.eu/comparative/tn0801018s/index.htm>.

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