

## Brief

*Prepared by the General Secretariat of the Council, under the direction of the President of the COR*

**Summary:** Non-salaried workers are characterised by their affiliation to different pension schemes depending on their occupation. The pension system for the self-employed, which is the subject of this dossier, reflects this diversity and presents a certain number of specificities, both in terms of affiliation schemes as in terms of social contributions and calculation of rights.

This dossier is divided into three main parts. The first part describes the characteristics of the self-employed and their pensions and reviews the architecture of the self-employed pension system. It also describes the organization adopted in other countries. The second part is devoted to the methods of calculating pensions of the self-employed and presents their demographic and financial data, including projections. Finally, the third part addresses the main issues related to the specificities of these schemes in the context of the announced implementation of the universal pension system.

*I – Who are the self-employed and how is their pension system organised?*

- **Who are the self-employed?** In 2017, the 3 million self-employed accounted for just over 10% of jobs (*document no 2*). The increasing salarisation of some occupations and the decline in agricultural jobs for several decades, have been offset by the emergence of new forms of self-employment in recent times. More male and older than the average workforce, the self-employed are more often pluriactive. They also work longer hours than employees. Their net income is slightly higher than the average net salary, but hides a great diversity between them (the liberal professions stand out from the other self-employed) and an irregularity over time. Finally, the self-employed, with the exception of craftsmen and merchants, are largely over-represented in households with a high wealth.
- **What are the pension amounts for former self-employed?** In 2016, the average direct pension for non-salaried workers represented 56% of that of salaried workers among single pensioners, 73% among multi-pensioners. This is data for all pensioners and not those who recently retired. The lower pensions of farmers, whose share in retirees is still high, continue to weigh on the average pension of former self-employed workers while liberal professions receive significantly higher pensions than other former self-employed workers do. These results are also explained by the late introduction of mandatory complementary schemes for farmers and shopkeepers (*document no 2*).
- **Which schemes are self-employed affiliated to?** The main criterion for affiliation to a basic and complementary non-salaried scheme is the nature of the activity. Farmers are thus affiliated to the Mutualité Sociale Agricole (MSA), craftsmen and merchants are affiliated to the Sécurité Sociale des Indépendants (SSI) and liberal professionals are affiliated to the Caisse nationale d'assurance vieillesse des professions libérales (CNAVPL) and to its various sections or to Caisse nationale des barreaux français (CNBF) for lawyers (*document no 3*).
- **And abroad?** Some countries (the Netherlands, the United States, the United Kingdom and Japan) have set up basic old-age insurance schemes aimed at covering the entire population or workers, within the same organization, without distinction for the self-employed (*document no 4*). In other countries, old-age coverage remains occupational in nature even if it falls within a mandatory and generalized framework (Spain, Italy). Finally, in the last group of countries, affiliation to a basic pension scheme is not compulsory except for certain professions (Germany).

## *II - Pension schemes for the self-employed*

- **How are entitlements calculated in the various self-employed schemes?** The basic schemes are fully harmonized with respect to the entitlement conditions (age and insurance record). It is only partial for the calculation of entitlements: while the basic scheme for craftsmen and merchants is in line with the general scheme, in the schemes for liberal professions (including lawyers) and for farmers, entitlements are calculated in points or on a flat-rate basis (*documents no 5 to 8*). Pensions are calculated in points in supplementary schemes, where the entitlement conditions are variable.
- **What is the demographic and financial outlook for these schemes?** The ratio between the number of contributors and the number of pensioners is currently lower than for the population as a whole in farmers, craftsmen and merchants schemes, but it is expected to improve by 2040 and then stabilize. Conversely, it is currently significantly higher in all liberal schemes but would deteriorate noticeably thereafter. The reserves of the schemes would deteriorate significantly, or even run out depending on the scenarios, with the exception of those of the liberal schemes which would represent between 2.6% and 3.7% of GDP in 2070 (*documents no 5 to 8*).

## *III - Specificities and challenges of retirement for the self-employed*

- **What are the bases and contribution rates for the self-employed?** The contribution base for non-salaried workers is based on professional income from liberal occupation and subject to income tax, which corresponds to the net equivalent salary of employees (*document no 9*). For basic schemes, only the scheme for craftsmen and merchants has the same contribution rate under the ceiling (employer + employee) of the private sector, while it is lower for the other categories of self-employed. For the same net remuneration, contributions (and benefits) of non-salaried workers are therefore lower than those of salaried workers (*document no 10*). France, in this respect, is no different from the other countries studied where the social contributions bases of self-employed workers are generally based on the income (turnover) net of charges (*document no 4*).
- **What do self-employed people think about retirement?** Self-employed workers generally have the same opinions about the pension system as the general population. However, they are slightly more likely to think that retirees have a higher standard of living than the rest of the population, but they expect to have a lower standard of living themselves once they retire. In addition, they wish and think to be able to retire later than other socially insureds do (*document no 11*).
- **Is it possible to keep different contribution rates and bases for the self-employed in the new system?** Differences in bases and contribution rates are *a priori* conceivable in a system where the actuarial equivalence between contributions paid and benefits received is granted. If the contributions are lower for some socially insureds, their pensions will eventually be lower as well. However, the persistence of lower contributions for the self-employed could lead to a temporary imbalance and a lasting debt if the demographics and/or earnings of the self-employed evolved more dynamically than those of the salaried workers did over generations, causing a drop in the average contribution rate. If the desire is then to move towards greater convergence between salaried workers and self-employed, greater harmonization of the bases between the socially insureds would however raise several difficulties that would make it difficult to implement (*document no 12*).
- **What about low pensions?** In order to compensate for the variability in the income of self-employed, the schemes have set up minimum bases allowing them to acquire quarters in the current system where the insurance record plays a central role, thus avoiding them contributing "at a loss" . The question of the relevance of these bases in a scheme where rights would be acquired from the first euro could then arise. Moreover, if the self-employed contribution rates were to remain lower than those of salaried workers did, it would be appropriate to question the articulation with the minimum pensions. Indeed, lower rates and/or differences in contribution base would lead to pensions that are more likely to be below the level of this minimum (*document no 12*).