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POLICY BRIEF 1/2024

Deliverable 5.3

Non-standard employment and European unemployment protection: the dynamics between contractual flexibility and eligibility

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Funded by the European Union under Grant Agreement N.. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the European Research Executive Agency. Neither the European Union nor the granting authority can be held responsible for them. N. 101061198



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Non-standard employment and European unemployment protection: the dynamics between contractual flexibility and eligibility

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Executive Summary

This policy brief examines the critical issue of social protection gaps for workers in non-standard employment (NSE) across Europe, focusing on how contractual flexibility – intended as flexibility in terms of contract length, working hours, and employment status – influences access to unemployment benefits (UB). The findings reveal significant cross-country variations in eligibility criteria, calling for policies that ensure more inclusive access to unemployment benefits for workers in NSE. Key recommendations include standardizing eligibility criteria, enhancing inclusivity of social protection systems and promoting policy interventions to address labour market inequalities and provide comprehensive economic security.

Introduction

In recent decades, labour markets in Europe have undergone significant transformations, marked by a diversification of non-standard employment (NSE) relationships. This diversification includes, among others, the rise of marginal part-time work, zero-hours contracts, temporary contracts, bogus self-employment, and platform work. These NSE arrangements deviate from the traditional full-time, permanent employment model, which social protection systems in Europe were initially designed to support. As a result, workers in NSE relationships often find themselves insufficiently protected against social risks such as unemployment.

The challenge of combining flexibility with access to social protection to promote more inclusive labour markets calls for understanding and addressing these social protection gaps for workers in NSE. These gaps manifest as limited or no access to benefits such as unemployment insurance compared to those in standard employment. NSE is characterized by contractual flexibility – that is flexibility in contract length, working hours and/or employment status. These three dimensions are relevant for the eligibility rules, and thus to establish whether the worker is entitled to UB.

This policy brief examines how contractual flexibility – encompassing contract length, working hours, and employment status – affects eligibility to unemployment benefits, in six European countries belonging to distinct industrial relations and welfare regimes: Denmark, Sweden, United Kingdom, Ireland, Slovakia, and Poland. By analysing these dimensions, this brief aims to highlight key findings and provide recommendations to enhance social protection for workers in NSE.



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Methodology

The study is based on a comparative analysis of social protection systems in six European countries, selected to represent diverse unemployment welfare regimes: Denmark and Sweden (universalistic regime), the UK and Ireland (liberal/minimal regime), and Poland and Slovakia (sub-protective regime). The analysis focuses on three dimensions of contractual flexibility—contract length, working hours, and employment status—and their influence on eligibility criteria to access unemployment benefits.

Data was gathered from policy documents, existing comparative data sources on social protection (Mutual Information System on Social Protection - MISSOC), and descriptive policy rules from OECD (Tax-Ben model). A scoring system was used to attribute a score to the influence of each dimension of contractual flexibility on UB eligibility, assigning scores for direct influence (score = 2), indirect influence (score = 1), and no influence (score = 0). These scores were combined to create an overall measure of the influence of contractual flexibility across the selected countries.

Key findings

The analysis points to variations in how contractual flexibility affects access to unemployment benefits across different countries. The key findings are:

- **Contract duration**: Contract duration indirectly influences access to UB in all countries studied. While it is not a formal eligibility criterion, it affects continuity of contribution, which is crucial for meeting the eligibility requirements for UB.
- **Working hours**: The influence of working hours on UB eligibility varies significantly. In some countries, such as Sweden and the UK, a minimum number of working hours is a direct eligibility condition. In Denmark and Poland, it indirectly affects eligibility through minimum income requirements. In Ireland and Slovakia, working hours have no influence on UB eligibility.
- **Employment Status**: Employment status has a direct influence on UB eligibility in most countries. Self-employed workers face additional conditions, such as longer contribution records or the need to close their business activities, to qualify for UB. Poland is an exception with self-employed workers being subject to the same eligibility conditions as those with employee status.

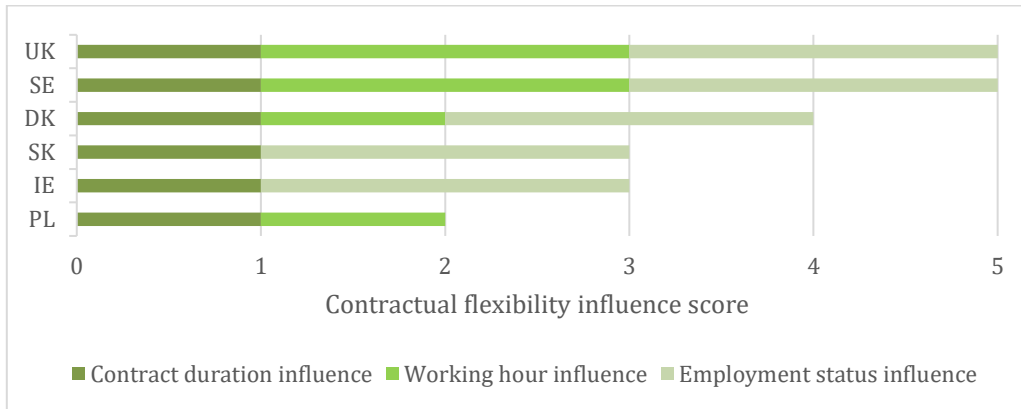
To summarize, contract duration and employment status affect access to UB in all countries, and they do in the same way (except for employment status in Poland). Differently, the influence of working hours is the dimension that adds complexity to the picture as, they influence access to unemployment benefits in different ways in distinct countries.

The cumulative influence of these three dimensions varies across countries and regimes. The higher the overall influence scores, the less inclusive the UB system is for NSE workers (see Figure 1).

For instance, the UK and Sweden show higher overall influence levels, suggesting more stringent conditions for NSE workers to qualify for UB compared to Poland. These differences are not directly attributable to regime variations. The disparities between Slovakia and countries such as Ireland, the UK, Sweden, and Denmark are largely due to variations in working hours' influence, both directly (minimum hours worked) and indirectly (minimum income level).



Figure 1. Overall level of influence of the dimensions of contractual flexibility on access to UB



Source: Own elaboration

Future challenges for welfare states

Based on the findings, the following implications for national protection systems are highlighted and recommendations are proposed to address these social protection gaps for NSE workers:

1. Harmonize eligibility criteria across employment types:

- The varied influence of contractual flexibility dimensions across countries calls for harmonising eligibility criteria that accommodate the realities of NSE.
- Recommendation: Standardize eligibility criteria for UB across different employment types to ensure an inclusive social protection system. This could involve adjusting and lowering eligibility criteria such as contribution requirements and recognizing varied work patterns.

2. Enhance inclusivity of social protection systems:

- A higher score of the overall influence of contractual flexibility hints to a less inclusive UB systems for workers in NSE, which could result in social protection gaps.
- Recommendation: Make social protection systems to be more inclusive, particularly in countries with stringent eligibility conditions. This could include removing or lowering the thresholds for minimum working hours and earnings, reducing qualifying periods, and providing tailored support for self-employed and part-time workers to match differing employment forms.

3. Promote income security and employability in the presence of contractual flexibility through policy interventions:

- The need for balancing labour market flexibility with social security is crucial for protecting workers in NSE.
- Recommendation: Implement policy interventions that offer portable social benefits that move with workers across different employment types. Additionally, enhance the role of collective bargaining in negotiating social protections for NSE workers.



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Conclusion

Addressing social protection gaps for NSE workers is essential for reducing labour market inequalities and ensuring economic security for all workers. The findings of this study highlight the importance of considering contractual flexibility in the design of social protection systems. By harmonizing eligibility criteria, enhancing inclusivity, and promoting security along flexibility, policymakers can create more resilient social protection systems that adequately support workers in NSE.

These recommendations provide a pathway towards more equitable social protection, ensuring that all workers, regardless of their employment type, have access to the benefits and security they need in times of unemployment and beyond.

Reference

Girardi, S., Ilsøe, A. and Larsen, T. P. (2024), Non-standard employment and access to social protection across European Countries: Exploring the influence of contractual flexibility on eligibility for unemployment insurance benefits. Working Paper D.5.2. 07/2024. Horizon Europe Project: TransEuroWorks